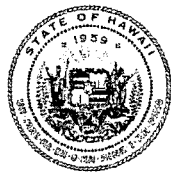


KRISTIN E. IZUMI-NITAO
EXECUTIVE DIRECTOR



PHONE: (808) 586-0285
FAX: (808) 586-0288
WWW.HAWAII.GOV/CAMPAIGN

STATE OF HAWAII
CAMPAIGN SPENDING COMMISSION
235 SOUTH BERETANIA STREET, ROOM 300
HONOLULU, HAWAII 96813

LATE

February 1, 2016

TO: The Honorable Karl Rhoads, Chair
House Committee on Judiciary

The Honorable Joy A. San Buenaventura, Vice Chair
House Committee on Judiciary

Members of the House Committee on Judiciary

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

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

Tuesday, February 2, 2016
2:00 p.m., Conference Room 325

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.

Testimony H.B. No. 2156
House Committee on Judiciary
February 1, 2016
Page 2

(see, HRS §11-314). The Commission believes that an appropriation of \$495,506 (or \$661,545 if fringe benefits were included) would cover operations including salaries for FY 2017.

The Commission urges this Committee to pass this measure.



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HOUSE COMMITTEE ON JUDICIARY
TUESDAY, FEB. 2, 2016, 2:00 P.M., CONFERENCE ROOM 325

HB 2156, RELATING TO CAMPAIGN FINANCE

TESTIMONY

Saki Migliorato, League of Women Voters of Hawaii

Chair Karl RHOADS, Vice-Chair Joy SAN BUENAVENTURA, and Committee Members:

The League of Women Voters of Hawaii strongly supports HB2156 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 Judiciary Committee
Chair Karl Rhoads, Vice Chair Joy San Buenaventura

Tuesday 02/02/2016 at 2:00 PM in Room 325
HB2156 – Relating to Campaign Finance

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

Dear Chair Rhoads, Vice Chair San Buenaventura, and members of the House Judiciary 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.

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 31, 2016 9:24 PM
To: JUDtestimony
Cc: christinet54@gmail.com
Subject: Submitted testimony for HB2156 on Feb 2, 2016 14:00PM

HB2156

Submitted on: 1/31/2016

Testimony for JUD on Feb 2, 2016 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
christine trecker	Individual	Comments Only	No

Comments: The Campaign Spending Commission, a critically important watchdog agency, deserves a solid, predictable funding source to cover its operational costs. The source of funds should be the general revenues of the state not the Hawaii Election Campaign Fund. I urge you to pass HB 2156.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 31, 2016 2:54 PM
To: JUDtestimony
Cc: blockard@iname.com
Subject: Submitted testimony for HB2156 on Feb 2, 2016 14:00PM

HB2156

Submitted on: 1/31/2016

Testimony for JUD on Feb 2, 2016 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Brodie Lockard	Individual	Support	No

Comments: We need public funding! Don't let this tool for democracy languish.

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 31, 2016 12:26 PM
To: JUDtestimony
Cc: barbarapolk@hawaiiantel.net
Subject: Submitted testimony for HB2156 on Feb 2, 2016 14:00PM

HB2156

Submitted on: 1/31/2016

Testimony for JUD on Feb 2, 2016 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara Polk	Individual	Support	No

Comments: The Hawaii Campaign Spending Commission is an important part of a democratic government. Unfortunately, the legislature has left it to the volunteer funding by the public, rather than making such funding part of the State budget. As a result, it is in danger of losing all funding. In addition, by funding the Commission out of the Hawaii Elections Campaign Fund, that fund, intended originally to provide public funding for candidates for office, has been depleted to the point that it can no longer provide the purpose for which it was set up. By moving the CSC's funding to the general fund, the legislature can stabilize its future and restore the Elections Campaign Fund to its intended purpose. At the same time, after the years of depletion of that fund, it is time to replenish its accounts. I strongly urge you to support HB2156.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 01, 2016 2:08 PM
To: JUDtestimony
Cc: the-green-one@hawaii.rr.com
Subject: Submitted testimony for HB2156 on Feb 2, 2016 14:00PM

HB2156

Submitted on: 2/1/2016

Testimony for JUD on Feb 2, 2016 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Natalie	Individual	Support	No

Comments: Please do not post my email address.

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LATE

Democracy Under the Rule of Law is Based on Public Access

February 1, 2016

House Committee on Judiciary
Hawai'i State Legislature

Re: H.B. 2156, Relating to Campaign Finance
Hearing on Tuesday, 02/02/16, 2:00 PM, Rm. 325

Dear Chair Rhoads, Vice-Chair San Buenaventura, and Committee members:

Testifying in strong **support** of H.B. 2156. Public funding, and a strong Campaign Spending Commission, are both critical to help protect the integrity of our democracy under the growing tsunami of millions of dollars of dark money flowing into Hawai'i elections. However, it is clear that the Hawai'i Election Campaign Fund that was mandated by the public to support our partial public financing program will be depleted and public financing will no longer be an option, unless the Hawai'i Election Campaign Fund is used exclusively for its original purpose.

Please support H.B. 2156, which appropriates funds for the Campaign Spending Commission's operating expenses from the General Fund rather than from the Hawai'i Election Campaign Fund. This is more critical now than ever before.

Thank you for the opportunity to testify.

Sincerely,

R. Elton Johnson, III
Open Law Alliance

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 02, 2016 6:09 PM
To: JUDtestimony
Cc: tabraham08@gmail.com
Subject: *Submitted testimony for HB2156 on Feb 2, 2016 14:00PM*

HB2156

Submitted on: 2/2/2016

Testimony for JUD on Feb 2, 2016 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

Comments:

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