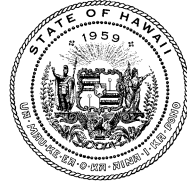


**DAVID Y. IGE**  
GOVERNOR  
**JOSH GREEN M.D.**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

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

To: The Honorable Donovan M. Dela Cruz, Chair;  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;  
and Members of the Senate Committee on Ways and Means

From: Rona M. Suzuki, Director  
Department of Taxation

**Re: S.B. 3074, S.D. 1, Relating to Campaign Finance**

Date: Wednesday, February 19, 2020

Time: 10:00 A.M.

Place: Conference Room 211, State Capitol

The Department of Taxation (Department) appreciates the intent of S.B. 3074, S.D. 1, and offers the following comments.

Section 2 of S.B. 3074, S.D.1, amends section 235-102.5(a), Hawaii Revised Statutes, by increasing the amount that a taxpayer may designate to be paid over to the Hawaii Election Campaign Fund (HECF) from \$3 to \$5 per taxpayer, and by allowing a taxpayer with gross income of \$200,000 or more with state income tax liability of \$8 or more to designate \$8 per taxpayer to the HECF. Section 2 of the measure applies to taxable years beginning after December 31, 2020.

S.B. 3074, S.D. 1, creates a two-tiered system whereby a taxpayer with gross income of \$200,000 or more may direct the State to transfer \$8 from the general fund to HECF, whereas a taxpayer with gross income of less than \$200,000 may only direct the State to transfer \$5 from the general fund to HECF.

The Department suggests replacing the term “gross income” in Section 2 with “federal adjusted gross income.” In most cases, federal adjusted gross income is a better measure of a taxpayer’s income as Hawaii does not tax certain items like Social Security or the employer contributed portion of a pension.

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 18, 2020

TO: The Honorable Donovan M. Dela Cruz, Chair  
Senate Committee on Ways and Means

The Honorable Gilbert S.C. Keith-Agaran, Vice Chair  
Senate Committee on Ways and Means

Members of the Senate Committee on Ways and Means

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

SUBJECT: **Testimony on S.B. No. 3074, SD 1 Relating to Campaign Finance**

Wednesday, February 19, 2020  
10:00 a.m., Conference Room 211

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.<sup>1</sup> 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.

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<sup>1</sup>S.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 WAYS AND MEANS**

Wednesday, February 19, 2020  
10:00 AM  
State Capitol, Conference Room 211

in consideration of  
**SB 3074, SD1**  
**RELATING TO CAMPAIGN FINANCE.**

Chair DELA CRUZ, Vice Chair KEITH-AGARAN, and Members of the Senate Ways and Means Committee

Common Cause Hawaii supports the SB 3074, SD1 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. Hopefully, lessening the influence of money in politics will also lessen the vitriol of today's political discourse and allow a return to more civil civic engagement.

SB 3074, SD1 will set us on the correct path to publicly funded elections. SB 3074, SD1 seeks to return us to the pre-1995 amendments and provides for increases to public funds. Under SB 3074, SD1 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, SD1 will allow higher income earners to designate state income tax check-off contributions to be transferred to the Hawaii Election Campaign Fund at a higher rate.

Thank you for the opportunity to testify in support of SB 3074, SD 1, and Common Cause Hawaii urges you to pass SB 3074, SD1 out of your Committee. If you have further questions of me, please contact me at [sma@commoncause.org](mailto:sma@commoncause.org).

Very respectfully yours,

Sandy Ma  
Executive Director, Common Cause Hawaii

(f) (g) 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-subsidary 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) (i) 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 participate 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.
- (j) 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

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: INCOME, Increases Amount of Check-off for Hawaii Election Campaign Fund

BILL NUMBER: SB 3074, SD-1

INTRODUCED BY: Senate Committee on the Judiciary

EXECUTIVE SUMMARY: Increases the maximum amount of public funds available in each election to certain state candidates by ten percent annually. Increases 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.

SYNOPSIS: Amends HRS section 235-102.5 to allow individual taxpayers whose state income tax refund for any taxable year is \$5 or more to designate \$5 to be paid to the Hawaii election campaign fund. An individual with gross income of \$200,000 or more and whose income tax liability is \$8 or more may designate \$8. For joint taxpayers with an income tax refund of \$10 or more, each spouse may designate \$5 into the fund. A married couple with gross income of \$200,000 or more and whose income tax liability is \$16 or more may designate \$8 per spouse.

EFFECTIVE DATE: Taxable years beginning after 12/31/2020.

STAFF COMMENTS: In the long run, the cost of administering the checkoff merely siphons resources that should otherwise be used for providing needed public services.

If lawmakers believe certain programs are of great importance, then they can prioritize those programs through the appropriations process. With the Hawaii tax burden already so heavy, why should taxpayers turn any more of their hard-earned dollars over to government? What lawmakers also do not recognize is that by creating these checkoffs, they add to the cost of administering the law, a cost which steals funds from other programs including those enumerated for a checkoff designation.

Instead of further clouding the financial picture of the state, all earmarked funds and the programs they underwrite should be brought back to the general fund table so that lawmakers can properly exercise their oversight responsibility, including measuring the needs of those programs against all the other pressing needs of the state. Only then will lawmakers and taxpayers be able to set proper funding priorities.

Digested 2/18/2020

**SB-3074-SD-1**

Submitted on: 2/15/2020 5:09:47 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

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

Comments:

Dear Chair Dela Cruz and Members of the Committee on Ways and Means,

I am writing in support of SB3074 SD1.

- 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. Hopefully, lessening the influence of money in politics will also lessen the vitriol of today's political discourse and allow a return to more civil civic engagement.
- SB 3074, SD1 will set us on the correct path to publicly funded elections. SB 3074, SD1 seeks to return us to the pre-1995 amendments and provides for increases to public funds. Under SB 3074, SD1 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, SD1 will allow higher income earners to designate state income tax check-off contributions to be transferred to the Hawaii Election Campaign Fund at a higher rate.

Please support this bill.

Mahalo,

Caroline Kunitake

TO: Members of the Committee on Ways and Means

FROM: Natalie Iwasa  
808-395-3233

HEARING: 10:00 a.m. Wednesday, February 19, 2020

SUBJECT: SB 3074, SD1 Public Funds for Campaign Spending - **SUPPORT**

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on SB 3074, SD1, which would increase the amount of public funds available for state and county races as well as increase the tax check-off box from \$3 to \$5.

I support this measure and ask you to vote “yes.”

Please also revise the law that disallows in-kind donations from being considered as part of eligible donations needed for public funding.

**SB-3074-SD-1**

Submitted on: 2/17/2020 9:25:56 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Susan Dursin	Individual	Support	No

## Comments:

I am very strongly in favor of SB3074, SD1. Increased public funding addresses the problem of growing costs of elections. Many candidates are more than willing to limit their campaign expenditures but cannot do so with the current funding. I look back some years to the time when a pilot project allowed Hawaii County candidates to sign on for reasonable amounts of public funding. Several very responsible elected officials came out of that project. One is still in office. I believe those candidates could not have run otherwise.

We need a wide range of candidates to strengthen public confidence in the electoral process. We do not want only candidates who have deep pockets or the help of those with deep pockets. First-time candidates often do not have the resources to run a viable campaign.

I also like the part of this bill which increases the amount tax payers can check-off as a contribution to the Hawaii Election Campaign Fund. It is a way of allowing the public to support the election process.

**SB-3074-SD-1**

Submitted on: 2/18/2020 9:55:50 PM

Testimony for WAM on 2/19/2020 10:00:00 AM

**LATE**

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

Comments:

I support SB 3074 SD1

Our democracy has been high jacked! Ever since Citizen United (where corps were considered people and \$ = free speech we have seen \$\$\$\$ undue our democracy. So we need to get big money out of politics!

- 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. Hopefully, lessening the influence of money in politics will also lessen the vitriol of today's political discourse and allow a return to more civil civic engagement.
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- Further, SB 3074, SD1 will allow higher income earners to designate state income tax check-off contributions to be transferred to the Hawaii Election Campaign Fund at a higher rate.

Mahalo,

Tlaloc Tokuda

Kailua Kona HI 96740

