COUNCIL AGENDA: 3/22/22

FILE#: 22-365 ITEM: 3.3



Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL FROM: Councilmember Cohen

Councilmember Arenas Councilmember Foley Councilmember Jimenez

SUBJECT: SEE BELOW

DATE: March 18, 2022

Approved Pan John

Date: 3/18/2022

SUBJECT: CAMPAIGN FINANCE REFORM

RECOMMENDATION

- 1. Direct staff to return to Council with a draft ordinance requiring that corporations certify that they are not foreign-influenced before making independent expenditures or contributing to campaigns and independent expenditure committees.
 - a. Amend the municipal code to define foreign-influenced corporations as any corporation—as defined by the California Political Reform Act—in which at least one of the following conditions is true:
 - i. 1% or more of the total ownership interests of the corporation are held by a single foreign entity
 - ii. 5% or more of the total ownership interests of the corporation are held by two or more foreign entities in aggregate
 - iii. The corporation is owned by a foreign entity that directly or indirectly participates in decisions on the corporation's political activities in the United States.

BACKGROUND

The most fundamental principle of our electoral system is that elections should reflect the will of voters. It is in recognition of this principle that federal law prohibits foreign-registered corporations from getting involved in and spending money on American elections— but those

HONORABLE MAYOR AND CITY COUNCIL

March 18, 2022

Subject: CAMPAIGN FINANCE REFORM

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Our current laws leave loopholes that expose our elections to significant foreign influence. The ordinance we are recommending would close those loopholes and bring our laws in closer accordance with the simple truth that elections should be decided, as much as possible, by the voters themselves.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.



SEATTLE CITY COUNCIL

Legislative Summary

CB 119731

Record No.: CB 119731

Type: Ordinance (Ord)

Status: Passed in Control: City Clerk

Version: 2

Ord. no: Ord 126035

File Created: 12/23/2019

Final Action: 01/17/2020

Title: AN ORDINANCE related to elections; prohibiting foreign-influenced corporations from making independent expenditures or contributing to campaigns and independent expenditure committees; amending Sections 2.04.010, 2.04.260, 2.04.270, 2.04.360, and 2.04.370 of the Seattle Municipal Code (SMC); and adding a new Section 2.04.400 to the SMC.

1		Date
Notes:		Filed with City Clerk:
		Mayor's Signature:
Sponsors:	González	Vetoed by Mayor:
•		Veto Overridden:
		Veto Sustained:
Attachments:		
Uploaded By:	jodee.schwinn@seattle.gov	

Filing Requirements/Dept Action:

listo	ry of Legislative File			Legal Notice Published:	☐ Yes	□ No	
Ver-	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Dale:	Result
1	City Clerk Action Text: The Cou	12/31/2019 andl Bill (CB) wa		Council President's Office to the Council President's Office	æ		
1	Council President's Office		sent for review	Select Committee on Campaign Finance Reform			
	Action Text: The Cou	ıncil BIII (CB) wa	as sent for review	to the Select Committee on Ca	impaign Finance	Reform	
1	City Council	01/08/2020	referred	Select Committee on Campaign Finance Reform			*
1	Select Committee on Campaign Finance Reform	01/07/2020	pass				Pass
	Action Text: The Cor	mmittee recomn	ends that City C	ouncil pass the Council Bill (CB)			

In Favor: 6 Chair González , Vice Chair Herbold, Lewis, Morales, Pedersen,

Opposed: 0

1 City Council

01/13/2020 passed as

Pass

Action Text:

The Motion carried, the Council Bill (CB) was passed as amended by the following vote, and the

President signed the Bill:

Notes:

ACTION 1:

Motion was made by Councilmember Herbold, duly seconded and carried, to amend Council Bill 119731, Section 2, as shown in Attachment 1 to the Minutes.

ACTION 2:

Motion was made by Councilmember Herbold, duly seconded and carried, to amend Council Bill 119731, Section 7, by creating a new Seattle Municipal Code Section 2.04.400, Subchapter IV, as shown in Attachment 2 to the Minutes.

ACTION 3:

Motion was made and duly seconded to pass Council Bill 119731 as amended.

In Favor: 7 Councilmember Herbold, Councilmember Juarez, Councilmember Lewis, Councilmember Morales, Councilmember Pedersen,

Councilmember Sawani, Councilmember Strauss

Opposed: 0

City Clerk

01/16/2020 submitted for Mayor's signature Мауог

Mayor

01/17/2020 Signed

Mayor

01/17/2020 returned

City Clerk

2 City Clerk

01/17/2020 attested by City Clerk
The Ordinance (Ord) was attested by City Clerk.

CITY OF SEATTLE

ORDINANCE_126035

COUNCIL BILL 119731

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AN ORDINANCE related to elections; prohibiting foreign-influenced corporations from making independent expenditures or contributing to campaigns and independent expenditure committees; amending Sections 2.04.010, 2.04.260, 2.04.270, 2.04.360, and 2.04.370 of the Seattle Municipal Code (SMC); and adding a new Section 2.04.400 to the SMC.

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BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

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Section 1. The City Council makes the following findings of fact:

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A. The City of Seattle welcomes immigrants, visitors, and investors from around the world. However, its elections should be decided by the people of Seattle and not by foreign

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investors or the business entities over which they exert influence.

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funds into U.S. elections, which is in violation of federal laws prohibiting foreign spending in

B. Foreign nationals have used and may continue to use U.S. business entities to funnel

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U.S. elections. There are recent instances of intentional and targeted foreign interference in

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domestic local elections, including in San Diego, where in 2017, a businessman was convicted in

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federal court of unlawfully funneling foreign funding into local elections through third parties

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and shell corporations in order to support politicians who might support his real estate 21 development plans; and in New York, where, in 2019, four individuals have been indicted on

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charges stemming from a scheme in which they laundered foreign money into U.S. elections via

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shell corporations and straw donors.

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C. The U.S. Court of Appeals for the Ninth Circuit has acknowledged the validity of legislation "to protect the country's political processes after recognizing the susceptibility of the elections process to foreign interference," including in municipal elections. (United States v. Singh, 924 F. 3d 1030, 1043 (2019)).

Template hist revised December 2, 2019

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D. The United States government has concluded that the 2016 presidential election was subject to extensive foreign involvement, as set forth in the U.S. Director of National Intelligence's January 2017 report on "Assessing Russian Activities and Intentions in Recent US Elections" and in Special Counsel Robert Mueller's "Report on the Investigation into Russian Interference in the 2016 Presidential Election," publicly released on April 18, 2019.

E. The United States government has concluded that Russia, China, Iran, and other foreign actors are engaged in ongoing campaigns to undermine democratic institutions, as set forth in the joint statement "Combating Foreign Influence in U.S. Elections," issued by the Office of the Director of National Intelligence (ODNI), Department of Justice (DOJ), Federal Bureau of Investigation (FBI), and Department of Homeland Security (DHS) on October 19, 2018.

F. The FBI has concluded that foreign influenced operations include "criminal efforts to suppress voting and provide illegal campaign financing," as set forth in FBI Director Christopher Wray's press briefing on election security on August 2, 2018.

G. The United States Congress and the U.S. Supreme Court have recognized the need to protect U.S. elections (including local elections) from foreign influence through the ban on contributions and expenditures by foreign nationals imposed by 52 U.S.C. 30121 and upheld by the Supreme Court in Bluman v. Federal Election Commission, 800 F. Supp. 2d 281 (2011).

H. It has been affirmed by the Supreme Court that "the United States has a compelling interest... in limiting the participation of foreign citizens in activities of American democratic self-government, and in thereby preventing foreign influence over the U.S. political process." (Bluman v. Federal Election Commission, 8000 F. Supp. 2d 281 (2011), aff'd 575 U.S. 1104 (2012))

I. Current law does not adequately protect against foreign interference through corporate political spending by U.S. corporations with significant foreign ownership, as explained by Federal Election Commissioner Ellen Weintraub in her July 19, 2017, statement "How Our Broken Campaign Finance System Could Allow Foreign Governments to Buy Influence in Our Elections and What We Can Do About It."

J. The U.S. Securities and Exchange Commission, major capital investors, corporate managers, and corporate governance experts broadly agree that ownership or control of one percent or more of shares can confer substantial influence on corporate decision-making.

K. Corporations with foreign ownership have been increasingly politically active in recent years, including in local elections in Seattle and around the country.

L. Business entities have a fiduciary duty to their shareholders, including shareholders around the world, and generally prioritize the interests of such shareholders, which may diverge substantially from the interests of the citizens of Seattle and of citizens of the United States.

M. Political spending by foreign-influenced business entities, even when they are simply acting in the perceived interests of their investors rather than being purposefully used to funnel foreign money into local elections, can weaken, interfere with, or disrupt Seattle's democratic self-government and the faith that the electorate has in its elected officials.

N. To protect the integrity of Seattle's democratic self-government, it is necessary to prevent foreign-influenced business entities from influencing Seattle elections by spending money in local candidate elections or contributing to independent expenditure committees.

Section 2. Section 2.04.010 of the Seattle Municipal Code, last amended by Ordinance 124694, is amended as follows:

	Vy Nguyen/Brianna Thomas/Lish Whitson LEG Clean Campaigns Foreign-Influenced Corporations ORD D5
1	2.04.010 Definitions
2	* * *
3	"Candidate" means any individual who seeks election to the office of Mayor, member of
4	the City Council, or City Attorney of the City, whether or not successfully. An individual is
5	deemed to seek election when ((he or she)) the individual first:
6	1. Solicits or receives contributions; or
7	2. Makes expenditures or reserves space or facilities with intent to promote ((his or her))
8	the individual's candidacy for office; or
9	3. Announces publicly or files for office; or
10	4. Purchases commercial advertising space or broadcast time to promote ((his or her)) the
11	individual's candidacy; or
12	5. Makes expenditures or solicits or receives contributions to explore the possibility of
13	seeking election to City office; or
14	6. Gives ((his or her)) consent to another person to take on behalf of the individual any of
15	the actions in subsections 1, 2, 4, or 5 of this ((section)) definition.
16	"Charter" means the Charter of The City of Seattle.
17	"Chief executive officer" means the highest-ranking officer or decision-making
18	individual with authority over a corporation's affairs.
19	"City" means The City of Seattle.
20	"Commercial advertiser" means any person who sells the service of communicating
21	messages or producing political advertising.
22	"Commission" means the Seattle Ethics and Elections Commission established by
23	Section 3.70.010.

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"Continuing political committee" means a political committee which is an organization of continuing existence not established in anticipation of any particular election.

"Contribution" means a loan, loan guarantee, gift, deposit, subscription, forgiveness of indebtedness, donation, advance, pledge, payment, transfer of funds between political committees, or transfer of anything of value, including personal and professional services, for less than full consideration, but does not include:

(((a) interest)) 1. Interest on moneys deposited in a political committee's account; (((b) ordinary)) 2. Ordinary home hospitality;

(((e) the)) 3. The rendering of legal or accounting services on behalf of a candidate or an authorized political committee, but only to the extent that the services are for the purpose of ensuring compliance with City, county, or state election or public disclosure laws;

(((d) the)) 4. The rendering of personal services of the sort commonly performed by volunteer campaign workers;

(((e) incidental)) 5. Incidental expenses personally incurred by campaign workers not in excess of \$25, in the aggregate, during the applicable period, personally paid for by a volunteer campaign worker; or

(((f) an)) 6. An internal political communication primarily limited to the members of a political party organization or political committee, or to the officers, management staff, or stockholders of a corporation or similar enterprise, or to the members of a labor organization or other membership organization. For purposes of this definition, "members" are those who (((i))) (a) regularly pay dues in exchange for benefits from the organization, or (((ii))) (b) are able to vote, directly or indirectly, for at least one (((1))) member of the organization's governing board, or (((iii))) (c) adhere to a code of conduct, the violation of which may subject the members to

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sanctions that could adversely affect their livelihood, or (((iv))) (d) participate in the organization's policy-formulating committees. For the purposes of this ((ehapter)) Chapter 2.04, contributions other than money or its

equivalents shall be deemed to have a money value equivalent to the fair market value of the contribution. Sums paid for tickets to fundraising events such as dinners and parties are contributions; however, the amount of any such contribution may be reduced for the purpose of complying with the reporting requirements of this ((chapter)) Chapter 2.04 by the actual cost of consumables furnished in connection with the purchase of such tickets, and only the excess over actual cost of such consumables shall be deemed a contribution. Without limiting the foregoing, the financing by a person of the dissemination, distribution, or publication, in whole or in part, of broadcast, written graphic, or other form of political advertising prepared or approved by a candidate, a political committee, or the authorized agent of a candidate or political committee is a contribution to the candidate or political committee.

"Corporation" means a corporation, company, limited liability company, limited partnership, business trust, business association, or other similar entity.

"Elected ((Official)) official" means any person elected at a general or special election to the office of Mayor, member of the City Council, or City Attorney of the City and any person appointed to fill a vacancy in any such office.

"Final report" means the report described as a final report in Section 2.04.375.

"Foreign-influenced corporation" means a corporation for which at least one of the following conditions is met:

the total equity or outstanding voting shares.

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"Knowledge." A person knows or acts knowingly or with knowledge when:

1. ((the)) The person is aware of a fact, facts, or circumstances or result described by an

offense in this ((title)) Title 2; or

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	LEG Clean Campaigns Foreign-Influenced Corporations ORD D5
1	2. ((he or she)) The person has information that would lead a reasonable person to believe
2	that facts exist, which facts are described by an ordinance defining the offense, in violation of
3	this ((title)) Title 2.
4	***
5	Section 3. Section 2.04.260 of the Seattle Municipal Code, last amended by Ordinance
6	123070, is amended as follows:
7	2.04.260 Treasurer's reports—Contents ((;))
8	A. Each report required under Section 2.04.250 shall disclose:
9	1. The funds on hand at the beginning of the reporting period;
10	2. The name and address of each person who has made one or more contributions
11	during the reporting period, together with:
12	a. The money value and date of each contribution; ((5))
13	b. The aggregate value of all contributions received from each such person
14	during the applicable period; ((5))
15	c. The occupation and the employer's name, city, and state of each
16	individual whose contributions in the aggregate during the applicable period exceed \$100.
17	Contributions of \$25 or less in the aggregate from any one person during
18	the applicable period may be reported as one lump sum so long as the campaign treasurer
19	maintains a separate list of the ((eontributor's)) contributors' names, addresses, and the amounts
20	of each of their contributions, but if the treasurer does not maintain such a list, then the name,
21	address, and amount of each contribution shall be reported;

	Vy Nguyer/Brianna Thomas/Lish Whitson LEG Clean Campaigns Foreign-Influenced Corporations ORD DS
1	than the tenth day of the month following any month in which a contribution is made a statement
2	disclosing:
3	a. The name and address of the nonreporting committee,
4	b. The purposes of the nonreporting committee,
5	c. The names, addresses, and titles of its officers or, if it has no officers,
6	the names, addresses, and titles of its responsible leaders,
7	d. A statement whether the nonreporting committee is a continuing one,
8	e. The name and office sought of each candidate in the City in support of
9	whom the nonreporting committee made an expenditure,
0	f. The City ballot proposition concerning which the nonreporting
1	committee made an expenditure, and whether such committee is in favor of or opposed to such
2	proposition,
3	g. The name and address of each person residing in the state or corporation
4	which has a place of business in the state that has made one or more contributions in the
5	aggregate of more than \$25 to the nonreporting committee during the current calendar year,
6	together with the money value and date of such contributions,
7	h. The name and address of each person in the state to whom an
8	expenditure was made by the nonreporting committee on behalf of a candidate or political
9	committee, the amount, date, and purpose of such expenditure, and the total sum of such
0.	expenditures; and
.1	12. Investments made of campaign funds under Section 2.04.215 and interest
2	dividends and/or other income received.

B. The correctness of each report shall be certified as required by all applicable laws and ordinances.

Section 4. Section 2.04.270 of the Seattle Municipal Code, last amended by Ordinance 124694, is amended as follows:

2.04.270 Independent expenditures; contributions to out-of-state committees—reports ((-))

C. A person with the expectation of making an independent expenditure or expenditures by disseminating an advertising message or messages that the person reasonably expects to be received, read, viewed or heard by 1,000 or more individuals in a single calendar year shall, within two business days after the initial dissemination of the advertisement, deliver a copy of each such advertisement to the offices of the Commission, along with a statement disclosing the method of dissemination of the advertisement and an estimate of the expected quantity of the advertising. This requirement applies only to all independent expenditures that are required to be reported, i.e., an individual spending \$100 or more of ((his or her)) the individual's own funds and anyone spending any amount of the funds of others. This disclosure does not substitute for the disclosure requirements of other sections of this ((chapter)) Chapter 2.04.

D. Any corporation making an independent expenditure or contributing to an independent expenditure committee shall, within seven business days after making such expenditure or contribution, file with the City Clerk a statement of certification signed by its chief executive officer under penalty of perjury, avowing that after due inquiry, the corporation was not a foreign-influenced corporation on the date such expenditure or contribution was made. The corporation shall also provide a copy of the statement of certification to any independent expenditure committee to which it makes a contribution.

	Vy Nguyen/Brianna Thomas/Lish Whit LEG Clean Campaigns Foreign-Influenced Corporations ORD D5
1	Section 5. Section 2.04.360 of the Seattle Municipal Code, last amended by Ordinance
2	116368, is amended as follows:
3	2.04.360 Application ((+))
4	Sections 2.04.350 through 2.04.370 ((and 2.04.400 through 2.04.480)) apply only to candidates
5	in any primary, general, or special election for the offices of Mayor, City Council, and City
6	Attorney of The City of Seattle.
7	Section 6. Section 2.04.370 of the Seattle Municipal Code, last amended Ordinance
8	125611, is amended as follows:
9	2.04.370 Mandatory limitations on contributions to candidates
10	***
11	D. No candidate for Mayor, member of the City Council, or City Attorney of the City
12	shall solicit or receive campaign contributions of more than \$500 from any person in any
13	election cycle.
14	E. Contributions from foreign-influenced corporations prohibited
15	1. No candidate for Mayor, member of the City Council, or City Attorney of the
16	City shall solicit or receive campaign contributions from a foreign-influenced corporation.
17	2. Any corporation making a contribution to a candidate for Mayor, member of
18	the City Council, or City Attorney of The City of Seattle shall, within seven business days after
19	making such contribution, file with the City Clerk a statement of certification signed by its chief
20	executive officer under penalty of perjury, avowing that after due inquiry, the corporation was
21	not a foreign-influenced corporation on the date such contribution was made. The corporation
22	shall also provide a copy of the statement of certification to any campaign to which it
23	contributes.

((E)) <u>F</u>. The limitations imposed by this ((section)) <u>Section</u> 2.04.370 shall not apply to:

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1. A candidate's contributions of ((his or her)) the candidate's own resources to ((his or her)) the candidate's own campaign, or contributions to the candidate's campaign by the candidate or the candidate's spouse or state registered domestic partner of their jointly owned assets;

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 Independent expenditures as defined by this Chapter 2.04 except as provided by Section 2.04.400;

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3. The value of in-kind labor; and

9 10 4. Contributions consisting of the rendering of clerical or computer services on behalf of a candidate or an authorized political committee, to the extent that the services are for the purpose of ensuring compliance with City, county, or state election or public disclosure laws.

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((F)) G. The limitations imposed by this ((section)) Section 2.04.370 shall apply to contributions of the candidate's spouse's or state registered domestic partner's separate property.

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((G-)) H. The limitations in this Section 2.04.370 shall be adjusted commencing before the 2019 election cycle, and prior to each election cycle thereafter, by the Commission to

16 17 account for inflation or deflation using the consumer price index for urban wage earners and clerical workers, CPI-W, or a successor index, for the period since the effective date of this

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measure or the prior adjustment, as calculated by the United States Department of Labor. The

19 20 declaration of the Washington State Department of Labor and Industries ((each)) every

September 30, regarding the rate by which Washington State's minimum wage rate is to be

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increased effective the following January 1, shall be the authoritative determination of the rate or

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percentage of increase or decrease to be adjusted, except that the Commission may round off the

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new figures to amounts judged most convenient for public understanding.

Section 7. A new Section 2.04.400 of the Seattle Municipal Code is added to Subchapter IV of Chapter 2.04 as follows:

2.04.400 Independent expenditures

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 A. No foreign-influenced corporation shall make an independent expenditure in elections for or against candidates for the offices of Mayor, City Council, or City Attorney of The City of Seattle, nor a contribution to an independent expenditure committee that has conveyed, implicitly or explicitly, that contributions to the committee may be used in elections for or against candidates for the offices of Mayor, City Council, or City Attorney of The City of Seattle.

B. An independent expenditure committee may dedicate any contributions that do not comply with the restrictions of Section 2.04.400 for use in elections outside Seattle or for other lawful purposes.

Section 8. Severability. If any section, subsection, sentence, clause, phrase, or word of this ordinance, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of the ordinance. The City Council hereby declares that it would have passed this ordinance and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any portion of this ordinance or application thereof would be subsequently declared invalid or unconstitutional.

	Vy Nguyen/Brianna Thomas/Lish Wkissu LEG Clean Campaigns Foreign-Influenced Corporations ORD D5
1	Section 9. This ordinance shall take effect and be in force 30 days after its approval by
2	the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3	shall take effect as provided by Seattle Municipal Code Section 1.04.020.
4	Passed by the City Council the 13th day of January , 2020,
5	and signed by me in open session in authentication of its passage this 13 day of
6	2020.
7	Lisa Pokuruk
8	President Pro Tem of the City Council
9	Approved by me this, 2020.
	P 10-4
10	Juny & Dul
11	Jenny A. Durkan, Mayor
	17th Townson
12	Filed by me this day of, 2020.
	Con O
13	Jimes V1. Jimose
14	Monica Martinez Simmons, City Clerk
15	(Seal)