

# SMALL BUSINESS NEWS

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June 2011



SBH Sunrise Breakfast: Meet your fellow SBH members, guests and interesting speakers at our Sunrise Networking Breakfast held on the last Thursday of each month. June 30's Sunrise speaker will be Mr. Virtual who will speak on the subject of not being there while still being. Reserve today by sending in the reservation form on page 11 with your payment. Last month's breakfast featured author and marketer Bob Sigall of "The Companies We Keep" (center photo).

# SBH Sunrise features Tech Expert Jay Fidell at Macys' Pineapple Room

The next SBH Sunrise Networking Breakfast will be held **Thursday**, **June 30**, **7 – 8:30 am** in the Pineapple Room at Macy's Ala Moana Center. The public is welcome, and advance reservations are required.

Our special business speaker is, **Jay Fidell**, Attorney, Technology Advocate, Founder of Think Tech Hawaii, and weekly *Honolulu Star Advertiser* columnist. He will discuss, "What is the State Department of Business Talking About?"

Last month's speaker was **Bob Sigall**, author of the best selling, "The Companies We Keep (vol. 1-3) and Cretive-1 Marketing who held an interactive session filled with history, questions and trivia.

SBH members and their guests pay \$25 (in advance) for networking, the program, a complete buffet breakfast and free parking.

Participants are all introduced and may bring promotional materials. The cost is \$35 at the door if space is available. Complete and submit the reservation form on page 11 or contact Darlyn at SBH, 808-396-1724.

#### SBH Looking For New Office as Rents Soar

There may be an office vacancy glut in Honolulu but you would not know it by the rents including CAM large corporate and trust landlords continue to demand.

After nearly 18 years in the Hawaii Towne Center Corporate Plaza in Hawaii Kai, owned by Kamehameha Schools/Bishop Estate, SBH may be forced to leave after its lease expiration in August of this year.

SBH is looking for new digs. The economy continues to take its toll on SBH members and the organization begun in 1976 by Lex Brodie itself. After nearly 18 years in the Hawaii Corporate Plaza in the Hawaii Towne Center, and rent and CAM increases, SBH, a non-profit, can no longer meet or justify the exorbitant rent and cam costs.

Like many other businesses SBH will be forced to move and further downsize. Our lease expires August 31. Got space? In East Honolulu? Looking for 500-900 square feet with parking. Call Sam Slom at 808-396-1724.

# CALENDAR

PHONE 396-1724 • FAX: 396-1726

Thursday, June 30
SBH Sunrise Breakfast
Jay Fidell – Think Tech Hawaii
Pineapple Room
Macys' Ala Moana Center

7 - 8:30 am

Friday, September 16
SBH Foundation
4th Annual Awards Banquet
Waialae Country Club
5:30 – 8 pm

SmartBusiness

Low Lights from the Legislature...... Page 3 Council on Revenues Stand Pat ......Page 5 Federal Help for Small Businesses...... Page 7

4th of July Celebration Need Funds ..... Page 7 When New Taxes Hit Your Pocketbook Page 9 International Business Stimulus....... Page 10

PAYCHECKS HAWAII Rates the 2011 Legislature • Pages 3 & 4



# Smart Business Views

By Sam Slom, President - Smart Business Hawaii

Recovery? What recovery? The state continues to talk of the Hawaii economic

recovery but most of us, especially small businesses, haven't seen it and haven't experienced it. Yes, our visitor industry is back on a record setting pace and that is good. But retailing, construction, new homes and car sales remain in the doldrums. All of this is inter-related and until we get it together and improve our business climate for all business, we won't truly see dynamic change. We must stay focused and do what we can to improve our own business, industry and investment climate

New tax increases and the loss of previous exemptions further hamper our economic picture. Read **Lowell Kalapa**'s commentary on page 9.

The good news: no special legislative session to drain more of your money.

Several states on the Mainland have cut or eliminated their movie film tax credits according to a new Tax Foundation, Inc. report. The states found that they couldn't compete with certain locations, like Canada, as the demands increased, and they also found that the promises made by film companies were not always kept. This is still a hot button issue in Hawaii especially with the full court press by Relativity Media.

Several months ago, Newsweek magazine did a report on various city economies around the nation. Among the ratings was Grand Rapids, Michigan, which Newsweek labeled as one of 10 "dying cities." The businesses and residents did not like the characterization and fought back. Several young (mid-20's) talented graphic residents took up the challenge. Last month the city released an answer on YouTube. It is 9 ½ minutes long and is fantastic. Various businesses, non-profits and individuals got together, ponied up \$40,000, organized 5,000 citizens, and shot a one-day, continuous video of various residents (business people, the Mayor, athletes, families, law enforcement, etc.) marching downtown in support of their city, and lip-syncing to the Don McLean song, "Miss American Pie." Go to Grand Rapids Lip Dubon You Tube. Maybe Honolulu could do the same thing. We could enlist 7,000 homeless (as long as they are not fed).

Congrats to Big **Mike Palcic**, owner of Mac Mouse Club, a member, and now leader of the Oahu Reapportionment Advisory Council.

He has taken it upon himself to personally visit many Neighborhood Board meetings and inform the various communities about the progress of the Reapportionment Commission. The Governor finally signed the legislative emergency appropriation (\$664,000) to fund the work of the Commission this year. Reapportionment will be the top political issue this summer.

Former news anchor and philanthropy executive Kim Gennaula has replaced Susan Au Doyle as President and Chief Professional Officer of Aloha United Way effective June 13. She will be responsible for leading, managing and directing the organization's efforts to fulfill its mission to improve lives, motivate people to help others, increase resources to meet needs and inspire collective solutions to community problems. Most recently, Gennaula served as Philanthropy Director at Kapiolani Health Foundation, where she was responsible for cultivating, soliciting and stewarding donors for Kapiolani Medical Center's operations and hospital programs. Prior to that, she served as News Anchor at KGMB-TV from 1993 to 2008. Gennaula also has experience creating and managing Communications Departments for Liberty House and The Sharper Image.

Long time financial advisor, **David Livingston**, has joined Ameriprise Financial Services in the Ala Moana Pacific Center, Suite 1600 (808-441-4000). Livingston was most recently associated with Edward Jones.

YWCA of Oahu honored five women at their 34th annual Leader Luncheon, a fundraiser for the YWCA of Oahu on June 8 at the Hilton Hawaiian Village Hotel.

The honorees are: Vicky Cayetano, president & CEO of United Laundry Services; Colleen Minami, vice-president of Aloha Medical Mission; Suzanne Chun Oakland, Hawaii State Senator; Catherine Payne, retired principal of Farrington High School; and Linda Rosario, owner/operator of Grelyn of Hawaii, Inc., the state's largest McDonald's franchise company.

The next SBH Sunrise Networking Breakfast will be held, Thursday, June 30, in the Pineapple Room, Macy's, Ala Moana Center, 7 - 8:30 am In addition to networking and marketing for your business, our special business speaker is, **Jay Fidell**, Attorney, Technology Advocate, Founder, Think Tech Hawaii, and *Honolulu Star Advertiser* columnist. He will discuss, "What is the State Department of Business Talking About?" Call Darlyn at SBH 396-1724 for reservations.

## SBH Foundation Event in September

Save the date: On Friday, September 16, the Small Business Hawaii Entrepreneurial Education Foundation will hold its annual small business awards banquet at the newly renovated Waialae Country Club. You can nominate your business or another for an award by emailing SBH@lava.net. Categories include: Lex Brodie Small Business of the Year, Jean Fukuda Civic Leadership, SBH Young Entrepreneur, SBH Business Booster, Business All Stars and several media awards. You can call Darlyn for further information at 808-396-1724.



Congratulations to Lauren Cheape, former Miss East Honolulu who was crowned the new Miss Hawaii on June 5.

# SMALL BUSINESS NEWS

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**SMART BUSINESS HAWAII (SBH)** 

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Small Business Hawaii (SBH), was founded in 1975, by Lex Brodie. SBH is a private, independent, non-profit [501 (c) (6)] statewide association of nearly 2,000 business members.

SBH is dedicated to improving Hawaii's business climate, creating a better Hawaii through private, competitive enterprise, and promoting, educating, and effectively representing small business, while advocating tax reduction, lower business costs and job creation incentives to diversify Hawaii's economy.

SBH invites comment small business issues in Hawaii. Send them to Small Business Hawaii by the 10th of the month for the next issue. SBH accepts advertising only from SBH member firms. Call SBH for details on advertising.

### PAYCHECKS HAWAII Rates the 2011 Lawmakers

Each legislative session, since 1986, **PAYCHECKS HAWAII**, the independent non-partisan, political action affiliate of Smart Business Hawaii (created in 1984), rates each of Hawaii's 76 state legislators (51 House and 25 Senate).

Lawmakers are rated on their support and advocacy for small business and an improved business climate in collaboration with other Hawaii business organizations, individuals and those actively participating at the Capitol during the regular legislative session (January – May).

The subjective business ratings are based upon: (1) key business votes involving tax, fee and regulatory increases; (2) efforts to actively increase or decrease government size and spending; (3) employer mandates (i.e., unemployment comp, workers' comp, TDI, etc.); (4) conduct in business hearings, accessibility and response of legislator, and (5) active sponsorship, introduction and advocacy of business climate legislation.

Each lawmaker is rated, regardless of political party, from #1—"most supportive and outspoken advocate for small business and an improved Hawaii business climate," to #5, "least supportive or hostile to a better business climate."

Ratings may be helpful during election periods.

During 2011, the following bills and votes were among the "key" measures used in the ratings:

**SB570** – Eliminates many personal income tax deductions

**SB754 CD1** – Suspends General Excise Tax business exemptions which will result in









Legislators business reputations are weighed with the annual PAYCHECKS HAWAII ratings. No one received a "5" which should be good news. Alas for many businesses, the legislature did pass on more costs in terms of more taxes and regulations. What the legislature did not do, the Honolulu City Council is set to do more by raising sewer fees and property taxes. A complete breakdown of the current Legislative ratings appears on the next page (4).

tax on tax and more consumer costs

**SB1059 SD2** – Prohibits certain businesses from distributing single-use plastic check out bags;

**SB1088** – Allows individuals who voluntarily quit work to claim UI benefits; does not allow employer to dispute claim

SB1221 - Requires construction procurement contracts to use 80% local workers

SB1270 - Raid of the Hurricane Relief

Fund

**SB1328** – Increases state motor vehicle registration fees

**SB1329** – Increases state motor vehicle weight taxes

**HB243**—Mandated sterilization of animals sold in pet stores

**HB1039 CD1** – Increases motor vehicle rental surcharge to \$7.50 per day.

**Note:** Bills that proposed increases in the General Excise Tax, tobacco taxes, a new pension tax, new soda tax, 50% liquor tax, "streamlining internet" tax, although not passed, were also considered in the overall ratings.

## Low Lights from the 2011 Legislature

By Malia Zimmerman, Hawaii Reporter

#### Pet Shop Safe from Legislative Cruelty, but Vermin, Insects Now in a Protected Class

A controversial bill that would have mandated pet shop owners sell pets that have already been neutered did not have enough votes to pass the 51-member House of Representatives.

Pet shop owners testified against the bill, saying their customers would be unhappy that they could not buy a cat or dog that could have puppies.

Veterinarians testified that although this was supposed to prevent so called "puppy mills", the bill could actually put young kittens and puppies in jeopardy because they'd be neutered and spayed too soon.

The majority of the Senate voted for the legislation, however, without House

Continued on page 6.

## No Special Session

Since the Council of Revenues report for the current period showed no change, the Legislature will not be holding a special session to obtain more funding.

Some deadlines of note in regards to bills pending exectuive action:

**Monday, June 27, 2011** - Deadline by which the Governor must inform the legislature on his intent to veto.

**Tuesday, July 12:** The deadline day the legislature must act on any veto.

\_\_ JUNE 2011 / SMALL BUSINESS NEWS / PAGE 3

# Ratings of the 2011 Hawaii State Legislature

provided by PAYCHECKS HAWAII, an independent, non-partisan political action affiliate of Smart Business Hawaii

Each year since 1986, **PAYCHECKS HAWAII**, the private, independent, non-partisan political action affiliate of SmartBusiness Hawaii, rates each of the 76 state legislators on support for small business in collaboration with other small business associations, individuals, and those actively participating at the Capitol during the legislative session.

The subjective business ratings are based upon: (1) key business votes involving tax and fee Increases; (2) efforts to increase or decrease government size and spending; (3) employer mandates (e.g., workers' compensation, UI, prepaid health, etc.), labor bills affecting business (minimum wage, "union card," etc.) and regulations; (4) conduct in hearings, accessibility, and response of the legislator, and (5) active sponsorship, introduction and advocacy of better business climate positions.

Each lawmaker is rated, regardless of political party, from #1, "most supportive and outspoken advocate for a better business climate," to #5, "least supportive of small business and an improved Hawaii business climate." Ratings may be helpful at election time.

#### PAYCHECKS HAWAII RATINGS: STATE SENATE

| STATE SENATOR              | District | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------------|----------|------|------|------|------|------|
| Baker, Rosalyn (D)         | 5        | 5    | 5    | 4    | 3    | 4    |
| Chun Oakland, Suzanne (D)  | 13       | 4    | 3    | 3    | 4    | 4    |
| Dela Cruz, Donovan (D)     | 22       | -    | -    | -    | -    | 3    |
| English, J. Kalani (D)     | 6        | 5    | 5    | 4    | 4    | 4    |
| Espero, Will C. (D)        | 20       | 4    | 3    | 3    | 4    | 4    |
| Fukunaga,Carol A. (D)      | 11       | 3    | 3    | 3    | 3    | 4    |
| Gabbard, Mike (D)          | 19       | 4    | 3    | 2    | 3    | 4    |
| Galuteria, Brickwood (D)   | 12       | -    | -    | 4    | 4    | 4    |
| Green, Josh M.D. (D)       | 3        | 3    | 3    | 2    | 2    | 2    |
| Hee, Clayton (D)           | 23       | 5    | 5    | 4    | 4    | 4    |
| Ige, David (D)             | 16       | 3    | 3    | 4    | 3    | 3    |
| Ihara, Jr. Les (D)         | 9        | 3    | 3    | 3    | 4    | 3    |
| Kahele, Gilbert (D) +      | 2        | -    | -    | -    | -    | 4    |
| Kidani, Michelle (D)       | 17       | -    | -    | 3    | 4    | 4    |
| Kim, Donna Mercado (D)     | 14       | 3    | 3    | 3    | 3    | 3    |
| Kouchi, Ronald D. (D)      | 7        | -    | -    | -    | -    | 3    |
| Nishihara, Clarence K. (D) | 18       | 4    | 3    | 2    | 3    | 4    |
| Ryan, Pohai (D)            | 25       | -    | -    | -    | -    | 3    |
| Shimabukuro, Maile (D) *   | 21       | 4    | 4    | 4    | 4    | 4    |
| Slom, Sam (R)              | 8        | 1    | 1    | 1    | 1    | 1    |
| Solomon, Malama (D) +      | 1        | -    | -    | -    | -    | 2    |
| Taniguchi, Brian (D)       | 10       | 4    | 5    | 4    | 4    | 3    |
| Tokuda, Jill N. (D)        | 24       | 4    | 4    | 3    | 4    | 3    |
| Tsutsui, Shan S. (D)       | 4        | 4    | 3    | 3    | 4    | 3    |
| Wakai, Glenn (D)           | 15       | -    | -    | -    | -    | 2    |

+ appointed \* appointed from House

| PAYCHECKS HAWA                              | II RATI  | NGS  | STA    | TEH  | OUS    | SE.  |
|---|----------|------|--------|------|--------|------|
| STATE REPRESENTATIVE                        | District | 2007 | 2008   | 2009 | 2010   | 2011 |
| Acquino, Henry J.C. (D)                     | 35       | -    | _      | 3    | 4      | 4    |
| Awana, Karen L. (D)                         | 44       | 3    | 4      | 4    | 4      | 3    |
| Belatti, Della Au (D)                       | 25       | 3    | 3      | 3    | 4      | 2    |
| Brower, Tom (D)                             | 23       | 4    | 4      | 3    | 2      | 2    |
| Cabanilla, Rida T.R. (D)                    | 42       | 4    | 3      | 3    | 4      | 4    |
| Carroll, Mele (D)                           | 13       | 5    | 4      | 4    | 4      | 4    |
| Chang, Jerry L. (D)                         | 2        | 5    | 4      | 4    | 4      | 4    |
| Ching, Corinne (R)                          | _<br>27  | 1    | 2      | 2    | 2      | 2    |
| Chong, Pono (D)                             | 49       | 5    | 4      | 4    | 4      | 4    |
| Choy, Isaac W. (D)                          | 24       | -    | -      | 3    | 4      | 4    |
| Coffman, Denny (D)                          | 6        | _    | _      | 3    | 4      | 4    |
| Cullen, Ty (D)                              | 41       | _    | _      | -    | -      | 4    |
| Evans, Cindy (D)                            | 7        | 4    | 4      | 3    | 4      | 4    |
| Fontaine, George R. (R)                     | 11       | -    | -      | -    | -      | 2    |
| Hanohano, Faye P. (D)                       | 4        | 4    | 4      | 4    | 4      | 4    |
| Har, Sharon E. (D)                          | 40       | 3    | 4      | 4    | 4      | 4    |
| Hashem, Mark J. (D)                         | 18       | -    | -      | -    | -      | 3    |
| Herkes, Robert (D)                          | 5        | 4    | 3      | 3    | 4      | 4    |
| Ichiyama, Linda (D)                         | 31       | -    | -      | -    | -      | 3    |
| Ito, Ken (D)                                | 48       | 4    | 3      | 3    | 3      | 3    |
| Johanson, Aaron Ling (R)                    | 32       | -    | -      | -    | -      | 1    |
| Jordan, Jo (D) +                            | 45       | _    | _      | _    | _      | 4    |
| Kawakami, Derek S.K. (D) +                  | 14       |      | _      | -    | _      | 3    |
| Keith-Agaran, Gilbert (D)                   | 9        | -    | _      | 4    | 4      | 4    |
| Lee, Chris (D)                              | 5<br>51  | _    | -      | 3    | 4      | 4    |
| Lee, Marilyn B. (D)                         | 38       | 5    | 5      | 4    | 4      | 4    |
| Luke, Sylvia J. (D)                         | 26       | 4    | 3      | 3    | 4      | 3    |
| Manahan, Joey (D)                           | 29       | 4    | 4      | 4    | 4      | 4    |
| Marumoto, Barbara C. (R)                    | 19       | 1    | 2      | 1    | 1      | 1    |
| McKelvey, Agnus L.K. (D)                    | 10       | 3    | 3      | 2    | 3      | 3    |
|   | 30       | 5    | 4      | 3    | 4      | 4    |
| Mizuno, John (D)                            | 16       |      |        | -    | 4<br>- | 3    |
| Morikawa, Dee (D)<br>Nakashima, Mark M. (D) | 1        | -    | -      | 3    | 4      | 4    |
| Nishimoto, Scott Y. (D)                     |          | -    | -<br>4 | 4    |        |      |
| •     | 21       | 5    |        |      | 4      | 4    |
| Oshiro, Blake (D)                           | 33       | 5    | 4      | 5    | 5      | 5    |
| Oshiro, Marcus (D)                          | 39       | 5    | 5      | 5    | 5      | 5    |
| Pine, Kymberly Marcos (R)                   | 43       | 1    | 1      | 1    | 1      | 2    |
| Rhoads, Karl (D)                            | 28       | 4    | 4      | 3    | 3      | 3    |
| Riviere, Gil (R)                            | 46       | -    | -      | -    | -      | 2    |
| Saiki, Scott (D)                            | 22       | 4    | 4      | 4    | 4      | 4    |
| Say, Calvin K.Y. (D)                        | 20       | 5    | 4      | 4    | 5      | 4    |
| Souki, Joseph M. (D)                        | 8        | 3    | 4      | 4    | 4      | 4    |
| Takai, K. Mark (D)                          | 34       | 4    | 4      | -    | 4      | 3    |
| Takumi, Roy M. (D)                          | 36       | 5    | 5      | 5    | 5      | 5    |
| Thielen, Cynthia (R)                        | 50       | 2    | 2      | 2    | 2      | 2    |
| Tokioka, James K. (D)                       | 15       | 4    | 4      | 4    | 4      | 4    |
| Tsuji, Clift (D)                            | 3        | 4    | 4      | 4    | 4      | 4    |
| Ward, Gene (R)                              | 17       | 1    | 1      | 1    | 2      | 2    |
| Wooley, Jessica (D)                         | 47       | -    | -      | 3    | 4      | 4    |
| Yamane, Ryan I. (D)                         | 37       | 4    | 4      | 3    | 4      | 4    |
| Yamashita, Kyle T. (D)                      | 12       | 4    | 4      | 3    | 4      | 4    |

# Council on Revenues Keeps Economic Forecast

By Malia Zimmerman, HawaiiReporter.com

The State Council on Revenues, a body appointed by government officials that determines the state's economic forecast, decided after a brief meeting May 26 that they won't revise their most recent forecast for minus 1.6 percent growth this year.

If the council had downgraded their forecast, lawmakers could have been compelled to either call a special legislative session or they could have been called into special session by Gov. Neil Abercrombie, to adjust the state's \$21 billion biennium budget so it is balanced.

Lawmakers already increased taxes more than \$600 million this year to balance the state's \$232 million shortfall for fiscal year 2011 that ends June 30 and \$1.3 billion shortfall for fiscal years 2012 and 2013.

Several key measures were not funded including \$2 million for security for the Asia Pacific Economic Conference this November, \$4 million for the University of Hawaii medical school, and \$2.67 million in legal claims against the state.

Legislative leaders told Hawaii Reporter that they were willing to come back into special session to address these funding measures. But privately, they indicated they did not want a special session because they did not want to deal with finding the money by either further increasing taxes, legalizing gambling or readjusting their budget.

While the economy continues to struggle this year, the majority of council members believe that the economy will rebound next year with an 11 percent increase. They said the large jump is partially caused by a delay in tax refunds implemented in 2010 by Gov. Lingle's administration. The real economic growth is likely to be more like 5 percent to 6 percent, council members said.

Paul Brewbaker, an economist who is the Council on Revenues Chair, told reporters after the meeting: "It changes the optics, but it doesn't change the underlying trend, which is gradual, not particularly impressive economic recovery transitioning to what we believe is sustainable economic expansion."

Brewbaker told Hawaii Reporter that several events can impact Hawaii's economy temporarily, but he said that the Council's role is to see through all the "noise." He pointed to the earthquake and tsunami that hit Japan, resulting in a 24 percent drop in Japanese tourism to Hawaii over the last three months, and the revolutions throughout the Middle East that caused a spike in oil prices, leading to higher airline ticket prices, which ultimately impacts Hawaii tourism.

The only legislator who was present, Sen. Sam Slom, R-Hawaii



Hawaii's economy is closely tied to the tourism industry which many experts hope to make a comeback after recent world events including the earthquake and tsunami in Japan and spiking of oil prices.

Kai, said "I continue to believe our budget is not balanced and we have not emerged from the recession. There may be recovery for selected industries such as the visitor industry, but for the majority of businesses and families, it is still a difficult time. And the key indicator, private jobs, does not show up in the data. As the council itself said, the models are based on mathematics and subject to interpretation. My interpretation is that as long as the state continues its tax and spending policies, it will have a continuing adverse impact on recovery and any meaningful expansion. It also is interesting to note that the chairman even hinted that Hawaii may go into another recession in 2014."

Some who attended the standing room only meeting at Hemmeter Center, located across from the state capitol, were skeptical of the Council's actions. They believe legislative leaders who appointed the members did not want a special session and pressured their appointees to hold the line on the forecast. That leaves Gov. Neil Abercrombie scrambling to find funds to cover what the legislature did not. Lawmakers were angered when the new governor did not turn in a budget plan on time this session.

Governor Neil Abercrombie has no plans to call for a special session, he said. "My Administration remains committed to working with the budget that we have. That has not changed. In recent weeks, we have formed new partnerships that invest in Hawai'i in the spirit of

Continued on page 6.





# Low Lights from the 2011 Hawaii State Legislature

Continued from page 3.

endorsement, the measure died at the May 5 crossover.

Several dozen animal-related bills were introduced this session. Two that did pass include making it a felony to attend a dog fight in Hawaii and kill pests, including peacocks, and vermin, like rats, inhumanely.

#### Lawmakers 'Get By' with Current Salary, Perks and Benefits

Hawaii lawmakers were set to get a \$2,000 pay increase starting July 1, 2011, when the previous temporary two-year pay reduction expired.

However, with state and county workers still on "Furlough Fridays", \$600 million cut from the budget because of a \$1.3 billion budget shortfall for the 2012 and 2013 fiscal years, and many private businesses facing employee layoffs because of the economy, several lawmakers sought to keep their pay as is.

The bill was stalled in conference committee, but the House agreed to the Senate version of HB 575, SD2, which will extends the 5 percent legislative, executive and judiciary salary decreases from June 30, 2011, to December 31, 2013. Both Houses will vote on the final version on Thursday.

Lawmakers took a great deal of criticism when in 2009 they gained a 36 percent pay increase granted by the state salary commission. When state furloughs were instituted, lawmakers took a 5 percent pay cut to their 36 percent pay increases.

The two-year salary freeze implemented in 2009 impacted salaries in the executive, legislative and judicial branches.

#### Classroom Hour Extension Delayed in Hawaii's Public Schools

Abill that details the number of hours Hawaii public school children will spend in the classroom passed the House and Senate on Tuesday.

House Bill 945 establishes the implementation of Act 167, a law that requires Hawaii school children in Kindergarten through grade 12 to be in the classroom for 180 days a year.

In 2009 and 2010, the state instituted teacher furloughs because of budget cuts, and the number of school days was reduced to 166 days, the lowest number of classroom days in the nation.

To restore classroom days this year, Gov. Neil Abercrombie ordered that the Hurricane Relief Fund, which was established as back up insurance in the event of a hurricane, be raided to end teacher furloughs.

Sen. Jill Tokuda, Senate education chair, confirms \$60 million a year for two years for a total of \$120 million will be taken from the emergency fund for public education.

Teachers are now in the classroom for 180 days, but the number of hours they are actually in the classroom has been in dispute.

The Hawaii State Teachers Union wants an estimated \$55 million to fulfill all the hour requirements in Act 167, and protested

### Council on Revenues

#### Continued from Page 3.

lokahi. These partnerships include a \$10 million grant from the Harold K.L. Castle Foundation for education initiatives and Conservation International's \$2 million commitment towards the state's fisheries enforcement. We are moving the economy in a positive direction and getting things done to fix government. Our New Day plan is on track."

through an email campaign and lobbying at the capitol the immediate implementation of HB 945.

The House and Senate education chairs offered the teachers' union a compromise, which mandates that 50 percent of the elementary public schools comply with the hour requirements next year and 100 percent the following year.

Secondary schools have until the 2014-2015 school year to comply with the hourly requirements.

Charter schools and multi-track schools are exempted.

Sen. Sam Slom criticized the delay in implementation saying the teacher's union was more interested in money than the children's education. But Sen. Jill Tokuda, education chair in the senate, said the legislation does take time to implement.



#### NASA, Hawaii Sign Agreement

By Miriam Landru, HawaiiReporter.com

Fifty years after President John F. Kennedy predicted that American astronauts would visit the moon before the end of the 1960s, a historic agreement in its own right was signed in Hawaii. Gov. Neil Abercrombie calls it "a happy marriage" between the State of Hawaii and NASA.

Last month at the State Capitol, NASA Associate Deputy Administrator Rebecca Keiser and Abercrombie signed a two-year agreement – the Space Act Agreement Annex.

"This has been a non-partisan endeavor from the very beginningit has gone through all administrations in one way or another," Abercrombie said.

To support America's space exploration plans, NASA's Ames Research Center at Moffett Field, CA, together with Hawaii will explore new technologies, capabilities and strategies including developing an International Lunar Research Park located at the University of Hawaii Hilo and Volcanoes National Park on the Big Island.

"Hawaii does have the unique terrain. There are other places that have similarities for instance we do some of these tests in Arizona and the Atacama Desert in Chile. However the wonderful thing about Hawaii is that it has the breadth of terrain, it has a wider space where we can do a wider space to send sample lunar rovers," said Keiser.

In the future could we see big space rocket launches from Hawaii? Probably not. However, Keiser states there is an effort within Hawaii to develop a space port for small rocket launches. "It would involve private individuals, private companies, and students to develop smaller rockets to go up and do research. That's a definite possibility in Hawaii."

Hawaii's Office of Aerospace Development will be the lead state agency for the project and aspires to enable economic growth.

## Small Businesses to Get \$13 Million Under Federal Program

The State of Hawaii has been awarded \$13 million in federal funds to support Hawaii's small businesses through an investment program. These funds are expected to be matched 10-to-1 by private investors over seven years, resulting in \$130 million in new funding for small businesses in Hawaii.

"Now is the time for us to invest in industries that will move Hawaii's economy forward," Governor Neil Abercrombie said. "We

have tremendous opportunities and potential in our clean energy, film, high-tech and other innovative industries. We must take advantage of these opportunities that will create good paying jobs for our local families, lead our drive toward self-sufficiency and bring dollars into our economy."

The U.S Department of the Treasury has approved Hawaii's application to the State Small Business Credit Initiative (SSBCI). The SSBCI program was established by the Federal Small Business Jobs Act of 2010



and provides participating states with federal funds for programs that leverage private funds to help small businesses and access the capital they need to expand their operations, invest in new equipment, and create new jobs.

"The program provides a powerful incentive for new private lending to small businesses, which will help spur additional job creation and economic growth throughout Hawaii," said U.S. Treasurer Rosie Rios.

The Hawaii Strategic Development Corporation (HSDC) will use the funds for its venture capital investment program. HSDC is an attached agency of Hawaii Department of Business, Economic Development, and Tourism (DBEDT) that supports economic development in Hawaii by investing in local business ventures in partnership with private funds.

"This award from the U.S. Department of the Treasury is another example of our agencies maximizing opportunities to seek and receive all federal funding available to Hawaii," said Lt. Governor Brian Schatz, who oversees the Hawaii Fair Share Initiative, a program working to secure and expend external sources of funding for our state. "These funds will provide a much-needed boost to our most innovative start-up companies."

"We need to create an environment in Hawaii for innovative industries to thrive. This investment will raise productivity and create good jobs in all areas of the economy and for all people," said Richard Lim, DBEDT Director.

HSDC will use this investment to commercialize innovative technologies developed at the University of Hawaii, strengthen the angel investment community in Hawaii (individuals who have invested more than \$30 million in various companies and have played a significant role in Hawaii's start-up community), and to develop new investment programs that mentor entrepreneurs and help start-up companies successfully compete for follow-on venture capital to grow their businesses. HSDC is developing a plan to best deploy these funds for worthy businesses.

Danton Wong, HSDC Chairman said "This opportunity will empower local entrepreneurs to grow their businesses and build a stronger economy for Hawaii."



## July 4th Hawaii Kai Celebration Seeks Cash to Present Fireworks

By Dianne Glei

Independence Day at Maunalua Bay Foundation still needs \$30,000 in order to present the 4<sup>th</sup> annual July 4<sup>th</sup> fireworks celebration.

Corporate sponsors have been slow this year resulting in the shortfall. But, the East Oahu community has shown its support by donating from \$2 to \$500 in response to a series of hand-delivered solicitation letters. All together the residents have contributed the equivalent of a \$5,000 sponsorship.

So far, 2011 sponsors include Bubbies, Hale Ka Lae, Outback Steakhouse, Roy's, Hawaii Kai Marina Association, Koko Marina Center, 76 gas station at Koko Marina, Buck Ohana and John H. Connors Insurance. Any person or business wishing to help fund this free community event can call 224-8357 or mail a check to P.O. Box 256635, Honolulu, HI 96825.

Roy's also is offering a second fund-raising opportunity by giving a dinner for six with wine pairing as a prize drawing. People can enter to win by completing an entry form available at The Copy Shop and East Oahu Realty. A donation of \$5 is suggested for a prize valued at \$441. Winner will be announced at the July 4 event.

Once again, off-site parking will be available at Kaiser High and Hahaione schools with free shuttles to and from the event courtesy of King's Cathedral. Event organizers encourage people to take advantage of these parking locations, pointing out that there is no parking at the event site. In addition, TheBus will run a late bus from the park and ride in Hawaii Kai to accommodate those leaving the event. Barricades will be set up on the grassy strip at the Ewa end of Maunalua Bay Beach Park for bike parking.

The entertainment lineup for the event includes Anuhea, Dennis Kamakahi, Steve Maii and Friends and Maunalua, who is returning for a third year to perform right before the fireworks show at 8 p.m. Parent-child pairs will compete in a watermelon eating contest during a lull in entertainment.

Ramsay Wharton of Hawaii News Now Sunrise show and Honolulu Skylark will share on-stage MC duties. Radio station KINE again will provide simulcast for the fireworks show.

Vendors will offer one food and civic and community groups will supply informational materials.

For more information about the 2011 Independence Day at Maunalua Bay, visit www.idmbf.com.

# Commercial Kitchen Finally Back in Business

Reprinted From HawaiiReporter.com

Remember all those recall notices that the Hawaii Department of Health issued earlier this year for First Commercial Kitchen? Several vendors who had their local sauces and dressings mixed at this facility had their products recalled and removed from store shelves by the DOH without notice – even though there was no indication that there was anything wrong with the products.

The DOH said they closed First Commercial Kitchen LLC on January 24, 2011 "when its permit to operate was suspended after product samples showed evidence of being improperly manufactured, and the company was unable to provide any records to show that safe food processing was performed."

DOH said its inspections "identified a number of permit violations related to improper physical production plant design and maintenance, inadequate manufacturing processes, lack of product testing, and failure to meet documentation requirements" ... and that to "protect public health, and ensure the safety of food products manufactured and sold in Hawaii, the DOH issued a cease and desist order and recalled numerous First Commercial Kitchen products."

Many small businesses were affected by the product recall. And to make matters worse, not only were their products pulled but they had to pay for their own product testing to show that their sauces and dressings were safe – even though there was no complaint about them in the first place.

On May 12, 2011, the Hawaii State Department of Health reinstated First Commercial Kitchen LLC's license, saying "all products manufactured by First Commercial Kitchen after May 10, 2011 are considered safe and fit to consume."

There are some sauces still not in the clear:

- · Barb's Favorite Recipes Brand
- · Barb's Local Style Black Bean Sauce
- Barb's Kal-Bi SauceMom's Recipe Sauce
- Pacific Poultry Huli-Huli Sauce (manufactured prior to May 10, 2011) The recently manufactured, safe, non-recalled product can be easily identified by making sure that the pull date is "Best by April 2012" or later."

The DOH said: "As with any food establishment operating in Hawaii, all food safety rules and regulations must be adhered to by the owners to provide the residents and visitors of Hawaii safe and wholesome food. Inadequate control measures during the manufacture and packaging of food products can lead to the potential for bacteria growth which can cause food poisoning."

But many small vendors impacted by the DOH's action feel the government did not treat them fairly or allow them adequate time or resources to prove their products safe before they were pulled from the shelves and many of them are still suffering financially as a result.

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Fly the colors on Flag Day, June 14.

# IRS, USPS Indicts Maui Sovereignty Group

By Jim Dooley, HawaiiReporter.com

Members of a Maui group that promised elimination of tax bills and mortgage debts were indicted Thursday by a federal grand jury on 25 criminal charges, including fraud, money-laundering and tax offenses.

Charged were Mahealani Ventura-Oliver, 42, her husband, John D. Oliver, 46, and three others involved in groups called Hawaiiloa Foundation, Ko Hawaii Pae Aina and The Registry.

The defendants allegedly collected \$468,000 in fees or "kokua" payments from 2008-2110 to hold private meetings about "a debt assistance program which they claimed could eliminate mortgage, credit card and other debt," said Hawaii U.S. Attorney Florence Nakakuni.

Other defendants in the case are Pilialoha K. Teves, 49, Leatrice Lehua Hoy, 52 and Peter "Petro" Hoy, 76, all of Maui.

All are scheduled to appear in federal court next month, said Asst. U.S. Atty. Larry Tong.

The indictment alleged that the defendants told their followers that all individuals hold "special reserves" in the U.S. Treasury which could be used to "zero out" debts.

They allegedly issued fictitious bonds, promissory notes and money orders "which they falsely claimed were backed by the U.S. Treasury and State of Hawaii," the government alleged.

The FBI and other law enforcement agencies have been investigating the group wince 2009.

Its members and adherents filed a flurry of paperwork in federal court in 2009, claiming that a series of FBI searches and asset seizures on Maui were illegal.

Ko Hawaii Pae Aina claims on its website, http://kohawaiipaeaina. net, that it represents a sovereign nation "comprised of all of the landed property belonging to Hawaiiloa a great Navigator King and founder of Pacific trade, commerce and oceanic development within the Pacific Triangle and outer Pacific Rim."

Members could not be reached for comment.

The defendants allegedly collected individual fees of \$1,500 to \$10,000 and also prepared false income tax filings which claimed refunds of more than \$1.5 million.

Tong declined to say if any of the refund claims were honored by the IRS.

Assisting in the investigation were criminal investigators from the IRS and the U.S. Postal Service.

## When New Tax Increases Will Hit Your Pocket

By Lowell Kalapa, President, Tax Foundation of Hawaii

As the legislative session wound down May 5, it became very apparent that there was no plan to get state government out of the deep financial hole in which lawmakers found it at the beginning of the session as there were few alternatives left on the table to balance the state budget.

Seniors were successful in beating back the administration's attempt to tax pension income while the fear of adopting a broad across-the-board increase in the general excise tax rate reinforced the House position against such an increase, and the tenuous situation of the visitor industry apparently was enough to convince lawmakers that an increase in alcohol taxes would be fruitless if the visitor market continues to struggle and it certainly wasn't worth the political heat.

So at the end of the session there were but few revenue enhancements left on the table, but what few there were will have a substantial impact on all taxpayers in Hawaii. So while seniors may be beaming with pride that they were able to kill the proposal to tax their pensions, they, along with all other consumers, will end up paying dearly to help balance the state's two-year spending plan.

By far the largest and the most misunderstood increase will come in the form of the suspension of several general excise tax provisions mistakenly called exemptions. Almost all of these so-called "exemptions," some of which were enacted over a half century ago, recognize the unique structure of the general excise tax and the fact that it may be imposed a number of times on the same transaction as goods or services move through the production chain. Then again, there is the tax as it is imposed at the front end of the chain as goods arrive in Hawaii.

While the measure addresses some of the pyramiding of stevedoring activities, such as services between related companies, nearly all of the goods coming over the state's docks or through the state's airports had been previously exempt from the 4% tax on the loading and unloading of those goods in recognition that the cost of the tax would be imbedded in those goods.

They will now be taxed at the full 4% rate. This is one of the "special interests" that lawmakers have singled out to be suspended. That additional cost will work its way into the bag of rice or loaf of bread families need as food to put on the table. For manufacturers in Hawaii, that cost will be added to every bottle of jams and jellies or box of cookies shipped out of the state, putting Hawaii products at an even greater price disadvantage.

For Neighbor Island farmers having to ship their products to sell to the larger population in Honolulu, the cost of their products will also rise. It will also put local providers of products sold to interstate carriers like, cruise ships and airlines, at a price disadvantage as the 4% tax will be imposed on those sales even though the consumption of those goods will be outside the state.

Then there are those exemptions that are being suspended which challenge good tax policy, if not good common sense, and that is the suspension that will allow the general excise tax to be imposed on amounts that are taxed by other chapters of the law. This includes taxing the amount represented by liquor taxes on alcoholic beverages and on tobacco and cigarettes or on the fuel tax imposed by the state or county government. So you thought the price at the pump was high, just wait until the 4% tax is slapped on the seventeen cents of



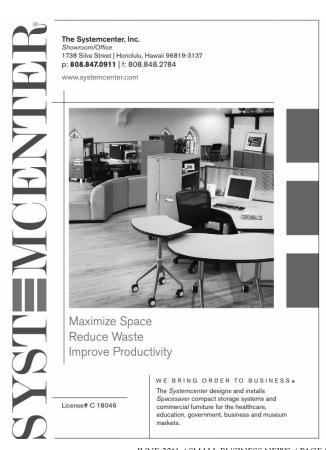
state fuel taxes.

The proposal also suspends the exemption of sales of products such as liquor and tobacco and other tangible personal property to the federal government and its instrumentalities, like credit unions. Sales to the federal government are preempted by superior law, in this case federal law, as state and localities cannot tax the federal government. Lawmakers may think that this a state exemption so that they can do as they please, but wait until the first

business selling tangible personal property to the federal government tries to collect the general excise tax from the federal government. Another is the exemption for telecommunication home service providers where federal law specifically prohibits state and local governments from charging for those roaming charges.

While these latter situations may be grounds for litigation, other "exemptions" will merely add to the cost of living and doing business in Hawaii for the next two years, and they just may send the state's economy into a tailspin.

The Tax Foundation of Hawaii is a private, nonprofit educational organization dedicated to informing the public, more specifically the taxpayer, which means all of us, about the finances of our state and local governments in Hawaii. For more information go to http://www.tfhawaii.org.



# International Business Stimulus for Hawaii

By Charley Memminger, Hawaii Reporter

I got a kick out of the report on this very website that Honolulu police are expecting an influx of prostitutes looking to provide comfort and recreation to international visitors coming to Hawaii for the Asia-Pacific Economic Cooperation conference in November. Ironically, instead of embracing practitioners of the world's oldest and - based on longevity - most successful commercial enterprise, law enforcement is planning to crack down on these entrepreneurs. Organizers of the conference actually should host a panel of these professional paramours on their program. Those finance ministers could learn a thing or two about "economic cooperation" from those gals, if you catch my drift.

In olden days, legions of prostitutes (aka Bimbos Without Borders) would follow the great armies of Napoleon and Genghis Khan as they marched across Europe and Asia, providing much needed succor and amusement to the troops. It says something about the global economy that hordes of whores apparently now follow dignitaries around the world to international economic summits. Can't you imagine French President Nicolas Sarkozy looking down from his Waikiki hotel lanai at a cluster of itinerant hookers and telling his aide, "Ooh la la! Third floozy from left ... have her cleaned and brought to suite rapidement, s'il vous plait!" Considering what happened to Dominique Strauss-Kahn, that impatient, sex-starved former head of the International Monetary Fund who allegedly sexually attacked a chamber maid, having professional harlots on hand at economic meetings would save wear and tear on the hotel staff. I'm surprised the IMF doesn't have hookers on the payroll just to keep the lecherous money managers from pawing at the help.



Upcoming APEC conference may be an economic boom for the world's oldest profession.

In most places around the world, prostitution is against the law. As a libertarian, I think it's silly to make it illegal for one consenting adult to give another consenting adult money for sex. Why is that the government's business? Besides, men have been paying women for sex forever. There's a special word for it: Marriage. Do you think Donald Trump didn't pay big bucks to enjoy the temporary company and sexual favors of the various beautiful blondes he married and then dumped? Trump's exes did exceedingly okay in the money department. When it comes to financial success, Ivana Trump makes Heidi Fleiss look like a piker.

Nevertheless, in most places providing sex for money is a crime. But law enforcement has been spectacularly unsuccessful at stopping prostitution over millennia. Why? Because society really doesn't want to get rid of prostitution. The penalties for harlotry—afford-

able fines and a few days in the slammer – are just lax enough to keep prostitution a thriving underground enterprise. (Do you know what hardworking ladies of the evening call a few days in the slammer? A break.) If society really wanted to get rid of prostitution it would make it a capital offense, punishable by death. I'm not suggesting that. I'm just saying that you can gauge how seriously society considers an offence by how serious the punishment is. Murder: Death penalty or life in prison. Child rape: Life in prison. Robbery: Long stretch in the joint. Burglary: A few years behind bars. Shoplifting: Slap on the hand. Prostitution: Take a break, sister.

So I don't think you can complain about the prevalence of an illegal enterprise when you don't do anything seriously to make it stop. If a prostitute knew she could go to the electric chair for a fifty-dollar "half and half" with a stranger, she'd probably try to get a job at McDonald's.

But society keeps trying to stop prostitution by stupid laws. The Hawaii state Legislature recently passed two ridiculous bills to "fight" prostitution. One would try to keep commercial sex away from schools. It would make it illegal to "offer or agree to pay a fee to another person for the purpose of sexual conduct within 750 feet of a school or public park." Curiously, or insanely, the new law would make such an act a misdemeanor. Disorderly conduct and vandalism are misdemeanors. Look how swell those laws are working.

The second bill authorizes the state attorney general to give prostitution cases "greatest priority." Huh? The attorney general, as chief law enforcement officer, can already decide which crime he wants to give the greatest priority. And it's not prostitution. And it won't be, no matter how many silly bills the legislature passes.

In a fit of unintended hilarity, the Democratic majority in the state House actually released a statement saying that if both bills become law in time for the APEC conference "security will be heightened." I doubt that any of the Sisters of the Traveling Hotpants will be plying their trade around schools or even at Kapiolani Park. They'll be on Kalakaua Avenue or inside hotel bars making goo-goo eyes at inebriated Asian and Pacific conferees. Which is fine with me. If shelling out cash for a little hoochi-koo will help conference attendees relax and figure out how to solve the global economic mess we're in, it's money well spent.



"In general, the art of government consists of taking as much money as possible from one party of the citizens to give to the other."

— Voltaire (1764)

"Just because you do not take an interest in politics doesn't mean politics won't take an interest in you."

— Pericles (430 B.C.)

### Louisiana Considers Amazon Tax

Like Hawaii, Legislators in Louisiana have joined the debate over sales taxes on out-of-state businesses with a proposed "Amazon" law which would require retailers based in other states to collect and remit sales taxes. The proposal exceeds the state's taxing authority and likely violates the Commerce Clause of the U.S. Constitution, according to a new analysis by the Tax Foundation.

Named after their best-known target, online retailer Amazon.com, these laws deem an out-of-state company to be an in-state company for sales tax purposes if the company receives commissioned referrals from in-state resident "affiliates." The out-of-state company must then collect sales tax for the state. While 21 states have considered "Amazon" laws in the past three years, only five have enacted them: Connecticut, Illinois, New York, North Carolina, and Rhode Island.

Tax Foundation Fiscal Fact No. 271, "Louisiana Considers Adopting 'Amazon' Tax on Out-of-State Online Sellers" by Joseph Henchman, is available online.



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# HECO Big Wind Plans Will Hurt Hawaii Consumers

By Henry Curtis, Executive Director, Life of the Land

HECO, Hawaii's monopoly energy company, continues to promote TINA (There Is No Alternative) to Big Wind. HECO has even refused to evaluate alternatives that they themselves were advocating for just months ago.

Life of the Land has filed a Motion to Intervene in PUC Docket 2011-0112. The docket was opened so that HECO could acquire nearly \$4M of ratepayer money for completed Big Wind studies. This is illegal. Rate recovery can only occur after acceptance of the Final EIS.

Other cases may impact this one.

Former State Rep. Hermina M. Morita filed a complaint with the Public Utilities Commission regarding the operation of the Hawaii Superferry (Docket 2007-0324): "The legislative intent is not in question. The plain and unambiguous language of HRS 343 prohibits the proposed action until the Environmental Assessment is completed, or if required, the final Environmental Impact Statement is accepted by the appropriate authority."

U.S. District Judge David Ezra (1991) regarding Geothermal energy on the island of Hawaii said: "In addition to the contribution of federal funds, and the arguably significant role various federal agencies and officials have played as part of the Interagency Group, the federal government has been involved in the Project in a number of other ways. The Hawaii legislature described the Project as a "federal/state partnership." The Government now argues that it may use the appropriated funds to contract for [studies].

This approach appears to be in conflict with NEPA's clear intent."



 $http://hi.findacase.com/research/wfrmDocViewer. aspx/xq/fac.19910108\_0000002.DHI.htm/qx; http://www.hawaii.edu/ohelo/courtdecisions/BlueOcean91-1.htm$ 

In addition, ratepayer financing should not occur for these studies. Past PUC rulings clearly state that HECO needs to evaluate alternatives. Like the EIS Preparation Notice issued last December, HECO went beyond the boundaries of the PUC requirement and forget to analyze alternatives.

Henry Curtis is the executive director of Life of the Land in Honolulu, Hawaii. See more at the web site http://www.lifeofthelandhawaii.org/ or at Vimeo