



STATE OF HAWAII
CAMPAIGN SPENDING COMMISSION

235 SOUTH BERETANIA STREET, ROOM 300
HONOLULU, HAWAII 96813

February 22, 2016

TO: The Honorable Jill N. Tokuda, Chair
Senate Committee on Ways and Means

The Honorable Donovan M. Dela Cruz, Vice Chair
Senate Committee on Ways and Means

Members of the Senate Committee on Ways and Means

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

SUBJECT: **Testimony on S.B. No. 2438, S.D. 1, Relating to Campaign Finance**

Wednesday, February 24, 2016
1:00 p.m., Conference Room 211

Thank you for the opportunity to testify on this bill.¹ The Campaign Spending Commission (“Commission”) strongly supports this bill and urges this Committee to pass this bill with an amendment to section 3 of S.D. 1.

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 the Commission 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 the Commission will be unable to run the public funding program for the 2018 election. See, HRS §11-422(a).

¹ The companion bill in the House is H.B. No. 2156.

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 (see, HRS §11-314). The Commission believes that an appropriation of **\$686,416** would cover operations, including salaries and fringe benefits, for FY 2017. The Commission requests that this Committee amend section 3 of S.D. 1 by replacing the appropriations amount of \$661,545 with \$686,416. The Committee on Judiciary and Labor (“JDL”) inserted the lower amount based upon its reliance on the miscalculated amount offered by Commission staff in testimony to JDL.

The Commission urges this Committee to pass this measure with the requested amendment to section 3.



49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwvhawaii.com

COMMITTEE ON WAYS AND MEANS

WEDNESDAY, Feb. 24, 2016, 1:00 P.M., CONFERENCE ROOM 211
SB2438 SD1 RELATING TO CAMPAIGN FINANCE

TESTIMONY

Beppie Shapiro, League of Women Voters of Hawaii

Chair Tokuda, Vice-Chair Dela Cruz, and Committee Members:

The League of Women Voters of Hawaii strongly supports SB2438 SD1, which restores the original funding of Campaign Spending Commission operating expenses through the state's general fund.

The Campaign Spending Commission (CSC) works to ensure integrity and transparency of state and local political campaigns through its Partial Public Financing Program, its enforcement of Hawaii's campaign spending laws, and by making publicly available information about candidates', PACs', and Super PACs' campaign finances. The operating expenses of the CSC were originally paid through the general fund as is common to most state agencies and offices.

Through the Partial Public Financing's voluntary program, qualified political candidates raise small amounts of money from the public. The CSC matches public contributions, up to a certain amount, using money from the Hawaii Election Campaign fund (HECF). The program allows more candidates to run for office, and lets them spend more time on policy and less time on fundraising. Its intent is to prevent domination of elections, and public office, by those wealthy or well-connected enough to pay the increasingly intimidating costs of election campaigns.

The HECF was created in 1979, to receive monies from the donation check-off option on income tax filings, for the Partial Public Financing of election campaigns. This purpose is stated when asking tax-payers to use the HECF check-off.

The operating expenses of the CSC were originally paid through the general fund as is common to most state agencies and offices. However, the purpose of the HECF was later altered by the Legislature to also fund the Commission's operating expenses. As a result the CSC predicts that by 2018, the HECF may not have funds for Hawaii's Partial Public Financing Program. The CSC itself, may run out of money for its other functions by 2019 if this Legislature fails to restore CSC operational funding through the state general fund.

This would be a deplorable statement to the public, and to other states, about Hawaii's interest in the integrity and transparency of its elections, and its response to public outcry over domination of elections by wealthy individuals and organizations.

We urge you to pass this bill. Thank you for the opportunity to submit testimony.



Senate Ways + Means Committee
Chair Jill Tokuda, Vice Chair Donovan Dela Cruz

Wednesday 02/24/2016 at 1:00 PM in Room 211
SB 2438 SD1 – Relating to Campaign Finance

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

Dear Chair Tokuda, Vice Chair Dela Cruz, and members of the Senate Ways + Means Committee:

Common Cause Hawaii asks that the Committee pass SB 2438 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 SB 2438 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 SB 2438.

Date: February 24, 2016

To: The Honorable Senator Jill N. Tokuda, Chair
& Members of the Senate Committee on Ways & Means

From: Christine Trecker

Subject: SB 2438 SD1 Relating to Campaign Finance – **In Support**

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 SB2438 SD1. Thank you for the opportunity to testify.