

STAND. COM. REP. NO. 1469

Honolulu, Hawaii

APR 10 2015

RE: H.B. No. 1491
H.D. 2
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Judiciary and Labor, to which was referred
H.B. No. 1491, H.D. 2, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to require noncandidate committees making only independent expenditures to report whether their contributors of \$10,000 or more are subject to disclosure reporting requirements and provide information about the contributors' funding sources.

Your Committee received testimony in support of this measure from the League of Women Voters and three individuals. Your Committee received comments on this measure from the Department of the Attorney General and Campaign Spending Commission.

Your Committee finds that additional disclosure of information regarding election campaign contributions is necessary due to the decision of Citizens United v. Federal Election Commission, 558 U.S. 310 (2010); and subsequent case law. These decisions have led to the proliferation of political action committees (SuperPACs), which are noncandidate committees that make only independent expenditures, and their virtually unlimited spending in the political arena.

Citizens United assumed meaningful disclosure so that "the electorate [can] make informed decisions and give proper weight to

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different speakers and messages." However, Hawaii's disclosure requirements for SuperPACs are inadequate to provide the electorate with information showing the true source of the funds behind efforts seeking to influence their vote. The contribution trail is obscured because existing law requires only that the name of the first level of contributor to a SuperPAC be reported on filings with the state Campaign Spending Commission. Often the first level of contributor is another SuperPAC, and, as the names of SuperPACs are frequently meaningless or misleading, disclosure laws aimed at transparency are circumvented. For example, in the 2014 election cycle, contributions totaling around \$8,000,000 were received by twenty-nine SuperPACs registered in Hawaii. Two of the top ten SuperPACs in Hawaii received contributions solely from other SuperPACs, which included a \$2.2 million 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 and made contributions amongst each other, and the origin of their funds are entities with unknown contributors.

Accordingly, this measure amends the State's campaign finance laws 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 or by SuperPACs.

Your Committee has amended this measure by:

- (1) Deleting its contents and inserting language from its companion measure, S.B. No. 1344, S.D. 1, which:
 - (A) Requires additional reports from noncandidate committees making only independent expenditures if a contribution of more than \$10,000 in the aggregate or a late contribution of more than \$5,000 in the aggregate is received from certain entities;
 - (B) Requires noncandidate committees making only independent expenditures to disclose contributing entities disclosure reports and certain funding sources; and
 - (C) Requires noncandidate committees making only independent expenditures to acknowledge, if applicable, that the contributing entity is not

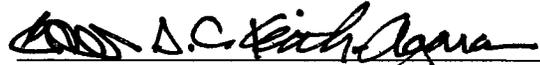


subject to disclosure reporting requirements regarding the source of the contributions;

- (2) Inserting an effective date of January 1, 2016, to allow the Campaign Spending Commission sufficient time to implement the new reporting requirements for noncandidate committees making only independent expenditures; and
- (3) Making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1491, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1491, H.D. 2, S.D. 1, and be placed on the calendar for Third Reading.

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



GILBERT S.C. KEITH-AGARAN, Chair



