

Honolulu, Hawaii
February 19, 2016

RE: H.B. No. 2560
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 2560 entitled:

"A BILL FOR AN ACT RELATING TO CORPORATIONS,"

begs leave to report as follows:

The purpose of this measure is to require foreign and domestic corporations to provide shareholders with annual reports of the corporation's independent expenditures and contributions to candidate committees and noncandidate committees.

Common Cause Hawaii testified in support of this measure. The Department of the Attorney General provided comments.

Your Committee has amended this measure by:

- (1) Inserting a preamble that states the measure's reporting requirements are justified by advancing the State's interest and efforts have been made to lessen the reporting burden on the corporation;
- (2) Specifying that corporations that make more than \$1,000 of independent expenditures and contributions in a year are required to make an annual report of the independent expenditures and contributions to the shareholders;
- (3) Specifying that the report on independent expenditures and contributions shall be delivered to shareholders



when the corporation's annual report is filed pursuant to section 414-472, Hawaii Revised Statutes;

- (4) Providing that corporations may provide shareholders with pre-existing reports that disclose the subject information if the reporting requirements are met;
- (5) Providing that corporations may report the independent expenditures and contributions in aggregate amounts; and
- (6) Making technical, nonsubstantive amendments for purposes of clarity and consistency.

Hawaii's corporate reporting and disclosure requirements serve important interests: providing the shareholders and the electorate with information, deterring actual corruption and avoiding any appearance thereof, and gathering the data necessary to enforce more substantive electioneering restrictions.

First, corporate reporting and disclosure obligations provide information to the shareholders and electorate about who is speaking - information that "is vital to the efficient functioning of the marketplace of ideas, and thus to advancing the democratic objectives underlying the First Amendment." *See, McCutcheon v. Federal Election Comm'n*, 134 S. Ct. 1434, 1459-60 (2014). This transparency enables the shareholders to make informed decisions. Providing these reports directly to the shareholders ensures that shareholders will be informed of corporate affairs. Shareholders may also share information with the electorate at large.

Second, Hawaii's corporate reporting and disclosure requirements deter actual corruption and avoid the appearance of corruption by exposing the source of all contributions and expenditures to the shareholders and public. Providing reports to shareholders is an important step in deterring actual corruption by corporations attempting to circumvent reporting and disclosure requirements.

Third, corporate reporting and disclosure requirements provide a means of detecting violations of valid contribution limitations and preventing circumvention of Hawaii's campaign spending limitations, including rules that bar contributions by foreign corporations. Providing reports to shareholders provides additional scrutiny of compliance with reporting and disclosure requirements. Shareholders have a unique interest in analyzing and scrutinizing corporate expenditures.



As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2560, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2560, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary,



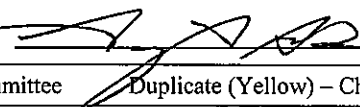
KARL RHOADS, Chair



State of Hawaii
House of Representatives
The Twenty-eighth Legislature

HGCR 607-16

Record of Votes of the Committee on Judiciary

Bill/Resolution No.: HB 2560	Committee Referral: JUD, FIN	Date: 02/04/16		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
JUD Members	Ayes	Ayes (WR)	Nays	Excused
1. RHOADS, Karl (C)	/			
2. SAN BUENAVENTURA, Joy A. (VC)	/			
3. BELATTI, Della Au	/			
4. BROWER, Tom	/			
5. CREAGAN, Richard P.	/			
6. HASHEM, Mark J.	/			
7. KAWAKAMI, Derek S.K.	/			
8. LEE, Chris	/			
9. MORIKAWA, Dee	/			
10. NAKASHIMA, Mark M.	/			
11. TAKAYAMA, Gregg	/			
12. WOODSON, Justin H.	/			
13. McDERMOTT, Bob		✓		
14. THIELEN, Cynthia	/			
TOTAL (14)	13	1		
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center;">committee acronym(s)</div>				
Vice Chair's or designee's signature: _____ 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				