



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-SEVENTH LEGISLATURE, 2014**

ON THE FOLLOWING MEASURE:

S.B. NO. 2250, S.D. 2, H.D. 1, RELATING TO CHARITABLE SOLICITATION.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Thursday, April 3, 2014

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): David M. Louie, Attorney General, or
Hugh R. Jones, Supervising Deputy Attorney General

Chair Luke and Members of the Committee:

The Attorney General supports the passage of this bill and requests that the bill be amended to make the bill effective upon approval.

The purposes of this bill are to: (1) improve upon and clarify provisions of Hawaii's charitable solicitation and registration law through the creation of a new section devoted to collection bins used for donations of household items and clothing; (2) provide clarification as to what charitable organizations must registered under section 467B-2.1, Hawaii Revised Statutes (HRS); (3) make technical amendments to facilitate electronic registration and reporting by registered professional solicitors; (4) make amendments to provisions regulating charitable sales promotions by commercial co-venturers; and (5) make other clarifying and technical or housekeeping amendments.

Collection Box Disclosures

The Attorney General supports required collection box disclosures for consumer or donor protection. The intent of section 1 of this bill is to provide disclosure requirements for three different types of organizations that may own and operate collection bins: charities that have been granted tax exempt status under section 501(c)(3) of the Internal Revenue Code, professional solicitors that are for-profit entities paid to solicit donations for a charity, and for-profit organizations who collect and sell used personal property for non-charitable purposes.

Commercial Co-Venture Amendments

The amendments to section 467B-5.5, HRS, on page 6, lines 9-22, through page 9 lines 1-12 provide clarity as to the deadline by which a commercial co-venturer must provide a charitable organization with a final accounting of contributions raised and authorize the Attorney General to issue cease and desist orders to non-compliant commercial co-venturers and to impose civil penalties similar to civil penalties authorized against professional fundraisers and registered charities.

Amendment to Section 467B-2.5(a)

The amendment to section 467B-2.5(a), HRS, on page 4, lines 13-22, through page 6, lines 1-8, repealing the two signature requirement on financial reports by registered professional solicitors will facilitate the electronic submission of these financial reports under a system now under development by Hawaii Information Consortium. Solicitors will submit these reports using an electronic signature and be subject to criminal penalties for unsworn falsification to a government authority. These reports will then be searchable via the Internet by the public.

Technical Amendments

Other technical amendments include repealing the annual \$10.00 fee associated with a charity's submission of a financial report for those charities having under \$25,000 in revenue. This will serve as an incentive to charities to register and act with transparency despite the fact that they may be eligible for an exemption from registration under section 467B-11.5, HRS.

The Attorney General requests the Committee's favorable consideration of bill.



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TO THE COMMITTEE ON FINANCE

THE TWENTY-SEVENTH
REGULAR SESSION OF 2014

APRIL 3, 2014
2:00 PM

TESTIMONY IN SUPPORT OF S. B. 2250, S.D. 2, H.D. 1 RELATING TO CHARITABLE SOLICITATION.

TO THE HONORABLE SYLVIA LUKE, CHAIR,
AND TO THE HONORABLE SCOTT Y. NISHIMOTO, VICE CHAIR,
AND TO THE HONORABLE AARON LING JOHANSON, VICE CHAIR,
AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs, Office of Consumer Protection ("OCP") appreciates the opportunity to appear today and testify in support of S. B. 2250, S.D. 2, H.D. 1, Relating to Charitable Solicitation. My name is Bruce B. Kim and I am the Executive Director of OCP.

This legislation would require collection boxes to have certain disclosures clearly visible, that would vary depending on whether the organization to whom the collection box belongs is a "tax exempt charitable organization," a "professional solicitor, which is

a for-profit organization,” or a “for-profit organization that is not a charity.” It also stipulates fines for failing to make the required disclosures, and further empowers the Attorney General to prosecute violations of the statute.

OCP supports this legislation as it would serve to better inform consumers as to the beneficiaries of funds contributed to collection boxes. The need for legislation of this sort has been demonstrated, as there has been an observable pattern of a proliferation of donation collection boxes in the aftermath of recent disasters such as the Fukushima earthquake in Japan, and the Typhoon Haiyan disaster in the Philippines, and consumers have had the difficult task of determining which appeals for aid would actually go to benefit charities aiding in the disasters, as opposed to persons who seek to profit from them without the benefits of the donation redounding to the disaster victims. Consumers deserve to know that their donations are going to causes or persons that they support, and whether or not those contributions will be tax-deductible.

Thank you for allowing me to testify today. If any members of the committee have any questions, I would be happy to answer them.