

The Maui News

Wife implicated in mayor's spending complaint

Mrs. Arakawa allegedly contacted nonprofit groups to discourage cooperation with commission's inquiry



Alan Arakawa and wife Ann are shown at an event in 2010. Ann Arakawa allegedly contacted nonprofit groups to discourage their participation in a Campaign Spending Commission inquiry. The Maui News file photo

A Campaign Spending Commission complaint against Mayor Alan Arakawa alleges that his wife, Ann Arakawa, contacted nonprofit and community groups to get them not to cooperate with the commission's

two-year investigation into the mayor's campaign expenditures from Nov. 5, 2014, to Dec. 31, 2016.

The mayor and his attorney, David Minkin, vehemently deny the allegation, included in the complaint that charges Arakawa, Mrs. Arakawa, campaign treasurer Anthony Arakaki and the Friends of Alan Arakawa with two counts of *"false reporting of an expenditure."*

Those were allegedly a \$5,000 payment to the American Cancer Society and a \$1,000 payment to American Heart Association. The mayor maintains all 59 expenditures involving 41 nonprofit and community organizations were for *"advertising."*

The commission's investigation focuses on whether the payments were actually donations that were called *"advertising"* so as not to exceed Arakawa's \$8,000 per campaign cycle limit on candidate contributions to such groups. The mayor insists the payments were all for advertising.

"This is beginning to look like a witch hunt," Minkin told commission members Wednesday. *"This is beginning to look like a self-fulfilling prophecy to justify the work that was done."*

"The work" is an apparent reference to a November 2016 commission complaint against Arakawa that challenged his use of \$3,389.24 from the Friends of Alan Arakawa as *"advertising"* expenses to pay for various softball items for the senior *"makule"* league softball teams. In July, the commission deadlocked 2-2 (with the fifth member recusing himself and not voting) on whether the mayor violated state campaign spending laws in that case.

Hawaii News Now quoted Minkin, referring to the current investigation, as telling commission members: *"To say that Ann Arakawa is out there rustling the bushes and doing all sorts of nefarious things based on one conversation (is) inappropriate, mistaken."*

When asked Wednesday about the allegation involving his wife, the mayor told The Maui News that commission staff had asked him and his wife to

obtain information about the payments to the nonprofits, and she was *“complying with what they asked us to do . . . get all the information.”*

The commission's complaint reports that, of the 41 community service and charitable organizations that received expenditures of more than \$47,000 from the Friends of Alan Arakawa campaign, staff members could only determine the true purpose of payments to eight organizations.

Those were the alleged donations to the American Cancer Society (\$5,000) and American Heart Association (\$1,000), which the commission maintains should not have been reported as *“advertising”* expenses. And, the other six were legitimate advertising expenses, directly related to the campaign, reported by the U.S. Chess Federation Sales (\$1,865.83), Maui County Council of the Boy Scouts of America (\$1,750), the Maui Orchid Society (\$1,200), Lahaina Intermediate School Education Foundation (\$1,000), Halau Kekuaokala Au Ala Iliahi (\$600) and the Japanese Cultural Society of Maui (\$300).

The complaint says that the low response of only eight out of 41 groups was *“likely due to the influence of A. Arakawa,”* which is how the complaint refers to Ann Arakawa.

As proof of Mrs. Arakawa's influence among the nonprofits, the commission complaint recounts staff interaction with Anita Drummond, assistant general counsel of the American Cancer Society, who received information about a communication between Ann Arakawa and Joni Celiz, community development officer at cancer society's Wailuku office.

Drummond told the commission investigators that Ann Arakawa *“may be telling the nonprofit organizations that the commission was trying to get information from (them, and) to ignore the commission's letter of inquiry.”*

Drummond told the commission that the American Cancer Society's fundraising sponsorships do not involve the sale of advertising.

“Payment for a sponsorship is a donation to the ACS,” the complaint says. *“She also said that the ACS has a policy of not selling sponsorships to*

political candidates.”

The complaint includes an exhibit, which is a copy of an email from Celiz to her superiors after receiving a call from Mrs. Arakawa on June 6, the same day Celiz received a letter from the Campaign Spending Commission seeking information about the Arakawa campaign's \$5,000 payment, dated Aug. 17, 2015.

In her email, Celiz reports receiving a call from Ann Arakawa:

“She wanted to explain the context of the Commission's letter to me . . . She said the Commission is contacting all nonprofits in the hopes that enough organizations change the listing from ‘advertising’ to ‘contribution’ . . . because if it gets counted as a contribution and it goes over the limit, the Arakawas would be in violation of campaign spending rules. She said most nonprofits ignore the letter, because the letter asks that they would ‘appreciate a response,’ or nonprofits re-send the letter from last year. She says the letter needs to be clear and say ‘advertising’ . . . not ‘contribution’ or ‘donation.’”

The commission's complaint says Celiz *“got the impression that Respondent A. Arakawa was or had been communicating with the other nonprofit organizations.”*

A staff footnote in the complaint says: *“Staff cannot imagine under what right or authority Respondent A. Arakawa was operating when she interfered with the Commission's investigation and attempted to influence the nonprofit organization's response to the Commission. This likely explains the lack of response from some of the nonprofits as well as the ones who responded in the manner suggested by Respondent A. Arakawa.”*

The complaint notes that Hawaii law permits the commission to refer a complaint to the state attorney general or county prosecutor *“at any time it believes the respondent may have recklessly, knowingly or intentionally committed a violation.”*

Mrs. Arakawa did not return a phone message from The Maui News seeking comment.

When the matter of possible criminal culpability was discussed among commission members Wednesday, it apparently did not gain traction among panel members.

“I don’t think that there’s any reckless, knowing, intentional violation that I can see,” said commission member Kenneth Goodenow.

Another exhibit, a copy of a sponsor contribution agreement for the American Cancer Society’s Hopefest Maui event, that was signed by Ann Arakawa on Aug. 17, 2015, has a handwritten notation. It says: *“May we please request a receipt mailed to the address above (the Arakawa’s home address in Kahului) for our ‘advertisement.’ Mahalo, Ann.”*

The payment was for \$5,000. Drummond said the amount purchased a sponsorship that included the benefits of a reception table and tickets. *“The intention of soliciting sponsorships is not to sell advertising in any form,”* she told the commission. *“Instead, charities are permitted to publicly acknowledge event sponsors, including use of logos, without incurring taxable income so long as the content is not advertising in nature.”*

The commission is scheduled to revisit the Arakawa complaint at its Dec. 13 meeting. On Wednesday, it decided to investigate further.

The complaint hinges on whether the 59 reported expenditures were *“advertising,”* for which there is no spending limit, or donations, for which there was an \$8,000 limit for Arakawa.

The commission staff recommends assessing a \$2,000 fine and ordering Arakawa to use personal funds to pay the fine if his campaign does not have funds to do so.

Arakawa has announced he intends to run for lieutenant governor next year.

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