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The Honorable Seth M. Grove Chairperson
House Government Oversight Committee
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PO Box 202196
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Democratic Chairperson
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Chairperson Grove
Chairperson Bradford
Members of the House of Representatives
Government Oversight Committee,

My name is Rob Caruso, and I am the Executive Director of the Pennsylvania State Ethics Commission. Accompanying me today are members of the Commission Vice Chairman Mark Corrigan and Commissioner Roger Nick. Also present are the Commission's Chief Counsel Robin Hittie, Deputy Executive Director-Director of the Investigations Brian Jacisin and Investigative Counsel Jeffrey Frankenburger who has primary responsibility for lobbying compliance. We are here today, pursuant to the invitation of the Committee, to provide testimony, offer comments and answer any questions that members of the Committee may have. The Commission is appreciative of the invitation to participate in today's proceeding and is here to offer whatever assistance the Committee deems appropriate.

In addition to its many duties and responsibilities under other laws, the Commission in 2006 was tasked with the enforcement of the registration and reporting requirements of the Lobbying Disclosure Act as well as issuing advisory opinions under the law.

Presently, the Commission's enforcement of the registration and reporting requirements of Sections 13A04 and 13A05 begin with the Commission's Investigative Division receiving a listing from the Department of State of registrants which have not filed quarterly expense reports. Commission Investigative Division counsel will compare this list with the Department of State database and will also check the Commission's database to determine if there were prior instances of noncompliance. Warning Notice Letters are then sent to those registrants that have been identified and confirmed as having not filed quarterly expense reports as required by law. Those not filing expense reports within thirty days of the issuance of the Warning Notice Letter are sent a Notice of Alleged Noncompliance via certified mail. The registrants who are subject of a Notice of Alleged Noncompliance must file an Answer with the Commission within thirty days. In most instances, upon receipt of the Notice of Alleged Noncompliance, contact is made with Commission Investigative Division staff, following which the registrants and Commission staff negotiate a Consent Agreement/settlement. In the event no Answer is filed, or no contact has been made with the Commission, staff of the Investigative Division will notify the Commission's Legal Division to begin formal proceedings. Once a default has occurred, the matter is forwarded to the Commission for a ruling. Penalties are administered in accordance with the Law.

Since 2014 the Commission has issued 881 Warning Notice Letters resulting in the issuance/filing of 84 Notices of Alleged Noncompliance culminating in Commission Orders directing payment of \$350,000. The total number of Warning Notice Letters have, however, decreased from 273 in 2014 to 60 during the first and second quarter of 2019. Statistics for the past 5 years are highlighted in the attached addendum.

Prior to the passage of Act 2 of 2018, the filing of quarterly expense reports with the Department of the State would be completed either electronically or in paper format. The existence of both paper and electronic reports at times made confirmation of compliance tedious and uncertain. There were instances of registrants having filed paper forms but for some reason the quarterly reports were not identified within the database, creating the appearance that the registrants had not filed. However, with the passage of Act 2 of 2018, requiring electronic registration, these instances have been remedied to a great extent.

There is insufficient data to make any conclusions whether the increased penalties provided for in Act 2 of 2018 have resulted in greater compliance. However, the number of warning notices issued thus far in 2019 suggests a trend towards increased compliance.

The electronic registration system implemented by the Department of State has resulted in greater efficiency and less uncertainty when initiating compliance proceedings. It is anticipated that this will also eventually result in greater compliance. With any new system issues arise but the Commission has continued to work with the Department of State to identify issues and reach solutions.

As requested, the Commission staff who are most familiar with the Lobbying Disclosure Law have identified some areas where improvements can be made to increase transparency and achieve greater compliance, those suggestions are appended to this document.

The members and staff of the State Ethics Commission welcome the opportunity to make this presentation and assist the Committee as they address increasing the effectiveness of the Lobbying Disclosure Law.

On behalf of the Commission, I would like to thank the Committee for the opportunity to make this presentation and we would be pleased to answer any questions that the Members of the Committee may have.

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Commission Enforcement /Compliance 2014 to Present					
year	Warning notices	Enforcment Actions	Orders	Total Penalties	
2014	273	15	15	\$43,945.00	
2015	237	31	31	\$82,823.00	
2016	121	11	11	\$45,285.00	
2017	85	10	10	\$35,548.00	
2018	105	9	9	\$52,985.00	
2019*	60	8	8	\$92,116.50	
totals	881	84	84	\$352,702.50	

* Included notices for 1st, 2nd quarters of 2019 and 4th quarter of 2018

SUGGESTED AMENDMENTS TO LOBBYING DISCLOSURE LAW TO IMPROVE TRANSPARENCY AND COMPLIANCE

- Maintain the registration thresholds as \$3,000.00; however, once registered, eliminate the reporting threshold and require a reporting of all monies spent during the reporting quarter.
- 65 Pa.C.S. §13A05(b)(3)(iv) requires Principal/Lobbyist to provide written notice to each State official or employee who is listed in an expense report at least seven (7) days prior to the report's submission to the department. The Written Notice shall include the information which will enable the State official or employee to comply with section 1105(b)(6) and (7) of the Ethics Act. Each notice shall include both the amount incurred during the quarter and the cumulative amount incurred from January 1 through the end of the applicable quarter. It is recommended that a copy of the Written Notice be submitted to the State Ethics Commission and the Department of State.
 - In the alternative, in addition to the Written Notice, require a Principal/Lobbyist to include within the quarterly expense report the identity of each State official or employee who received Gifts/Travel/Lodging/Hospitality during the quarter regardless of the amount and include both the amount and the cumulative amount incurred from January 1 through the end of the applicable quarter, within the filed quarterly expense report.
- Require registrants (Principal/Lobbyist) to complete an on-line training (less than 20 minutes) prior to or within ten (10) days of registration or renewal of registration.
- Lobbying Regulations, specifically 51 Pa. Code §53.5(a)(b)(c), requires changes to the registration be submitted to the Department of State in writing within 14 days of a change in information.
 - Require a Principal/Lobbyist to reaffirm the accuracy of information contained upon a registration statement each quarter. This can be in conjunction with the filing of the quarterly expense reports.
 - Require a Principal to provide written Notice to the State Ethics Commission/Department of State within 30 days of a Principal dissociating with a Lobbyist/Lobbying Firm.
- Permit the State Ethics Commission and/or Department of State to serve Warning Notices, Notice of Non-Compliance, *etc.* via email to the designated/identified representative for the registered Principal/Lobbyist/Lobbying Firm.

- Require the identification of with whom and for how long direct communication occurred, upon quarterly expense reports. A reporting should also include the identification of which principal(s) interests were represented during the direct communication.
- Require Principal/Lobbyist to clearly state to the target of direct communication (public official/public employee) whom they (Principal/Lobbyist) represent and that the communication is in furtherance of compensated lobbying efforts.
- Impose an automatic trebling of any assessed penalty if same is not paid within 30 days of the issuance of an Order finding a violation.