

Politics

Maui Mayor In Political Hot Water Over Money To Nonprofits

The state's campaign finance watchdog says Mayor Alan Arakawa gave thousands of dollars to nonprofits in violation of state law.

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By Courtney Teague    / About 18 hours ago

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If a political candidate sponsors an event for a nonprofit group, is that a charitable donation to help the nonprofit or advertising for the candidate's election campaign?

That's a question the [Hawaii Campaign Spending Commission](#) is asking dozens of nonprofits to help answer in a broad investigation that so far has snagged Maui Mayor Alan Arakawa with allegations that he falsified campaign spending records.

The commission determined that Arakawa, who has said [he plans to run for lieutenant governor in 2018](#), gave more than \$45,000 to 41 charitable or community organizations over a two-year period that he reported as advertising in his campaign finance reports.

But those were actually charitable donations and well above the \$8,000 limit on using campaign funds for donations to charity set by state law, the commission says.

Now Arakawa is facing fines of \$2,000 for false reporting. Specifically, a complaint filed by the commission says he made a \$5,000 contribution to the American Cancer Society and a \$1,000 contribution to the American Heart Association. Both organizations reported Arakawa's contributions as tax-exempt contributions to the IRS.



Maui Mayor Alan Arakawa is under fire from the Hawaii Campaign Spending Commission for allegations that he improperly reported donations to nonprofits as advertising for his campaign.

If Friends of Alan Arakawa cannot afford to pay the fines, the complaint says Arakawa should use his own money. The most recent CSC data available shows his campaign fund had about \$95,000, as of June 30.

Donation Limitations

As a mayor, Arakawa cannot donate more than \$8,000 “to any community service, educational, youth, recreational, charitable, scientific, or literary organization” in an election period, [according to the law](#). Candidates are also prohibited from making a donation after filing papers to run for office.

Advertisements are defined by state law as any “communication” that advocates for or against a candidate or issue, and does not include items like bumper stickers. There is no limit on how much may be spent on advertisements.

“If you think about it, the idea (of limiting donations) is so you’re not able, as a candidate, to have an unfair advantage by feeding the community or buying their vote,” said commission executive director Kristin Izumi-Nitao.

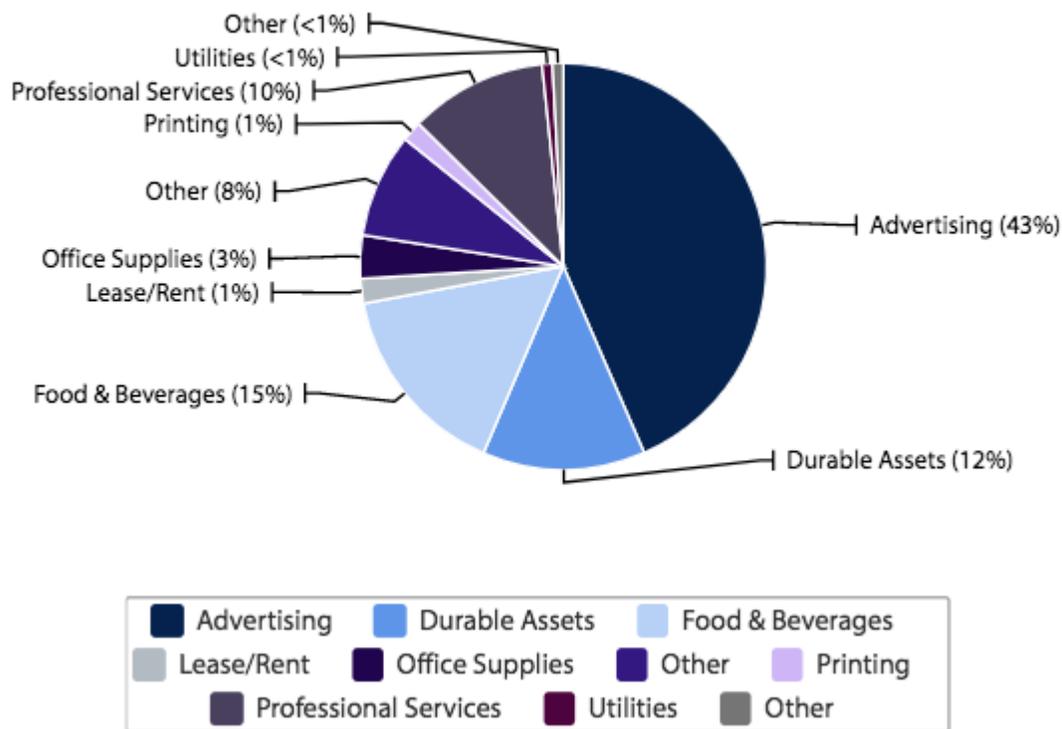
The commission is focused on figuring out whether or not Arakawa’s expenditures are charitable contributions and directly related to his campaign, per state law.

Commission staff reached out to all 41 organizations asking for more information about the nature of the contributions received. Only eight “came back with a definitive response,” she said.

According to the complaint, 12 organizations, including the Maui Chamber of Commerce and Rotary Club of Lahaina Sunset, ignored the commission’s inquiry into Arakawa’s payments.

Four organizations, according to the complaint, considered his payments to be “taxable, advertising income and were reported as such to the IRS.”

Expenditures By Category



This graphic shows a breakdown of Friends of Alan Arakawa's expenditures for the current election period.

According to the complaint, Anita Drummond, an official with the American Cancer Society's national office, said that Arakawa's wife, Ann, who also chairs his spending committee, "may be telling the nonprofit organizations that the Commission was trying to get information from to ignore the Commission's letter of inquiry."

Arakawa's committee sponsored an American Cancer Society event, according to Drummond, who wrote that the "intention of soliciting sponsorships is not to sell advertising in any form."

She said records indicate that Friends of Alan Arakawa "at some point in 2016 asked our staff to write a letter indicating the payment included advertising, and ... our staff obliged them."

The treasurer of the Haiku Elementary School Parent Teacher Association initially told the commission she considered Arakawa's \$500 payment a donation, but called two months later to say she changed her mind after reviewing a receipt labeled "advertising opportunities."

Izumi-Nitao said the state will ask the organizations again how they labeled Arakawa's contributions in their tax exemptions.

"I find it very suspect they're all willing to say it's ... advertising and they're not thinking about their fiduciary duty as a nonprofit," she said. "It's a very simple question, in my opinion — tax-exempt or not?"

A Fine Line Between Donating And Advertising?

Arakawa told Civil Beat last week the commission is "picking on our campaign" because it doesn't understand that he doesn't make donations. He said he's always made it clear to organizations that he is only looking to advertise.

Making payments to those groups allowed Arakawa to hang banners at events or be identified as a sponsor in brochures, he said.

Arakawa reached out to those 41 organizations three times regarding his contributions, per the commission's request. He said other candidates who donate to organizations haven't been asked to seek tax return information, which shows whether payments were reported as tax-exempt.

"We don't have control over how they report their taxes," he said. "It wasn't even a consideration on our part."



Arakawa's campaign fund had about \$95,000 as of June 30.

[Records show](#) that other lawmakers have also sponsored American Cancer Society events in recent years and reported those expenditures as advertising.

Though Drummond of the American Cancer Society's national office said the contribution should have been considered a donation, Arakawa said the director of the organization's local chapter declared the funding as advertising.

Any charitable donations Arakawa makes are out of his own pocket, he said, so he gets the benefit of receiving tax deductions. There's no tax benefit for campaigns that make donations.

He defined a donation as money given "without expectation of return."

Asked about the commission's concerns regarding his wife, he said there was "no question that we called" other organizations because the commission asked them to reach out to all organizations that received

payment. He said he told those organizations “it was up to them” how they marked the payments on their tax returns.

Arakawa said he’ll ask the American Heart Association to reimburse him for any benefits he received that aren’t strictly related to advertising.

“All we know is that ... we are purchasing advertising,” he said. “They can always give someone extra benefits. Any extra benefits that the associations want to kick in is up to them.”

The commission is planning to take the issue up again at its Dec. 13 meeting. In the meantime, director Izumi-Nitao said commissioners have asked that the office research the legislative history behind campaign fund contributions. Staff has also been asked to contact Maui organizations and confirm how the Arakawa payments were reported to the IRS.

“This scheme is two years old,” she said. “I wanted the bleeding to stop.”

Read the Campaign Spending Commission’s full report here:

To print the document, click the "Original Document" link to open the original PDF. At this time it is not possible to print the document with annotations.

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