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**STATE OF HAWAII**  
**CAMPAIGN SPENDING COMMISSION**

235 SOUTH BERETANIA STREET, ROOM 300  
HONOLULU, HAWAII 96813

January 31, 2017

TO: The Honorable Gilbert S.C. Keith-Agaran, Chair  
Senate Committee on Judiciary and Labor

The Honorable Karl Rhoads, Vice Chair  
Senate Committee on Judiciary and Labor

Members of the Senate Committee on Judiciary and Labor

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

SUBJECT: **Testimony on S.B. No. 412, Relating to Campaign Finance**

Thursday, February 2, 2017  
9:00 a.m., Conference Room 016

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

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 \$495,506 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).

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, the interest generated from the principal, and any funds that escheat to the HECF pursuant to

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

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). However, we note that funding for the Commission is currently in the State Budget (H.B. 100, S.B. 192). In that measure, the amount of funding sought for the operating expenses of the Commission, including staff salaries, is \$505,585, which is the amount that the Commission needs to sustain its operations. We would ask that this Committee amend Section 3 of the bill by replacing the sum of \$495,506 with \$505,585. Further, the Commission would like to continue to have the authority to use HECF funds for paying the expenses of investigations, should that expense exceed the amount that has been appropriated. It is difficult to anticipate the costs of future investigations, so we are suggesting a change to Section 2 of the bill to read “(c) Moneys in the fund shall be paid to candidates by the comptroller as prescribed in section 11-431 ~~[and may be used for the commission’s operating expenses, including staff salaries and fringe benefits]~~ and may be used for the investigative expenses of the Commission after all general revenues of the State appropriated for this purpose have been exhausted.”

The Commission urges this Committee to pass this measure with the requested amendments.

TESTIMONY  
THE LIBERTARIAN PARTY OF HAWAII  
c/o 1658 Liholiho St #205  
Honolulu, HI 96822

January 31 2017

RE: SB 412 to be heard Thursday February 1, in Room 016 at 9AM

To the members of the Senate Committee on Judiciary and Labor

We support revising the funding structure for the Campaign Spending Commission. This bill wisely recognizes that the staff and administrative costs of this commission are direct state expenses and should be paid directly from the general fund.

What is missing from this bill is language that would allow the monies available for candidates who request matching funds, be separated completely from the existing funding methods. SB 574 will allow voluntary donations to the fund so that persons inclined to support it are no longer limited to a small checkoff on their income tax return. As a voluntary donation the tax payer may be eligible for a deduction against taxable income for the year. This switch should increase the total funds available significantly without pulling monies from the general fund. Please do consider this as a companion measure to SB 412.

Signed:



Tracy Ryan, Chair



HAWAII

AMERICANS FOR DEMOCRATIC ACTION

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January 31 , 2017

TO: Honorable Chair Keith-Agaran and Members of Judiciary Committee

RE: SB 412 Relating to Campaign Finance  
Support for hearing on Feb.2

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We support SB 412 as it would replace the Hawaii election campaign fund with the general revenues of the State as the funding source for the operating expenses of the Campaign Spending Commission (CSC) and appropriates general revenues to the Commission for operating expenses. The CSC is an important agency in the enforcement of campaign finance laws whose existence should not be contingent on the willingness of taxpayers to check a box.

Thank you for your consideration.

Sincerely,

John Bickel  
President



Senate Judiciary and Labor Committee  
Chair Gilbert .C. Keith-Agaran, Vice Chair Karl Rhoads

Tuesday 02/02/2017 at 9:00 AM in Room 016  
SB412 – Relating to Campaign Finance

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

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Dear Chair Keith Agaran, Vice Chair Rhoads, and members of the Senate Judiciary and Labor Committee:

**Common Cause Hawaii** asks that the Committee pass SB 412 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 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 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 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.