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2016 ANNUAL REPORT TO THE GOVERNOR AND THE GENERAL ASSEMBLY

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Tennessee Ethics Commission
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Tennessee Ethics Commission

The 2006 Extraordinary Session of the Tennessee General Assembly enacted the Comprehensive Governmental Ethics Reform Act of 2006 (“Act”). The Act created an independent Tennessee Ethics Commission (“Commission”) to interpret and enforce the provisions of the Act. The Commission is responsible for the enforcement the Tennessee Ethics Commission Act of 2006 which includes the following statutes:

- T.C.A. §§ 3-6-101 – 3-6-308
- T.C.A. §§ 8-50-501 – 8-50-506
- T.C.A. §§ 2-10-122 – 2-10-130

The Commission is composed of six members: two appointed by the Governor; two appointed by the Speaker of the Senate and two appointed by the Speaker of the House of Representatives. Each appointing authority must appoint one Republican and one Democrat. After initial staggered terms, members serve four-year terms and may serve two consecutive terms. Commission members with their appointing authority, city of residence and term expiration at the end of 2016 were:

- Governor
 - George P. Jaynes, Limestone, Republican Representative, December 31, 2016
 - Charles Traughber, Nashville, Democratic Representative, December 31, 2020
- Speaker of the Senate
 - Frank Watson, III, Memphis, Democratic Representative, December 31, 2017
 - Tammy S. White, Knoxville, Republican Representative, December 31, 2017
- Speaker of House of Representatives
 - John Gregory Hardeman, Nashville, Republican Representative, December 31, 2014
 - James G. Stranch, III, Nashville, Democratic Representative, December 31, 2014

The Commission meets on an as need basis. A meeting agenda is posted on the Commission’s web site, www.tn.gov/tec, one week in advance of any meeting. In addition, a notice of the Commission meeting is posted at the Legislative Plaza. Agendas are available in the Commission office and can be mailed to anyone who requests one. The Commission meetings are held in the Commission's office and are open to the public. Minutes of past meetings are available on the Commission's website after they have been approved by the Commission.

In 2009, a new entity was created in order to consolidate certain management and administrative functions of the Commission and the Registry of Election Finance (“Registry”), in order to save the taxpayers of Tennessee and the regulated entities several hundred thousand dollars per year. The new entity is named the Bureau of Ethics and Campaign Finance (Bureau). Both the Commission and the Registry continue to exist, with no change in their respective jurisdictions, powers, duties and authority.

Under the new structure, the staff of the Bureau consists of an executive director and nine additional staff. The staff of ten employees handles the duties of the Registry and Commission on a day to day basis. The Bureau is administratively attached to the Secretary of State’s office. The Secretary of State assists the Bureau in administrative matters such as receipts, disbursements, budget, travel, personnel, information services and audit. This step was taken as a cost saving move and allows the Bureau to operate without the costs of having their own administrative staff.

THE COMMISSION'S WEBSITE

The Commission continuously improves and expands the information available its website (www.tn.gov/tec) to educate the public about the Commission and to be in compliance with the mandate. The website provides news and other important information to the public and regulated communities; provides notice of Commission meetings and agendas; provides an on-line tool for registering or filing electronically; and permits the public to view documents, registrations, reports and disclosure statements filed with or issued by the Commission. There are references throughout this report on where on the Commission's website information may be located.

In addition, the Commission maintains a separate e-mail address (ethics.counsel@tn.gov), which is monitored daily, where any individual can pose a question to the Commission staff and receive a response.

LOBBYISTS AND EMPLOYERS OF LOBBYISTS

REGISTRATION

Lobbyists and employers of lobbyists are required to register, each calendar year, not later than seven (7) days after entering an agreement to become a lobbyist/employer of lobbyist. A lobbyist must register for each employer that hires him or her, and employers must register for each lobbyist that they hire.

Each lobbyist and employer is required to pay a \$150 registration fee for each registration within 30 days after registration. The \$150 registration fee may be paid on-line at the time of registration by credit card or it may be submitted within 30 days by check or money order. In addition, each lobbyist must pay an annual training fee of \$40 along with his or her first registration.

The registration process for both lobbyists and employers is completed on-line. The Commission maintains a website at <https://apps.tn.gov/ilobby/> where lobbyists/employers must complete the registration process. The information listed below is required at the time of registration.

Lobbyist registration information includes:

- The lobbyist's name, address, telephone number and email address
- A current photographic portrait, which must be submitted to the Commission within thirty (30) calendar days after registration
- Identifying information concerning the lobbyist's employers

Employer of Lobbyist registration information includes:

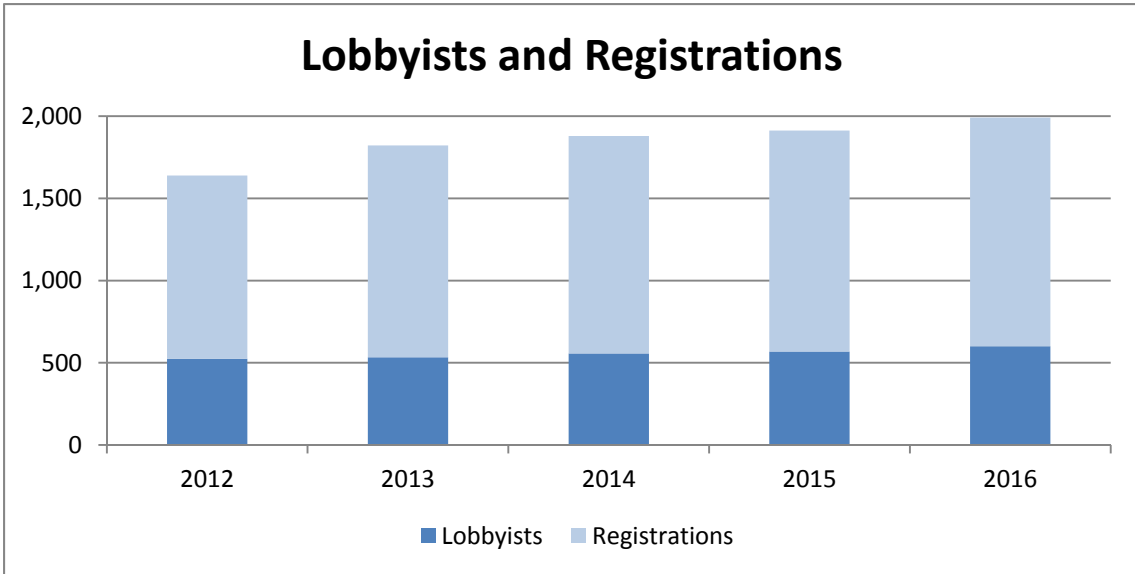
- The employer's name, address, telephone number and email address
- The name and contact information of each lobbyist authorized to represent the employer
- Verification by the employer that it has downloaded the Manual for Lobbyists and Employers of Lobbyists from the Commission's website

Throughout the registration year, each lobbyist or employer of lobbyist must update a registration statement if any event or circumstance occurs which renders the statement inaccurate or incomplete. This update must be completed within seven (7) days after the change in circumstances.

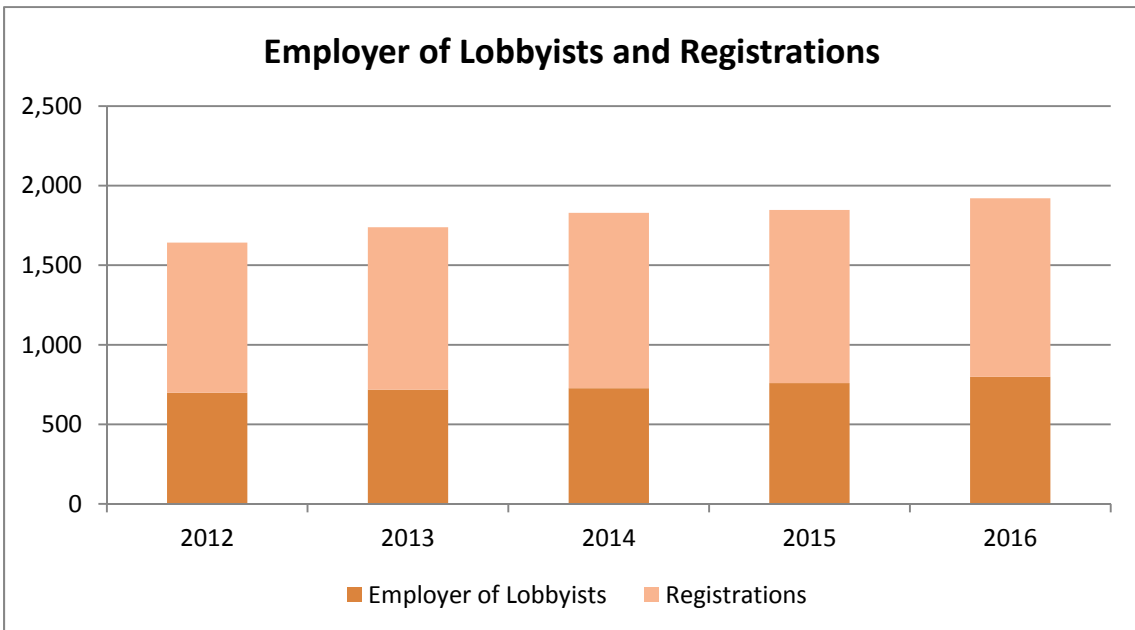
Lobbyist and employer of lobbyist information is available to the public on the Ethics Commission's website (<https://apps.tn.gov/ilobbysearch-app/search.htm>).

The information is available in a searchable format by the lobbyist name, employer of lobbyist name, subject matter and registration year.

In 2016, 601 lobbyists filed 1,992 registrations with the Ethics Commission. As can be seen in the chart below the number of lobbyists and total number of lobbyist's registrations have continued to grow over the last five years.



In 2016, 798 employers of lobbyists filed 1,921 registrations with the Ethics Commission. Similar to lobbyists and the number of lobbyist registrations, the number of employer of lobbyists and their registrations has increased slowly over the last five years, as can be seen in the chart below.



Please note, the number of registrations filed by lobbyists and employer of lobbyists do not match because of an exemption from the registration requirements for some employers of lobbyists.

TRAINING

An annual training course for lobbyists is required upon registration. The training is completed electronically through the website.

In 2013, the annual training course for lobbyists was built in to the lobbyist registration system. Lobbyists will now enter the training site after logging in to their individual web page. The system will now automatically track who has completed the training, eliminating the need for lobbyists to submit a certificate, showing completion of the training, to the Ethics Commission.

EMPLOYER DISCLOSURE REPORTS

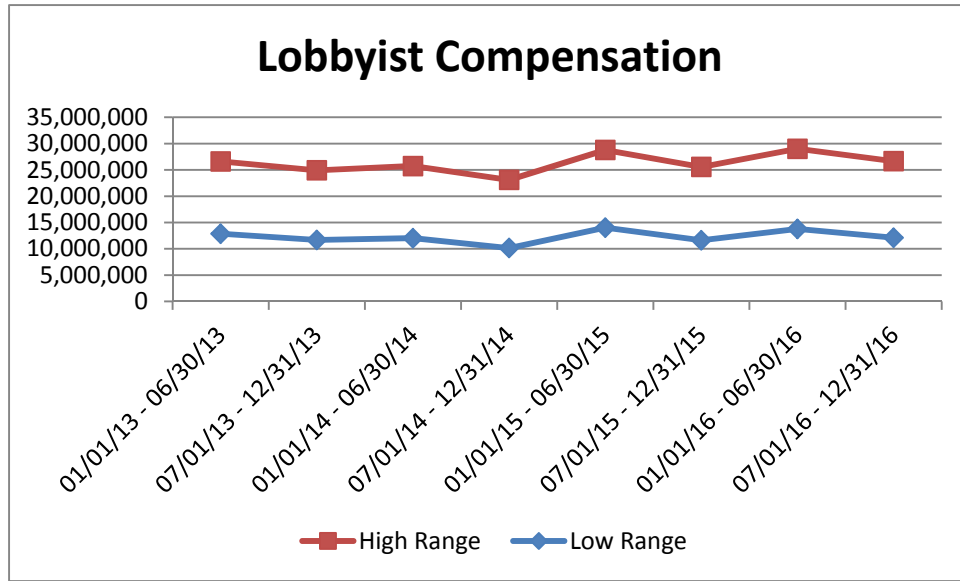
Each employer of a lobbyist is required to file an Employer Disclosure Report within 45 days after the end of each six-month reporting period. The reports cover the following periods:

- January 1 through June 30, due on August 14
- July 1 through December 31, due on February 14

The Employer Disclosure Reports are filed electronically through the Commission's website. The reports consist of three (3) parts:

- The aggregate total amount of compensation paid to lobbyists by the employer. The report is to be in monetary ranges from less than \$10,000 (including zero), to \$400,000 or more
- The aggregate total amount of employer expenditures incurred for the purpose of influencing legislative or administrative action through public opinion or grassroots action, excluding lobbyist compensation. (Expenditures related to lobbyist compensation must be disclosed in the first part of the report.) This portion of the report must also be filed in ranges from less than \$10,000 (including zero) to \$400,000 or more, in the same manner as Part 1 of the report; and
- The total amount of expenditures for events paid for by the employer to which the entire membership of the Tennessee General Assembly was invited.

TOTAL AGGREGATE LOBBYIST COMPENSATION



As can be seen in the chart the range of total lobbyist compensation has not varied vastly over the four years shown. The chart shows that more lobbyist compensation is reported, by employer of lobbyists, in the first six months of a year than in the last six (6) months of a year. This appears to be due to the legislature being in session during the first part of each year.

The following tables show the detailed data for lobbyist compensation from the two reporting periods for the 2016 year. The data is shown by the ranges selected by the employer of lobbyists on their expenditure reports.

01/01/16 - 06/30/16

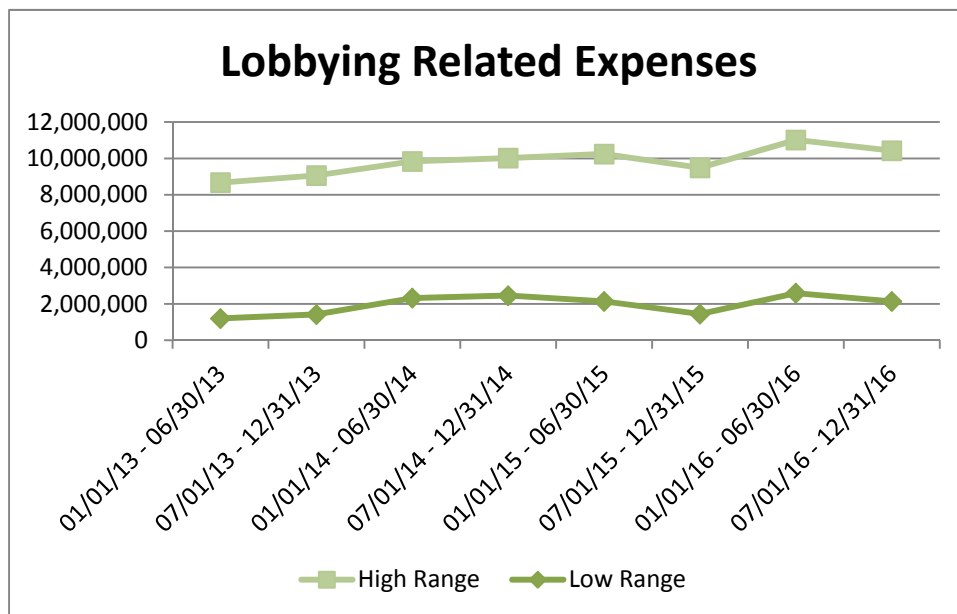
RANGE	# OF FILERS IN RANGE	LOW RANGE	HIGH RANGE
< \$10,000	253	\$0	\$2,530,000
\$10,000 - \$25,000	223	\$2,230,000	\$5,575,000
\$25,000 - \$50,000	170	\$4,250,000	\$8,500,000
\$50,000 - \$100,000	76	\$3,800,000	\$7,600,000
\$100,000 - \$150,000	15	\$1,500,000	\$2,250,000
\$150,000 - \$200,000	5	\$750,000	\$1,000,000
\$200,000 - \$250,000	5	\$1,000,000	\$1,250,000
\$250,000 - \$300,000	1	\$250,000	\$300,000
\$300,000 - \$350,000	0	\$0	\$0
\$350,000 - \$400,000	0	\$0	\$0
\$400,000 OR MORE	0	\$0	\$0
TOTAL	748	\$13,780,000	\$29,005,000

07/01/16 - 12/31/16

RANGE	# OF FILERS IN RANGE	LOW RANGE	HIGH RANGE
< \$10,000	306	\$0	\$3,060,000
\$10,000 - \$25,000	210	\$2,100,000	\$5,250,000
\$25,000 - \$50,000	164	\$4,100,000	\$8,200,000
\$50,000 - \$100,000	65	\$3,250,000	\$6,500,000
\$100,000 - \$150,000	9	\$900,000	\$1,350,000
\$150,000 - \$200,000	9	\$1,350,000	\$1,800,000
\$200,000 - \$250,000	2	\$400,000	\$500,000
\$250,000 - \$300,000	0	\$0	\$0
\$300,000 - \$350,000	0	\$0	\$0
\$350,000 - \$400,000	0	\$0	\$0
\$400,000 OR MORE	0	\$0	\$0
TOTAL	765	\$12,100,000	\$26,660,000

LOBBYING RELATED EXPENDITURES

As with lobbying compensation, lobbying related expenditure ranges have not changed much over the last four years. The chart shows lobbying related expenses have been between approximately \$2,000,000 and \$10,000,000 for each reporting period.



The following tables show the detailed data for lobbyist related expenses from the two reporting periods for the 2016 year. The data is shown by the ranges selected by the employer of lobbyists on their expenditure reports.

01/01/16 - 06/30/16

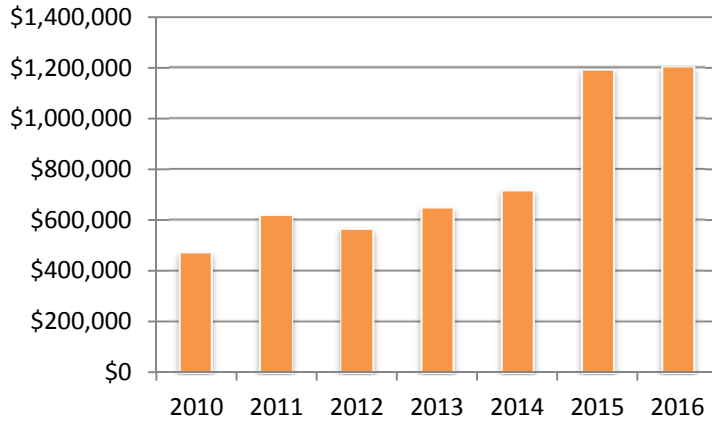
RANGE	# OF FILERS IN RANGE	LOW RANGE	HIGH RANGE
< \$10,000	689	\$0	\$6,890,000
\$10,000 - \$25,000	29	\$290,000	\$725,000
\$25,000 - \$50,000	18	\$450,000	\$900,000
\$50,000 - \$100,000	6	\$300,000	\$600,000
\$100,000 - \$150,000	2	\$200,000	\$300,000
\$150,000 - \$200,000	0	\$0	\$0
\$200,000 - \$250,000	0	\$0	\$0
\$250,000 - \$300,000	1	\$250,000	\$300,000
\$300,000 - \$350,000	0	\$0	\$0
\$350,000 - \$400,000	2	\$700,000	\$800,000
\$400,000 OR MORE	1	\$400,000	\$500,000
TOTAL	748	\$2,590,000	\$11,015,000

07/01/16 - 12/31/16

RANGE	# OF FILERS IN RANGE	LOW RANGE	HIGH RANGE
< \$10,000	725	\$0	\$7,250,000
\$10,000 - \$25,000	21	\$210,000	\$525,000
\$25,000 - \$50,000	9	\$225,000	\$450,000
\$50,000 - \$100,000	2	\$100,000	\$200,000
\$100,000 - \$150,000	2	\$200,000	\$300,000
\$150,000 - \$200,000	1	\$150,000	\$200,000
\$200,000 - \$250,000	3	\$600,000	\$750,000
\$250,000 - \$300,000	0	\$0	\$0
\$300,000 - \$350,000	1	\$300,000	\$350,000
\$350,000 - \$400,000	1	\$350,000	\$400,000
\$400,000 OR MORE	0	\$0	\$0
TOTAL	765	\$2,135,000	\$10,425,000

IN-STATE EVENTS

In-State Events



The last item reported on the employer expenditure report is the total amount of expenditures for events paid for by an employer of a lobbyist to which the entire membership of the Tennessee General Assembly was invited. The Commission must receive a copy of the invitation at least seven days prior to the event and the sponsor must report within 30 days following the event the

cost of the event. In addition, the employer must disclose the total cost of all of these types of events sponsored by the employer on their lobbyist expenditure report. The Commission posts all invitations and event costs on the Commission website (<http://www.tn.gov/tec/topic/tec-in-state-events>). As can be seen in the chart above, total costs for in-state events have increased slowly from 2012 – 2014 before taking a large jump in 2015. For 2016 the total costs for in-state events remained relatively constant increasing to \$1,203,978.

LOBBYIST AUDITS

It is the duty of the Commission to conduct audits each year of no more than 4% of all lobbyists. The overall objective of the audit is to determine whether the statements, amendments, and reports filed concerning the lobbyist in the audit year were timely, accurate, complete, and otherwise in compliance with the lobbying statutes. Reports subject to audit include cost reports on in-state events in which the lobbyist participated. Completed lobbyist audits are available on the Commission's website at <http://www.tn.gov/tec/topic/tec-lobbyist-audits>.

INCREASE IN GIFT THRESHOLD AMOUNT

Pursuant to T.C.A. § 3-6-305, the per event gift limitation and annual aggregate gift limit shall be increased to the nearest dollar amount to reflect the percentage change in the average consumer price index ("CPI") as published by the United States Department of Labor every odd numbered year. Gifts exempted in T.C.A. § 3-6-305(b)(8), (9) and (10) are subject to the per event gift limitation and gifts exempted in T.C.A. § 3-6-305(b)(10) are also subject to the annual aggregate gift limit.

In 2009 (effective for 2009 and 2010), the per event gift limitation was increased to \$53 (from \$50) and the aggregate limit was increased to \$106 (from \$100). In 2011 (effective for 2011 and 2012), the per event gift limitation was increased to \$55 and the aggregate limit to \$110. In 2013 (effective for 2013 and 2014), the per event gift limitation was increased to \$58 and the aggregate limit to \$115. In 2015 (effective for 2015 and 2016), the per event gift limitation was increased to \$59 and the aggregate limit to \$118.

TRAINING AND EDUCATION

Pursuant to the Act, the Commission must conduct various ethics training for members of the General Assembly, certain state officials, and lobbyists. In addition, and in furtherance of its public mission, the Commission is obligated to conduct education programs and outreach whenever possible.

GENERAL ASSEMBLY

The members of the General Assembly must attend an annual ethics training class “when the Legislature is in session.” In 2016, a combined ethics training class was held for all members of the State Senate and House of Representatives. The training included the following required elements:

- Laws administered and enforced by the Commission
- Administrative Regulations
- Relevant internal policies
- Technical and legal requirements
- Summary of advisory opinions
- Underlying purposes and principles of ethics laws
- Examples of practical application of ethics statutes
- Question and answer session on common problems and situations

The Commission must provide a manual to the General Assembly members with the above information. A copy of the General Assembly Training manual is available on the Commission website under the Forms and Publications section (<http://www.tn.gov/assets/entities/tec/attachments/General Assembly - Training Manual.pdf>).

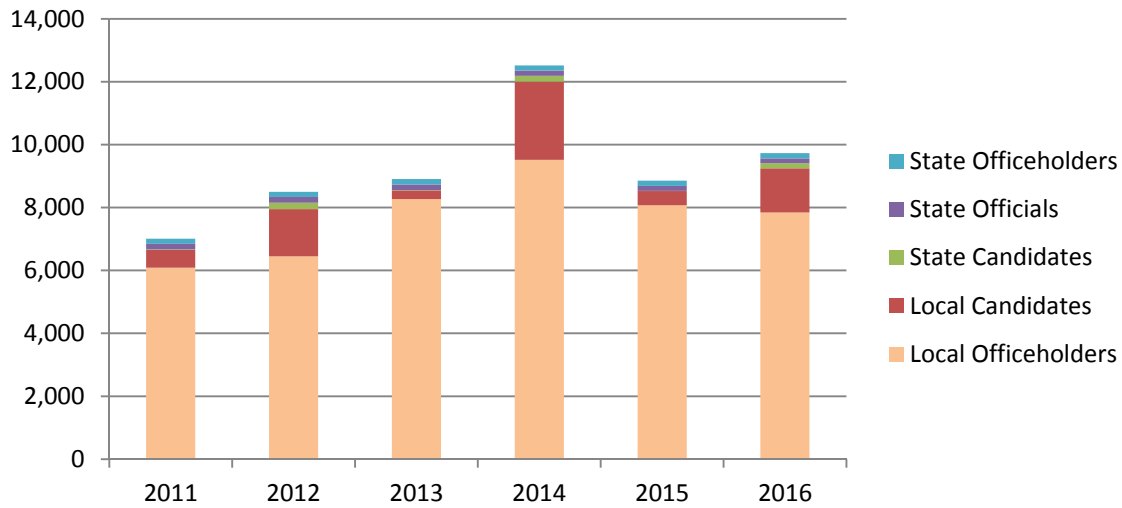
EXECUTIVE BRANCH

By February 1st of each year, all executive agencies must provide the Commission a list of their senior managers required to take ethics training. The training is then

completed by each of the required state employees on-line (<http://www.tn.gov/tec/topic/tec-candidates-ethics-training>). Each agency is then required to notify the Commission that the training has been completed by the required staff. The following is a list of the agencies that were required to have senior managers take on-line ethics training:

- Bureau of TennCare
- Council on Developmental Disabilities
- Department of Agriculture
- Department of Children's Services
- Department of Commerce and Insurance
- Department of Corrections
- Department of Economic & Community Development
- Department of Education
- Department of Environment & Conservation
- Department of Finance & Administration
- Department of Financial Institutions
- Department of General Services
- Department of Health
- Department of Human Resources
- Department of Human Services
- Department of Military
- Department of Revenue
- Department of Safety and Homeland Security
- Department of Tourist Development
- Department of Transportation
- Department of Veterans Affairs
- Dept. of Labor & Workforce Development
- Dept. of Intellectual & Developmental Disabilities
- Health Services and Developmental Agency
- Mental Health and Substance Abuse
- Office of the Governor
- State Board of Education
- TRICOR

STATEMENT OF INTERESTS



State officeholders, officials and candidates as well as local officeholders and candidates are required to file Statement of Interests with the Commission on an annual basis. Officeholders and candidates must disclose information such as sources of income, investments, non-traditional loans, and bankruptcies.

All Statement of Interests, whether they are filed on-line or on paper, are available for viewing on-line by going to <https://apps.tn.gov/conflict> and clicking “Search Reports” under Public Searches.

MEMBERS OF THE GENERAL ASSEMBLY, GOVERNOR, GOVERNOR’S CABINET, CONSTITUTIONAL OFFICERS, AND CANDIDATES AND APPOINTEES TO THOSE POSITIONS (STATE OFFICEHOLDERS)

This group was required to file a Statement of Interests no later than April 15, 2016. All required 169 Statements were timely received by the Commission. By law, these disclosure statements must be posted on the Commission’s website.

OTHER STATE OFFICIALS

One hundred forty-eight (148) state officials were required to file a Statement of Interest with the Commission no later than January 31, 2016. This group includes Justices of the Tennessee Supreme Court, Judges of the Court of Appeals, Judges of the Court of Criminal Appeals, Attorney General, District Attorneys, Public Defenders, President of the University of Tennessee, Chancellors of the University of Tennessee campuses, Chancellor of the Board of Regents, Presidents of the colleges and universities administered by the Board of Regents, members of the Board of Probation and Parole, members of the Alcoholic Beverage Commission, members of the Registry of Election Finance, members of the State Election Commission, members of the Tennessee Ethics Commission, and State Election Coordinator.

STATE CANDIDATES

State candidates that were not required to file a Statements of Interest by April 15, 2016 were required to file their Statement of Interests within 30 days after the last day to qualify for election to the office they are seeking. Appointees to certain state positions must file their Statements within 30 days after the date of their appointment. In 2016, state candidates and appointees filed 165 Statement of Interests with the Commission.

LOCAL OFFICIALS

All local elected officials were required to file a Statement of Interests no later than January 31, 2016. The Commission works closely with the state's 95 County Election Commission offices to obtain names and addresses of the local officeholders. Due to the volume of local officeholders the process of obtaining this information is a difficult task. In 2016, 7,843 local officials filed Statement of Interests with the Commission.

LOCAL CANDIDATES

Local candidates that were not required to file a Statement of Interests by January 31, 2016 were required to file their Statement of Interests within 30 days after the last day to qualify for election to the office they are seeking. Appointees to a local elected office must file their Statements within 30 days after the date of their appointment. In 2016, local candidates and appointees filed 1,405 Statement of Interests with the Commission.

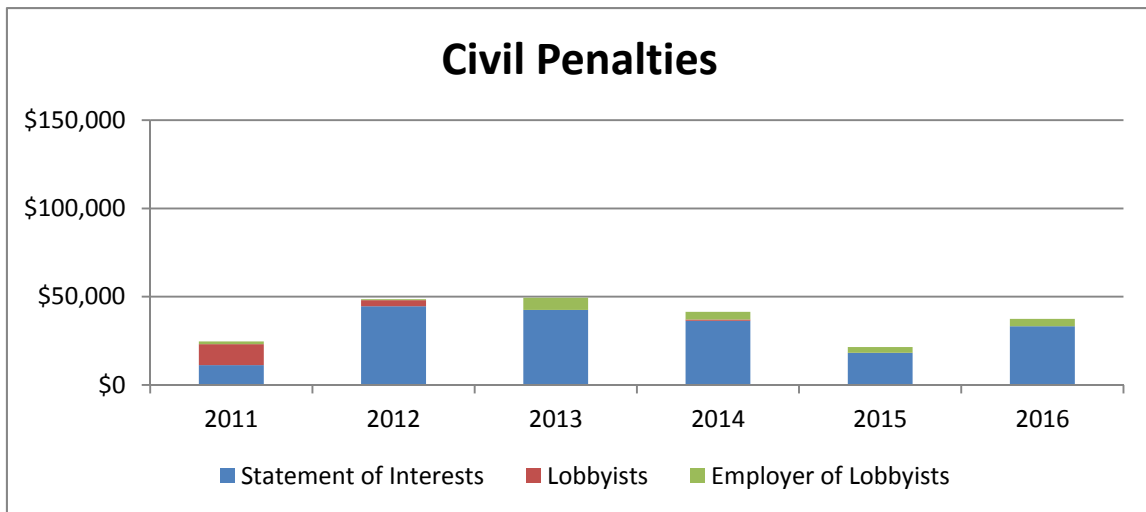
Again, the Commission works closely with the County Election Commission offices and the Secretary of State's Election Division to obtain the names and addresses of candidates and appointees to state and local offices. Due to the fact that elections and appointments take place throughout the year, it is a constant task to maintain accurate information for all state and local candidates and appointees.

The consolidation of the staffs of the Commission and Registry into the Bureau will make the task of working with the County Election Commissions, state and local officials and state and local candidates much easier in the future. The Bureau now offers a "one stop shop" for Statement of Interests and Campaign Financial Disclosure Reports, making reporting and dissemination of necessary information, forms and instructions much easier for all the parties involved.

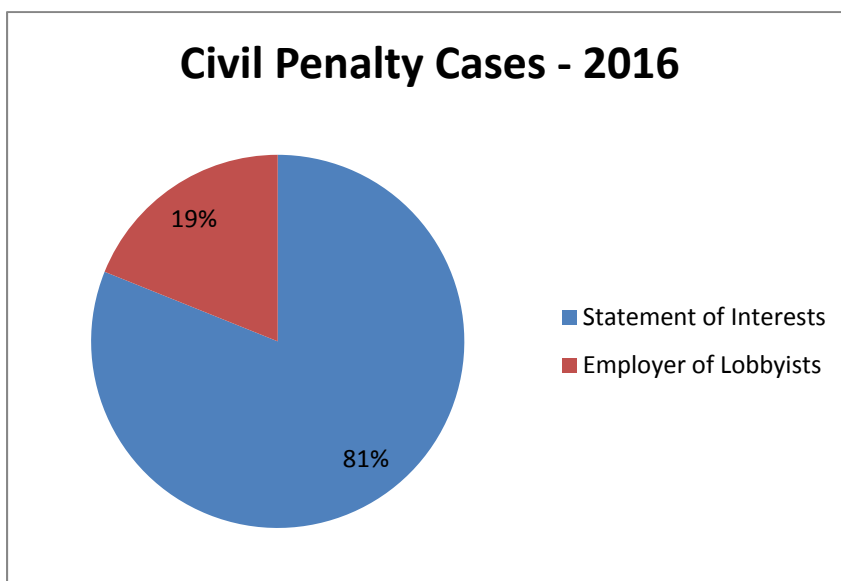
ENFORCEMENT

ENFORCEMENT ACTIONS

During 2016, the Commission imposed civil penalties (Class 1 and Class 2), pursuant to T.C.A. § 3-6-205, against candidates and officials, totaling \$33,300, for failure to timely file Statement of Interests. In addition, civil penalties totaling \$4,125 were assessed against Lobbyists and Employers of Lobbyists pursuant to T.C.A. § 3-6-306.



As can be seen in the chart above, the total amount of civil penalties assessed has remained low since 2011. This is mainly due to the small average amount of each civil penalty assessed.



A large percentage of the civil penalties assessed by the Commission are against candidates and officials for failure to file and late filing of Statement of Interests. As the chart to the left shows in 2016, 81% of civil penalties assessed by the Commission were due to Statement of

Interests. The remaining 19% of the cases were assessed against employer of lobbyists.

Cases where the civil penalties became final without the penalty being paid are forwarded to the Attorney General for collection.

COMPLAINTS

Any citizen of the state of Tennessee may file a sworn complaint with the Ethics Commission alleging a violation of a statute within the jurisdiction of the Commission. Pursuant to the statute, none of the complaints filed, at the time they are filed, are public. In certain instances, complaints do become public. In 2016, the Commission received four complaints. At this time, none of these complaints are public.