

PRESENTATION OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
TO THE SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION,
AND AFFORDABLE HOUSING
SUPPLEMENTAL BUDGET REQUEST FOR FISCAL YEAR 2009

TWENTY-FOURTH STATE LEGISLATURE
REGULAR SESSION

JANUARY 18, 2008

TO THE HONORABLE RUSSELL S. KOKUBUN, CHAIR
AND MEMBERS OF THE COMMITTEE

I am Lawrence Reifurth, and I am the Director of the Department of Commerce and Consumer Affairs. I appreciate this opportunity to discuss the Department's supplemental budget request for fiscal year 2009 with the committee.

I, along with the department staff and our customers are all very appreciative of the confidence shown by the legislature a few years ago when it brought the entire department under the compliance resolution fund ("CRF" or the "Fund"), making this the only state department to be fully self-funding and fiscally self-sufficient.

Self-sufficiency notwithstanding, the Department's budget is scrutinized closely by the legislative money committees. I believe strongly in the value of that scrutiny. The legislature's involvement helps ensure that our customers and the public can be confident that there is accountability and transparency in the Department's operations.

Toward that end, our responsibility is to provide you with an open book and the best possible revenue/expense projections. I am particularly proud of the steps that the Department has taken – with the encouragement of the legislative money committees – to move away from reliance on budgetary ceiling and worst case scenarios in the projection process, and to move instead toward best estimates.

With the legislature's encouragement and assistance, the Department has been able to reduce fees and assessments by almost \$22.9 million over the last two years (FY 06 & FY 07), and expects to increase that amount by over \$10 million this fiscal year. As a result, we have been able to better align our revenues and expenses, while bringing the Department's operating reserves closer to our cash reserve goal of nine months (of budget ceiling). We will continue to closely monitor the CRF reserve level to ensure that we are operating with a reasonable reserve margin. I believe strongly that if we do not need to spend the money that our customers entrust us with, we should return it to them as soon as possible and not collect as much until it is necessary.

In the meantime, though, the main purpose of this portion of today's briefing is to discuss the Department's FY09 budget. Attached to my testimony are the program-specific testimonies in your prescribed format. The remainder of my testimony below is structured in the form of responses to the numbered questions posed in the committee's instructions.

1. Totals for Department FY08 budget with restrictions (where applicable) and emergency requests and FY09 proposed operating budget adjustments by means of financing (see attachment 1).

The Department's proposed FY09 operating budget is \$47,031,451 (\$44,742,833 special funds; \$2,288,618 trust funds) which includes operating budget adjustments of \$2,398,079 in special funds.

2. Identify any emergency requests (by title and amount) that your Department will be seeking for the current fiscal year (see attachment 2). If none, please indicate "none".
None.

3. Provide a summary of your FY09 proposed operating budget adjustments by Program ID (see attachments 3). This summary should provide the aggregate of adjustments by Program ID and means of financing.

The summary of the proposed operating budget adjustments by Program ID are listed in Attachment 3.

4. Provide a description of all FY09 proposed operating budget adjustments by Program ID (see attachment 4).

The Department is requesting 6.00 FTE permanent positions, 2.00 FTE temporary position and funding of \$2,398,079. The following positions are being requested for FY09: 1) two temporary exempt Investigator IVs (CCA 112) to expedite case processing and reduce caseloads to more manageable levels, 2) one permanent exempt Financial Institution Examiner III, two permanent exempt Money Transmitter Examiner IIIs and one Financial Institution Examiner II (CCA-104) for the money transmitter program adopted in 2006 by the Legislature (Act 153); 3) one permanent exempt Investigator IV (CCA-110) to focus on providing assistance with landlord-tenant matters; and 4) one permanent exempt Insurance Examiner II (CCA 106) to implement a market regulation and market conduct program approved last session by the Legislature. The Department is also proposing to increase the expenditure ceiling to cover language access costs (CCA 191), increases in building maintenance support services and electricity costs (CCA 191), increases in personal services on a fee (CCA 106) and the Economic Cadre program (CCA 111). Descriptions of all of the proposed operating budget adjustments by Program ID are listed in Attachment 4.

5. Provide a listing of all proposed FY09 capital improvements program projects (see attachment 5).

None.

6. Briefly discuss specific budget adjustments of concern for your agency.
Since the Department's proposed budget addresses concerns of the Department, the Legislature and the community, the Department believes that its budget requests are reasonable and does not have any concerns at this time.

7. Provide a summary of your department's request to the Department of Budget and Finance, the funding decisions made by the Department of Budget and Finance, and the funding decisions finalized by the Governor (see attachment 6).

The Department's proposed operating budget adjustments are summarized in Attachment 6.

8. Explain the process used to identify priorities (requests for additional operating and capital improvements program funding) for your Department including which category the requests for additional funding fall into: a. program initiatives of the Governor, b. certain unavoidable fixed costs and/or entitlements, or c. on-going critical programs which lack continued funding.

Our requests address current public needs for service or basic operational needs.

9. Discuss how requests for additional operating and capital improvements program funding were prioritized and discuss the manner in which community, departmental, and legislative input was gathered and utilized to determine priorities.

Community, departmental and legislative concerns were considered in developing and finalizing the Department's budget requests. This input was presented to me. Collectively, this formed the basis for the Department's budget request.

10. Briefly discuss which actions your Department has taken or is planning to take to reduce operating costs, and how those actions will translate into savings that may be reduced from your budget (see attachment 7). The Department continues to make more of its services available online and computerize more of its internal records keeping systems. Precise calculation of savings is difficult.

11. Identify all positions that are vacant as of December 1, 2007. For each of these positions please indicate if authority for your department to hire was or was not granted (see attachment 8).

As of December 1, 2007, the Department had 67 position vacancies. The Department has requested and received the Governor's approval to fill 51 of those positions. Recruitment is underway to varying degrees on each of those positions.

12. Provide a listing of all instances of your Department's expenditures exceeding the federal fund ceiling for FY08 (see attachment 9).

None.

13. Provide a listing of all budget appropriations transferred to another program ID and/or another Department in FY07 and FY08 (see attachment 10).

The department transferred no funds to other Departments or across program IDs in FY07 or FY08, to date.

14. Provide a listing of all deployed positions (see attachment 11).

None.