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Phil Stutzman
Compliance Office
Washington Public Disclosure Commission
711 Capitol Way S. #206
P.O. Box 40908
Olympia, WA 98504-0908
pdc@pdc.wa.gov

Re: PDC Case No. 160410
BIL No.: 3450*008-001

Dear Mr. Stutzman,

We are writing on behalf of Washington Education Association PAC (WEA PAC) to respond to Glen Morgan's complaint, Case No. 160410. As a continuing committee, WEA PAC must file a report on the tenth day of each month detailing expenditures and contributions received in the preceding calendar month. RCW 42.17A.225(2). Continuing committees must close out at the end of every calendar year and either carry forward the balance or import information from another campaign.¹ WEA PAC's bank account balance at the start of each year often does not match up with the balance reported on the last C4 for the following year because certain pending items have not yet been reported or amended, or because pending transactions have not yet cleared. In such situations, rather than automatically carrying the previous year's balance, WEA PAC discloses the actual cash on hand in the PAC's bank account to promote maximum transparency. Because the discrepancy in the end of the year balance versus the start of the year balance is attributable to various administrative causes, rather than any covert receipt or expenditure of resources, the Commission should dismiss the complaint.

Each year, WEA PAC issues several monetary contributions to PACs or candidates via check. WEA PAC reports these expenditures at the time it sends the check to the recipient. Although immediately reported, the expended funds remain in WEA PAC's bank account until actually deposited by the recipient. For checks that are not cashed for significant periods of time or that are issued near the end of the year, this mismatch in reporting versus actual bank account balance can span reporting years. This issue causes two different kinds of discrepancies between WEA PAC's end of year and start of year reported balance – (1) a discrepancy when the check remains uncashed at the start of a subsequent reporting year and (2) another discrepancy when WEA PAC reports the check as void in the next reporting year.

¹ PDC, *Continuing political committees: How to begin the new year*, <https://www.pdc.wa.gov/registration-reporting/candidates-committees/after-election/continuing-political-committees-how-begin-new-year>.

The first type of discrepancy results because WEA PAC has already reported the uncashed check as a contribution, lowering WEA PAC's ongoing reported balance, but the funds have not actually left its bank account at the end of the reporting year. Thus, for checks that remain uncashed at the start of a subsequent reporting year, WEA PAC's actual bank account balance includes funds that have been reported as having been expended. Unfortunately, uncashed checks that span reporting years is a recurring issue for WEA PAC. For example, on November 1, 2022, WEA PAC made an independent expenditure to Fincher Consulting, Inc. worth \$20,410. *See* PDC Report 110140292. WEA PAC reported this expenditure when it issued the check to Fincher Consulting. *Id.* The check was not deposited, and the funds did not leave WEA PAC's bank account, but it was reported in WEA PAC's PDC reports. After WEA PAC confirmed the recipient did not deposit the check, WEA PAC reported the check as void in the subsequent reporting year, in November 2023 on its amended January 2023 C4 report. *See* PDC Reports 110136090, 110186191, 110203418. WEA PAC did re-issue the check to Fincher Consulting on May 10, 2023, *see* PDC Report 110186196, but it still caused the discrepancy between WEA PAC's 2022 final balance and its 2023 starting balance. Thus, this one instance accounts for at least \$20,410 of the cited discrepancy between WEA PAC's stated balance in its final C4 for 2022 and first C4 for 2023.

Other examples of this first type of discrepancy exist in WEA PAC's reports. For instance, in 2023 WEA PAC made the following contributions: \$1,200 to Committee to Elect Lisa Peppard on June 29, \$500 to Andrew for Monroe School Board on July 18, \$500 to Aisha Mayfield on July 28, \$500 to Malia Elizabeth Hollowell on August 17, \$1,200 to Friends of Kristina Walker on September 14, and \$1,200 to Citizens for Jessica Aws on October 12. WEA PAC timely reported these as expenditures. *See* PDC Reports 110186202 (showing contribution to Peppard); 110186214 (showing contribution to Andrew for Monroe); 110189246 (showing contribution to Mayfield and Hollowell); and 110203420 (showing contribution to Walker and Aws). However, each recipient did not cash the check through at least January 2024. *See* Exhibit A (Jan 2024 Quorum bank reconciliation showing all expenditures as "un-cleared" in January 2024). Delay in cashing checks like these examples can lead to significant discrepancies between what has been reported and the funds actually held by WEA PAC at the start of a new reporting year. Rather than automatically carrying over its last reported balance, WEA PAC updates its starting reporting to accurately appraise the public of the funds available to WEA PAC in its account.

In addition to the discrepancy caused by the uncashed checks, reporting discrepancies may also occur when a check that has never been cashed is reported as void in a year subsequent to the check having been reported. For example, WEA PAC may determine that a check is simply never going to be cashed, and in such situation, will report the pending check as void. The result is that WEA PAC's reported balance is increased by the amount of the voided check. Of course, because no new funds were actually received, this phenomenon leads to yet another discrepancy between the reported WEA PAC balance and the actual bank balance. When WEA PAC reports an uncashed check as void in a year subsequent to when it was issued, it effectively adds reported funds to a reported balance that never incurred a deduction from the uncashed check. This type of discrepancy is shown in WEA PAC's PDC reports. For instance, WEA PAC made contributions to the following PACs and candidates in 2022: \$1,000 to Chris for Washington on December 16, 2022 (*see* PDC Report 110140293); and \$2,000 to Committee to Elect Skyler Rude on June 30, 2022 (*see* PDC Report 110140281). The recipients did not cash these checks and WEA PAC reported them as void checks in 2023. *See* PDC Reports 110203418 (classifying Chris for Washington's check as "Void – Candidate Returned Check" and Elect Skyler Rude's checks as "Void - Stale Check"). In another instance, WEA PAC recorded a contribution of \$500 to Bill Gaines for SBL School Board on October 5,

2023. *See* PDC Report 110203420. However, the recipient did not cash this check before the end of 2023, and in fact did not ever cash it. Thus, WEA PAC reported the check as void in 2024. *See* PDC Report 110221864 (reporting check to Bill Gaines as void on April 2024 C4).

These are only a few examples of the complications that may cause WEA PAC's start of year C4 bank account balance differing from the reported balance on its last C4 for the prior year because of void or uncashed checks. In 2023 alone, WEA PAC reported 15 voided checks – some up to amounts of \$15,000 – each of which represents an expenditure that had been properly reported as having been made by WEA PAC in 2022, but which never resulted in funds actually leaving the WEA PAC account.² Similarly, WEA PAC reported 12 voided checks in 2022,³ 28 voided checks in 2021,⁴ and 41 voided checks in 2020⁵ – all of which represent only a portion of timely reported but never realized expenditures that help to explain the discrepancy between the PAC's reported balance and actual balance. Thus, this is a recurring issue that inherently results in discrepancies between WEA PAC's end-of-year and start-of-year account balance, despite all efforts to comply with PDC and state regulations for reporting campaign expenditures and contributions.

Notably, WEA PAC hires an independent accountant to audit WEA PAC's records and for the years relevant to this complaint, 2019, 2020, 2021, 2022, and 2023, this independent auditor reviewed WEA PAC's records and found no missing or misspent funds. Instead, these year-end discrepancies are caused by WEA PAC's need to file occasional amendments to its reports.

The need to adjust the starting balance resulted from WEA PAC's good faith attempts to update its reporting with real-time information whenever possible. WEA PAC stands ready to adjust its reporting of challenging reporting situations like the ones addressed herein, should PDC staff believe there is a way to do so that better promotes transparency and the spirit of the Fair Campaign Practices Act, which WEA PAC is dedicated to promoting. WEA PAC requests an alternate remedy in this case under WAC 390-37-061.

Sincerely,



Juliana DeFilippis

Counsel for Washington Education Association

²All WEA PAC's 2023 Expenditures with a description containing "void": https://www.pdc.wa.gov/political-disclosure-reporting-data/browse-search-data/committees/co-2023-20621?expenditure_description=void#expenditures

³ All WEA PAC's 2022 Expenditures with a description containing "void": https://www.pdc.wa.gov/political-disclosure-reporting-data/browse-search-data/committees/co-2022-20621?expenditure_description=void#expenditures

⁴All WEA PAC's 2021 Expenditures with a description containing "void": https://www.pdc.wa.gov/political-disclosure-reporting-data/browse-search-data/committees/co-2021-20621?expenditure_description=void#expenditures

⁵All WEA PAC's 2020 Expenditures with a description containing "void" https://www.pdc.wa.gov/political-disclosure-reporting-data/browse-search-data/committees/co-2020-20621?expenditure_description=void#expenditures

EXHIBIT A

Bank Reconciliation Report

Bank Name	WEA-Political Action Committee
Reconciliation Date	1/31/2024
Performed By	Gena Mansell
Bank Statement Date	1/31/2024
Bank Statement Balance	\$2,708,956.39
Opening Balance	\$2,620,039.90
Cleared Receipts	\$89,636.71
Cleared Disbursements	\$720.22
Cleared Balance	\$2,708,956.39

Un-Cleared Disbursements

6/29/2023	34044	COMMITTEE TO ELECT LISA PEPPARD	\$1,200.00
7/18/2023	34065	ANDREW FOR MONROE SCHOOL BOARD (ANDREW4MSD)	\$500.00
7/28/2023	34090	AISHA MAYFIELD	\$500.00
8/17/2023	34096	MALIA ELIZABETH HOLLOWELL	\$500.00
9/14/2023	34135	FRIENDS OF KRISTINA WALKER	\$1,200.00
10/12/2023	34178	CITIZENS FOR JESSICA AWS	\$1,200.00