



HAWAI‘I STATE ETHICS COMMISSION

State of Hawai‘i · Bishop Square, 1001 Bishop Street, ASB Tower 970 · Honolulu, Hawai‘i 96813

Resolution of Charge **2024-4**

(COMPL-C-23-00335)

State of Hawai‘i Representative’s violation of the Financial Disclosure law

September 18, 2024

The Hawai‘i State Ethics Commission (“Commission”) has resolved the Charge against State of Hawai‘i Representative David Alcos III (“Respondent Alcos”) for alleged violations of the State Ethics Code, Hawai‘i Revised Statutes (“HRS”) chapter 84.

I. Facts

Respondent Alcos admitted and declared, under penalty of perjury, that the following facts are true and correct:¹

- a) Respondent Alcos ran for elected office in 2020 and 2022 and was elected to the State of Hawai‘i House of Representatives in 2022.
- b) As a candidate for elected office, Respondent Alcos was required to file a financial disclosure statement twenty days prior to the primary election.
- c) Once elected, Respondent Alcos was and is required to file an annual financial disclosure statement by January 31 of each year he is in office. Haw. Rev. Stat. § 84-17(b).
- d) Respondent Alcos’ financial disclosure statements were required to name “each creditor to whom the value of \$3,000 or more was owed during the disclosure period and the original amount and amount outstanding” Haw. Rev. Stat. § 84-17(f)(4).

¹ This Resolution does not make formal findings, but relies on the facts admitted by Respondent Alcos.

- e) Respondent Alcos' financial disclosure statements were required to name the "source and amount of all income of \$1,000 or more received, for services rendered, by the person" Haw. Rev. Stat. § 84-17(f)(1).
- f) Respondent Alcos' financial disclosure statements were required to name the "amount and identity of every ownership or beneficial interest held during the disclosure period in any business . . . equal to ten per cent of the ownership of the business." Haw. Rev. Stat. § 84-17(f)(2).
- g) Because Respondent Alcos was a candidate and then an elected representative, his financial disclosures were and are public records. Haw. Rev. Stat. § 84-17(d).
- h) Respondent Alcos filed financial disclosure statements as a candidate in 2020 and 2022, and again as a legislator in January 2023.
- i) Each of Respondent Alcos' financial disclosure statements filed in 2020, 2022, and 2023 listed Central Pacific Bank as his only creditor.
- j) Respondent Alcos is the President and sole member of D.A. Builders, LLC—a construction business. D.A. Builders, LLC is a party to various lawsuits connected to disputes arising from D.A. Builders, LLC's work on the International Market Place in 2015 and 2016, for which it was not paid. D.A. Builders, LLC has numerous creditors due to its work for which it was not paid on the International Market Place Project.
- k) Respondent Alcos admits he failed to disclose the following creditors on his financial disclosure forms in 2020, 2022, and 2023, which were identified in the Hawai'i State Ethics Commission's Charge:
 - i. On February 14, 2017, the Internal Revenue Service ("IRS") recorded a tax lien against Respondent Alcos in the Bureau of Conveyances in the amount of \$58,851.69. On January 16, 2018, the IRS recorded a tax lien against Respondent Alcos in the Bureau of Conveyances in the amount of \$40,466.39.
 - ii. On August 13, 2019, the State of Hawai'i Department of Taxation ("DOT") recorded in the Bureau of Conveyances a tax lien against Respondent Alcos in the Bureau of Conveyances in the amount of \$29,732.57 for unpaid state income tax liability.
 - iii. In 2019, Pacific Gypsum Supply Inc. ("Pacific Gypsum") recorded in the Bureau of Conveyances a stipulated judgment against D.A. Builders, LLC and Respondent Alcos, in which

D.A. Builders, LLC and Respondent Alcos agreed to pay Pacific Gypsum \$41,067.77.

- l) Respondent Alcos admits he failed to disclose the following creditor on his financial disclosure forms in 2022 and 2023, which was identified in the Hawai'i State Ethics Commission's Charge:
 - i. Cades Schutte LLP has represented D.A. Builders, LLC and Respondent Alcos in several lawsuits since 2016. On October 13, 2021, D.A. Builders, LLC and Respondent Alcos executed a promissory note and loan agreement to Cades Schutte for unpaid legal services. In connection with the execution of the promissory note and loan agreement, Cades Schutte LLP ("Cades") recorded a Uniform Commercial Code financing statement in the Bureau of Conveyances indicating that it was a creditor and was claiming as collateral "any and all monies or proceeds obtained by or on behalf of [D.A. Builders, LLC and David Alcos]" in several pending lawsuits in October 2021.

- m) Respondent Alcos admits he failed to disclose the following creditors on his financial disclosure forms in 2020, 2022, and 2023, which were identified in the Hawai'i State Ethics Commission's Charge. For each of the following, creditors allege that Respondent Alcos is personally liable for debts of D.A. Builders, LLC, which Respondent Alcos disputes:
 - i. In 2015, D.A. Builders, LLC obtained a business line of credit \$400,000 from World Business Lenders, LLC. An affiliated entity of World Business Lenders, LLC (WBL SPO I, LLC) is attempting to foreclose on real property owned by Respondent Alcos in a pending lawsuit in the Circuit Court of the First Circuit. Respondent Alcos disputes that he is liable for this debt of D.A. Builders, LLC.

 - ii. In 2017, the Internal Revenue Service ("IRS") recorded two separate liens against Respondent Alcos in the Bureau of Conveyances for unpaid taxes assessed against D.A. Builders, LLC of \$1,970,715.87 and \$60,322.33. Respondent Alcos disputes that he is liable for this debt of D.A. Builders, LLC.

- n) Respondent Alcos admits he did not disclose the following creditor on his financial disclosure forms in 2022 and 2023, which was identified in the Hawai'i State Ethics Commission's Charge. The DOT alleges that Respondent Alcos is personally liable for debts of D.A. Builders, LLC, which Respondent Alcos disputes:

- i. In 2021, the State recorded a tax lien against Respondent Alcos in the amount of \$1,176,155.83 for unpaid withholding taxes and general excise taxes of D.A. Builders, LLC.
- o) Respondent Alcos admits he failed to disclose the following creditors on his financial disclosure forms in 2020, 2022, and 2023, which were not included in the Hawai'i State Ethics Commission Charge, and which he voluntarily disclosed after the Charge was issued:
 - i. On January 11, 2018, Allied Building Productions Corporation obtained a stipulated judgment against D.A. Builders, LLC and Respondent Alcos in the amount of \$8,093.94.
 - ii. On August 2, 2018, Bank of Hawaii obtained a default judgment against D.A. Builders, LLC and Respondent Alcos in the amount of \$45,318.37.
 - iii. On January 7, 2019, A&B Properties Hawaii LLC obtained a default judgment against D.A. Builders, LLC and Respondent Alcos in the amount of \$18,455.04.
- p) Respondent Alcos admits he failed to disclose his state salary as income on his disclosure form in 2023, which was not identified in the Hawai'i State Ethics Commission Charge, and which he voluntarily disclosed after the Charge was issued.
- q) Respondent Alcos admits that he did not disclose his ownership of two businesses on his disclosure forms in 2020, 2022, and 2023, which were not included in the Hawai'i State Ethics Commission Charge, and which he voluntarily disclosed after the Charge was issued:
 - i. D.A. Builders, LLC – 100 % owned by Respondent Alcos
 - ii. D A Builders, Inc. – 100 % owned by Respondent Alcos
- r) Although Respondent Alcos disputes some of the above debts, he admits that, to comply with the Financial Disclosure law and promote public transparency, he should have disclosed the above information on the applicable financial disclosure statements filed in 2020, 2022, and 2023.

II. The State Ethics Code, Haw. Rev. Stat. Chapter 84

A. Constitutional Mandate and Statutory Purpose

The State Ethics Code arises from the declaration contained in the State Constitution that “[t]he people of Hawaii believe that public officers and employees must exhibit the highest standards of ethical conduct and that these standards come from the personal integrity of each individual in government.”² To this end, the Hawai’i Constitution further directs that the Legislature enact a code of ethics that applies to all appointed and elected state officers and employees.

In accordance with this constitutional mandate, the Legislature enacted the State Ethics Code and charged the Commission with administering and enforcing the law “so that public confidence in public servants will be preserved.”³ Additionally, the Legislature explicitly directed that the State Ethics Code be liberally construed to promote high standards of ethical conduct in state government. Haw. Rev. Stat. § 84-1. It is in this context that the Commission examines every employee’s actions.

B. Application of the State Ethics Code to Respondent Alcos

The Hawai’i State Constitution mandates that “all elected officers, all candidates for elective office and such appointed officers and employees as provided by law [shall] make public financial disclosures.” Article XIV. The Financial Disclosure law, Haw. Rev. Stat. § 84-17, expressly requires legislators to disclose the following financial interests, including those of their spouse and dependent children:

- All income of \$1,000 or more received;
- The amount and identity of every ownership or beneficial interest held in any business having a value of \$5,000 or more or equal to ten percent of the ownership of the business;
- Every officership, directorship, trusteeship, or other fiduciary relationship held in a business;
- The name of each creditor to whom the value of \$3,000 or more was owed;
- The address and value of any real property in which the person holds an interest whose value is \$10,000 or more;
- The names of clients assisted or represented before state agencies; and
- The amount and identity of every creditor in an insolvent business having a value of \$5,000 or more.

² Hawai’i State Constitution, Art. XIV.

³ Haw. Rev. Stat. Chapter 84, Preamble.

Legislators are required to file a financial disclosure statement on January 31 of each year. Candidates for statewide elective office “shall filed the required statements no later than twenty days prior to the date of the primary election for state offices” Haw. Rev. Stat. § 84-17. Both state candidate and legislator financial disclosure statements are public records (Haw. Rev. Stat. § 84-17(d)) and are available on the Commission’s website,⁴ making them an important tool for transparency and ensuring confidence in Hawaii’s state government system.

The Financial Disclosure law was “enacted in order to promote the public’s confidence in the integrity of state officials and employees.” See Informal Advisory Opinion No. 2011-1, available at <https://files.hawaii.gov/ethics/advice/IAO2011-01.pdf>, at 1. The Commission observes that financial disclosures provide the public with information about the financial interests and potential conflicts of interest of individuals running for public office. The due date of a candidate’s financial disclosure statement is timed to ensure information is available to voters before an election. This empowers voters to make well-informed decisions when casting their votes. This furthers the law’s intent, specifically to prevent corruption, reduce the likelihood of conflicts of interest, and maintain public trust in the political process.

Respondent Alcos’s omissions – including the amount and breadth of liabilities owed -- were significant and could have made a material difference in two elections. The failure to disclose significant liabilities in his financial disclosure statements undermines public transparency and trust, as the public has a right to know about potential conflicts of interest that could impact a legislator’s ability to act impartially in the public’s best interest. The Commission is troubled by the number and amount of omissions, recognizing that the public had a right to question and understand the reasons for a significant number of creditors.

III. Resolution of Charge

Respondent Alcos admits he violated the Financial Disclosure law and cooperated with the Commission’s investigation. He also voluntarily disclosed additional creditors once informed of the Commission’s investigation.

Considering the cost and expense of prosecuting a contested case hearing, the Commission believes it is reasonable, fair, and in the public interest to resolve the Charge by (1) issuing this Resolution of Charge; (2) requiring Respondent Alcos to pay an administrative penalty of \$12,500 to the State of Hawai’i; (3) referring this matter to the Speaker of the House of Representatives for disciplinary action as appropriate; and (4) requiring Respondent Alcos to amend his 2020 and 2022 Candidate Financial Disclosure statements, and his 2023 Financial Disclosure statement, to accurately reflect his creditors and other interests.

⁴ Available at <https://ethics.hawaii.gov/publicdata/>