



HAWAII
STATE
ETHICS
COMMISSION

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

February 26, 2013

The Honorable Clayton Hee, Chair
The Honorable Maile S. L. Shimabukuro, Vice Chair
Honorable Members
Senate Committee on Judiciary and Labor
Hawaii State Capitol, Room 407
415 South Beretania Street
Honolulu, Hawaii 96813

Re: **Testimony on SB 848, Relating to Financial Disclosure**

Hearing: February 26, 2013, 10:00 a.m.
State Capitol, Conference Room 016

Testimony From: Hawaii State Ethics Commission

The Hawaii State Ethics Commission ("Commission") understands the intent of S.B. No. 848, Relating to Financial Disclosure, to be to require disclosure of the identity of the persons or businesses for which a legislator performs paid consulting, legal or any other type of service, whether payment is made directly to the legislator or to another person or entity. With that understanding, the Commission supports the general intent of S.B. No. 848; however, the Commission has concerns regarding the ambiguous language of the bill.

Currently, for income for services rendered of \$1,000 or more, legislators must disclose the source and amount received. The financial disclosure law, however, does NOT require disclosure of "individual items of compensation that constitute a portion of the gross income of the business or profession from which the [legislator] derives income." For that reason, in situations where a legislator performs paid work for a private business, the business pays the legislator's company for that work and the legislator's company then pays the legislator for those services, the legislator's disclosure statement reflects his own company as the source of the income. By not requiring a legislator to report the actual sources of income, the purpose for which the financial disclosure law was created is frustrated because substantial sources of income remain undisclosed.

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S.B. No. 848 appears intended to correct this situation; however, in the Commission's view, the current language of the bill is vague and would make the bill difficult to administer. For example, the phrase "if the source has an interest in the outcome of legislation" is ambiguous.

The Commission suggests that, rather than focusing on the amount of income from a single source and whether that source "has an interest in the outcome of legislation," the bill be re-configured to require legislators to disclose persons and businesses for whom they perform paid services, whether the payment or other compensation is paid directly to the legislator or to another entity.

The Commission also proposes that S.B. No. 848 require that such disclosure be made part of the legislator's public financial disclosure statement.

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