STAND. COM. REP. NO. 535 Honolulu, Hawaii FEB 19, 2021 RE: H.B. No. 1118 H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirty-First State Legislature Regular Session of 2021 State of Hawaii

Sir:

Your Committee on Government Reform, to which was referred H.B. No. 1118 entitled:

"A BILL FOR AN ACT RELATING TO CAMPAIGN SPENDING,"

begs leave to report as follows:

The purpose of this measure is to require any organization, association, party, or individual that is financially involved in the political process to file a financial disclosure with the Campaign Spending Commission.

Your Committee received testimony in opposition to this measure from the Campaign Spending Commission.

Your Committee finds that dark money is defined as funds raised for the purpose of influencing elections by nonprofit organizations that are not required to disclose the identities of their donors and may come from Internal Revenue Code 501(c)(4) organizations that are not required to disclose the identity of their donors. Your Committee further finds that Internal Revenue Code 501(c)(4) organizations are tax-exempt as a social welfare organization, must not be organized for profit, and must be operated exclusively to promote social welfare. The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. However, the

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Internal Revenue Code states that social welfare organizations may engage in some political activities, so long as that is not their primary activity, which allows 501(c)(4) organizations to engage in and spend unregulated amounts of money on political activity without any consequences or oversight, conceivably well above the political activity percentage threshold allowed.

Your Committee believes that this measure will provide more transparency in elections and build trust between the public and elected officials through transparent information by requiring any organization, including 501(c)(4) organizations, that is financially involved in the political process to file with the Campaign Spending Commission a financial disclosure.

Your Committee has amended this measure by:

- (1) Restoring existing statutory language that, under certain circumstances, required a schedule filed by a noncandidate committee to the Campaign Spending Commission to include an acknowledgement that an entity contributing funds to a noncandidate committee is not subject to any state or federal disclosure reporting requirements regarding the source of the contributing entity's funds;
- (2) Requiring noncandidate committees to provide to the Campaign Spending Commission a list of donors whose money was given by a 501(c)(4) organization to the noncandidate committee to fund an advertisement or electioneering communication;
- (3) Changing its effective date to July 1, 2112, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Government Reform that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1118, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1118, H.D. 1, and be referred to your Committee on Judiciary & Hawaiian Affairs.

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Respectfully submitted on behalf of the members of the Committee on Government Reform,

ANGUS L.K. MCKELVEY, Chair

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State of Hawaii House of Representatives The Thirty-first Legislature



Record of Votes of the Committee on Government Reform

Bill/Resolution No.: Committee HB118 GV1	e Referral: 2 , JHA	Date	- 17 -	21
θ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: θ Pass, unamended (as is) θ Pass, with amendments (HD) θ Hold θ Pass short form bill with HD to recommit for future public hearing (recommit)				
GVR Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	7			
2. WILDBERGER, Tina (VC)	7			
3. CULLEN, Ty J.K.			an a	
4. ELI, Stacelynn K.M.				
5 ICHIVAMA Lindo				
5. ICHIYAMA, Linda				
6. MIZUNO, John M.	 South and the state of the stat			
7. WOODSON, Justin H.				
8. YAMASHITA, Kyle T.			and daa nagta anna an ar a' a' a' ar a	
9. WARD, Gene				
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TOTAL (9)	6	B	\aleph	3
The recommendation is: Ø Adopted θ Not Adopted				
If joint referral, did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) Chef Clerk's Office Duplicate (Pink) – HMSO				