



**Testimony for the House State Government Committee
Hearing on Lobbying Reform Legislation
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Department of State
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Chairman Grove and Chairman Conklin, the Department of State appreciates the opportunity to testify today on lobbying reform. Making government more transparent and accountable is a priority for both the Department of State and the Administration.

As the Department of State is responsible for implementing the changes to the Lobbying Disclosure Law contained in this legislative package, we appreciate the opportunity to share the department's perspective in terms of implementing these changes.

As a preliminary matter, the department would need to make significant operational changes to implement the new requirements contained in these proposals. This would include changes to current IT systems and the Lobbying Disclosure Database and development of guidance and trainings to ensure compliance with the law. The 60-day effective date in these bills is not feasible for the scope of the changes needed and would put the department under significant strain to meet the effective date. In order to make the changes necessary, the department requests a minimum of 180 days.

Additionally, these changes will have a fiscal impact on the department. The department's Lobbying Disclosure program is funded by the biennial registrations it receives. The current registration fee is \$300 per registrant. As the Department works to implement the Equity Reporting requirements of Act 70 of 2021, it is clear that additional resources would be necessary to implement new initiatives. The department respectfully requests that in order to make changes to lobbying requirements effective, the General Assembly support the corresponding funding necessary to implement the changes.

HB 1599

Currently, principals and lobbyists required to file expense reports must affirm that they have complied with the conflict-of-interest rules in the Lobbying Disclosure Law. Principals and lobbyists are also required to retain conflict of interest records for four years, but the records are not otherwise available. This new reporting requirement would provide additional transparency into whether principals and lobbyists are complying with the conflict-of-interest rules rather than relying on the self-policing that occurs now. However, the department would recommends

adding mechanism to allow for the handling of violations of the reporting of a conflict of interest.

HB 1600

The department supports increased transparency in who is coordinating, managing, and overseeing political campaigns. However, inclusion of campaign consultants and campaign-related professional services would be a better fit outside of the Lobbying Disclosure Law. Additionally, the bill is not clear about who must register, which could lead to an overly broad application of the registration requirement. This makes it challenging to know how many registrations could occur, which, depending on the volume, could cause major fiscal and logistical considerations for the department.

HB 1602

The department supports increased transparency about the lobbying activity that occurs as part of state-funded grants as well. Providing clarity regarding who qualifies as a third-party affiliate and what is contained in the financial assistance report will allow the department to better prepare for how many reports will be filed and when.

HB 1603

The “cooling off” period between campaign work and lobbying and temporary safeguards is also beneficial because it serves to prevent real or implied conflicts of interest. However, additional definitions are needed to clarify exactly who qualifies as a “campaign consultant.” If clarifying the definition is not possible, providing the Secretary regulatory authority in this area to more clearly define this role would be an alternative.

HB 1604

The Department supports the goal to limit the amount lobbyists, lobbying firms and principals can benefit from the award of state or local grants that use commonwealth funds, but the financial cap set in this bill is more likely to become the going rate for this service than it is to disincentivize third party-inducement. It would be beneficial to consider lowering the dollar amount or prohibiting this practice outright, in addition to the amendments proposed below.

HB 1606

Eliminating the exemption for minimal amounts of lobbying will increase transparency, however the proposed changes to the audit selection process risk making the process of selecting registrants for audit subjective and open-ended, because the number of groups to be audited is undefined and timeframes around the completion of these audits have been removed. The cost is likely to be significantly higher to conduct the proposed audits.

Currently, it is a random selection of 3% of all completed registrations and expense reports audited. The legislation would require a more subjective process to be used to select which completed registrations and expense reports are to be audited. This process is to be based on factors that focus on risk of noncompliance and selection of audit candidates must

be consistent with those factors. There are no guidelines provided that define what those “factors of noncompliance” should be limited to or should include.

HB 1609

Training is valuable to ensure lobbyists are fully informed on the law, prohibitions in the law, the Ethics Act, and regulations and advisory opinions in addition to providing best practices for compliance with statutory and regulatory requirements. The Department alone may not be the best fit to provide the required training. Though the Department will seek advice from the Ethics Commission in any event, it would be beneficial to explicitly include the Ethics Commission in the development and administration of the training.

As always, the department stands ready and willing to engage with the bill sponsors and your committee as these bills progress. We are happy to discuss opportunities for improvement our team has identified. Thank you again for the opportunity to testify today. I’m happy to answer any questions you may have.