

Introductions

Good afternoon Chair Baker ... Vice-Chair Tsutsui, and members

Introduce leaders of the department's programs:

- Clyde Sonobe, Administrator, Cable Television division (CCA-102)
- Catherine Awakuni, Executive Director, Division of Consumer Advocacy (CCA-103)
- Nick Griffin, Banking Commissioner, Division of Financial Institutions (CCA-104)
- Noe Noe Tom, Licensing Administrator, Professional & Vocational Licensing (CCA-105)
- J.P. Schmidt, Commissioner, Insurance Division (CCA-106)
- Steve Levins, Executive Director, Office of Consumer Protection (CCA-110)
- Tung Chan, Securities Commissioner, Business Registration Division (CCA-111)
- Jo Ann Uchida, Complaints & Enforcement Officer, Regulated Industries Complaints Office (CCA-112)

CCA-191, General Support programs:

- Business Management Officer, vacant ... currently recruiting
- Rod Maile, Senior Hearings Officer, Office of Administrative Hearings
- Kevin Thornton, Manager, Information Systems Communications Office
- Deputy Director, Ron Boyer.

Department seeking net increase of \$2,398,079 to its FY09 budget, which is currently set at \$44,742,833.

Almost two-thirds of increase: Insurance Division and its Captive Insurance Administrative Fund for increases to their respective expenditure ceilings (total: \$1,465,000) for expenses associated with personal services on a fee.

Much of remainder relates to costs associated with **six new permanent** and **two new temporary** INVESTIGATOR positions in various divisions that are intended to implement 2006 and 2007 consumer protection legislation (4 DFI, money transmitters; 1 INS, market conduct exams) and, otherwise, to enhance the department's ability to protect consumer interests (2 RICO, all subject areas; 1 OCP, L/T) (\$663,869)

DCCA in perspective

DCCA receives almost no general funds ... specially funded ... customers pay for services directly ... money goes into Compliance Resolution Fund.

Have to satisfy customers ... live within means ... act like a business ... have to target our services, price them wisely and satisfy our end users ... can't overcharge.

You help us ensure that we don't. We file report with legislature that addresses our efforts to keep our revenues and expenses in line.

DCCA blessed with good leaders: Robbie Alm, Cliff Higa, Kathy Matayoshi and Mark Recktenwald.

DCCA appreciates the faith that you and our customers have put in us, and we know that we have to live up to that faith every day.

The Supplemental Budget Request...item by item (as listed in Attachment 3 to the testimony):

Division of Financial Institutions (CCA-104)

Increase division's budget ceiling by \$379,643 to allow for the hiring of 4 permanent examiners

Act 153, 2006 SLH required DFI to license Money Transmitters by July 1, 2007, but did not provide any positions or funds to implement the program, in part b/c there were no reliable estimates of the number of MT in Hawai'i.

Now that we have a handle on how big the program is, DFI has determined that 4 employees are necessary to effectively manage it.

Of that amount...

\$319,693 represents the personnel costs (plus fringe)

\$43,750 represents other current expenses (travel and training), and

\$16,200 represents equipment (comptrs, chrs, wkstatns & flng cbnets)

Insurance Regulatory Services (CCA-106)

1 new permanent Insurance Examiner and an increase in CRF budget ceiling by \$1,465,000 to address personal services on a fee contracts.

Specifically, the division proposes

- 1 permanent insurance examiner II and an increase in ceiling for "market conduct" examinations (\$91,622)

Of that amount...

\$64,920 represents salary

\$26,702 represents fringe

Law (Act 227 (2007, SLH)) provides that Commissioner must maintain "active management and oversight of examination costs and fees"...therefore we have to have somebody on staff involved.

- Increase the CRF expenditure ceiling by \$1,115,000 for personal services on a fee contracts

Of that amount...

\$810,000 due to higher than anticipated chargeable rates by contracted examiners for required statutory examinations of domestic insurers

\$200,000 represents the cost of a contracted health actuary, required now that health rate regulation has been reimposed.

\$85,000 to hire a computer consultant to help complete interface between NAIC and HIDS electronic filing system.

\$20,000 to hire a computer program expert for insurance fraud investigations.

- Increase expenditure ceiling for the Captive Insurance Administrative Fund (CIAF) by \$335,000 for personal services on a fee

Proposal increases budgeted amount for examination of 5 additional risk retention captive companies.

The CIAF has a dedicated source of funding to support its budget, which collected in excess of \$2M last year.

Office of Consumer Protection (CCA-110)

1 new permanent intake examiner IV, for landlord/tenant law issues

The cost: \$64,321 salary and fringe

One of OCP's core functions is to provide information to residents regarding their rights and responsibilities as landlords and tenants. OCP provides this service to approximately 10,000 callers each year.

Additional investigator will allow investigators to complete their case investigations quicker.

Business Registration and Securities Regulation (CCA-111)

Increase program's expenditure ceiling by \$65,000 to support a new economic education program called Economic Cadre to promote financial literacy for students by training select teachers to promote and advocate the integration of economic principles throughout the school community.

Regulated Industries Complaints Office (CCA-112)

2 new investigators: one in Kailua-Kona ... one in Honolulu. The cost: \$126,643.

We have spent several years in RICO, working to develop processes that measure productivity, encourage the rapid processing of cases and reducing case loads. It is time now to build the division back up to a point closer to where it was before the mid-1990's RIF. The two positions may just be a start.

General Support (CCA-191)

Increase budget ceiling by \$198,850 for increases in building maintenance and electricity costs and language access laws.

Specifically...

- \$160,500 for increases projected by DAGS for building maintenance support for the DCCA portion (RICO/OCP) of the State Office Tower and the King Kalakaua Building.
- \$18,350 to cover the estimated shortfall for electricity in the KKB building.
- \$20,000 for language access

Wrap-Up

In sum, the department is requesting a supplemental budget increase of \$2,398,079 to our expenditure ceiling. We believe that the increases are warranted; they will cover unavoidable costs and will allow us to improve services to our customers.

Questions