



**STATE OF HAWAII
CAMPAIGN SPENDING COMMISSION**

235 SOUTH BERETANIA STREET, ROOM 300
HONOLULU, HAWAII 96813

February 29, 2016

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

The Honorable Scott Y. Nishimoto, Vice Chair
House Committee on Finance

Members of the House Committee on Finance

FROM: Kristin Izumi-Nitao, Executive Director *cei*
Campaign Spending Commission

SUBJECT: **Testimony on H.B. No. 2156, H.D. 1, Relating to Campaign Finance.**

Tuesday, March 1, 2016
11:02 a.m., Conference Room 308

Thank you for the opportunity to testify on this bill.¹ The Campaign Spending Commission (“Commission”) strongly supports this bill.

This bill amends Hawaii Revised Statutes (“HRS”) §11-314 by providing that the Commission’s operating expenses, including staff salaries and fringe benefits, shall be paid from the state’s general fund. Presently, the Commission’s operating expenses are paid out of the Hawaii Election Campaign Fund (“HECF”). See HRS §11-421(c).

For the past seven fiscal years, the Commission has been operating at an average net deficit of about \$524,000. The Commission’s attempts to increase revenue have not been successful; especially since the Commission’s revenue is dependent on the \$3 state income tax check-off, the interest generated from the principal, and any funds that escheat to the HECF pursuant to campaign finance laws. Given this trend, the Commission is concerned that its revenue is insufficient to sustain Commission operations and programs. The Commission projects that as early as August 2017, the funds in the HECF will be “close to depletion” such that we may run a limited public funding program. See, HRS §11-422(b). Of greater concern is that by December 2017, the funds are projected to be “near depletion” such that we will be unable to run the public funding program for the 2018 election. See, HRS §11-422(a).

We therefore appreciate the intent behind this bill which seeks to restore the original purpose of the HECF to fund public funding (see, Hawaii Constitution, Article II, Section 5) and to have general funds pay for government and statutory functions provided by the Commission

¹ The companion bill in the Senate is S.B. No. 2438.

(see, HRS §11-314). The Commission believes that an appropriation of \$495,506 (or \$686,416² if fringe benefits were included) would cover operations including salaries for FY 2017.

The Commission urges this Committee to pass this measure.

² The figure provided in the Commission's testimony to the House Committee on Judiciary on February 1, 2016, \$661,545, was a miscalculation of the amount of fringe benefits.



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HOUSE COMMITTEE ON JUDICIARY

TUESDAY, March 1, 2016, 11:00 a.m. CONFERENCE ROOM 308

HB 2156, HD1 RELATING TO CAMPAIGN FINANCE

TESTIMONY

Saki Migliorato, League of Women Voters of Hawaii

Chair Luke, Vice-Chair Nishimoto, and Committee Members:

The League of Women Voters of Hawaii strongly supports HB2156 HD1, which replaces the Hawaii Election Campaign Fund with the general revenues of the State as the funding source for the operating expenses of the Campaign Spending Commission.

Using the Hawaii Election Campaign Fund (HECF) to cover the operating expenses of the Campaign Spending Commission was not the intended purpose of the Fund when it was established by the legislature in 1979 for “partial public financing of campaigns of the State and its political subdivisions.” But from 1998 onward –a temporary “drawdown” from the HECF became an entrenched budget practice which now interferes with the higher purpose of voluntary designations made by the public.

Since 1998 the Legislature hasn’t made an appropriation from general funds for the Commission’s own operation (investigating and settling campaign spending violations, offering candidates and candidate committees interpretation of campaign spending regulations and making data about campaign spending accessible to the public). Compounding this problem, in FY 2015, total fund receipts (the bulk of which came from state income tax check-off designations), came to \$212,342.28, while total operating expenses for the Commission came to \$870,753. Without an appropriation to the Commission from the general funds this means repeatedly reaching deeper into the Hawaii Election Campaign Fund for sufficient revenue to cover this modest budget. A downward trend in the Fund balance impairs the mission of public financing of campaigns, while leaving the operation of the Commission insecure.

True, the Legislature could boost the Fund with a direct appropriation to the partial public funding program, but they’ve never done this. They could actually appropriate money for a **fully** fund program for qualified candidates similar to the Hawaii County Council race in 2010 and 2012, but to our knowledge this happened only once. In recent years, certain legislation has suggested that depositing fees from campaign spending violations or depositing the recovered costs of campaign spending investigations would somehow shore up this Fund, but we all recognize these amounts to be very small – perhaps \$50,000 total annually.



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The League and other community advocates work to promote the HECF tax designations to Hawaii taxpayers, and have had some success. Since creation of the Fund in 1978, the highest annual tax check-off revenue was \$499,092 (in 1992), but last year it reached just \$162,138, its lowest year on record. We do think the 54,046 tax filers who used the tax check-off in FY 2015 expected their designation to be used for the Hawaii Election Campaign Fund, not the operation of an established State agency. Isn't the public being misled here?

The League of Women Voters of Hawaii supports partial public funding of elections through the HECF, especially realizing the demand on limited state tax revenue for other essential public services. Our members and less well-heeled political candidates applaud the distinct opportunity created by the Fund, so let's preserve this resource while normalizing the budgetary process for the Campaign Spending Commission by sourcing their budget from general funds. Please pass this measure. Thank you for the opportunity to submit testimony.



House Finance Committee
Chair Sylvia Luke, Vice Chair Scott Nishimoto

Wednesday 03/01/2016 at 11:02 AM in Room 308
HB 2156 – Relating to Campaign Funds

TESTIMONY — SUPPORT
Carmille Lim, Executive Director, Common Cause Hawaii

Dear Chair Luke, Vice Chair Nishimoto, and members of the House Finance Committee:

Common Cause Hawaii asks that the Committee pass HB 2156 which would allow for the Campaign Spending Commission’s (“the Commission” or “CSC”) general operating expenses be supported by the general fund, instead of the Hawaii Election Campaign Fund (“HECF”).

One of Common Cause Hawaii’s biggest concerns is ensuring that adequate and sustainable funding is made for the Hawaii Election Campaign Fund, which supports Hawaii’s partial public funding program. The concept for the Hawaii Election Campaign Fund emerged during the 1978 Constitutional Convention as Article II, Section 5 of the Hawaii State Constitution. The legislature was directed to “establish a campaign fund to be used for partial public financing of campaigns of the State and its political subdivisions,” and so the fund was established by the 1979 Hawaii State Legislature.

Although the Hawaii Election Campaign Fund was created to fund Hawaii’s partial public funding program, in 1997, the Campaign Spending Commission’s general operating expenses was moved from general funds to HECF.

The balance in the HECF fund has been declining steadily over the past six years, due to the Campaign Spending Commission relying on the fund to support nearly all of its operating expenses. Based on financial data presented on the Campaign Spending Commission’s website, CSC’s revenue is not enough to offset its operating costs:

Fiscal Year	Beginning Balance	Receipts	Expenditures	Ending Balance	Difference
2010	\$5,078,353.47	\$288,977.14	\$718,208.74	\$4,649,121.87	(\$429,176.48)
2011	\$4,649,121.87	\$374,051.45	\$881,957.12	\$4,141,216.20	(\$507,905.67)
2012	\$4,141,216.20	\$73,527.79	\$790,035.44	\$3,424,708.55	(\$716,507.65)
2013	\$3,424,708.55	\$257,182.61	\$745,747.36	\$2,936,143.80	(\$488,564.75)
2014	\$2,936,143.80	\$224,620.81	\$620,208.43	\$2,540,556.18	(\$395,587.62)
2015	\$2,540,556.18	\$212,342.48	\$870,753.07	\$1,882,145.59	(\$658,410.59)

According to the Commission’s last HECF report dated June 30, 2015, only \$1,882,145.59 was left in HECF. This occurred even though CSC was successful in managing its operating expenses, with no increase whatsoever in its payroll costs.

The 2015 Judiciary and Labor Committee Report referenced the Commission's testimony, which states that the Commission essentially has a \$500,000 annual deficit. Based on data presented on CSC's website, their operating expenses have been roughly \$725 thousand annually, over the past six years. Again, the issue at hand continues to be the unreliable revenue stream(s) directed toward HECF.

With a fund balance of just under \$2 million left, this indicates the present approach to financing operating costs is not sustainable. We believe that it is inappropriate to have an agency funded by a special fund— particularly one that does not have a steady stream of revenue that significantly recoup its general operating expenses.

We urge you to pass HB 2156 out of committee. We must ensure the Hawaii Campaign Spending Commission is a sustainable agency, and we must preserve the Hawaii Election Campaign Fund, as specified in the Hawaii State Constitution.

Thank you for the opportunity to offer testimony **supporting HB 2156**.

Date: March 1, 2016

To: The Honorable Representative Sylvia Luke, Chair
& Members of the House Committee on Finance

From: Christine Trecker

Subject: HB2156 HD1 Relating to Campaign Finance – **In Support**
11:02 am, Conference Room 308

Political campaign spending, fueled by powerful special interests, has dramatically increased in recent years and it threatens our democracy at every level of government. It presents serious challenges for Hawaii and underscores the vital importance of a strong, adequately funded Campaign Spending Commission. Now more than ever we need to insure that the Commission has the stable funding necessary to effectively watchdog and protect the integrity of Hawaii's political campaign process.

I strongly urge you to pass HB2156 HD1. Thank you for the opportunity to testify.