

Honolulu, Hawaii

FEB 26 2010

RE: S.B. No. 1062  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 1062 entitled:

"A BILL FOR AN ACT RELATING TO PROFESSIONAL EMPLOYER ORGANIZATIONS,"

begs leave to report as follows:

The purpose of this measure is to regulate professional employment organizations by creating a new regulatory system in the Department of Commerce and Consumer Affairs including:

- (1) Requiring registration with the Department of Commerce and Consumer Affairs;
- (2) Establishing criteria for registration including disclosure of management and financial information;
- (3) Directing the Department of Commerce and Consumer Affairs to establish and maintain the capacity to accept filings, create forms, maintain records, and adopt rules to regulate the professional employer organization industry;
- (4) Establishing registration fees;
- (5) Establishing criteria for professional employer organizations' financial capacity;



- (6) Creating criteria for the conduct of business and the regulation of employer-employee relationships, including supervision and the provisions of benefits, for professional employer organizations; and
- (7) Creating enforcement mechanisms for the regulatory regime established.

Testimony in support of this measure was received from Altres. Testimony with comments was received from the Professional and Vocational Licensing Division of the Department of Commerce and Consumer Affairs. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that professional employer organizations act as an outsourced human resource department for other businesses and are responsible for providing personnel and payroll services as well as ensuring the client company's compliance with state and federal laws regarding, labor, taxation, and insurance. Your Committee finds that the importance of professional employer organizations' functions to Hawaii businesses and workers, as well as to the State justifies regulation of these organizations.

Your Committee finds that this measure establishes regulation of professional employer organizations as business to business concerns. Your Committee notes that this measure has been amended extensively since its introduction and has evolved from its original form that created a new regulated industry for professional employer organizations to its current form which merely sets general requirements for the conduct of business in this State. Your Committee notes that this type of regulation is a common practice of the Legislature and is outside of the type of regulation that requires a sunrise review by the Auditor pursuant to section 26H-6, Hawaii Revised Statutes.

Your Committee has amended this measure by:

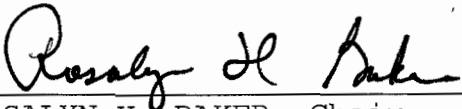
- (1) Deleting the regulatory system established by its original version and replacing it with new provisions to require registration with the Insurance Commissioner including disclosure of management information and financial condition, demonstrating eligibility to do business in the State, and compliance with the relevant insurance laws;



- (2) Requiring professional employer organizations to post a bond in the amount of \$1,000,000;
- (3) Specifying certain exemptions from registration and bond requirements;
- (4) Authorizing the Insurance Commissioner to adopt rules as necessary to implement registration of professional employer organizations;
- (5) Changing its effective date so that the measure is effective immediately; provided the registration requirements created by the measure shall take effect July 1, 2011 in order to allow sufficient time for the Insurance Commissioner and the industry to comply with new requirements.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1062, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1062, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,

  
\_\_\_\_\_  
ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Fifth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:* <b>SB 1062</b>	Committee Referral: <b>CPN</b>	Date: <b>2/24/2010</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
IGE, David Y. (VC)	✓			
ESPERO, Will	✓			
GREEN, M.D., Josh	✓			
IHARA, Jr., Les				✓
SAKAMOTO, Norman	✓			
HEMMINGS, Fred				✓
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">David Y. Ige</div>				
<b>Distribution:</b> Original                      Yellow                      Pink                      Goldenrod File with Committee Report    Clerk's Office            Drafting Agency           Committee File Copy				

\*Only one measure per Record of Votes