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**STATE OF HAWAII
CAMPAIGN SPENDING COMMISSION**

235 SOUTH BERETANIA STREET, ROOM 300
HONOLULU, HAWAII 96813

February 21, 2017

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. 412, S.D. 1, Relating to Campaign Finance**

Wednesday, February 22, 2017
9:30 a.m., Conference Room 211

Thank you for the opportunity to testify on this bill.¹ The Campaign Spending Commission (“Commission”) strongly supports the intent of this bill and urges its passage.

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. To this end, the bill also appropriates the sum of \$505,585 for fiscal years 2017-2018 and 2018-2019. Presently, the Commission’s operating expenses, including staff salaries and fringe benefits, are paid out of the Hawaii Election Campaign Fund (“HECF”). HRS §11-421(c). The bill also allows the Commission to use the HECF to pay for the cost of investigations if the amount appropriated for operating expenses from the general fund is insufficient to cover the costs of investigations.

For the past ten fiscal years, the Commission has been operating at an average net deficit of about \$413,370.16. 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,

¹ The companion bill in the House is H.B. No. 1363. This bill was also introduced in 2016 as S.B. 2438.

the interest generated from the principal, and any funds that escheat to the HECF pursuant to campaign finance laws. These sources of funding have been steadily decreasing. Given this trend, the Commission is concerned that its revenue is insufficient to sustain Commission operations and programs. The Commission projects that by November 2017, the funds will 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).

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).²

The Commission urges this Committee to pass this measure.

² We note that funding for the Commission is currently in the State Budget (H.B. 100, S.B. 192).



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COMMITTEE ON WAYS AND MEANS

Wednesday, February 22, 2017 at 9:30 a.m. in Room 211

SB 412 SD 1 RELATING TO PUBLIC FINANCE **TESTIMONY**

Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

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

The League of Women Voters of Hawaii strongly supports SB412 SD1 which establishes that the operating expenses of the Campaign Spending Commission shall be paid from the general fund.

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.

It is vitally important for the credibility of Hawaii's political campaigns that the CSC have guaranteed funding for its operating expenses. We urge you to pass SB412.

Thank you for the opportunity to submit testimony.



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

2/22/2017 at 9:30 AM in Room 211
SB412 – Relating to Campaign Finance

TESTIMONY — SUPPORT
Corie Tanida, Executive Director, Common Cause Hawaii

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

Common Cause Hawaii supports SB 412 SD1 which would require the Campaign Spending Commission’s (“the Commission” or “CSC”) general operating expenses to 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 HECF, which supports Hawaii’s partial public funding program. The concept for the HECF 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 HECF 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 the HECF.

The balance in the HECF fund has been declining steadily over the past seven years, due to the Campaign Spending Commission relying on the fund to support nearly all of its operating expenses. Based on financial data presented by 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	(\$429,231.60)
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	\$884,717.80	\$1,868,180.86	(\$672,375.32)
2016	\$1,868,180.86	\$336,709.37	\$691,588.83	\$1,513,301.40	(\$354,879.46)

With a fund balance of just over \$1 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 recoups its general operating expenses.

We urge you to pass SB412 SD1 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 SB412 SD1**.

Date: February 20, 2017

To: The Honorable Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair
Members of the Senate Committee on Ways and Means

From: Christine Trecker

Subject: SB412 SD: Relating Campaign Finance - **Strongly Support**

Political campaign spending, fueled by powerful special interests, has dramatically increased in recent years. Now more than ever we need to insure that the Campaign Spending Commission has adequate, stable funding so that it can effectively watchdog and protect the integrity of Hawaii's political campaign process.

SB412 SD1 not only ensures that the state's general fund will cover the Commission's annual operating expenses, it means those expenses will no longer drain the Hawaii Election Campaign Fund (HECF) which has struggled financially for years. The HECF provides vital public campaign financing to expand state and county candidate pools with qualified individuals who are less dependent on private special interest donors to fund their campaigns.

Send a strong message to voters that accountability and integrity of the political campaign process is a top priority by passing SB412 SD1. Thank you for the opportunity to testify.