



HAWAII STATE ETHICS COMMISSION

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

March 18, 2015

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. 451, S.D. 1, Relating to
Conflicts of Interest**

Hearing: Wednesday, March 18, 2015, 2:00 p.m.
State Capitol, Conference Room 423

The State Ethics Commission strongly supports S.B. No. 451, S.D. 1, Relating to Conflicts of Interest, which amends the conflicts-of-interests section of the State Ethics Code by prohibiting state employees from taking official action directly affecting a business or undertaking in which an employee knows or has reason to know that a parent, sibling, or adult child of the employee has a substantial financial interest.

The purpose of S.B. No. 451, S.D. 1, is to expand Hawaii Revised Statutes (“HRS”) section 84-14(a), one of the primary provisions of the conflicts-of-interests section of the State Ethics Code. Currently, HRS section 84-14(a) prohibits state employees (including state board and commission members) from taking official action affecting a business or undertaking in which they, their spouses, or their dependent children have a substantial financial interest.

The Commission has long advocated for the expansion of this law. Under the current law, a state employee must abstain from taking official action affecting a business in which the employee, the employee’s spouse, or a dependent child of the employee has a financial interest; however, a state employee is not required to abstain from taking official action affecting a business in which a parent, brother or sister, or an adult child holds a financial interest. For example, under the current law, an employee cannot award a state contract to a business owned by the employee’s spouse, but can award a state contract to a business owned by the employee’s parent, brother or sister, or adult son or daughter. The Commission believes that the same concerns about conflicts of interests arise when state employees take action affecting businesses or undertakings

The Honorable Scott Y. Nishimoto, Chair
The Honorable John M. Mizuno, Vice Chair
Honorable Members
House Committee on Legislative Management
March 18, 2015
Page 2

in which close family members, such as parents, siblings, and adult children, hold financial interests. Such actions clearly create the appearance of a conflict of interest and undermine public confidence in government.

S.B. No. 451, S.D. 1, expands HRS section 84-14(a) to prohibit an employee from taking official action affecting a business or undertaking in which the employee knows or has reason to know that a parent, sibling, or adult child of the employee has a substantial financial interest. Because a “financial interest” is defined by the law to include the interests of an individual’s spouse and dependent child,¹ the bill includes language clarifying that it only applies to the interests of an employee’s parent, sibling, or adult child, and does not apply to the interests of a spouse or dependent child of a parent, sibling, or adult child. The Commission supports this language in the bill.

The purpose of the State Ethics Code, as set forth in the law’s preamble, is to preserve public confidence in public servants. S.B. No. 451, S.D. 1, further serves this purpose by prohibiting employees from taking official action in situations that create or appear to create conflicts of interests.

For the reasons set forth above, the Commission strongly supports S.B. No. 451, S.D. 1. Thank you for your consideration of the Commission’s testimony.

¹ HRS section 84-3.