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STATE OF HAWAII
CAMPAIGN SPENDING COMMISSION

235 SOUTH BERETANIA STREET, ROOM 300
HONOLULU, HAWAII 96813

March 19, 2015

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 S.B. No. 577, S.D. 2, Relating to Campaign Finance**

Friday, March 20, 2015
2:00 p.m., Conference Room 325

Thank you for the opportunity to testify on this bill. The Campaign Spending Commission ("Commission") opposes this bill as currently worded. The Commission is not opposed to doing a sustainability study nor having fines collected be deposited into the Hawaii Election Campaign Fund ("HECF"). However, this measure would prohibit the Commission from using the HECF, its current source of funding, to pay for its operating expenses which include staff salaries and fringe benefits.

As originally introduced, section 2 of the bill proposed an amendment to Hawaii Revised Statutes ("HRS") §11-314 to provide that the Commission's operating expenses be paid from the state's general fund while Section 6 of the bill proposed an amendment to HRS §11-421 that would remove the Commission's authority to pay for its operating expenses from the HECF. The Senate Judiciary and Labor Committee retained these amendments in section 1 and section 5, respectively, of S.D. 1. Then, the Senate Ways and Means Committee ("WAM"), in S.D. 2, added a requirement that the Commission do a study regarding the sustainability of the Commission's operations and finances and to report its findings to the 2016 Legislature. WAM, in S.D. 2, also deleted the provision requiring the general fund to pay for the Commission's operating expenses, but retained the amendment that removes the Commission's authority to pay for its operating expenses from the HECF. Thus, if this bill is passed as currently written, the Commission will not have a funding source to pay for its operating expenses. This could not have been the intent of WAM.

If this Committee intends to pass this measure, the Commission requests that the bill be amended by deleting the amendment to HRS §11-421(c) on page 5, lines 2-6.

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
HOUSE COMMITTEE
ON
JUDICIARY
ON
MARCH 20, 2015

S.B. 577, S.D. 2

RELATING TO CAMPAIGN FINANCE

Chair Rhoads and members of the Committee, thank you for the opportunity to provide written testimony on S.B. 577, S.D. 2.

The Department of Accounting and General Services supports S.B. 577, S.D. 2, in part, because the proposed study to determine the sustainability of the Commission's operations and finances will address the funding issues and identify solutions which can be acted upon to ensure the viability of the Commission.

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

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

Comments: I support SB 577 that would restore the fines charged by the Campaign Spending Commission (CSC) to the Hawaii Elections Campaign Fund. That money, however, will not be enough to stabilize the funding of the CSC, nor to allow it to carry out the purpose for which the fund was established--to support candidates for office through public funding. Until the funding of staff and operating expenses are once again placed in the general fund, the CSC will continue to lose money each election cycle and the fund will not be able to fulfill its constitutional mission. I urge you to amend this bill by restoring its original text to place the on-going cost of CSC in the general fund. Thank you.

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

Comments: I write in support of amending SB577 to its original intent of moving the Campaign Spending Commission's general operating expenses out of the Hawaii Election Campaign Fund, and back to our general operating expenses. The HEC fund was not intended for this purpose at all. It should not be raided to fund other needs, and can never achieve its ends while it's being tampered with.



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COMMITTEE ON JUDICIARY

Friday, March 20, 2015

SB 577, SD 2 RELATING TO CAMPAIGN FINANCE TESTIMONY

Janet Mason, Co-Chair, Legislative Committee, League of Women Voters

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

The League of Women Voters of Hawaii opposes SB 577, SD2 in its current form. This measure requires that fees assessed by the campaign spending commission be deposited into the Hawaii Election Campaign Fund, and authorizes the Campaign Spending Commission to use moneys from the Fund for investigation expenses. It also requires the Commission to conduct a study on the sustainability of its operations and finances.

The League strongly supported the original version of this measure, which required that general funds, rather than moneys from the Hawaii Election Campaign Fund (HEF), be used for the operating expenses of the Campaign Spending Commission. Unfortunately the Senate amended the original bill to make it ineffective, introducing minor changes that dedicate a small amount of general fund revenue for the original purpose of the bill.

While the Commission has served Hawaii since 1973, only from 1998 onward – apparently as a “budget saving” measure - was the HEF first used for the normal operating expenses of the Commission. What began as a temporary “drawdown” from the HEF became an entrenched budget practice which now interferes with the higher purpose of voluntary donations made by the public.

Since the establishment of the Commission the public both nationally and in Hawai`i, increasingly realized 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 (source is HEF) is to date the best antidote to these potential sources of influence on state candidates and their positions. We’d like to see the fund balance increase not dwindle.

The current “income tax check off” for the Hawaii Election Fund is a voluntary donation made by taxpayers committed to financing campaigns for public office from public sources, to eliminate the influence of big money from elections and make it possible for people who are not wealthy to run for public office.

It is abundantly clear from public information available on the Campaign Spending Commission’s website that using the Hawaii Election Fund for the Commission’s operating expenses is not sustainable, so we



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think the idea of a study on the “sustainability of its operations and finances” is totally unnecessary.¹ Would we expect the core expenses of other, reasonable and well-established Boards and Commissions such as the Board of Education or the Board of Health to be financed from a special fund rather than general tax revenue? The answer is no.

The SD 2 version of the original measure also seems to suggest that depositing fees for campaign spending violations into the HEF instead of depositing these fees into the general fund would offset this trend of inadequate operating revenue. Revenue from fines has only been \$38 to \$63 thousand annually during the past five fiscal years, so it’s apparent this won’t work. Furthermore, there’s no logical reason to dedicate revenue from fines to investigation expenses.

On February 27, 2015 the State’s Comptroller testified that “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.” The total operating budget for the Commission is small. At about \$725 thousand annually it hardly puts a dent in the current budget plans to offer \$6.5 billion in general funds toward a \$12.7 billion budget. Since the Council on Revenue later raised the projection for state tax collections by \$55 million we suggest an effective date of July 1, 2017 for this measure. This is consistent with the ethic of planning for spending within our means.

We say pay the normal expenses of the Commission from tax revenue, and let the Commission be a steward of the HEF to support fund donations made for advancing publicly-funded elections. We urge you to amend this measure and pass the bill. Thank you for the opportunity to submit testimony.

¹ On average about \$500 thousand more is being withdrawn from the fund each year than is being received. This is in spite of the Commission’s success in controlling its operating expenses; payroll has been flat from FY 2009 through FY 2014.



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

Friday 03/20/2015 at 2:00 PM in Room 325
SB577 SD2 Relating to Campaign Finance

TESTIMONY
Carmille Lim, Executive Director, Common Cause Hawaii

Dear Chair Rhoads, Vice Chair San Buenaventura and members of the Committee:

Common Cause Hawaii supports SB577, in its original form. Under SD2, the core of this bill would:

1. Require the Campaign Spending Commission (“Commission” or “CSC”) to conduct a study on the sustainability of its operations and finances.
2. Reinstate campaign-related fines, 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.

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 five 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)

According to the Commission's last HECF report dated June 30, 2014, only \$2,540,556.18 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 five years. Again, the issue at hand continues to be the unreliable revenue stream(s) directed toward HECF. With a fund balance of just over \$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.

SB577 was originally drafted to move Campaign Spending Commission's general operating expenses back to the state's general fund. The Senate Ways and Means Committee amended this section to require CSC to conduct a sustainability study instead. We believe that CSC has adequately testified and provided necessary information on the dire state of its sustainability. We ask the Committee to amend SB577 to its original form.

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 support the effort to redirect Campaign Spending related fines back to HECF. We strongly support the section of this bill that would return the fines assessed by the Campaign Spending Commission to the HECF. However, the annual amount of these fines is not nearly enough to offset the costs of the Campaign Spending Commission's staff and operating expenses and would not solve the problem of the continuing depletion of the HECF.

Based on financial data provided on the Campaign Spending Commission's website, the Commission only collected roughly \$38 thousand to \$63 thousand annually within the past five years. Even if these fines are redirected to HECF, the fees collected is inadequate, and cannot be relied upon solely to properly recoup the cost of operations.

Once again: We urge you to amend SB577 to its original form, and pass this bill out of committee. We implore you to preserve the Hawaii Election Campaign Fund, as specified in the Hawaii State Constitution.

Thank you for the opportunity to testify on SB577.

LATE

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

March 19, 2015

Testimony in Support of SB577SD2

Chair Karl Rhoads and Members of the House Judiciary Committee:

For too long, the Legislature has forced the Campaign Spending Commission to pay for its operations by drawing from the Hawaii Election Fund. .

The Hawaii State Constitution, in art. 2, sec. 5, says that “the legislature shall establish a fund for partial public financing of campaigns for public offices of the State and its political subdivisions...” The Hawaii Election Fund is supposed to be that constitutionally-mandated fund. The practice of raiding it to avoid funding the CSC is legally dubious and breaches faith with the taxpayers who make the \$3 checkoff on their tax returns, expecting that this money will go to public campaign financing.

SB577SD2 should be amended to provide that the ordinary operating expenses of the CSC should be funded by the general fund of the state. The CSC is a vital regulatory body, and like other government agencies it should receive regular funding from the general fund. The Election Fund should be reserved for public financing of elections.

Yours truly,

Noelie Rodriguez

LATE

TO: Committee on Judiciary

RE: SB577,SD2 Relating To Campaign Finance:
Friday, March 20, 2015; 2:00 pm; Conference Rm 325

From: Christine Trecker

Dear Chairman Rhoads, Vice-Chair Joy A. San Buenaventura and committee members:

I support a provision in SB577SD2 and propose two changes.

Since 1991, the annual revenue for the Hawaii Election Campaign Fund (generated via the \$3 checkoff on state tax returns) has dropped about 50%. This decline seriously undermines the partial public campaign funding program the Fund supports.

To help increase revenue to the Hawaii Election Campaign Fund:

1) I strongly support the provision in SB577 SD2 that fees assessed by the Campaign Spending Commission be deposited into the Hawaii Election Campaign Fund.

2) I propose this bill include a new provision changing the name "Hawaii Election Campaign Fund" to "**Citizen Owned Election Fund.**" Given vote disillusionment with "big money" in politics it's possible the current name of the Fund has contributed to fewer taxpayers checking off \$3 on their tax return. A name change will hopefully increase \$3 checkoff revenue.

Rationale: Since taxpayers may not take the time to find out more about the fund, it is important that the name of the Fund be as descriptive as possible. The proposed name more clearly conveys who contributes to the Fund and that it involves public funding.

Campaign Spending Commission

Finally, I urge this Committee to restore the core provision of the original bill which stipulated that the Campaign Spending Commission's annual operating expenses be paid for out of the general fund. This critically important watchdog agency needs a solid, predictable funding source. It is unreasonable to expect that the Hawaii Election Campaign Fund, given its declining balance in recent years, can adequately support the Commission and at the same time fund a truly viable public campaign funding program.

