



# HAWAII STATE ETHICS COMMISSION

State of Hawaii • Bishop Square, 1001 Bishop Street, ASB Tower 970 • Honolulu, Hawaii 96813

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March 21, 2013

The Honorable Scott Y. Nishimoto, Chair  
The Honorable John M. Mizuno, Vice Chair  
Honorable Members  
House Committee on Legislative Management  
Hawaii State Capitol, Room 439  
415 South Beretania Street  
Honolulu, Hawaii 96813

Re: **Testimony on S.B. No. 848, S.D. 1, Relating to Financial Disclosure**

Hearing: March 21, 2013, 2:00 p.m.  
State Capitol, Conference Room 423

Testimony From: Hawaii State Ethics Commission

The Hawaii State Ethics Commission (“Commission”) understands the intent of S.B. No. 848, S.D. 1, Relating to Financial Disclosure, to be to require disclosure of the identity of lobbyists or organizations that lobby for which a legislator or employee performs services for pay, whether payment is made directly to the legislator or employee or payment is made to the legislator or employee through another person or entity. With that understanding, the Commission supports the general intent of S.B. No. 848, S.D. 1; however, the Commission has concerns that the bill in its present form is too broad.

For the reasons stated below, the Commission proposes that the language of S.B. No. 848, S.D. 1, be amended.

Given that the bill is intended to capture income received from lobbyists or organizations that lobby, it appears that the bill is significantly more relevant to legislators than to employees. The Commission recommends that S.B. No. 848, S.D. 1 should not apply to employees.

S.B. No. 848, S.D. 1 does not state a specific dollar threshold for reporting compensation received from a lobbyist or a lobbying organization. The bill’s threshold of “income that totals more than the employee’s or legislator’s salary” likely is too high to capture any or most of the individual items of compensation that are intended to be

captured. The Commission recommends a dollar threshold of \$1,000, which is consistent with the \$1,000 threshold currently required under section 84-17(f) for reporting income for services rendered.

Section 84-17(f)(1) currently does not require legislators to report “individual items of compensation that constitute a portion of the gross income of the business or profession from which the [legislator] derives income.” Thus, in situations where a legislator performs paid work for a lobbyist or lobbying organization, the lobbyist or lobbying organization pays the legislator’s company for that work, and the legislator’s company in turn pays the legislator, the legislator’s disclosure statement reflects his own company as the source of the income, rather than the lobbyist or the lobbying organization. By not requiring a legislator to report the individual items of compensation, the purpose of the financial disclosure law is frustrated because substantial sources of income remain undisclosed. The Commission therefore recommends that a new subsection be added to section 84-17(f), specifically applicable to legislators, which sets forth requirements for reporting income for services rendered.

In light of the foregoing, the Commission proposes that the language of S.B. No. 848, S.D. 1 be amended to read as follows:

- (8) In addition to the information required by subsections (1) through (7), all legislators shall disclose the source and amount of individual items of compensation of \$1,000 or more received by the legislator or by a business or profession from which the legislator receives income, for services rendered by the legislator to a lobbyist as defined in chapter 97 or to a person or organization that employs a lobbyist, and the nature of the services rendered. Information that may be privileged by law or individual items of compensation from a source other than a lobbyist or person or organization that employs a lobbyist that constitute a portion of the gross income of the business or profession from which the legislator receives income need not be disclosed.

The above language will require a legislator to disclose individual items of compensation received from the clients of a business (e.g., a law firm, consulting firm, or other business that the legislator works for) who are lobbyists or organizations that employ lobbyists. Legislators whose employers are lobbyists or organizations that employ lobbyists would still be required to report the source and amount of their income

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under the current version of section 84-17(f)(1).

S.B. No. 848, S.D. 1 as amended would add a new subsection (8) to section 84-17(f).

Thank you for the opportunity to submit testimony on S.B. No. 848, S.D. 1.



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## League of Women Voters of Hawaii

49 South Hotel Street, Room 314 | Honolulu, HI 96813 [www.lwv-hawaii.com](http://www.lwv-hawaii.com) | 808.531.7488 | [voters@lwvhawaii.com](mailto:voters@lwvhawaii.com)

### HOUSE COMMITTEE ON LEGISLATIVE MANAGEMENT

Thursday, March 21, 2013, Conference Room 423

SB 848, SD1 Relating to Financial Disclosure

TESTIMONY: □ Anna Hoover, LWV Legislative Committee

Chairs Nishimoto and Mizuno, and Committee Members:

The League of Women Voters of Hawaii opposes SB848, SD1. The original bill set a meaningful and reasonable disclosure standard, requiring a state employee or legislator to disclose every source of yearly income that is \$25,000 or more, or that represents 25% or more of the person's annual income.

But the bill was amended so that employees or legislators would only have to disclose income from lobbyists who de facto "employ" them by giving them more than the employee or legislator's annual public salary.

Amending the bill to state that only sources of annual income that total more than the employee or legislator's annual salary works against the intent of the bill. As revised it would be possible, for example, for one individual lobbyist with an outcome in legislation to contribute \$48,000 to the legislator (an amount that is almost the same as the current legislative salary of \$48,708) without the legislator disclosing this source of income. It would be possible for two individual lobbyists who have the same interest in the outcome of legislation to each contribute \$25,000, without the legislator

disclosing this source of income. Yet together these contributions (\$50,000) would exceed the legislator's current salary of \$48,708. These situations would surely be seen by members of the public as substantial and important in determining if the legislator has a conflict of interest when considering related measures.

The original bill was a step to enhance ethics in government, and it properly applied to both State employees and legislators. Knowing the employer of a public officials helps citizens judge the quality of decision-making taking place. For government to work properly people must have faith in the integrity of its officials.

We ask you to amend this bill again to make it correspond with the original SB 848 language. Thank you for the opportunity to testify.

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**SB848**

Submitted on: 3/20/2013

Testimony for LMG on Mar 21, 2013 14:00PM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara B. Polk	Individual	Comments Only	No

Comments: This is an important bill that I urge the committee to amend and pass. The SD2 version does not serve the public interest because it would apply to almost nobody, since there are not likely to be any legislators or employees who receive more than their annual State income from a lobbyist. Earnings from a lobbyist of \$1000 or \$5000 would be much more reasonable, and make clearer to the public what lobbying interests are influencing legislators. Finally, I am puzzled by the requirement that employees also file such a statement. They are bound by the conflict of interest statute, so an additional check seems unnecessary. Again, it is definitely in the public interest to know of legislators' involvements with lobbyists. I urge you to make appropriate modifications of this bill and pass with those amendments. I also wonder what a "lobbyist organization" is? This needs to be clarified.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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