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GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 23, 2023

TO: Senator Karl Rhoads
Chair, Committee on Judiciary

FROM: Mihoko E. Ito / Tiffany N. Yajima

RE: **S.B. 18, S.D. 1, Relating to Corporations**
Hearing Date: February 23, 2023 at 9:35 a.m.
Conference Room 016 & Videoconference

Dear Chair Rhoads, Vice Chair Gabbard, and Members of the Committee on Judiciary:

We submit this testimony on behalf of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and one bank from the continent with branches in Hawai'i.

HBA submits these **comments** on S.B. 18, S.D.1, Relating to Corporations, which requires domestic and foreign corporations to provide their shareholders with reports of independent expenditures and political contributions.

We are concerned that this measure will duplicate existing reports, causing an undue burden in preparing and delivering the disclosures, and is not necessary to address issues related to campaign spending violations.

While this measure is a good faith effort to address certain campaign spending issues, corporations do not cause substantive problems. Annual reports of the Hawaii Campaign Spending Commission from 2007 to 2020 reveal that most violations and significant violations are either the result of late filings of reports or unfiled reports. The most egregious violation was attributed to a candidate.

In the Yamada case cited in the bill's preamble, the issue of law in the case was on constitutionality of certain provisions rather than blatant, unconcealed violations of campaign spending. In fact, the Court in the Yamada case said the Hawaii campaign spending reporting and disclosure requirements were doing exactly what this bill intends to do.

This bill proposes to require domestic and foreign corporations doing business in Hawaii that exceed a \$10,000 threshold of contributions and independent expenditures in a year shall disclose certain information to their shareholders annually. Thus, it is possible that companies both large corporations as well as small mom and pop shops will have to disclose this information to shareholders.

The bill also does not state how the disclosure is to be made other than to require that it shall be delivered. Hawaii law requires corporations to conduct an annual meeting but does not require an annual report prepared by publicly traded companies. Hawaii law does require an annual report to be filed with DBREG which contains only certain corporate information such as address and name of officers and directors. The annual report is usually a page or two and is longer only if the list of officers and directors is lengthy. No financial information or campaign spending information is contained or required in the report to DBREG.

Finally, Hawaii Campaign Spending law already requires disclosures by a corporation with contributions over \$1,000. The reports filed with the Campaign Spending Commission are available to the public online on the Commission's website and for these reasons this measure is unnecessary and we respectfully ask this committee to hold this bill.

Thank you for the opportunity to submit testimony on S.B. 18, S.D.1.