

### TESTIMONY OF THE STATE ATTORNEY GENERAL TWENTY-FOURTH LEGISLATURE, 2008

#### ON THE FOLLOWING MEASURE:

S.B. NO. 2204, S.D. 1, RELATING TO CAMPAIGN SPENDING.

#### BEFORE THE:

HOUSE COMMITTEE ON JUDICIARY

DATE:

Tuesday, March 11, 2008 TIME: 2:00 PM

LOCATION:

State Capitol Room 325

Deliver to:

, Room 302, 5 copies

TESTIFIER(S): Mark J. Bennett, Attorney General

or Charleen M. Aina, Deputy Attorney General

#### Chair Waters and Members of the Committee:

The Attorney General testifies to suggest clarifying language, if one of this bill's purposes is to allow corporations to make contributions directly to candidates and candidate committees to the same extent as individuals are permitted to make them.

There is currently an appeal pending in the Intermediate Court of Appeals from a decision by the Second Circuit Court rejecting the Campaign Spending Commission's position that non-individuals cannot make campaign contributions to any and all candidates and candidate committees in excess of \$1,000 in an election period, notwithstanding the provisions of section 11-204(a), Hawaii Revised Statutes, which allow a "person or any other entity" to contribute more than \$1,000 to a candidate or the candidate's committee in an election period.

If section 6 is included in this bill to permit nonindividuals, including corporations, partnerships, and other organizations, to make contributions to a candidate or the candidate's committee up to the same maximum amounts individuals are able to make, then subsection section 11-204(b) should be amended to read:

(b) No person or any other entity shall make contributions to a noncandidate committee, in an aggregate amount greater than \$1,000 in an election [-]; except that.

in the case of a corporation or a company using funds from its own treasury, there shall be no limit on contributions or expenditures a corporation or company may make to its noncandidate committee; provided that a corporation or company may not make a contribution or expenditure to or for a candidate or a candidate committee directly, but only through its noncandidate committee and only up to the limits specified in subsection (a).

We do not believe the revisions we suggest, in any way reduce or change the reporting requirements to which non-individuals are presently subject under the campaign spending laws. If the committee believes that this is not the case, the bill may be revised further to maintain the status quo as to reporting.



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#### STATE OF HAWAII **CAMPAIGN SPENDING COMMISSION**

235 SOUTH BERETANIA STREET, ROOM 300 HONOLULU, HAWAII 96813

March 11, 2008

TO:

The Honorable Tommy Waters

The Honorable Blake Oshiro

Members of the House Judiciary Committee

FROM:

Barbara U. Wong, Executive Director

Campaign Spending Commission

SUBJECT: Testimony on S.B. No. 2204, S.D. 1, Relating to Campaign Spending

Tuesday, March 11, 2008 2:00 p.m. in Conference Room 325

Chair Waters, Vice-Chair Oshiro, and Members of the House Judiciary Committee, thank you for the opportunity to testify on this bill.

The amendments proposed in this bill are summarized below and the position of the Campaign Spending Commission ("Commission") is set forth next to the proposed amendment.

- Clarify the treatment of reimbursements and the definition of "person." (Support)
- Specify that the Commission shall not issue rules through advisory opinions. (Oppose)
- Technical changes to conform the law to electronic filing requirements. (Support)
- Increase in the reporting threshold from \$100 to \$250. (Oppose)
- Campaign funds to be used for "ordinary and customary" expenses. (Oppose)
- Reenacting HRS section 11-204(b). (Oppose unlimited contributions)
- Increased community donations. (Oppose)
- Adding requirements before fines may be imposed. (Oppose)

We also request that the Committee "collapse" two sections relating to permitted expenditures as proposed in S.B. No. 2203 and H.B. No. 2726.

This bill is effective upon approval.

The Commission respectfully requests that the Committee amend the bill as proposed in our testimony; or that the Committee hold the bill.

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## **SUPPORT CLARIFYING TREATMENT OF REIMBURSEMENTS** (Sections 1 and 7)

Under the current law, funds flowing into a committee are reported as a contribution or loan. For example, if a volunteer or the candidate advances funds to make purchases on behalf of the committee and is subsequently reimbursed by the committee (rather than contributing the funds to the committee), the transaction is considered a loan which requires a loan document and multiple postings to the filing system.

This bill proposes that certain reimbursements will not be considered as loans if the aggregate expenditures per individual does not exceed \$1,500 within a thirty-day period and the reimbursement is made within forty-five days.

#### **SUPPORT CLARIFYING DEFINITION OF "PERSON"** (Section 1)

A "person" is subject to contribution limits. This bill proposes to clarify that a "person" includes the expanding types of business entities.

# REMOVING PENALTY PROVISION FROM THE COMMISSION'S DUTIES IN THIS BILL (penalty provisions inserted by the Senate into S.B. No. 2579, S.D.2) (Section 2)

Under the current law, a \$50 fine is imposed if a committee's report is filed late. If the Commission publishes notice in the newspaper and on its website, a committee is also subject to a fine of \$50 for each day that a report remains overdue or uncorrected.

We are not opposed to repealing the current penalty provisions in this S.B. No. 2204, S.D.1 if amendments that increase the penalty that are currently in S.B. No. 2579, S.D.2 are passed out of this Committee (e.g., both S.B. No. 2204 and S.B. No. 2579 are passed by the Committee). If the Committee makes a decision not to increase the penalty, we recommend that this bill be amended to retain the law's current penalty provisions.

# OPPOSE PROVISION SPECIFYING THAT THE COMMISSION SHALL NOT ISSUE RULES THROUGH ADVISORY OPINIONS (Section 2)

The Commission is authorized to issue advisory opinions "as to whether the facts and circumstances of a particular case constitute or will constitute a violation of the campaign spending laws."

Section 2 of this bill proposes to amend the law to specify that "Nothing in this section shall be construed to allow the commission to issue rules through an advisory opinion."

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<sup>&</sup>lt;sup>1</sup> Hawaii Revised Statutes ("HRS") §11-193(a) (15).

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We opposed this provision for the following reasons:

- The bill proposes to add superfluous language. There is no apparent policy reason for the bill as the Commission does not issue rules through advisory opinions.
- HRS §91-3 already specifies the "[p]rocedure for adoption, amendment, or repeal of rules."

## SUPPORT TECHNICAL CHANGES TO CONFORM TO ELECTRONIC FILING (Sections 3, 9, 10, and 11 (in part))

The original version of this bill, which was introduced at the Commission's request, proposed these technical changes to the law to conform to the current law requiring electronic filing of reports. The enactment of Act 200, Session Laws of Hawaii 2007 ("Act 200"), made Hawaii one of the most transparent states in the nation with respect to campaign financing. Act 200 repealed certain exemptions from electronic filing for candidate committees and extended electronic filing to all noncandidate committees. The Legislature should be commended for the passage of that law which allows the public to review all reports electronically. Prior to electronic filing, reports were kept in filing cabinets at the Commission's office and could be reviewed only by visiting the Commission's office. These technical changes further implement Act 200.

# OPPOSE INCREASE IN REPORTING THRESHOLD FOR REPORTING AND EMPLOYER AND OCCUPTION FROM \$100 to \$250 (Section 4, Section 10, and Section 11)

Section 4 of this bill proposes to amend HRS §11-196.5(a) (14) as follows: "(14) The name, address, occupation, and employer of each donor who has contributed an aggregate amount of more than [\$100] \$250 since the last election and the amount and date of deposit of each such contribution."

Section 10 of the bill proposes to amend HRS §11-212(a) as follows:

- "(b) Each noncandidate committee shall file a preliminary report with the commission [, on forms provided by the commission, no later than 4:30 p.m.] on the tenth calendar day prior to each primary election and the tenth calendar day prior to a special or general election. Each report shall be certified pursuant to section 11-195 and shall contain the following information, which shall be current through the fifth calendar day prior to the filing of a preliminary report:
- (1) The aggregate sum of all contributions and other campaign receipts received;
- (2) The amount and date of deposit of the contribution and the name, address, employer, and occupation of each donor who contributes an aggregate of [\$100] \$250 or more during an election period, which has not previously been reported; provided that if all the information is not on file,

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the contribution shall be returned to the donor within thirty days of deposit;

- (3) The amount and date of each disbursement or contribution made to a candidate, party, organization, or committee, including the name and address of each payee, which has not previously been reported;
- (4) The amount and date of each expenditure made or incurred by the committee for or against any candidate, ballot issue, or on behalf of another committee, which has not previously been reported; and
  - (5) A current statement of the balance on hand."

Section 11 of the bill proposes to amend HRS §11-213(a) and (b) as follows:

- "(a) Primary and initial special election. Each candidate whether or not successful in a primary or initial special election, authorized person in the case of a party, or campaign treasurer in the case of a committee, shall file a final primary report certified pursuant to section 11-195 with the commission [on forms provided by the commission no later than 4:30 p.m.] on the twentieth calendar day after a primary or initial special election. The report shall include the following information which shall be current through the day of the primary election:
- (1) A statement of the total contributions and campaign receipts received;
- (2) The amount and date of deposit of each contribution and the name and address of each donor who contributes an aggregate of more than [\$100] \$250 during an election period, which has not previously been reported; provided that if all the information is not on file, the contribution shall be returned to the donor within thirty days of deposit;
- (3) The amount and date of deposit of each contribution and the name, address, employer, and occupation of each donor who contributes an aggregate of \$1,000 or more during an election period, which has not previously been reported; provided that if all the information is not on file, the contribution shall be returned to the donor within thirty days of deposit;
- (4) A statement of all expenditures made, incurred, or authorized by or for a candidate including the name and address of each payee and the amount, date, and purpose of each expenditure; and
  - (5) The cash balance and a statement of surplus or deficit.
- (b) Each noncandidate committee shall file a final primary report, certified pursuant to section 11-195, [with the commission on forms provided by the commission no later than 4:30 p.m.] on the twentieth calendar day after a primary election. The report shall include the following information, which shall be current through the day of the primary election:

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- (1) A statement of the total contributions and campaign receipts received;
- (2) The amount and date of deposit of each contribution and the name, address, employer, and occupation of each donor who contributes an aggregate of more than [\$100] \$250 during an election, which has not previously been reported;
- (3) The amount and date of each disbursement or contribution made to a candidate, party, organization, or committee, including the name and address of each payee, which has not previously been reported;
- (4) The amount and date of each expenditure made or incurred by the committee for or against any candidate, ballot issue, or on behalf of another committee, which has not previously been reported; and
  - (5) A current statement of the balance on hand.

We are opposed to these amendments.

- The Mission Statement of the Commission is a dedication to the integrity and transparency of the campaign finance process. Increasing the threshold lowers integrity as it eliminates a cross-check on contributors and employers, and it lowers transparency for the public.<sup>2</sup>
- Many contributions to Noncandidate committees are by members and employees
  of the sponsoring organization, and by corporations and companies. Occupation
  and employer designations in these instances are not difficult.

## OPPOSE AMENDMENT ALLOWING ORDINARY AND CUSTOMARY EXPENSES (Sections 5 and 8)

Campaign funds may be used for purposes specified in the law. HRS §§11-200(b) (3)<sup>3</sup> and 11-206(c) (3)<sup>4</sup> provide that funds may be used for "ordinary and necessary expenses."

The Commission's rules, which were last amended in 2002, provides as follows: "Ordinary and necessary expenses incurred in connection with the candidate's duties as a holder of an elected state or county office shall include usual and reasonable expenses, and bear a direct relation to the office; and such expenses shall be absolutely necessary for carrying out the duties of the office. Such expenses may include office equipment or

<sup>&</sup>lt;sup>2</sup> "The Hawaii Campaign Spending Commission is dedicated to the integrity and transparency of the campaign finance process." Hawaii Campaign Spending Commission Mission Statement. (2007).

<sup>&</sup>lt;sup>3</sup> Provides guidelines for the use of funds before an election.

<sup>&</sup>lt;sup>4</sup> Provides guidelines for the use of "surplus funds" after an election.

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supplies, but not travel or related expenses, food or other professional or personal services." Hawaii Administrative Rules section 2-14.1-16 (f).

This bill proposes to amend the law to allow funds to be used for "ordinary and customary expenses." This change would take effect upon approval.

While we are not opposed to clarifying the law, we are opposed to the use of the term "ordinary and customary expenses," because it appears, on the surface, to be much broader than the current standard ("ordinary and necessary expenses") and difficult to enforce. We also note that the term "ordinary and necessary" is used in the Federal campaign law and tax law and guidance may be gleaned from those laws.

We recommend that the Committee amend sections 5 and 8 of the bill by replacing "the term "ordinary and necessary" with language from the Commission's rules relating to expenses "that are usual, bear a direct relation to the office and are reasonable" as follows:

SECTION 5. Section 11-200, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

- "(b) Any provision of law to the contrary notwithstanding, a candidate, campaign treasurer, or candidate's committee, as a contribution:
- (1) May purchase from its campaign fund not more than two tickets for each event held by another candidate, committee, or party whether or not the event constitutes a fundraiser as defined in section 11-203;
- (2) May use campaign funds for any [ordinary and necessary] <sup>5</sup> expenses that are usual, bear a direct relation to the office, and are reasonable that are incurred in connection with the candidate's duties as a holder of an elected state or county office, as the term is used in section 11-206(c); and
- (3) May make contributions from its campaign fund to any community service, educational, youth, recreational, charitable, scientific, or literary organization; provided that in any election cycle, the total amount of all contributions from campaign funds and surplus funds shall be no more than the maximum amount that one person or other entity may contribute to that candidate pursuant to section 11-204(a); provided further that no contributions from campaign funds shall be made from the date the candidate files nomination papers to the date of the general election."

SECTION 8. Section 11-206, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) Surplus funds may be used after a general or special election for:

<sup>&</sup>lt;sup>5</sup> S.B. No. 2204 current refers to "ordinary and **customary**" expenses.

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- (1) Any fundraising activity;
- (2) Any other politically related activity sponsored by the candidate;
- (3) Any [ordinary and necessary] <sup>6</sup> expenses that are usual, bear a direct relation to the office, and are reasonable that are incurred in connection with the candidate's duties as a holder of an elected state or county office; or
- (4) Any contribution to any community service, educational, youth, recreational, charitable, scientific, or literary organization; provided that in any election cycle, the total amount of all contributions from campaign funds and surplus funds shall be no more than the maximum amount that one person or other entity may contribute to that candidate pursuant to section 11-204(a); provided further that no contributions from campaign funds shall be made from the date the candidate files nomination papers to the date of the general election."

#### **RE-ENACTING HRS SECTION 11-204(b)** (Section 6)

Section 6 proposes re-enacting HRS §11-204(b) as it existed prior to Act 203, Session Laws of Hawaii 2005 ("Act 203").

Act 203 amended HRS §11-204(b) as follows:

(b) No person or any other entity shall make contributions to a noncandidate committee, in an aggregate amount greater than \$1,000 in an election[; except that in the case of a corporation or company using funds from its own treasury, there shall be no limit on contributions or expenditures to the corporation or company noncandidate committee].

The Commission, based upon the change in the law, enforced a \$1,000 contribution limit from a corporation or company to its noncandidate committee during the primary and \$1,000 during the general election. The enforcement of the law was challenged by the Charmaine Tavares Campaign and a contributor to her campaign. A Maui Circuit Court judge ruled in favor of Tavares.

The Commission appealed the Court's decision and filed its Opening brief on January 16, 2008 and its Reply Brief on February 28 2008 with the Intermediate Court of Appeals.

Section 6 proposes to return to the law as it existed prior to Act 203, as follows:

"(b) No person or any other entity shall make contributions to a noncandidate committee, in an aggregate amount greater than \$1,000 in an election[-]; except that in the case of a corporation or company using funds from its own treasury, there shall be no limit on contributions or expenditures to the corporation or company noncandidate committee."

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<sup>&</sup>lt;sup>6</sup> S.B. No. 2204 current refers to "ordinary and **customary**" expenses.

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The current statute is similar to federal law which has prohibited corporate contributions since 1907. (2 U.S.C.A. § 441b). In the same vein, in 2005, S.B. 440 (the companion bill was House Bill 1747) was introduced into the legislature proposing a prohibition on all corporate contributions. When H.B. 1747 was enacted as Act 203, the proposed prohibition on corporate contributions was removed, as well as wording in 11-204 (b) allowing corporations unlimited access to their treasury funds for contributions.

### Alternative language

If the Committee intends to pass this provision, we recommend that the Committee consider alternative language which is clearer and would preserve transparency with respect to corporate or business contributions:

§ 11-191 "Noncandidate committee" means a committee as defined in this section that has the purpose of making contributions or expenditures to influence the nomination for election, the election of any candidate to political office, or for or against any issue on the ballot, but does not include a candidate's committee. A noncandidate committee includes a corporation or other business entity using funds from its own treasury to make contributions directly to, or expenditures on behalf of, candidates, candidate committees and other noncandidate committees.

Additionally, we recommend that a corporation or company should not be able to contribute unlimited treasury funds to their noncandidate committee for use to make contributions to candidates and other noncandidate committees, but instead a cap be instituted (see italics).

§11-204 (b) No person or any other entity shall make contributions to a noncandidate committee, in an aggregate amount greater than \$1,000 in an election; except that in the case of a corporation or company using funds from its own treasury, there shall be no a limit of \$ on contributions or expenditures to the corporation or company noncandidate committee.

#### **OPPOSE INCREASED COMMUNITY CONTRIBUTIONS** (Section 8)

This bill proposes to increase the amounts that a candidate may contribute to community groups and would take effect upon approval. We are opposed to this bill.

Campaign funds must be used for a candidate's campaign expenditures; and certain non-campaign expenditures that are permitted under the law.<sup>7</sup>

In addition to donations to community groups, campaign funds may be used for ordinary and necessary expenses incurred in connection with the candidate's duties as an office holder; political party

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This bill proposes to amend HRS §11-206(c) (4) as follows:

"(4) Any contribution to any community service, educational, youth, recreational, charitable, scientific, or literary organization; provided that in any election cycle, the total amount of all contributions from campaign funds and surplus funds shall be no more than twice the maximum amount that one person or other entity may contribute to that candidate pursuant to section 11-204(a); provided further that no contributions from campaign funds shall be made from the date the candidate files nomination papers to the date of the general election."

#### We are opposed to this amendment:

- There is no apparent policy reason to revisit this issue. The Legislature recently
  considered this issue and in 2000 enacted the current law limiting contributions to
  community groups.<sup>8</sup>
- The Commission's staff reviews candidate reports in the normal course of business. Only two candidates, out of 296 candidates, exceeded the limit in the last election.
- The current law was passed because of the perception of a candidate exerting undue influence over community groups because of contributions to the group. These concerns may arise again.

# **OPPOSE ADDING REQUIREMENTS BEFORE FINES MAY BE IMPOSED** (Section 12)

Currently, fines are authorized as follows:

- A natural person may be fined an amount not to exceed \$1,000 for each
  occurrence or three times the amount of the unlawful contribution or expenditure,
  whichever is greater.
- A corporation, organization, or labor union may be fined an amount not to exceed \$1,000 for each occurrence. Whenever a corporation, organization, association, or labor union violates the law, the violation shall be deemed to be also that of the individual directors, officers, or agents who knowingly authorized, ordered, or did any of the acts constituting the violation.

Section 12 of this bill proposes the following changes:

• Fines of up to \$1,000 for each occurrence may be assessed if a natural person or candidate's committee does not "disclose" the occurrence.

contributions; and the purchase of two tickets to candidate, committee, or party events, pursuant to HRS section 11-200.

<sup>&</sup>lt;sup>8</sup> See Act 99, SLH 2000.

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- Fines equivalent to three times the amount of the unlawful contribution or expenditure may be assessed against a natural person or candidate's committee "for willfully not disclosing or failing to correct a violation upon notice by the commission."
- A fine may be imposed on the candidate as a natural person or the candidate's committee, but not both.
- Clarification of the current statutory scheme which allows fines of up to \$1,000 for each occurrence against a corporation, organization, or labor union and deeming such violations to be violations by the individual directors, officers, or agents who knowingly authorized, ordered, or did any of the acts constituting the violation.

#### We are opposed to these changes.

- Since taking over as the Executive Director, I reviewed all past fines and have recommended to the Commission fines that are consistent with past fines for campaign law violations.
- This provision provides a free pass to anyone who reports their violation.
- The use of the term "wilfully" (page 26, line 14) is inappropriate because it appears to add a criminal intent requirement to the campaign finance law.
- The language in this bill limiting fines to either the candidate or the committee is puzzling. Hawaii Revised Statutes (HRS) §11-195(a) specifies that "reports required to be filed under this subpart...shall be certified by the candidate and treasurer." The candidate, therefore, is responsible for reports filed by the committee.
- The term "disclosure" is not defined in the bill. The concept appears to be drawn from the tax law which requires "adequate disclosure" of certain issues and positions to avoid the imposition of certain penalties.
- If questions arise, the Commission's staff is always available to assist candidates, candidate committees, and noncandidate committees. The Commission also may issue an advisory opinion. Our office focuses on providing customer service.
- In at least the past three years, when the candidate and the candidate's committee has been named in a conciliation agreement, there has been one fine, not a total of two fines, one for the candidate and one for the committee. Naming both in the complaint and conciliation agreement holds parties responsible.

# COLLAPSE TWO SECTIONS RELATING TO THE USE OF CONTRIBUTIONS (S.B. No. 2203 and H.B. No. 2726)

Under current law, three sections discuss how contributions may be used with overlapping, if not redundant terms.

- HRS §11-200 addresses how contributions may be used before an election.
- HRS §11-206 discusses the use of "surplus funds" after an election.

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• HRS §11-214 provides guidelines for the use of contributions after an election by organizing candidates into four groups: (1) candidates who withdraw before filing nomination papers for office; (2) candidates who file nomination papers and withdraw from the race before the election; (3) candidates who are elected; and (4) candidates who lose an election.

S.B. No. 2203 and H.B. No. 2726 proposed to amend HRS §11-200 by combining the provisions of HRS §\$11-200 and 11-206 because of the overlap in these two sections. While HRS §11-206 has its genesis in a law relating to expenditure limits applicable to all candidates (prior to <u>Buckley v. Valeo</u>) various amendments were subsequently enacted that made the section similar to HRS §11-200. While there are slight differences, there is no apparent reason to have two laws with different guidelines applicable to contributions before an election and after an election.

From: Barbara Polk [ednbarb8@earthlink.net]

Sent: Monday, March 10, 2008 1:46 PM

To: JUDtestimony

Subject: testimony Re SB 2204 SD 1

The following testimony is for the House Judiciary Committee hearing on March 11 at 2:30pm.

TO: Chair Tommy Waters, Vice-Chair Blake Oshiro and

Members of the House Judiciary Committee

FROM: Barbara Polk, Legislative Chair

Americans for Democratic Action, Hawaii Chapter

RE: OPPOSITION TO SB 2204 SD1 and REQUEST FOR AMENDMENTS

Americans for Democratic Action, Hawaii Chapter, strongly opposes the current version of B 2204 SD 1. Taken as a whole, the bill appears to be a slap in the face to the citizens of Hawaii. While our major concern, as is true of others here today, is with the section permitting unlimited contributions by a corporation from its own treasury to a non-candidate committee (while restricting individuals from donating more than \$1000!), we have several other concerns as well and will address them in order. (We are using the Section identifiers that appear in the bill throughout this testimony.)

- 1. The proposed amendment to Section 1 on loans (repeated in Section 7) obscures the public's ability to know who is supporting a candidate's campaign. We understand that in the heat of a campaign, a candidate, employee or volunteer may make purchases for a campaign expecting reimbursement. We recommend that the statement be amended to ensure the reporting only of such expenditures that are not repaid by the next date for reporting campaign contributions and expenditures and that no such "loans" be permitted between the final reporting date prior to an election and the election itself. Otherwise, it is possible to have a flood of unreported money flow into a campaign in its final days.
- 2. The proposed amendment to Section 2: (a) that delete the entirety of item 5 strips the Campaign Spending Commission of its major responsibilities and protects violators of this law from being publicly named. Again, this is a serious violation of the public's right to know and invites an increase in corruption. In addition, it directs that fines from campaign spending violations go to the general fund rather than to the Election Campaigns Fund. Since this committee has previously gone on record supporting, at least in concept, publicly funded elections, it would indicate a lack of good faith to then strip the Election Campaigns Fund of one source of its funding. Please delete this entire amendment from the bill.
- 3. Section 3: 11-195 (a) proposes amendments that exempt candidates from responsibility for their own campaigns! With all due respect, I wonder how the public is expected to believe you can serve as lawmakers if you cannot manage your own campaign! It is essential that candidates continue to bear the responsibility for ensuring the full reporting of their candidate committees. We ask that you delete this amendment from the bill as well as the other related amendments that protect a candidate from financial responsibility for their candidate committees' violation of law.
- 4. We support the amendment to require electronic filing of reports.
- 5. The proposed amendment to Section 6: (b) is discriminatory against individuals in that it creates a special category and campaign contribution privileges only for corporations. It is probably illegal. While we understand that part (a) limits the amount that may be donated to an individual candidate by a non-candidate committee, it is not clear that part (a) would prevent corporations from donating directly from their treasury to a candidate *in addition* to the unlimited contributions to a their non-candidate committee. In other words, this bill would greatly compound the problems identified in the House version which you heard earlier by allowing corporate officers and directors THREE opportunities to influence elections campaigns: first as individuals, second by directing corporate funds to a candidate, and third by directing corporate funds to a non-candidate committee. Our position is that corporations should have no ability to contribute to candidate campaigns by either direct contribution or through non-candidate committees. We ask you to amend this section to prohibit corporate contributions completely.

In fact, the Supreme Court, which at other times has extended the rights of persons to corporations, in the 1990 case Austin v. Michigan Chamber of Commerce upheld limitations on corporate spending in candidate elections. At this time, 22 states do not permit corporations (and in most cases, other organizations) to contribute from their treasury to candidates and at least 16 ban corporate contributions to non-candidate committees. **Don't let Hawaii become the only state to move backwards.** 

- 6. The proposed amendment to **Section 8: (4)** is discriminatory by explicitly allowing former candidates to donate from surplus campaign funds **twice** as much to other candidates than can an ordinary citizen. There can be no possible rationalization for giving this privilege to elected officials and former candidates! **We ask you to remove this provision.**
- 7. We see no reason for hiding the contributions by donors who contribute between \$100 and \$250 as proposed in Section 10: 2 (b) (2)
- 8. Section 12 proposed amendments on fines appear to provide a lower level of liability to corporations (and other organizations) for violations of than for individuals. "Natural persons" can be fined up to three times the amount of unlawful expenditures or contributions, whereas corporations, organizations, associations, and labor unions may be fined only \$1000. We ask that you delete this discriminatory amendment.

In summary, we are shocked at the multiple attempts in this bill to hide election matters from public view, protect politicians from responsibility for their campaigns, and favor corporations (sometimes ONLY corporations) in matters pertaining to influence on elections. We are sure we can count on you to think carefully about your responsibility to your constituents and make the recommended changes in this bill.



# HOUSE COMMITTEE ON JUDICIARY March 11<sup>th</sup>, 2008, 2:00 P.M. (Testimony is 1 page long)

(Testimony is 1 page long)

#### **TESTIMONY IN OPPOSITION TO SB 2204 SD1**

Chair Waters and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, opposes SB 2204 SD1, lifting the \$1000 donation limit on corporate non-candidate committees. We recommend that this Committee either hold this measure or amend it in such a way that all corporate donations are banned—just as they are in 22 other U.S. states.

The Sierra Club joins the chorus of community organizations, "good government" groups, and advocates who believe that there is too much corporate influence in our democracy. While the Sierra Club's mission is to keep Hawaii's environment clean, it is becoming clearer that the mission can't be achieved with special interests financially backing Hawaii's lawmakers. The pressure to accept funds from corporate political action committees (PAC) places legislators in an untenable position where decisions that they make regarding the interests of that PAC come into question—whether the concerns are real or perceived.

At the state and county levels, it is clear that money influences politics. To avoid impugning any current elected official, this testimony will share an older example. On the November 6, 1997, 10pm broadcast of KHON-2 News it was reported, "Bank of Hawaii's Larry Johnson says his bank powerful political action committee will support the re-election of lawmakers who vote for the task force (*Economic Revitalization Task Force*) recommendations and withhold contributions from those who do not." Such a statement is nothing short of bribery. HRS 710-1040 defines bribery as follows:

"(a) The person confers, or offers...pecuniary benefit upon a public servant with the intent to influence a public servant's vote, opinion, judgment, exercise of discretion, or other action in the public servant's official capacity."

Such inappropriate influence from campaign donations continues today. Even the perception of impropriety—actions based on campaign donations instead of citizen representation—harms our democratic processes as citizens question decisions and lose interest in the political process.

Lawmakers who support this measure are making clear that they support a policy of removing this restriction on the level of corporate participation in elections. If clarity in the original policy is warranted to aid the courts, we recommend that such clarity be provided by an outright prohibition on corporate campaign donations. Such a clarification would go a long way in improving the perception of our democratic election process and reduce the unfair influence of corporate money in politics.

Thank you for the opportunity to testify.

From:

Sent: Tuesday, March 11, 2008 1:21 AM

**JUDtestimony** 

To:

Subject:

Strong Opposition to Section 6 of SB 2204

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

Tuesday, March 11, 2:00 pm House JUD Committee

Aloha.

I'm writing in strong opposition of section 6 of SB 2204.

This section would lift a current cap of \$1,000 on the amount of money corporations can give directly out of their treasuries to candidate's campaigns.

Corporations already have too much influence on the lawmaking process and have an unfair advantage over the general public.

Even the federal government and 22 states have banned these types of corporate contributions.

By lifting this cap and allowing a tsunami of corporate money to flood legislators' campaigns, Hawaii would become the first state in U.S. history to move backwards on this issue -- allowing more money -- instead of moving forwards by banning this money.

Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely,
Gay Leah Barfield, Ph.D., Lic. MFT

Mt. View,, HI 96771

From: patriciablair

Sent: Sunday, March 09, 2008 10:01 AM

To: JUDtestimony

Subject: Testimony

I am writing in regard to SB2204. This is a bad bill. It is not what the people want. Amend this bill and enact a BAN on corporate donations to campaigns. You can have no other decision, otherwise it appears that you are trying to fill your coffers with corporate donations. Thank you very much for seeing the light. Pat Blair, Kailua

From:

Sent: To: Monday, March 10, 2008 6:43 AM

JUDtestimony

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, Pat Blair

Kailua, HI 96734

From: Sent:

Saturday, March 08, 2008 12:22 PM

To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely,
James D Brown

Kaneohe, HI 96744

From:

Sent: Monday, March 10, 2008 10:02 AM

To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, Patricia Card

From:

Monday, March 10, 2008 12:07 PM

Sent: To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

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Sincerely, Randy Ching

From:

Sent:

Sunday, March 09, 2008 10:45 AM

To:

JUDtestimony

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, Durell Douthit

From:

Sent: Monday, March 10, 2008 6:03 PM

To:

JUDtestimony

Subject: Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, Anela Lani Grace

HONOLULU, HI 96813

From: Sent:

Sunday, March 09, 2008 6:43 PM

To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

Tuesday, March 11, 2:00 pm House JUD Committee

Aloha `Aina,

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This section would lift a current cap of \$1,000 on the amount of money corporations can give directly out of their treasuries to candidate's campaigns.

Corporations already have too much influence on the lawmaking process and have an unfair advantage over the general public- a threat to democracy!

Even the federal government and 22 states have banned these types of corporate contributions.

By lifting this cap and allowing a tsunami of corporate money to flood legislators' campaigns, Hawaii would become the first state in U.S. history to move backwards on this issue -- allowing more money -- instead of moving forwards by banning this money.

Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, Pete Doktor

From: Cory (Martha) Harden

Sent: Sunday, March 09, 2008 10:12 PM

To: JUDtestimony

Subject: amend SB 2204--ban corporate donations JUD Tu 3-11 2 PM rm 325

Dear Legislators,

No corporate contributions! Please amend SB 2204 to enact a BAN on corporate donations to campaigns.

mahalo, Cory Harden, Hilo

From: Sent:

Monday, March 10, 2008 9:38 AM

To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, John Heidel

Kailua, HI 96734

From: Sent:

Sunday, March 09, 2008 5:34 PM

To:

JUDtestimony

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, Tom Horton

From:

Noel J Kent

Sent:

Monday, March 10, 2008 9:46 AM

To:

JUDtestimony

Subject:

Testimony

SB2204 is a bad bill. Lifting the cap on corporate donations to the election process simply gives big business even greater political power than it has now. This bill should be amended to prohibit corporate donations in toto to candidates and parties. Noel J. Kent Professor University of Hawai'i at Manoa

From:

Sent: Monday, March 10, 2008 7:17 AM

To:

JUDtestimony

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, jeremy lam

honolulu, nr 20822

From:

Sent:

Sunday, March 09, 2008 9:41 PM

To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, David Leake

Kaneohe, Hl 96744

From:

Sent:

Sunday, March 09, 2008 10:45 AM

To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, bill lewis general delivery volcano, HI 96785

From:

Judie Hilke Lundborg

Sent:

Sunday, March 09, 2008 8:37 AM

To:

JUDtestimony

Subject: Tes

Testimony SB2204

Dear Committee Members,

I urgently request that you amend this bill to BAN CORPORATE CONTRIBUTIONS. It should be evident that our country is in the mess it's in because the federal government is run for and by corporations.

We can't allow that to happen in Hawaii. I would also like to point out that the HSF is a perfect example of the influence of corporate power over any sense of responsibility for the aina or the neighbor island residents.

Your consideration will be greatly appreciated - your lack of consideration will be a clear indication that you favor corporations over the needs of Hawaii residents.

Aloha, Judie Hilke Lundborg Lihue, <u>Hawa</u>ii

From:

timmcgivern

Sent:

Monday, March 10, 2008 2:09 PM

To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, Tim McGivern

From:

redahi

Sent:

Saturday, March 08, 2008 2:38 PM

To:

JUDtestimony

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, B.A. McClintock Disabled-email only Honolulu, HI 96825-1346

From:

infe

Sent:

Monday, March 10, 2008 4:37 PM

To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, Rachel Orange

From: Sent:

Sunday, March 09, 2008 5:56 PM

To:

JUDtestimony

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

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Sincerely, H<u>ilary</u> Parker

Kula, HI 96790

From:

GParola

Sent:

Saturday, March 08, 2008 4:31 PM

To:

JUDtestimony

Subject: Testimony re: SB2204

#### Aloha--

Thank you for considering my concern about SB2204.

Please consider the banning of corporate donations to Island political campaigns. There are no political jurisdictions so large or so dense that an energetic candidate cannot contact his potential constitutents without the outlay of huge sums of money. If such sums are contributed by a corporation it is obvious that such an outlay expects some favor in return.

Corporate legislative needs/wishes should be weighed objectively without the tipping of the scale of pono in their favor. The public cannot match such influence.

Please do not allow this practice to poison our legislative process further. We have ample evidence from mainland practices to show the negative side to such activity.

Respectfully,

Gene J. Parola

Honolulu, HI 96822

It's Tax Time! Get tips, forms, and advice on AOL Money & Finance. (http://money.aol.com/tax?NCID=aolprf0003000000001)

From:

kory Monday, March 10, 2008 5:01 PM

Sent: To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, Kory Payne

Kailua, HI 96734

From:

noelie

Sent:

Monday, March 10, 2008 5:01 PM

To:

JUDtestimony

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, Noelie Rodriguez

Hilo,, HI 96720

From:

lruby (

Sent:

Monday, March 10, 2008 10:02 AM

To:

JUDtestimony

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, laura ruby

honolulu, hawaii, HI 96826

TO: Rep Tommy Waters, Chair; Rep Blake Oshiro, Vice Chair; Members of the House Judiciary Committee (JUD)

FROM: Beppie Shapiro, testifying as individual

DATE: Friday, March 7, 2008

FOR HEARING by HOUSE JUDICIARY COMMITTEE

March 11, 2008 at 2 p.m.

Conference Room 325

RE: SB 2204, SD1 RELATED TO CAMPAIGN SPENDING

Subject: Strong opposition to part of SB2204, SD1

I am writing to oppose the clause in SB 2204 SD1 which states "clarifies that in the case of a corporation or company using funds from its own treasury, there shall be no limit on contributions or expenditures to the corporation or company noncandidate committee". This language if accepted would increase the disproportionate influence of corporations and their special interests on our campaigns.

The previously established limit of \$1000 on these donations is already far more "generous" than the federal limit of \$0, consistent with several states. Due to their ability to hire lobbyists and (often genuine) claims to be supporting the economy, corporations already have more influence than ordinary citizens. Their staff and Board members can contribute as individuals. Please do not increase this influence on our elections and by extension on our representatives. In defeating HB2455, your colleagues acknowledged the strong sentiment among voters who do not want greater corporate influence on elections and who, as polls have shown, believe that "those who pay, get to play".

Vote FOR your constituents by amending this bill to BAN corporate donations to PACS.

Thank you for the opportunity to present this testimony.

From:

honsofio

Sent:

Monday, March 10, 2008 1:35 PM

To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

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Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, ellen sofio

From:

moana.tavares

Sent:

Monday, March 10, 2008 7:17 AM

To:

**JUDtestimony** 

Subject:

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

Tuesday, March 11, 2:00 pm House JUD Committee

Aloha,

I'm writing in strong opposition of section 6 of SB 2204.

This section would lift a current cap of \$1,000 on the amount of money corporations can give directly out of their treasuries to candidate's campaigns.

Corporations already have too much influence on the lawmaking process and have an unfair advantage over the general public.

Even the federal government and 22 states have banned these types of corporate contributions.

By lifting this cap and allowing a tsunami of corporate money to flood legislators' campaigns, Hawaii would become the first state in U.S. history to move backwards on this issue -- allowing more money -- instead of moving forwards by banning this money.

Please amend this law to ban these types of corporate contributions, or at the very least, delete section 6 of this bill.

Sincerely, Deirdre Moana Tavares

Hilo, HI 96720

From:

thirr33

Sent:

Monday, March 10, 2008 5:29 PM

To:

JUDtestimony

Subject:

Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Right Honorable Members of the House JUD Committe.

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Even the federal government and 22 states have banned these types of corporate contributions. These are the types of campaign reform that Sen. Obama, Clinton, & McCain streneously campaigned in 2008.

By lifting this cap and allowing a tidal wave of corporate money to flood legislators' campaigns, Hawaii would become the first state in U.S. history to move backwards on this issue -- allowing more money -- instead of moving forwards by banning this money.

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Me Ke Aloha Pumehana,

Arvid Youngquist Spokesman/Founder Mestizo Association

Sincerely, Arvid Youngquist

From:

virtual

Sent:

Monday, March 10, 2008 12:29 AM

To:

**JUDtestimony** 

**Subject:** 

Strong Opposition to Section 6 of SB 2004

Chair Tommy Waters, Vice Chair Blake Oshiro Members House Judiciary Committee

Aloha Chair Tommy Waters, Vice Chair Blake Oshiro House Judiciary Committee,

Chair Tommy Waters, Vice Chair Blake Oshiro, Members of the House JUD Committee,

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Sincerely, James Zampathas

Kamuela, HI 96743