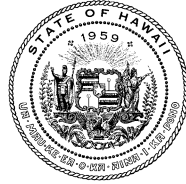


DAVID Y. IGE
GOVERNOR
JOSH GREEN M.D.
LT. GOVERNOR



RONA M. SUZUKI
DIRECTOR OF TAXATION
DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
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To: The Honorable Karl Rhoads, Chair;
The Honorable Jarrett Keohokalole, Vice Chair;
and Members of the Senate Committee on Judiciary

From: Rona M. Suzuki, Director
Department of Taxation

Re: S.B. 3074, Relating to Campaign Finance

Date: Friday, February 7, 2020

Time: 10:00 A.M.

Place: Conference Room 016, State Capitol

The Department of Taxation (Department) appreciates the intent of S.B. 3074 and offers the following comments.

Section 2 of S.B. 3074 adds a new section to Hawaii Revised Statutes (HRS) chapter 235 allowing a taxpayer with gross income of \$200,000 or more to designate \$8 per taxpayer to the Hawaii Election Campaign Fund (HECF). Section 4 of S.B. 3074 amends HRS section 235-102.5(a) by increasing the amount that a taxpayer may designate to be paid over to the HECF from \$3 to \$5 per taxpayer. Sections 2 and 4 of the measure apply to taxable years beginning after December 31, 2020.

Section 2 of S.B. 3074 seems duplicative of HRS section 235-102.5(a). A taxpayer's designation to HECF does not reduce the taxpayer's refund, instead it authorizes the State to transfer money from the general fund to HECF. If the intent is to allow taxpayers with certain income levels to contribute to HECF from their refund, it should be clearly stated in the bill.

The Department notes that taxpayers designated a total of \$146,000 in FY 2019 from the general fund to HECF. The Department will be able to administer the measure with its current effective date.

Thank you for the opportunity to provide comments.

KRISTIN E. IZUMI-NITAO
EXECUTIVE DIRECTOR



LATE

PHONE: (808) 586-0285
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WWW.HAWAII.GOV/CAMPAIGN

**STATE OF HAWAII
CAMPAIGN SPENDING COMMISSION**

235 SOUTH BERETANIA STREET, ROOM 300
HONOLULU, HAWAII 96813

February 6, 2020

TO: The Honorable Karl Rhoads, Chair
Senate Committee on Judiciary

The Honorable Jarrett Keohokalole, Vice Chair
Senate Committee on Judiciary

Members of the Senate Committee on Judiciary

FROM: Kristin Izumi-Nitao, Executive Director *K.I.*
Campaign Spending Commission

SUBJECT: **Testimony on S.B. No. 3074, Relating to Campaign Finance**

Friday, February 7, 2020
10:00 a.m., Conference Room 016

Thank you for the opportunity to testify on this bill. The Campaign Spending Commission ("Commission") appreciates the intent of this bill and offers the following comments.

This bill increases the expenditure limits for elective offices by amending subsection (d) of Hawaii Revised Statutes ("HRS") §11-423 by increasing the amounts by ten percent that is to be multiplied by the number of voters in each respective district to calculate the expenditure limits for each office. The bill adds a new subsection (e) to HRS §11-423 that increases the expenditure limits for offices by ten percent compounded annually beginning in 2022. The bill amends HRS §235-102.5 by increasing the tax check-off amount by 66.66% that tax payors may designate to the Hawaii Election Campaign Fund ("HECF") on their state income tax form from \$3 to \$5, for individual returns, and from \$6 to \$10 for joint returns. The bill also amends HRS Chapter 235 by adding a new section that allows tax payors with state income tax returns with gross income of \$200,00 or more, to designate to the HECF on their state income tax form, \$8 for individual returns and \$16 for joint returns.

By increasing the expenditure limits for offices by ten percent, under HRS §11-425, the maximum amount of public funds available for all offices, except for the Board of Trustees for the Office of Hawaiian Affairs ("OHA"), will increase by ten percent. Per statute, the maximum

amount of public funds for OHA candidates will remain at \$1,500 per election.¹ The balance in the HECF, as of December 31, 2019 is \$1,106,169.62. For the last five fiscal years, revenue from the state income tax check-off has ranged from \$145,524 (FY 2019) to \$195,310 (FY 2018).

The ten percent increase, compounded annually, to the expenditure limits may at some point, depending on how many more candidates opt for public funding as the maximum amount available gets higher each year, require regular appropriations from the general fund to sustain the HECF. In FY 2017, the ending balance in the HECF was \$795,546.22. In 2017, the Legislature began appropriating funds from the general fund to pay for the operating expenses of Commission. Thus, in FY 2018, the ending balance of the HECF increased to \$1,003,228.16, an increase of 26.11%. That year, the Commission did not have the expense of partial public funding of candidates. In FY 2019, the ending balance of the HECF was \$1,086,159.96, an increase of only 8.3%. In that year, the Commission did have the expense of public funding for candidates.

¹S.B. No. 2388, which was heard and passed out of the Senate Committee on Hawaiian Affairs on February 4, 2020, places OHA in the same category as the offices of Senator, Representative, County Council, and Prosecuting Attorney, for the purposes of calculating the maximum amount of public funding (HRS §11-425(b)), which at this time is fifteen percent of the expenditure limit.

Statement Before The
SENATE COMMITTEE ON JUDICIARY
Friday, February 7, 2020
10:00 AM
State Capitol, Conference Room 016

in consideration of
SB 3074
RELATING TO CAMPAIGN FINANCE.

Chair RHOADS, Vice Chair KEOHOKALOPE, and Members of the Senate Judiciary Committee

Common Cause Hawaii supports the SB 3074, which would increase (1) the maximum amount of public funds available in each election to certain state candidates by ten percent annually and (2) the amount of voluntary state income tax check-off contributions that may be designated for the Hawaii election campaign fund beginning on January 1, 2021.

Common Cause Hawaii is a nonprofit, nonpartisan, grassroots organization dedicated to reforming government and strengthening democracy through improving our campaign finance system with laws that amplify the voices of everyday Americans by advocating for money in politics solutions that employ small-dollar donors to make an impact in campaigns and public financing of our elections.

The public funds available have not changed since 1995. Since that time, elections have only gotten more and more expensive, and we have seen only more and more monies flowing into them. Increasing the amounts of public financing will provide a more competitive playing field for candidates who voluntarily agree to limit campaign expenditures.

SB 3074 will set us on the correct path to publicly funded elections. SB 3074 seeks to return us to the pre-1995 amendments and provides for increases to public funds. Under SB 3074, there shall be an increase of 10% from the previous year and compounded annually. Such increases will ultimately level the playing field.

Further, SB 3074 allows high income earners to designate more funds to the Hawaii Election Campaign Fund.

Thank you for the opportunity to testify in support of SB 3074, and Common Cause Hawaii urges you to pass SB 3074 out of your Committee. If you have further questions of me, please contact me at sma@commoncause.org.

Very respectfully yours,

Sandy Ma
Executive Director, Common Cause Hawaii

(f) (2) A contribution made by two or more corporations shall be treated as one person when such corporations:

- (1) Share the majority of members of their boards of directors;
- (2) Share two or more corporate officers;
- (3) Are owned or controlled by the same majority shareholder or shareholders; or
- (4) Are in a parent-subsidiary relationship.

(g) (h) An individual and any general partnership in which the individual is a partner, or an individual and any corporation in which the individual owns a controlling interest, shall be treated as one person.

(h) (1) No committee which supports or opposes a candidate for public office shall have as officers individuals who serve as officers on any other committee which supports or opposes the same candidate. No such committee shall act in concert with, or solicit or make contributions on behalf of, any other committee.

(i) No contributions may be made to a noncandidate committee from a corporation or other organization unless the noncandidate committee has been in existence continuously, as shown on the records of the campaign spending commission, for at least twelve months prior to the next primary election.

(k) No contributions or expenditures shall be made to or on behalf of a candidate or committee by a foreign corporation, including a domestic subsidiary of a foreign corporation, a domestic corporation that is owned by a foreign national, or a local subsidiary where administrative control is retained by the foreign corporation, and in the same manner prohibited under 2 U.S.C. section 441e and 11 CFR 110.4(a) and 110.9(a), as amended. No foreign-owned domestic corporation shall make contributions where:

- (1) Foreign national individuals participating in election-related activities such as decisions concerning the making of contributions or the administration of a political committee; or
 - (2) The contribution funds are not domestically-derived.
- (l) No person or any other entity shall make contributions to a political party in an aggregate amount greater than \$50,000 in any election year."

11. By amending subsection (a) of section 11-205 to read:

"(a) No political party shall make contributions to a candidate in any calendar year in an aggregate amount greater than the following [percentages of the expenditure limit] amounts for each respective office:

- (1) For the office of governor—[twenty per cent of the expenditure limit;] \$50,000;
 - (2) For the office of lieutenant governor—[twenty per cent of the expenditure limit;] \$40,000;
 - (3) For the partisan offices of mayor and prosecuting attorney—[twenty per cent of the expenditure limit;] \$25,000;
 - (4) For the offices of state senator and partisan county council member—[thirty per cent of the expenditure limit;] \$20,000; and
 - (5) For the office of state representative—[forty per cent of the expenditure limit; and] \$15,000.
- For the offices of the board of education and all other offices—forty per cent of the expenditure limit.]"

12. By amending subsection (a) of section 11-208 to read:

"(a) Any candidate may voluntarily agree to limit the candidate's campaign expenditures and those of the candidate's committee or committees and the candi-

date's party in the candidate's behalf by filing an affidavit with the campaign spending commission[.]; provided that a candidate may withdraw the candidate's affidavit no later than thirty days prior to an election."

13. By amending section 11-209 to read:

"§11-209 Campaign expenditures; limits as to amounts. (a) From January 1 of the year of [a] any primary, [special primary,] special, or general election [through the day of the special or general election], the total expenditures for candidates who voluntarily agree to limit their campaign expenditures[.] for each election, inclusive of all expenditures made or authorized by the candidate alone and all campaign treasurers and committees in the candidate's behalf, shall not exceed the following amounts expressed respectively multiplied by the number of voters in the last preceding general election registered to vote in each respective voting district:

- (1) For the office of governor—[\$1.25;] \$2.50;
- (2) For the office of lieutenant governor—[70 cents;] \$1.40;
- (3) For the office of mayor—[\$1;] \$2.00;
- (4) For the offices of state senator, state representative, county council member, and prosecuting attorney—[70 cents;] \$1.40; and
- (5) For the offices of the board of education and all other offices—[10] 20 cents.

(b) An additional ten per cent increase shall be added to the base amounts allowable under subsection (a) and compounded annually starting in 1979 and each year thereafter.

(c) (b) A candidate or committee who has voluntarily agreed to the expenditure limits in this section and who exceeds [the] their respective expenditure [limitations set for any respective office] limits shall pay the full filing fee and shall notify all opponents, the chief election officer, all contributors, and the commission by telephone and in writing the day the expenditure limits are exceeded. Notification to contributors shall include an announcement that tax deductions based on their contributions are no longer available."

14. By amending section 11-212 to read:

"§11-212 Preliminary reports. (a) Each candidate, authorized person in the case of a party, or campaign treasurer in the case of a committee, shall file a preliminary report with the commission or appropriate county clerk's office, on forms provided by the commission no later than 4:30 p.m. on the twenty-fifth and tenth calendar day prior to each primary and initial special election, and the tenth calendar day prior to [each] a special or general election. [The] Each report shall be certified pursuant to section 11-195 and shall contain the following information which is current through the [fifteenth] calendar day prior to the election: fifth calendar day prior to the filing of a preliminary report:

- (1) The aggregate sum of all contributions and other campaign receipts received.
- (2) The amount and date of deposit of the contribution and the name and address of each donor who contributes an aggregate of more than \$100 during [the] an election period [commencing on January 1 of the year preceding the election in the case of primary, special primary, and special elections] which has not previously been reported;
- (3) The amount and date of deposit of each contribution and the name, address, employer, and occupation of each donor who contributes an

SB-3074

Submitted on: 2/5/2020 8:24:18 PM

Testimony for JDC on 2/7/2020 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Donna Ambrose	Individual	Support	No

Comments:

I support increasing funds available for public campaign financing. The amount has remained the same for 25 years, whereas costs to run a campaign have risen steeply. Additional public financing can help attract fresh faces who don't have campaign war chests to run for office. Increasing the amount of state income tax contributions will allow high-income earners to designate more funds toward this effort.

SB-3074

Submitted on: 2/5/2020 1:12:38 PM

Testimony for JDC on 2/7/2020 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Ching	Individual	Support	No

Comments:

Aloha Chair Rhoads, Vice Chair Keohokalole, and members of the committee,

I support SB3074. The best way to ensure that we get elected officials accountable to us is through public financing of elections. Ideally, we need 100% public funding of elections, but this is a good start. It is better than SB3070. The more money in the Campaign Election Fund, the better. Again, the goal should be to get all private money out of elections.

Our government is unduly influenced by the amount of private money spent on elections, especially since the Citizens United case ruling a decade ago. For all practical purposes, we have legalized bribery in the U.S.

Please pass SB3074. Mahalo for the opportunity to testify.

Randy Ching

Honolulu

SB-3074

Submitted on: 2/5/2020 1:19:52 PM

Testimony for JDC on 2/7/2020 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Foster	Individual	Support	No

Comments:

Mahalo for supporting SB3074

Scott Foster

Communications Director

Hawaii Advocates For Consumer Rights

SB-3074

Submitted on: 2/5/2020 7:43:50 PM

Testimony for JDC on 2/7/2020 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Golojuch Jr	Individual	Support	No

Comments:

SB-3074

Submitted on: 2/5/2020 9:59:06 PM

Testimony for JDC on 2/7/2020 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
tlaloc tokuda	Individual	Support	No

Comments:

Citizen United has made a mockery of one wo/man one vote! I support SB3074

The public funds available have not changed since 1995. Since that time, elections have only gotten more and more expensive, and we have seen only more and more monies flowing into them. Increasing the amounts of public financing will provide a more competitive playing field for candidates who voluntarily agree to limit campaign expenditures.

SB 3074 will set us on the correct path to publicly funded elections. SB 3074 seeks to return us to the pre-1995 amendments and provides for increases to public funds. Under SB 3074, there shall be an increase of 10% from the previous year and compounded annually. Such increases will ultimately level the playing field if we defeat Citizen United!.

Further, SB 3074 allows high income earners to designate more funds to the Hawaii Election Campaign Fund.

SB-3074

Submitted on: 2/6/2020 6:57:05 AM

Testimony for JDC on 2/7/2020 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Caroline Kunitake	Individual	Support	No

Comments:

Dear Chair Rhoads and Members of the Senate Committee on Judiciary,

I am writing in support of SB3074, which would increase (1) the maximum amount of public funds available in each election to certain state candidates by ten percent annually and (2) increase the amount of voluntary state income tax check-off contributions that may be designated for the Hawaii election campaign fund beginning on January 1, 2021.

The public funds available have not changed since 1995. Since that time, elections have only gotten more and more expensive, and we have seen only more and more monies flowing into them. Increasing the amounts of public financing will provide a more competitive playing field for candidates who voluntarily agree to limit campaign expenditures.

SB 3074 will set us on the correct path to publicly funded elections. SB 3074 seeks to return us to the pre-1995 amendments and provides for increases to public funds. Under SB 3074, there shall be an increase of 10% from the previous year and compounded annually. Such increases will ultimately level the playing field.

Further, SB 3074 allows high income earners to designate more funds to the Hawaii Election Campaign Fund.

Please pass SB3074.

Mahalo,

Caroline Kunitake