

DAVID Y. IGE  
GOVERNOR



DOUGLAS MURDOCK  
Comptroller

**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**

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

WRITTEN TESTIMONY  
OF  
DOUGLAS MURDOCK, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
SENATE COMMITTEE  
ON  
WAYS AND MEANS  
ON  
FEBRUARY 27, 2015

S.B. 577, S.D. 1

RELATING TO CAMPAIGN FINANCE

Chair Tokuda and members of the Committee, thank you for the opportunity to provide written testimony on S.B. 577, S.D. 1. The Department of Accounting and General Services does not support S.B. 577, S.D. 1.

We do not support this measure as any general funds appropriated to support the operations of the Campaign Spending Commission will have a negative impact on the administration's executive biennium budget and initiatives submitted for fiscal years 2016 and 2017.

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

KRISTIN E. IZUMI-NITAO  
EXECUTIVE DIRECTOR



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**STATE OF HAWAII  
CAMPAIGN SPENDING COMMISSION**

239 SOUTH BERETANIA STREET, ROOM 300  
HONOLULU, HAWAII 96813

February 26, 2015

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

The Honorable Ronald D. Kouchi, Vice Chair  
Senate Committee on Ways and Means

Members of the Senate Committee on Ways and Means

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

SUBJECT: **Testimony on S.B. No. 577, S.D. 1, Relating to Campaign Finance**

Friday, February 27, 2015  
9:00 a.m., Conference Room 211

Thank you for the opportunity to testify on this bill. The Campaign Spending Commission ("Commission") supports the intent of this bill.

The purpose of the bill is to replenish and establish a consistent source of funding for the partial public funding program by (1) requiring that fines assessed by the Commission be deposited into the Hawaii Election Campaign Fund ("HECF") and (2) requiring that the Commission's operating expenses be paid from the general fund instead of HECF.

The Commission's operating expenses and public financing programs are funded by the HECF which is a trust fund within the state treasury. See, HRS §11-421. Revenue sources for the HECF are generated from 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. As mentioned above, this bill seeks to add another source of revenue to the HECF; that is, the administrative fines levied by the Commission.<sup>1</sup>

For the past six fiscal years, the Commission has been operating at a deficit of about \$500,000. Given this trend, the Commission is concerned that its revenue is insufficient to sustain Commission operations and programs in the long term. In FY 2014, the HECF closed

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<sup>1</sup> Prior to FY 2009, administrative fines levied by the Commission went to the trust fund. In FY 2009, the legislature amended the laws to have Commission fines go to the general fund.

with a balance of \$2,540,556.18 as a result of \$224,620.81 being generated in revenue and \$620,208.43 incurred in expenses.

From FY 2005 to FY 2014, the Commission has taken in \$2,013,325 from the tax check-off. The annual revenue amount from this source has ranged from \$163,143 in FY 2013 to \$223,380 in FY 2011. From FY 2005 to FY 2014, the Commission has received interest income in the amount of \$1,110,937.20. The annual revenue amount from this source has ranged from \$258,796.37 in FY 2008 to \$7,810.27 in FY 2014. Since FY 2009 to FY 2014, the Commission has collected fines in the amount of \$262,288.04, in annual amounts ranging from \$63,121.39 in FY 2013 to \$18,566.17 in FY 2012. Clearly, the annual revenue generated from the three primary sources of the Commission's receipts are not consistent or sufficient to sustain the partial public financing program and pay for the Commission's operating expenses.

In consideration of the HECF's declining balance, the Commission is open to consider strategies to address the depletion of its funds as well as funding for the Commission's operating expenses.



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COMMITTEE ON WAYS AND MEANS

FRIDAY, FEB. 27, 2015, 9:00 A.M., CONFERENCE ROOM  
SB577 SD1, RELATING TO CAMPAIGN FINANCE  
TESTIMONY

Beppie Shapiro, League of Women Voters of Hawaii

Chair Tokuda, Vice-Chair Kouchi, and Committee Members:

**The League of Women Voters of Hawaii strongly supports SB577 SD1. This measure includes two important provisions: 1) the operating expenses of the Campaign Spending Commission (CSC) would be paid out of the general fund; and 2) fines paid for violations would be deposited in the Hawaii Election Campaign Fund (HECF).**

The League of Women Voters, both nationally and in Hawai`i, has long recognized the importance of reining in the reliance of political election campaigns on major contributions from private organizations and a small number of wealthy individuals. A large share of the general public has become concerned about this problem following the SCOTUS decision in Citizens United. Ensuring the effective operation of Hawai`i's partial public funding program is to date the best antidote to these potential sources of influence on state candidates and their positions. In recent years however the funds available to publicly funded candidates have been limited due in part to 2009 legislation which required that CSC operating expenses (e.g. staff, communications) be paid from the HECF rather than the general fund. In addition that legislation required campaign spending fines to be deposited in the general fund rather than the HECF. These depletions of the HECF have limited the amounts available to support the partial public funding program and the possibility of expanding the program to more public offices or providing more public funds to qualified candidates.

SB577 SD1 would effectively reverse both these pernicious changes. If enacted, the HECF will have a far better probability of adequately supporting the partial public funding of future election campaigns.

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



Senate Ways and Means Committee  
Chair Jill Tokuda, Vice Chair Ronald Kouchi

Friday 02/27/2015 at 9:00 AM in Room 211  
SB577 SD1 Relating to Campaign Finance

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

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Dear Chair Tokuda, Vice Chair Kouchi and members of the Committee:

**Common Cause Hawaii supports SB577 SD1.** The core of this bill would:

1. Move Campaign Spending Commission's ("the Commission") general operating expenses to the general fund
2. Reinstate campaign-related fees, and allow those funds to be directed to 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 Hawaii Election Campaign Fund was created 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 legislature.

As of the Commission's last HECF report dated June 30, 2014, only \$2,540,556.18 was left in HECF. The Commission also estimated \$234,864.92 of public funding was disbursed in the 2014 election cycle, thus leaving us with an estimated \$2,305,691.26 in the fund.

The Hawaii Election Campaign Fund was created to fund Hawaii's partial public funding program, yet in 1998, the Campaign Spending Commission's general operating expenses was moved from general funds to HECF. According to their 2015 Judiciary and Labor Committee Report, "the Commission has been operating at a deficit of approximately \$500,000 for the past six fiscal years". For a fund that has just over \$2 million left, this is a significant expense.

Originally, one of HECF's source of funds came from fines the Campaign. In 2009, the Legislature passed a bill to divert Campaign Spending fines to the General Fund, thus cutting financial support for HECF even further.

We urge you to pass this bill and preserve the Hawaii Election Campaign Fund.

Thank you for the opportunity to testify **in support of SB577 SD1.**

**SB577**

Submitted on: 2/26/2015

Testimony for WAM on Feb 27, 2015 09:00AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Barbara Polk	Individual	Support	No

Comments: A few years ago, during a budget crisis, the legislature decided that since the Campaign Spending Commission had a special fund, the State could save money by moving the cost of the Commission's operations to that fund. At the same time, money collected in fines was diverted to the general fund. While that may have been appropriate as a short term matter, it has now seriously eroded the Hawaii Election Campaign Fund--a Constitutionally required fund to support public funding of elections--just at a time when publicly funded or partially funded elections have become more popular. Unfortunately, the third year of the highly successful experiment in public funding of elections to the Hawaii County Council had to be cancelled due to lack of funds. It is time to reverse what was apparently intended to be a temporary measure and restore fines to the Hawaii Election Campaign Fund and once again pay for the staff and operations of the Campaign Spending Commission out of general funds. I urge you to pass SB577. Thank you.

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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Noelie Rodriguez, Ph.D.  
P.O. Box 5  
Ninole, HI 96773

February 26, 2015

Testimony in Support of SB577SD1

Dear Sen. Tokuda and Members of the Committee on Ways and Means:

I am writing to support SB577SD1. The Campaign Spending Commission provides important public functions—helping make sure that candidates follow the rules of campaign finance, that the public can know who is giving money to candidates, that candidates don't mis-use their campaign funds for personal expenses.

The Campaign Spending Commission is the police force of the political system. Like the police force, the government should fund it as part of its ordinary obligations. For too long, the operating expenses of the CSC have been drawn from the Hawaii Election Fund. This dubious practice is probably not what the taxpayers who choose the \$3 check-off on their tax forms expect will happen with this money. They probably expect, as I do, that this will go to public campaign funding as an alternative to financing by big money special interests.

This bill should, in fact, go farther: it should appropriate funds into the Election Fund to reimburse it for the funds taken to run the CSC for the last several years. There are several good bills pending in this session to increase public campaign financing. Some augmentation of the Election Fund will be necessary to make them a reality. The reimbursement of the Election Fund would be a fair way to appropriate these needed funds.

Yours truly,

Noelie Rodriguez

**SB577**

Submitted on: 2/25/2015

Testimony for WAM on Feb 27, 2015 09:00AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
christine trecker	Individual	Support	No

Comments: Talk is cheap when it comes to public campaign financing. An adequately funded Hawaii Election Campaign Fund is an absolute must if we are to sustain public campaign financing in Hawaii. That won't happen as long as the Campaign Spending Commission's operating expenses drain money from the Fund every year. I urge you to vote for SB577 SD1 to ensure that the CSC's operating expenses are paid for out of the general fund, and that fees assessed by the CSC are deposited into the Hawaii Election Campaign Fund.

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**SB577**

Submitted on: 2/25/2015

Testimony for WAM on Feb 27, 2015 09:00AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Susan Dursin	Individual	Support	No

Comments: Because the Campaign Spending Commission performs a function crucial to the stability and success of our election system, it should be adequately supported by moneys from the general fund. The CSC should not be dependent on the variable totals in the Hawaii Election Campaign Fund. It should be able to depend on a given amount from year to year. Moreover, taking CSC operating expenses from the Election Campaign Fund decreases the amount that can be used for public campaign funding, which, in turn, acts to counter the effects of large private and corporation donations. Please support SB577.

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**SB577**

Submitted on: 2/25/2015

Testimony for WAM on Feb 27, 2015 09:00AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ronnie Perry	Individual	Support	No

Comments: I strongly support this bill. We need to publicly support those candidates that do not have money to run a campaign for office. We should not tolerate only those that are rich to be able to run for office, and I feel that the money collected should be spent on supporting those candidates. Mahalo, Ronnie Perry

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