



January 21, 2019

Katie Hobbs, Secretary of State of Arizona
Attn: Teresa Jones, Campaign Finance Supervisor
1700 West Washington Street, 7th Floor
Phoenix, Arizona 85007
tjones@azsos.gov

Re: Supplement to Campaign Finance Complaint Against Sister District Project

Dear Secretary Hobbs:

I write in connection with a campaign finance complaint that I previously filed with the Secretary of State's office on December 28, 2018. The complaint details how Sister District Project ("SDP"), a California-based entity that is organized for the purpose of electing Democrat candidates to the legislatures of various states, impermissibly (1) made contributions to candidates for state office without registering as an Arizona political action committee, in violation of Ariz. Rev. Stat. § 16-913(D), and (2) otherwise failed to report in-kind contributions and/or independent expenditures in support of Democrat candidates for the Arizona Legislature, in violation of Ariz. Rev. Stat. § 16-926.

Additional facts and information have subsequently emerged that fortify the complaint's allegations of illicit campaign finance practices by SDP and the Arizona candidates whom it supported. Specifically, Sean Bowie, a candidate for the Arizona Senate in District 18, openly and explicitly coordinated with representatives of SDP with respect to activities and disbursements by SDP or its agents to benefit Bowie's candidacy, thereby engendering prohibited and unreported in-kind contributions. In addition, the Colorado Secretary of State's office has announced that it will pursue similar allegations that multiple candidates in that state improperly failed to disclose contributions from SDP.

I. Unlawful Coordination with Bowie Campaign

As noted in the complaint, Arizona law defines the term "contribution" capaciously to encompass any "thing of value that is made to a person for the purpose of influencing an election." Ariz. Rev. Stat. § 16-901(11). The corresponding term "expenditure" likewise includes any disbursement "for the purpose of influencing an election." *Id.* § 16-901(25). Contributions include direct cash transfers but are not limited to such transactions; "goods, services or anything of value" furnished to a candidate or candidate committee "without charge or at less than the usual and normal charge," also constitute "contributions" governed by source and amount limitations and by reporting requirements. *Id.* § 16-901(11)(d), (32). While the value of a single *individual's* volunteer services is exempted from the statutory definition, *see id.* § 16-911(B)(1), this dispensation does not extend to the outlays and activities of *entities*, such as SDP.¹

¹ An "entity" is any "organized group that consists of more than one individual." Ariz. Rev. Stat. § 16-901(22).

While entities such as SDP may engage in spending independently of candidates without limitation, “[a]n expenditure that is coordinated with a candidate . . . is deemed an in-kind contribution to the candidate.” Ariz. Rev. Stat. § 16-922(E). Entities that are not registered with the Secretary of State as Arizona political action committees may not make in-kind contributions in any amount to candidates in this state. *See id.* § 16-913(D). A communication is considered coordinated if “[t]here is actual coordination with respect to an expenditure between a candidate or candidate’s agent and the person making the expenditure or that person’s agent.” *Id.* § 16-922(B)(1).²

While actual coordination often eludes demonstrable proof, this case presents no such evidentiary obstacles. In a nearly 45-minute video conference that has since been posted on YouTube (<https://www.youtube.com/watch?v=5FEMaaF-oRg&feature=youtu.be>), Bowie and two SDP representatives discussed at length activities the organization could undertake—to include details concerning the content of messaging and the mode of dissemination—to aid his campaign. After recounting SDP’s canvassing, phone banking and door-to-door efforts on behalf of other candidates, a SDP representative asked Bowie, “What’s the one thing that you would want a volunteer to communicate to” voters in District 18, prompting Bowie to share specific talking points that SDP personnel should convey to the electorate. *See* video at 33:05. The SDP representative later pressed Bowie on activities other than canvassing that SDP could sponsor on his behalf, to which Bowie suggested that SDP could engage in fundraising, phone banking, postcard mailings, and otherwise “just getting the message out” to District 18 voters. *See* video at 36:20.

The exchange between the SDP representatives and Bowie is the quintessence of unlawful coordination. *See also Coordinated and Independent Expenditures*, 68 Fed. Reg. 421-01, 434 (Jan. 3, 2003) (explaining that substantively identical federal prohibition on coordination is violated when a candidate or her agent “conveys approval or disapproval of” a third party’s expenditure plans or when the candidate is “involved in decisions regarding the strategy for [the] communications,” even if the candidate’s involvement cannot “be traced directly to one specific communication”). As noted above, the fair market value of activities conducted by entities (as opposed to individual volunteers) constitute contributions to the benefitted candidate(s). In addition, disbursements made by third-parties in the course of conducting communications or activities that are coordinated with candidates—including, *e.g.*, the costs of phone banking equipment or postage and other supplies used in mass mailings—similarly beget reportable contributions. *See* Ariz. Rev. Stat. § 16-901(11). In light of Bowie’s detailed and extensive discussions with SDP, any and all communications or activities undertaken by SDP or its agents to advocate Bowie’s election were presumptively coordinated with Bowie, and their associated fair market value represents a prohibited in-kind contribution from SDP to his campaign.

II. Colorado Investigation of SDP

In December 2018, a non-profit organization in Colorado filed a complaint with the Colorado Secretary of State alleging that SDP had acted as an unlawful conduit of contributions from various individuals to

² Alternatively, coordination results when a candidate or his agent provides nonpublic information about the candidate’s plans or needs to a third person with the intent that the person make an expenditure benefitting the candidate. *See* Ariz. Rev. Stat. § 16-922(B)(2).

two Democrat legislative candidates in that state. While the candidates apparently had reported contributions from some of the underlying individuals, neither they nor SDP ever disclosed SDP's role in the transactions. While the Secretary dismissed some of the allegations on statute of limitations grounds, she announced on January 3 that she will pursue the remaining claims. See Sherrie Peif, "Campaign Finance Complaints Against Faith Winter and Tammy Story Will Move Forward," THE COMPLETE COLORADO, Jan. 3, 2019, available at <https://pagetwo.completescolorado.com/2019/01/03/campaign-finance-complaints-against-faith-winter-and-tammy-story-will-move-foward/>.³

While there is no evident direct nexus between the Colorado matter and SDP's activities in Arizona, the Colorado investigation illustrates a recurrent and pervasive pattern of careless disregard or willful dereliction by SDP of its obligations under state laws, and further underscores that there is reasonable cause to believe that the organization has violated the Arizona campaign finance code. I accordingly request that you refer this matter to the Attorney General for further investigation and the imposition of appropriate fines and penalties pursuant to Ariz. Rev. Stat. § 16-938.

Thank you again for your attention to this important matter.

Respectfully,

/s/Jonathan Lines

Jonathan Lines, Chairman
Arizona Republican Party

³ Copies of the complaints filed in Colorado may be accessed here: <http://tracer.sos.colorado.gov/PublicSite/SearchPages/ComplaintDetail.aspx?ID=471> and <http://tracer.sos.colorado.gov/PublicSite/SearchPages/ComplaintDetail.aspx?ID=472>.