

Honolulu, Hawaii

February 20, 2015

RE: H.B. No. 1491

H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 1491 entitled:

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

begs leave to report as follows:

The purpose of this measure is to require SuperPACs to report, for contributions received from or made to an entity that is not an individual or business, whether the entity is subject to any state or federal disclosure reporting requirements and to provide the internet address where that entity's report can be accessed or, alternatively, the name, address, occupation, and employer of each funding source to that entity.

The League of Women Voters of Hawaii provided testimony in support of this measure. The Department of the Attorney General and the Campaign Spending Commission provided testimony supporting the intent of this measure.

Your Committee finds that noncandidate committees that make only independent expenditures, or SuperPACs, may use multiple and repeated transactions to hide the true source of the contribution. Hawaii's disclosure requirements are not designed to detect and uncover these layers of transactions since only the name of the first level of contributor to a SuperPAC, often another SuperPAC, is required to be reported with the State Campaign Spending Commission. When the names of SuperPACs are meaningless or misleading, the State's disclosure laws aimed at transparency are



circumvented. For example, in the 2014 election cycle, contributions totaling around \$8,000,000 were received by 29 SuperPACs registered in Hawaii. Two of the top ten SuperPACs in Hawaii received contributions solely from other SuperPACs, which included a \$2,200,000 contribution from an entity that is not required to report in Hawaii. Also, three of the top ten SuperPACs in Hawaii were registered at the same address, made contributions amongst each other, and the origin of their funds are entities with unknown contributors. This can result in an electorate uninformed about the funders seeking to influence their vote.

Your Committee further finds that in order to increase transparency and accountability, deter corruption, and strengthen confidence in the election process by providing public access to information about who is the true source of campaign contributions made to SuperPACs, the State's campaign finance laws must be amended.

Your Committee has amended this measure by:

- (1) Requiring SuperPACs to provide for large contributions received from an entity that is not an individual, for-profit business entity, or labor union, the internet address where the entity's disclosure report can be accessed;
- (2) Alternatively, allowing the SuperPac to provide the name, address, occupation, and employer of each funding source to that entity, or state that the contributing entity is not subject to any state or federal disclosure reporting requirements; and
- (3) 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 Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1491, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1491, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Judiciary,



KARL RHOADS, Chair



