



**STATE OF HAWAII
CAMPAIGN SPENDING COMMISSION**

235 SOUTH BERETANIA STREET, ROOM 300
HONOLULU, HAWAII 96813

March 14, 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 *KIN*
Campaign Spending Commission

SUBJECT: Testimony on S.B. No. 2438, S.D. 2, Relating to Campaign Finance

Tuesday, March 15, 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 and urges this Committee to pass 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 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.

Testimony S.B. No. 2438, S.D. 2

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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 the government and statutory functions provided by the Commission (see, HRS §11-314). The Commission believes that an appropriation of \$495,506 would cover operations including salaries (and not fringe benefits which would be paid by the Department of Budget and Finance) for FY 2017. The Commission urges this Committee to pass this measure.

DAVID Y. IGE
GOVERNOR



DOUGLAS MURDOCK
Comptroller

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

TESTIMONY
OF
DOUGLAS MURDOCK, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
JUDICIARY
ON
MARCH 15, 2016
S.B. 2438, S.D. 2

RELATING TO CAMPAIGN FINANCE

Chair Rhodes and members of the Committee, thank you for the opportunity to submit written testimony on S.B. 2438, S.D. 2 (the measure).

The Department of Accounting and General Services (DAGS) as a matter of general policy does not support any proposed legislation that will have a negative impact on the administrations executive supplemental budget and initiatives submitted for fiscal year 2017.

The Campaign Spending Commission (the Commission) has been operating with an annual operating deficit for a number of years and the available cash balance of the Commission's trust account has dropped to \$1.8 million at June 30, 2015 from \$5.3 million at June 30, 2005. In concept, the payment of the Commission's operating expenses from general funds is appropriate. Our concern is when the change in the means of financing for the payment of the Commission's operating expenses from trust fund to general fund is done, it may be more appropriate for this change in means of financing for the operating expenses to occur through the executive budget process for the next biennium budget for 2017 through 2019.

We do not support the measure if the appropriation of any general funds to the Commission will have a negative impact on the administration's executive supplemental budget and initiatives submitted for fiscal year 2017.

Thank you for the opportunity to submit written testimony on this measure.



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COMMITTEE ON JUDICIARY
TUESDAY, MAR. 15, 2016, 2:00 P.M., CONFERENCE ROOM 325
SB2438 SD2 RELATING TO CAMPAIGN FINANCE

TESTIMONY

Beppie Shapiro, League of Women Voters of Hawaii

Chair Rhoads, Vice-Chair San Buenaventura, and Committee Members:

The League of Women Voters of Hawaii strongly supports SB2438, SD2 which restores the original funding of Campaign Spending Commission operating expenses through the state's general fund. We request an amendment to the bill to protect the Hawaii Election Campaign trust funds from depletion and preserve the opportunity for candidates to use partial public financing for Hawaii's political campaigns.

The Campaign Spending Commission works to ensure the integrity and transparency of state and local political campaigns through enforcement of Hawaii's campaign spending laws, making information about political campaign spending publicly available and administering the state's Partial Public Financing Program. To receive monies from the check-off designations on individual income tax filings for the Partial Public Funding program, the state created the Hawaii Election Campaign Fund (HECF) in 1979.

While the Commission has served Hawaii since 1973, only from 1998 onward – apparently as a “budget saving” measure - was the HECF first used for the normal operating expenses of the Commission. What began as 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. 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.



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HB 2156 HD2, the companion measure to the bill before you, has now been amended to completely reverse the original purpose of both companion measures. We call upon you to underscore the importance of the Campaign Spending Commission by supporting an appropriation from the general fund for the operating expenses of the Commission.

We also call upon you to prevent any transfer of so-called “excess” funds from the already depleted Hawaii Election Campaign fund. This is a *trust* fund set up by the people of Hawaii to make public money available for a candidate’s campaign expenses. Candidate filing for the 2016 Elections runs until June 7, 2016; so we won’t know until June how much of the trust fund balance might be used by 2016 candidates. At this point, no trust funds could be considered “excess”. And since the State enjoys a healthy budget surplus, there is no justification for transferring money from the trust fund into the general fund to cover a non-existent budget emergency.

The League requests that SB2438, SD2 be amended to establish a floor below which trust funds cannot be transferred out of the Hawaii Election Campaign Fund into the general fund. This floor might correspond with the minimum threshold balance that must be available in the Fund before money is disbursed to eligible political candidates. This would at least avoid eliminating the Fund entirely. Otherwise, the entire trust fund balance could be considered “excess” and moved into the general fund.

It is vitally important for the credibility of Hawai`i’s political campaigns that the CSC have guaranteed funding for its operating expenses. We urge you to pass SB2438, SD2 with the proposed amendment. Thank you for the opportunity to submit testimony.

Date: March 15, 2016

To: The Honorable Representative Karl Rhoads, Chair
Representative Joy A. San Buenaventura, Vice Chair
& Members of the House Committee on Judiciary

From: Christine Trecker

Subject: SB2438 SD2 Relating to Campaign Finance – **In Strong Support**

If good government is a priority in Hawaii then SB2438 SD2 must be passed this session.

This bill addresses two key good government priorities:

1) It will help ensure that the Campaign Spending Commission has the adequate, stable funding necessary to effectively watchdog and protect the integrity of Hawaii's political campaign process.

2) It will help prevent the depletion of funding for Hawaii's Partial Public Financing Program. This vitally important program helps to restore public trust in government by making qualified candidates less dependent on private special interest donors to fund their campaigns.

I urge you to show your commitment to good government and a strengthened democratic process in Hawaii by passing SB2438 SD2.

Thank you for the opportunity to testify.



LATE

House Judiciary Committee
Chair Karl Rhoads, Vice Chair Joy San Buenaventura

Tuesday 03/15/2016 at 2:00 PM in Room 325
SB 2438 SD2 – Relating to Campaign Finance

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

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

Common Cause Hawaii recognizes that SD2 reduces the proposed appropriation amount, and defers to the Campaign Spending Commission on which funding source would be best suited to support the Commission's fringe benefits.

Regardless, **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 SD2.