



**KENTUCKY**

**REGISTRY OF ELECTION FINANCE**

**FINAL REPORT**

**OF THE**

**ADVISORY TASK FORCE**

**FOR DEVELOPMENT OF THE**

**REGISTRY'S LEGISLATIVE PACKAGE**

*Adopted as Amended by the Registry of Election Finance  
September 19, 2005*

**Volume I**  
**Final Report**

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# FOREWORD

**This Final Report fulfills the mandate of the Kentucky Registry of Election Finance (“Registry”) to the Advisory Task Force for Development of the Registry’s Legislative Package (“ATF”) to develop the most comprehensive and significant proposal in over a decade to improve Kentucky’s election finance laws. At the September 19, 2005 meeting of the Registry, ATF Co-Chairmen John Rogers and David S. Samford offered to the Registry this Final Report on behalf of the ATF. Co-Chairman Samford made a presentation detailing the ATF’s recommendations for simplifying and improving Kentucky’s current election finance laws. In addition, each ATF participant who submitted a dissenting opinion was provided an opportunity to present his or her opinions regarding particular recommendations set forth in the ATF Final Report. Three of the amendments proposed by the dissenting opinions were unanimously adopted by the Registry and its Final Report reflects those amendments. All of the dissenting opinions are attached to this Final Report with a record of Registry action on each dissenting opinion.**

# I. Executive Summary

Kentucky's existing election finance laws have been challenged by observers of and participants in the system as confusing, lengthy, punitive and – in some respects – legally problematic. The patchwork nature of the election finance laws is further demonstrated by a series of legal challenges which invalidate several portions of the existing election finance statutes.<sup>1</sup>

The Advisory Task Force for Development of the Registry's Legislative Package ("Advisory Task Force") was established by the Kentucky Registry of Election Finance ("Registry" or "KREF") to identify issues associated with the current election finance framework and to make recommendations on how the system could be simplified and improved. The mandate was clear. The latitude given to the Advisory Task Force was broad.

After over twenty hours of public debate and countless hours of individual research and consideration occurring over a period of eight months, the Advisory Task Force offers this Final Report. As set forth more fully herein, the Final Report offers 88 specific recommendations to improve Kentucky's election finance system. At the very least, this Final Report offers policymakers and opinion leaders an informed and reasonable place from which to continue the effort to make Kentucky's election finance system a model for other jurisdictions and a source of confidence for the people of Kentucky in the integrity of their electoral system.

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<sup>1</sup> See e.g. *Anderson v. Spear*, 356 F.3d 651 (6<sup>th</sup> Cir. 2004); *Gable v. Patton*, 142 F.3d 940 (6<sup>th</sup> Cir. 1998); *Wilkinson v. Jones*, 876 F.Supp. 916 (W.D. Ky. 1995); *Citizens Against Rent Control v. Berkeley*, 454 U.S. 290 (1981); *Martin v. Commonwealth, Ky.*, 96 S.W.3d 38 (2003).

## II. Summary of Recommendations

### A. Recommendations Requiring No Formal Action

- ✓ Retain the ban on public financing of gubernatorial campaigns in Kentucky.
- ✓ Retain the current standards regarding “cash” (currency) contributions.
- ✓ Retain statutes relating to loans to candidates by financial institutions doing business in Kentucky.
- ✓ Retain the current statutory provisions of KRS 121.180(10) regarding excess funds.
- ✓ Retain the current contribution limits to “executive committees” and “permanent committees”.
- ✓ Retain the current percentage limit (50%) imposed on contributions executive committees may make to candidates.
- ✓ Retain the current requirement of aggregation of contributions to all permanent committees when determining annual personal contribution limits to permanent committees.
- ✓ Retain the current authorization and regulation of contributing organizations and inaugural committees.
- ✓ Retain the current ban on corporate contributions to inaugural committees.
- ✓ Retain the current disclaimer requirements and take no action to require the placement of disclaimers on internet websites, “blogs” or e-mails.
- ✓ Retain the existing reporting schedules for all regulated entities with the exception of election year reporting requirements for candidates, which is addressed below.
- ✓ Retain the current requirements for information to be disclosed in reports.
- ✓ Retain the current jurisdiction of various agencies over election finance laws.
- ✓ Retain the current conciliation process.
- ✓ Retain the definition of “political issues committee” set forth in KRS 121.015(3)(b).

- ✓ Do not require the simultaneous filing of the Nomination Form and KREF Form 001.

## **B. Recommendations Requiring Legislative Action**

- ✓ Increase the contribution limit to candidates with an indexing mechanism to mirror current federal contribution limits to federal candidates.
- ✓ Replace the confusing dual threshold with a single threshold when triggering reporting requirements for candidates.
- ✓ Require all candidates raising or spending more than \$5,000.00 for any one election to file all required campaign finance reports.
- ✓ Establish additional exceptions to the definition of “contribution”, including the following: (a) news stories, commentaries, or editorials by media sources; (b) transfers between affiliated party entities that are not corporations; and (c) membership communications (communications to a restricted class).
- ✓ Permit contributions to candidates to be made by electronic means and via the Internet as a convenience, provided that such contributions otherwise comply with Kentucky law.
- ✓ Provide candidates one hundred eighty (180) days from each election to accept contributions to recoup personal loans to their campaign for that election.
- ✓ Provide candidates one hundred eighty (180) days from each election to accept contributions to retire net debts outstanding from that election provided that: (a) the contribution is designated for that election; (b) the contribution does not exceed the contributor’s limit for the designated election; and (c) the candidate’s campaign has net debts outstanding for the designated election on the day it receives the contribution.
- ✓ Allow candidates to accept contributions for the general election prior to the primary election so long as such contributions are clearly designated as general election contributions and are attributed to the general election.
- ✓ Expand the acceptable method of making expenditures to include more than just checks, provided that any electronic expenditure is properly itemized to disclose the true beneficiary of the expenditure.
- ✓ Permit the establishment of “building accounts” by the two executive committees whose slate for governor received the highest number of votes in the last gubernatorial election. Require contributions to building accounts to be non-corporate and reported to the

Registry in the course of the executive committees' regular reporting obligations. Impose no contribution limit for building accounts, but require that any contributor making a contribution in excess of \$5,000.00 in any calendar year be ineligible for any no-bid contract issued by the state for the four years immediately following the date of the contribution which exceeded the \$5,000.00 threshold.

- ✓ Eliminate the “administrative costs” distinction set forth in KRS 121.150(11), thereby allowing the leadership of executive committees to expend money without regard to an arbitrary allocation as to “administrative” and “campaign” spending.
- ✓ Recognize political party subdivisions and affiliates as being separate and distinct committees.
- ✓ Eliminate the provision of KRS 121.150(11), requiring state executive committees and their subdivisions and affiliates to “share” in contribution limits and allow each “subdivision and affiliate” of a state executive committee to accept contributions of up to \$1,000.00 a year per contributor.
- ✓ Require all contributions to be deposited in a campaign account within ten (10) days after receipt (in-hand possession) of the contribution.
- ✓ Permit candidates and committees to make refunds of non-allowable funds within thirty (30) days from the date of deposit without penalty.
- ✓ Define “campaign depository” or “campaign account” to mean “the campaign account of a candidate or slate of candidates for public office into which all contributions, including the candidate’s own money, must be deposited and from which all expenditures must be made.”
- ✓ Require separate campaign accounts for each election.
- ✓ Change definition of “campaign committee” to a “candidate campaign committee” consisting of at least a campaign treasurer and a campaign chairperson who receive contributions and make expenditures to support a specific candidate or slate of candidates for nomination or election to any state, county, city, or district office.
- ✓ Define “executive committee” as a state or county political party as defined in KRS Chapter 118, or active congressional district.
- ✓ Include the term “candidate campaign committees” in KRS 121.120(4)(j) so that those candidates who report through a committee may also be randomly audited.

- ✓ Eliminate the need for broadcast and print media employees to file financial disclosure reports (FDRs).
- ✓ Eliminate inconsistency in record retention statutes by requiring all records to be retained “six (6) years from the date of the election to which the records pertain but not to exceed six (6) years from the date the record was filed.”
- ✓ Exempt any statewide candidate from a full mandatory audit if the candidate receives or spends less than \$5,000.00.
- ✓ Identify the types of “records” to be retained by treasurers to include “all records, including but not limited to, bank statements, deposit slips, contribution check photocopies, contribution cards, proof of electronic financial transactions that do not have traditional paper records, disbursement invoices, and any and all financial records pertaining to the campaign.”
- ✓ Permit credit card contributions to be accepted on-line, but require such contributions to be itemized.
- ✓ Permit electronic transfers (i.e., other receipts, expenditures, other disbursements made by credit, debit, electronic transfer) provided there is sufficient itemization and recordkeeping.
- ✓ Codify language in 32 KAR 2:130 that requires credit card transactions to clearly identify both the payor and the payee.
- ✓ Amend KRS Chapter 121 to use the term “currency” rather than “cash.”
- ✓ Authorize electronic banking for candidates and committees, but still require checks or other sufficient proof of transactions to be maintained.
- ✓ Eliminate the certified mail requirement when notifying the Registry of a treasurer’s resignation.
- ✓ Require permanent committees to provide affiliation at the time of registration with KREF and continue to update.
- ✓ Repeal requirement that a federally-registered out-of-state permanent committee file a copy of its federal registration form and finance report and instead require it to file a copy of the Federal Election Commission (“FEC”) cover and summary pages with an itemized expenditures schedule detailing any contribution to a Kentucky candidate.
- ✓ Define “allowable expenditures” and “non-allowable expenditures” in KRS 121.015 as they are currently set out in KRS 121.175(1).



- ✓ Delete “committee,” from KRS 121.175(1) and, in lieu thereof, insert “campaign committee, inaugural committee, political issues committee,” thereby removing permanent committees and executive committees from the allowable expenditure provision.
- ✓ Require write-in candidates, if they so elect, to rescind their request for exemption no later than five (5) days prior to an election.
- ✓ Replace “report due date” with “close the books date”.
- ✓ Replace “grace period ends date” with “report due date”.
- ✓ Move annual “close the books” date to December 31<sup>st</sup>, with report due on January 5<sup>th</sup>.
- ✓ Require a termination report to be filed in lieu of KREF Form 006 in order to close an account.
- ✓ Amend KRS 121.180(10), to clarify that these options are intended for funds remaining after the election is over.
- ✓ Amend KRS 121.180(10) to clarify that slates dispose of unexpended campaign funds in the manner permitted to candidates to conform with SB 112.
- ✓ Lower threshold check requirement for income tax check-off funds in KRS 121.230(3)(b) from \$50.00 to \$25.00.
- ✓ Delete the requirement for separate bank accounts for income tax check-off funds in KRS 121.230(2).
- ✓ Eliminate any distinctions between state and federal permanent committees created by operation of KRS Chapter 121.
- ✓ Eliminate contribution limits for contributions to political issues committees set forth in KRS 121.150(6).
- ✓ Authorize exploratory committees to be formed along the lines of those exploratory committees previously allowed under former KRS 121A.015.
- ✓ Authorize exploratory committees to be formed no sooner than the next day after the inauguration day of the then current governor.
- ✓ Authorize candidates for Governor to name their running mate for Lieutenant Governor after the primary has been completed.
- ✓ Abolish or regulate vote hauling.

- ✓ Require any two or more persons who form a “referenda committee” for the purpose of placing a question on an election ballot and raise or expend a threshold amount to register and report all their contributions and expenditures.
- ✓ Monitor efforts of other jurisdictions to regulate organizations formed under Section 527 of the Internal Revenue Code and pass a resolution encouraging Congress to increase the disclosure obligations of such organizations to promote greater transparency in elections.
- ✓ Amend KRS 121.135 to allow the Registry’s General Counsel to issue advisory opinions after consultation with members of the Registry.
- ✓ Require all advisory opinions to be issued no later than twenty (20) days from receipt.
- ✓ Require candidates to personally indicate their approval of broadcast messages in a manner consistent with federal law.
- ✓ Reorganize and simplify existing statutes (such as contribution and reporting statutes) to contain statutes pertaining only to one type of regulated entity.
- ✓ Add a sixty-day pre-election report to candidates’ election year reporting requirements.
- ✓ Change the candidates’ existing election-year thirty-two-day pre-election report to a thirty-day pre-election report while retaining the fifteen-day pre-election report.
- ✓ Require any candidate who raises more than \$25,000.00 for an election to file all reports electronically.
- ✓ Reorganize existing statutes so that penalties attaching to violations of various statutes in KRS Chapter 121 are set forth in the substantive statute.
- ✓ Amend KRS Chapter 121 to authorize the Registry to impose sanctions for the filing of frivolous complaints.

### **C. Recommendations Requiring Administrative Action**

- ✓ Consider adopting contributor statement required under federal law.
- ✓ Amend Report of an Independent Expenditure form to conform with KRS 121.015(12) and case law by deleting the following language: “that there was no prior communication with the campaign on whose behalf it was made;” and, in its place, inserting: “that the

expenditure was made without any coordination, consultation, or cooperation with any candidate, slate of candidates, campaign committee, or any authorized person acting on behalf of any of them, and that the expenditure was not made in concert with, or at the request or suggestion of, any candidate, slate of candidates, campaign committee or any authorized person acting on behalf of any of them.”

- ✓ Amend KREF reporting forms to provide a box indicating that a contribution was made by credit card.
- ✓ Require all filers accepting filer-side software free of charge to agree to use the electronic filing system for the relevant election(s) for which the software was accepted.
- ✓ Delineate how on-line credit card contribution transactions may reasonably be received or made by filers in order to ensure compliance with campaign finance law (i.e., avoid corporate contribution, assure limit, no giving in the name of another).
- ✓ Review how clearinghouse fee charges may be addressed in an equitable manner.
- ✓ Promulgate a regulation establishing a de minimus standard under which a regulated entity whose report contains a minor discrepancy would not be obligated to submit an amended report addressing the error until the next regularly scheduled report is due.
- ✓ Determine whether the confidentiality of complaints should be maintained until such time as a response is filed.

#### **D. Recommendations Requiring Registry Discretionary Action**

- ✓ Encourage the General Assembly to elaborate on the distinctive characteristics of caucus campaign committees.
- ✓ Encourage the Registry to establish or maintain a toll-free number only if it deems necessary.
- ✓ Develop formal criteria to determine the imposition of penalties in the conciliation process.
- ✓ Continue efforts to develop an on-line case management system.

### **III. Methodology of the Advisory Task Force**

The recent history of Kentucky's election finance law is dominated by two trends: a series of legal challenges regarding the constitutionality of Kentucky's election finance laws and legislative debate regarding the use of taxpayer dollars to fund political campaigns and parties. By late 2003, the Registry recognized the need for a comprehensive legislative proposal to be developed. The Registry's effort to develop a comprehensive legislative proposal was without modern precedent, however, and presented a unique fiscal and logistical challenge. It was also soon recognized that the success of any comprehensive legislative package depended upon the participation of a wide variety of individuals and organizations knowledgeable of and interested in election finance laws.

The Registry authorized the establishment of the Advisory Task Force on December 10, 2003, for the purpose of undertaking a comprehensive review of Kentucky's existing election finance laws and developing an equally comprehensive set of recommendations to simplify and improve these laws. With the election cycle concluding in late 2004 and with no regularly scheduled elections set for 2005, a rare window of opportunity arose for the Registry to devote a great deal of time and support to the efforts of the Advisory Task Force to develop a legislative proposal. Representatives of thirteen separate election finance constituencies accepted the invitation to participate as members of the Advisory Task Force. All meetings were open to, and in fact attended by, members of the public.

To work as quickly and thoroughly as possible, the Advisory Task Force met on a monthly basis. The first meeting was held on January 26, 2005, and former Secretary of State Bob Babbage led an informal session wherein Advisory Task Force members identified over fifty topics and issues relating to election finance that they would like to see discussed. The list was long and immediately confirmed that the Registry's decision to involve so many individuals was advantageous. There was a consensus that changes to the existing statutory structure were necessary.

The February meeting was devoted to a review of the fundamental purposes to be accomplished by Kentucky's election finance laws. The aim of an election finance code is: (1) to preserve the constitutionally-guaranteed right of participation in the political process; (2) to provide transparency to the financing of elections; (3) to create an equal playing field for all participants in the political process; and (4) to provide public confidence in the integrity of the political system. These objectives are accomplished through the interaction of Registry regulation, administration, and enforcement. The Advisory Task Force also identified at least four pitfalls to avoid when enacting election finance regulations: (1) unacceptably high transaction costs; (2) ambiguity in the statutes and the potential "chilling" of conduct; (3) inelasticity of the public policy process; and (4) confusion arising from conflicting provisions between federal and state systems.

The March, April, May, June and July meetings were devoted to systematically considering issues related to the regulatory, administrative and enforcement functions of election finance laws. Through a practice of identifying issues to be discussed at the next meeting (allowing a full month for any needed research and consultation); hearing and debating

specific proposals to be incorporated as formal recommendations; and voting upon the merits of each proposal, the Advisory Task Force made 88 recommendations to improve Kentucky's election finance laws. On many points, the Advisory Task Force recommends that the existing election finance structure be retained. Most of the recommended changes require legislative action to be implemented. Other recommendations may be implemented by the Registry's adoption of an administrative regulation or simply by the establishment of a Registry policy.

Many individuals formally participated in the debate and voting necessary to complete this project. Additionally, the Advisory Task Force invited and enjoyed the informal participation of dozens of others, whether in person at meetings or via correspondence from across the country. All of these unique perspectives and diverse experiences helped shape the Final Report of the Advisory Task Force. The Final Report of the Advisory Task Force was adopted on August 30, 2005, for transmittal to the Registry for further consideration and immediate action.

## **IV. Discussion**

### **A. The Great Balancing Act**

#### **1. The Purpose of Election Finance Laws**

Election finance laws have been enacted throughout the United States – both at the federal and state levels, as well as by various local jurisdictions. The Advisory Task Force first considered the fundamental question of whether election finance laws are in fact a necessary exercise of the state’s power. Unanimously, the Advisory Task Force concluded that such laws are necessary and should continue to be in force and effect in Kentucky.

The Advisory Task Force then considered the nature of the election finance laws that should be in effect in Kentucky. It is the view of the Advisory Task Force that a good election finance framework will achieve four purposes. First, election finance laws should preserve the constitutionally-guaranteed right of participation in the political process. Second, election finance laws should give transparency to the financing of elections. Third, election finance laws should create an equal playing field for all participants in the political process. Finally, the Advisory Task Force believes that applying these principles consistently will yield an election finance framework which provides the public with confidence in the integrity of the political system.

#### **2. Functions of Election Finance Laws**

Election finance laws involve three interrelated functions: regulations on conduct; administration of those regulations; and enforcement of any violations of those regulations. Each function must be present in any election finance framework, but no one function should

be given more weight than the others. An election finance system that provides for regulation and enforcement will be ineffective if there is no way to effectively administer the regulations. Likewise, an election finance law that regulates and provides for administration, but lacks an enforcement mechanism, is equally ineffective. All three functions are equally important.

**a. Regulation**

The obvious purpose of election finance laws is to regulate conduct. Specifically, election finance laws regulate the conduct of those who seek to influence the outcome of questions appearing on a ballot, whether by the selection of men and women to hold public office or the expression of the public's preference on particular issues. There are three principal types of election finance laws: (1) those which permit conduct; (2) those which prohibit conduct; and (3) those which conditionally permit and/or prohibit conduct. The recommendations set forth herein involve all three types of regulation. Moreover, within the framework of these recommendations, nine types of regulated entities are recognized: (1) candidates/candidate committees; (2) executive committees; (3) caucus campaign committees; (4) permanent committees; (5) political issues committees; (6) exploratory committees; (7) inaugural committees; (8) contributing organizations; and (9) referenda committees.<sup>2</sup>

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<sup>2</sup> Fundraisers and those making independent expenditures are also recognized in the statute. The Advisory Task Force did not make any substantive recommendations regarding these types of regulated persons.



**b. Administration**

Election finance laws must be administered. There are five principal components to the administration of an effective election finance framework: (1) registration; (2) reporting; (3) disclosure; (4) accounting; and (5) the rendering of advisory guidance. The recommendations set forth herein involve each of these five components of the administrative function.

**c. Enforcement**

Election finance laws must be enforced. In the absence of appropriate enforcement mechanisms, election finance laws are little more than suggestions. Enforcement generally involves three components: (1) jurisdiction; (2) procedure; and (3) penalties. The Advisory Task Force concentrated its recommendations on the procedural aspects of enforcement.

**3. Unintended Consequences of Campaign Finance Laws**

The Advisory Task Force also recognizes that, just like any other regulatory framework, the existence of election finance laws sometimes results in unintended consequences. The Advisory Task Force identified four such effects.

**a. Transaction Costs**

There is a cost to giving transparency and increased confidence in the integrity of the political process to the citizens of Kentucky. The cost of election finance regulation most heavily falls upon participants in the political process. The cost of compliance varies from

participant to participant, but will likely involve some combination of time, money and expertise. Likewise, the costs of administering and enforcing election finance laws typically falls upon the citizens themselves in the form of taxes. The Advisory Task Force believes that an effective election finance law will balance the benefits of election finance regulation against the inevitable transaction costs.

**b. Ambiguity & Chilling Conduct**

Many election finance laws are particularly vulnerable to inconsistent interpretations, particularly as old laws are applied in new contexts. The areas of conduct regulated by election finance laws are numerous and ever-changing, particularly as new technologies emerge. As a statute becomes more complex, it also tends to become less clear. Where there is real or perceived ambiguity in a statute, some potential participants in the political process will avoid participation rather than risk the possibility of acting in error and being subjected to an enforcement proceeding. This effect is greater when penalties are more stringent. This chilling effect inadvertently prevents the very participation that election finance laws are intended to promote. The Advisory Task Force believes that an effective election finance law will eliminate ambiguity and not chill conduct which is otherwise intended by participants to be legal.

**c. Inelasticity of Public Policy**

The nature of the public policy process is itself a factor to be taken into consideration. The fact that election finance laws are generally enacted by the legislature, approved by the

executive, interpreted by the judiciary and applied by an independent administrative agency, means that there is always a certain inelasticity to the process of changing the law. Kentucky history bears this out as comprehensive, meaningful election finance reform is rare. The Advisory Task Force believes that the effort exerted in crafting this Final Report should be as comprehensive as possible.

**d. Conflicting Regulatory Schemes**

A final problem associated with election finance laws is the conflict between two different regulatory schemes. Differences inevitably arise between federal election finance laws and Kentucky election finance laws. Reconciling these differences is difficult and sometimes impossible. While federal and state laws apply to different participants in wide-ranging degrees, the Advisory Task Force believes that there should be as little contradiction between the two systems as possible. Where both systems regulate the same conduct in the same manner and to the same degree, the likelihood of confusion and chilled conduct is reduced.

**4. The Goal of the Advisory Task Force**

With the foregoing in mind, it is the goal of the Advisory Task Force to recommend changes which should be made to Kentucky's existing election finance laws. The Advisory Task Force believes that these recommendations will increase the benefits of campaign finance laws (participation, transparency, equal opportunity and public confidence) while limiting the negative effects (transaction costs, ambiguity, inelasticity and contradiction). What follows

is a systematic evaluation of Kentucky's existing election finance laws with a brief description of the recommendations proposed by the Advisory Task Force.

## **B. General Recommendations**

### **1. Statutory Simplification**

- ✓ The Advisory Task Force unanimously recommends that statutes be simplified where possible.
  - For example, KRS 121.140, KRS 121.150 and KRS 121.180 are particularly lengthy and contain regulations affecting several different types of regulated entities. The Advisory Task Force suggests that statutory duties applicable to all regulated entities be stated in general statutes, while statutory duties applicable to specific regulated entities be stated in specific statutes pertaining only to one type of entity (i.e., a separate statute for candidates, a separate statute for executive committees, etc.).
  - For example, KRS 121.175(1) is an exceptionally lengthy provision which includes many regulations loosely falling under the category of "expenditures". The Advisory Task Force suggests that shorter statutory sections with directly related provisions are preferable to lengthier statutory sections with provisions less directly related.

### **2. Definitions**

- ✓ **Definition of "Contribution"**: The Advisory Task Force unanimously recommends retaining the current definition of "contribution" set forth in KRS 121.015(6).
- ✓ **Exceptions to the Definition of "Contribution"**: The Advisory Task Force unanimously recommends adding to the list of exemptions from the definition of "contribution", set forth in KRS 121.015(7), the following:
  - News Stories, Commentary, or Editorial by Media;
  - Transfers between affiliated party entities that are not corporations; and

- Membership Communications (communications to a restricted class).

These additional exceptions are currently included in federal law.

- ✓ **Definition of “Expenditure”:** The Advisory Task Force unanimously recommends defining “expenditure” in KRS 121.015. Currently, KRS 121.175 enumerates what constitutes an “allowable campaign expenditure” and what is not an “allowable campaign expenditure”. These definitions should be set forth separately within KRS Chapter 121’s other defined terms.
- ✓ **Definition of “Campaign Depository” or “Campaign Account”:** The Advisory Task Force unanimously recommends amending KRS 121.015 to include a definition of “campaign depository” or “campaign account” meaning “the campaign account of a candidate or slate of candidates for public office into which all contributions, including the candidate’s own money, must be deposited and from which all expenditures must be made.”
- ✓ **Definition of “Candidate Campaign Committee”:** The Advisory Task Force unanimously recommends redefining the existing definition of a “campaign committee” in KRS 121.015(3)(a) as a “candidate campaign committee” consisting of at least a campaign treasurer and a campaign chairperson who receive contributions and make expenditures to support a specific candidate or slate of candidates for nomination or election to any state, county, city, or district office.
- ✓ **Define “Executive Committee”:** The Advisory Task Force unanimously recommends defining “executive committee” in KRS 121.015 as a state or county political party as defined in KRS Chapter 118, or an active congressional district.

## C. Regulation

### 1. General

#### a. Statutory Recommendations

- ✓ **“Currency” v. “Cash”:** The Advisory Task Force unanimously recommends using the more accurate term “currency” rather than “cash” throughout KRS Chapter 121.

- ✓ **Cash Contributions:** The Advisory Task Force unanimously recommends retaining the current regulations for cash (currency) contributions under KRS 121.150(4).
- ✓ **Electronic Contributions:** The Advisory Task Force unanimously recommends permitting contributions to candidates to be made by electronic means and via the Internet as a convenience, provided that such contributions otherwise comply with Kentucky law.
- ✓ **Form of Expenditure:** The Advisory Task Force unanimously recommends broadening the acceptable forms of expenditures to include more than just checks, provided that any electronic expenditures are properly itemized to disclose the true beneficiary of the expenditure.
- ✓ **Application of KRS 121.175(1):** The Advisory Task Force unanimously recommends deleting “committee,” in KRS 121.175(1) and, in lieu thereof, inserting “campaign committee, inaugural committee, political issues committee,” thereby removing permanent committees and executive committees from the allowable expenditure provision.
- ✓ **Electronic Banking/Fund Transfers:** The Advisory Task Force unanimously recommends amending KRS 121.160 to authorize electronic banking for campaigns and committees provided that checks or other sufficient proof of such transactions be maintained.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

## 2. **Candidate Committees**

### a. **Statutory Recommendations**

- ✓ **Public Financing of Gubernatorial Campaigns:** By a vote of 7-5 with one abstention, the Advisory Task Force recommends that there be no public financing of gubernatorial campaigns.
- ✓ **Contribution Limits to Candidates:** By a vote of 9-3, the Advisory Task Force recommends that contribution limits be raised to the federal limit and that contribution limits should thereafter increase in accordance with federal limits by

referencing the same Consumer Price Index utilized by the Federal Election Commission.

- ✓ **Loans to Candidates:** The Advisory Task Force unanimously recommends that KRS 121.015(7) relating to loans by financial institutions doing business in Kentucky to candidates be retained.
- ✓ **Repayment of Personal Loans from Candidates:** By a vote of 10-2, the Advisory Task Force recommends that KRS 121.150(13) relating to loans by candidates to their own campaigns be amended to provide candidates one hundred and eighty (180) days following an election within which to repay loans.
- ✓ **Receiving General Election Contributions before a General Election:** By a vote of 10-2, the Advisory Task Force recommends that candidates be permitted under KRS 121.150 to accept contributions for the general election prior to the primary election so long as such contributions are clearly designated as general election contributions and attributed to the general election.
- ✓ **Post-Election Receipts:** By a vote of 7-4, the Advisory Task Force recommends that candidates be permitted to accept contributions one hundred and eighty (180) days following an election to retire net debts outstanding provided that: the contribution is designated for that election, the contribution does not exceed the contributor's limit for the designated election, and the campaign has net debts outstanding for the designated election on the day it receives the contribution.
- ✓ **Excess Funds:** The Advisory Task Force unanimously recommends that the current statutory provisions of KRS 121.180(10) regarding excess funds be retained.
- ✓ **Separate Accounts for Each Election:** The Advisory Task Force unanimously recommends that candidates should be required to establish a separate campaign account for each election.
- ✓ **Timing of Naming of Slates:** By a vote of 12-1 with two abstentions, the Advisory Task Force recommends that the General Assembly allow candidates for Governor to name their running mate for Lieutenant Governor after the primary has been completed.

- ✓ **Vote Hauling:** The Advisory Task Force unanimously recommends that the General Assembly should take action to abolish or regulate vote hauling.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

### 3. **Executive Committees**

#### a. **Statutory Recommendations**

- ✓ **Contribution Limits to Parties:** The Advisory Task Force unanimously recommends that contribution limits to state executive committees under KRS 121.150(6) should remain the same.
- ✓ **Executive Committee Building Funds:** By a vote of 10 to 2, the Advisory Task Force recommends that the state executive committees whose gubernatorial candidate received either the most or second most number of votes in the last preceding general election for governor shall be permitted to establish a building account. These two executive committees may accept contributions in any amount from any person or legal entity – excluding only corporations – and that such contributions shall be reported to the Registry in the course of the executive committees’ regular reporting duties. The Advisory Task Force further recommends that any person or entity that makes a contribution in excess of \$5,000.00 in any calendar year to an Executive Committee Building Fund may not be eligible for any no-bid contract issued by the state for the four years immediately following the date of the contribution which exceeded the \$5,000.00 threshold.
- ✓ **Administrative Costs:** The Advisory Task Force unanimously recommends the elimination of the “administrative costs” distinction set forth in KRS 121.150(11). It is the intent of the Advisory Task Force that all “state” funds shall be allocated at the discretion of the leadership of all executive committees and that Kentucky law should not impose arbitrary allocations as to “administrative” and “campaign” spending.



- ✓ **Executive Committee Affiliates:** The Advisory Task Force, by a vote of 10 to 2, recommends that “party affiliates” shall be recognized as separate and distinct executive committees and that the provision of KRS 121.150(11), requiring state executive committees and affiliates to “share” in contribution limits, be eliminated. Accordingly, the Advisory Task Force recommends that each “subdivision and affiliate” of a statewide executive committee may accept contributions of up to \$1,000.00 a year per contributor in addition to the state executive committees’ annual contribution limit of \$2,500.00.
- ✓ **Executive Committee Contributions to Candidates:** The Advisory Task Force unanimously recommends that the limits currently imposed on the percentage of contributions executive committees may make to candidates under KRS 121.150(26)(b) be retained.
- ✓ **Income Tax Check-off Threshold Check Requirement:** The Advisory Task Force unanimously recommends lowering the threshold for check requirement set forth in KRS 121.230 from \$50.00 to \$25.00.
- ✓ **Income Tax Check-off Separate Bank Account:** The Advisory Task Force unanimously recommends eliminating the “separate bank account” requirement set forth in KRS 121.230.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

4. **Caucus Campaign Committees**

a. **Statutory Recommendations:**

- ✓ **Caucus Campaign Committee Affiliation:** The Advisory Task Force unanimously makes no recommendation regarding the definition of caucus campaign committees, but the Advisory Task Force expresses its understanding that caucus campaign committees, in the absence of express statutory guidance to the contrary, shall be considered the same as executive committees and not as candidate committees.

- ✓ **Caucus Campaign Committee Administrative Expenses:** The Advisory Task Force unanimously makes no specific recommendation regarding the definition of allowable administrative expenses of caucus campaign committees, but generally recommends that the General Assembly consider elaborating on the distinctive characteristics of this type of committee.
- ✓ **Coordination of “Caucus Campaign Committees”:** The Advisory Task Force unanimously makes no specific recommendation regarding the definition of coordination of caucus campaign committees with other types of committees, but generally recommends that the General Assembly consider elaborating on the distinctive characteristics of this type of committee.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

5. **Permanent Committees**

a. **Statutory Recommendations:**

- ✓ **Uniformity for Permanent Committees:** By a vote of 11-4, the Advisory Task Force recommends that Kentucky law provide uniformity between state and federal permanent committees and that any distinctions created by operation of KRS Chapter 121 or other Kentucky statutes be eliminated.
- ✓ **Contribution Limits to Permanent Committees:** The Advisory Task Force unanimously recommends that existing contribution limits for permanent committees under KRS 121.150 be retained.
- ✓ **Aggregation of Contributions to Permanent Committees:** The Advisory Task Force unanimously recommends that the existing requirement of aggregation of contributions to all permanent committees when determining annual personal contribution limits to permanent committees under KRS 121.150 be retained.
- ✓ **Permanent Committee Registration:** The Advisory Task Force unanimously recommends that permanent committees be required to provide affiliation at the time of registration with KREF and continue to update.

- ✓ **Federal Permanent Committee Report Filings:** The Advisory Task Force unanimously recommends eliminating the requirement that a federally-registered out-of-state permanent committee has to file a copy of its federal registration form and finance report and instead require the filing of a copy of the FEC cover and summary pages and an itemized expenditures schedule detailing any contribution to a Kentucky candidate.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

## 6. **Political Issues Committees**

a. **Statutory Recommendations:**

- ✓ **Definition of “Political Issues Committee”:** By a vote of 8-5 with one pass, the Advisory Task Force recommended changing the definition of “political issues committee” set forth in KRS 121.015(3)(b) from “three or more persons” to “one or more persons”. By a vote of 7-0, the Registry amended this recommendation to retain the original statutory definition.

- ✓ **Contribution Limits to Political Issues Committees:** The Advisory Task Force unanimously recommends that KRS 121.150(6), which sets a contribution limit for contributions to political issues committees, be eliminated. The United States Supreme Court has opined that such limits are an unconstitutional abridgement of the First Amendment freedom of speech.<sup>3</sup>

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

## 7. **Exploratory Committees**

a. **Statutory Recommendations:**

- ✓ **Exploratory Committees:** The Advisory Task Force unanimously recommends that gubernatorial exploratory

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<sup>3</sup> See Citizens Against Rent Control v. Berkeley, 454 U.S. 290 (1981); First National Bank of Boston v. Bellotti, 435 U.S. 765 (1978).

committees may be formed along the lines of those exploratory committees previously allowed under former KRS 121A.015, but require that such exploratory committees may be formed no sooner than the next day after the inauguration day of the then current governor.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

8. **Inaugural Committees**

a. **Statutory Recommendations:**

✓ **Contribution Limits for Inaugural Committees:** By a vote of 6-9, the Advisory Task Force rejected a motion to cap contribution limits to inaugural committees at \$2,000.00. By a vote of 5-5 with four passes, the Advisory Task Force rejected a motion to cap contribution limits to inaugural committees at \$15,000.00. After twice unsuccessfully being able to agree upon a limit for contributions to inaugural committees and recognizing that recent inaugural committees have voluntarily capped contribution limits, the Advisory Task Force recommends that the current regulations imposing no contribution limits to inaugural committees be retained.

✓ **Corporate Contributions to Inaugural Committees:** By a vote of 7-7, the Advisory Task Force rejected a motion to allow corporations to contribute to inaugural committees. The Advisory Task Force therefore recommends that corporate contributions to inaugural committees continue to be disallowed.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

9. **Contributing Organizations**

a. **Statutory Recommendations:**

✓ **Contributing Organizations:** The Advisory Task Force unanimously recommends that the current authorization and regulation of contributing organizations be retained.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

10. **Referenda Committees**

a. **Statutory Recommendations:**

✓ **Creation of Referenda Committees:** By a vote of 11-2 with one pass, the Advisory Task Force recommends that contributions and expenditures made for the purpose of placing issues (e.g., constitutional amendments, local-options, local tax-issues) on the ballot should be regulated as “referenda committees”.

✓ **Regulation of Referenda Committees:** With one abstention, the Advisory Task Force unanimously recommends that any two or more persons who raise or expend money for the purpose of placing a question on an election ballot shall register and report all their contributions and expenditures for said effort if: (1) they raise or expend \$5,000.00 or more to secure the placement of the question on the ballot in an area greater in size than one county; or (2) they raise or expend \$2,500.00 or more to secure the placement of the question on the ballot in an area in size equal to or less than one county.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

D. **Administration**

1. **Registration Requirements**

a. **Statutory Recommendations:**

✓ **Simultaneous Filing of Nomination Form and KREF Form 001:** The Advisory Task Force unanimously recommended that the Nomination Form and KREF Form 001 be required to be filed simultaneously. The Registry unanimously amended this recommendation to not require the simultaneous filing of the Nomination Form and KREF Form 001.

- ✓ **Resignation of Treasurer:** The Advisory Task Force unanimously recommends eliminating the requirement under KRS 121.160(4) that notifications of treasurer resignations be sent via certified mail.
- ✓ **Required Registration and Reporting of 527 Organizations:** By a vote of 8-8 in June, the Advisory Task Force rejected a motion to require organizations established under Section 527 of the United States Internal Revenue Code to register and report to the Registry. The Advisory Task Force's split is explained by a sentiment in favor of requiring increased disclosure by 527s, but concern that such regulation would lead to replacing Kentucky's existing "express advocacy" standard with the more subjective federal "electioneering communication" standard. By a vote of 8-6 taken in July, the Advisory Task Force recommends that the General Assembly monitor the development of laws pertaining to 527 organizations by other jurisdictions and that the General Assembly, by resolution, should urge Congress to take any and all appropriate actions to increase the disclosure obligations of 527 organizations to promote greater transparency in elections.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

## 2. **Reporting Requirements**

### a. **Statutory Recommendations:**

- ✓ **Single Threshold to Trigger Reporting Requirements:** The Advisory Task Force, unanimously recommends simplifying the law regarding the threshold for requiring a candidate to be subject to reporting requirements under KRS 121.180 by setting one (1) threshold amount over which all candidates would be subject to all reporting requirements. This recommendation would eliminate the intermediary category of filers who are required only to file post-election reports.
- ✓ **Increased Threshold Amount:** The Advisory Task Force unanimously recommended the single threshold amount of two thousand dollars (\$2,000.00), with candidates raising or spending up to and including two thousand dollars (\$2,000.00) for any one election being exempt from filing campaign finance reports

altogether. Candidates raising more than two thousand dollars (\$2,000.00) for any one election would be required to file all campaign finance reports. After considering the administrative impact and in a continued effort to simplify procedures for filers, the Registry unanimously amended this recommendation to set the single threshold amount at five thousand dollars (\$5,000.00), with candidates raising or spending up to and including five thousand dollars (\$5,000.00) for any one election being exempt from filing campaign finance reports altogether. Candidates raising more than five thousand dollars (\$5,000.00) for any one election would be required to file all campaign finance report.

- ✓ **Reporting Exemption for Write-In Candidates:** The Advisory Task Force unanimously recommends amending KRS 121.180 to require write-in candidates, if they so elect, to rescind their request for exemption no later than five (5) days prior to an election.
- ✓ **Reporting Periods:** The Advisory Task Force unanimously recommends establishing a clear and definite reporting period during which all transactions must be reflected on the report by changing the “report due date” requirement in KRS 121.180 to a “close the books” date and by changing the “grace period ends” date in KRS 121.180 to a “report due” date.
- ✓ **Annual Reports:** The Advisory Task Force unanimously recommends amending KRS 121.180 to move the “close the book” date to December 31<sup>st</sup>, with an annual report due on January 5<sup>th</sup>.
- ✓ **Additional Candidate Election Year Reporting:** The Advisory Task Force unanimously recommends that a sixty-day pre-election report should be added to candidates’ reporting requirements under KRS 121.180(3)(b). This will add one extra report for a primary election and one extra report for a general election.
- ✓ **Candidate Election Year Reporting Schedule:** The Advisory Task Force unanimously recommends that the existing thirty-two day pre-election report under KRS 121.180(3)(b)(2) be changed to a thirty-day pre-election report.

- ✓ **Reporting Schedules:** The Advisory Task Force unanimously recommends that, with the exception of election year reporting schedules for candidates, all reporting schedules under KRS 121.180 be retained.
- ✓ **Referenda Committee Reporting Schedules:** With one abstention, the Advisory Task Force unanimously recommends that any referenda committee required to register and report shall be placed on the same reporting schedule as political issues committees under KRS 121.180.
- ✓ **Information to be Reported:** The Advisory Task Force unanimously recommends that the current information required to be reported under KRS 121.180 be retained.
- ✓ **Method of Reporting/Mandatory Electronic Filing:** By a vote of 11-1 with 1 abstention, the Advisory Task Force recommends that any candidate who raises more than \$25,000.00 for an election should be required to file all reports electronically.

**b. Regulatory Recommendations:**

- ✓ **Electronic Filing:** The Advisory Task Force unanimously recommends amending 32 KAR 1:100 to provide that while no candidate is obligated to file any reports electronically, the Registry may require all filers accepting filer-side software free of charge to use the electronic filing system for the relevant election for which the software was accepted.
- ✓ **De Minimus Amendment Standard:** The Advisory Task Force unanimously recommends that the Registry should promulgate an administrative regulation establishing a de minimus standard under which a regulated entity whose report contains a minor discrepancy would not be obligated to submit an amended report addressing the error until the next regularly scheduled report is due.

**c. Policy Recommendations: None.**



#### 4. Disclosure/Disclaimer Requirements

##### a. Statutory Recommendations:

- ✓ **Financial Disclosure Reports (FDRs) for Broadcast and Print Media Employees:** The Advisory Task Force unanimously recommends the repeal of KRS 61.710(2) which requires major broadcast and print media employees to file an FDR with the Registry.
- ✓ **Internet Disclaimers:** By a vote of 12-1, the Advisory Task Force recommends that no action be taken with regard to amending KRS 121.190 to require the placement of disclaimers on internet websites, “blogs” or e-mails.
- ✓ **Express Approval of Content of Broadcast Advertisements:** By a vote of 12-1, the Advisory Task Force recommends that candidates be required to personally indicate that they “approve this message” on all broadcast advertisements and that the exact parameters of this personal indication should conform to and be consistent with federal law.

##### b. Regulatory Recommendations:

- ✓ **Independent Expenditures:** The Advisory Task Force unanimously recommends amending the Report of an Independent Expenditure form to conform with KRS 121.015(12) and case law by deleting “that there was no prior communication with the campaign on whose behalf it was made” and inserting “that the expenditure was made without any coordination, consultation, or cooperation with any candidate, slate of candidates, campaign committee, or any authorized person acting on behalf of any of them, and that the expenditure was not made in concert with, or at the request or suggestion of, any candidate, slate of candidates, campaign committee or any authorized person acting of behalf of any of them.”

##### c. Policy Recommendations: None.

## 5. Accounting Requirements

### a. Statutory Recommendations:

- ✓ **Depositing Contributions:** The Advisory Task Force unanimously recommends amending KRS Chapter 121 to require the deposit of all contributions in the campaign account within ten (10) days after receipt (in-hand possession) of the contribution.
- ✓ **Refund Grace Period:** The Advisory Task Force unanimously recommends amending KRS Chapter 121 to allow candidates, permanent committees, executive committees, political issue committees, and inaugural committees thirty (30) days from the date of deposit to make refunds of non-allowable funds without penalty.
- ✓ **Separate Accounts for Each Election:** The Advisory Task Force unanimously recommends that candidates should be required to establish a separate campaign account for each election.
- ✓ **Record Retention Requirement:** The Advisory Task Force unanimously recommends making record retention obligations consistent throughout KRS Chapter 121 by requiring records to be retained “six (6) years from the date of the election to which the records pertain but not to exceed six (6) years from the date the record was filed.” KRS 121.120(4)(i) currently requires candidates and slates of candidates to keep records 6 years after the regular election. KRS 121.160(2)(d) currently requires treasurers to keep records 6 years from the date of the last report filed under KRS 121.180(3)(b)1. KRS 121.180(5) currently requires treasurers to keep records 6 years from the date of election.
- ✓ **Identify “Records” to be Retained:** The Advisory Task Force unanimously recommends amending KRS 121.160(2)(d) to specifically identify the financial records which should be retained by requiring retention of “all records, including but not limited to, bank statements, deposit slips, contribution check photocopies, contribution cards, proof of electronic financial transactions that do not have traditional paper records, disbursement invoices, and any and all records pertaining to the campaign.”

- ✓ **Closing out Accounts:** The Advisory Task Force unanimously recommends amending KRS 121.180 to require a termination report filed as the final report in lieu of KREF 006.
- ✓ **Unexpended Balance of Funds (General):** The Advisory Task Force unanimously recommends amending KRS 121.180(10), to clarify that the enumerated options are intended for funds remaining after the election is over.
- ✓ **Unexpended Balance of Funds (Slates):** The Advisory Task Force unanimously recommends amending KRS 121.180(10) to clarify that slates of candidates dispose of unexpended campaign funds in the same manner permitted by candidates to conform to SB 112.
- ✓ **Itemization of Credit Card Contributions:** The Advisory Task Force unanimously recommends amending KRS 121.180 to require credit card contributions to be itemized.
- ✓ **Identification of Parties to Credit Card Transactions:** The Advisory Task Force unanimously recommends codifying the language in 32 KAR 2:130 that requires a credit card transaction to clearly identify payor and payee.

**b. Regulatory Recommendations:**

- ✓ **Identification of Credit Card Contributions:** The Advisory Task Force unanimously recommends adjusting KREF reporting forms to provide a box indicating whether a contribution is made on-line with a credit card.
- ✓ **Contributor Statement:** The Advisory Task Force unanimously recommends the Registry to consider adoption of the contributor statement required under federal law.
- ✓ **Reporting Credit Card Transactions:** The Advisory Task Force unanimously recommends adjusting KREF reporting forms to adequately reflect credit card contributions and expenditures.
- ✓ **On-line Transaction Compliance Criteria:** The Advisory Task Force unanimously recommends that the Registry consider delineating criteria for how on-line credit card transactions may reasonably be received or made by filers in order to ensure

compliance with campaign finance law (i.e., avoid corporate contribution, assure limit, no giving in the name of another).

- ✓ **Clearinghouse Fee Charges:** The Advisory Task Force unanimously recommends that the Registry address how clearinghouse fee charges may be accounted for in an equitable manner.

c. **Policy Recommendations:** None.

## 6. **Advisory Opinions**

a. **Statutory Recommendations:**

- ✓ **Authority to Issue Advisory Opinions:** With one abstention, the Advisory Task Force unanimously recommends that KRS 121.135 be amended to allow the Registry's General Counsel to issue advisory opinions after consultation with members of the Registry.
- ✓ **Deadline for Issuing Advisory Opinions:** The Advisory Task Force unanimously recommends that all advisory opinions be issued no later than twenty (20) days from receipt.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:**

- ✓ **Toll-Free Number:** That Advisory Task Force unanimously recommends that the Registry establish or maintain a toll-free number only if deemed necessary by the Registry.

## E. **Enforcement**

### 1. **Jurisdiction**

a. **Statutory Recommendations:**

- ✓ **Jurisdiction:** The Advisory Task Force unanimously recommends that the current jurisdiction of various agencies over election finance laws be retained.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

## 2. Procedural Elements

### a. Statutory Recommendations:

- ✓ **Random Audits of Candidates/Candidate Campaign Committees:** The Advisory Task Force unanimously recommends amending KRS 121.120(4)(j)-(k) to include the term “candidate campaign committees” so that the Registry can also randomly audit those candidates who report through a committee.
- ✓ **Audit Threshold for Statewide Candidates:** The Advisory Task Force unanimously recommends amending KRS 121.120(4)(k) to exempt a candidate from a full mandatory audit if the candidate receives or spends less than \$5,000.00 in a statewide election.
- ✓ **Confidentiality of Complaints:** The Advisory Task Force unanimously recommends that the Registry should determine whether the confidentiality of complaints should be maintained until such time as a response is filed.
- ✓ **Conciliation Process:** The Advisory Task Force unanimously recommends retention of the current conciliation process.
- ✓ **Sanctions for Filing Frivolous Complaints:** By a vote of 11-1, the Advisory Task Force recommends that KRS Chapter 121 should be amended to authorize the Registry to impose sanctions for the filing of frivolous complaints.

### b. Regulatory Recommendations: None.

### c. Policy Recommendations:

- ✓ **Conciliation Criteria:** The Advisory Task Force unanimously recommends that the Registry adopt formal criteria for assessing penalties.
- ✓ **On-line Case Management:** The Advisory Task Force unanimously recommends that the Registry’s efforts to develop an on-line case management system be encouraged and supported.

3. **Classification of Offenses**

a. **Statutory Recommendations:**

- ✓ **Classification of Offenses:** The Advisory Task Force unanimously recommends that penalties attaching to violations of various statutes in KRS Chapter 121 should be set forth in the substantive statute.

b. **Regulatory Recommendations:** None.

c. **Policy Recommendations:** None.

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