

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEES ON ECONOMIC REVITALIZATION, BUSINESS,
AND MILITARY AFFAIRS AND CONSUMER PROTECTION AND COMMERCE
ON
HOUSE BILL NO. 1926

January 27, 2010

RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM

House Bill No. 1926 establishes the Department of Business, Economic Development, and Tourism Operation special fund. House Bill No. 1926 assesses an additional \$20 surcharge upon various fees charged by the: Department of Commerce and Consumer Affairs; Public Utilities Commission; Department of Health; Department of Labor and Industrial Relations; Department of Land and Natural Resources; and the Department of Taxation, and deposits the proceeds of the surcharge into the Department of Business, Economic Development, and Tourism Operation special fund.

As a matter of general policy, this department does not support the creation of any special fund which does not meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. It is difficult to determine whether there is a clear nexus between the benefits sought and the charges made upon the users or beneficiaries of the program and whether the fund will be self-sustaining.



**Testimony to the House Committees on Economic Revitalization, Business &
Military Affairs and Consumer Protection and Commerce**

Wednesday, January 27, 2010

2:30 p.m.

State Capitol - Conference Room 325

**RE: HOUSE BILL NO. 1926 RELATING TO THE DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT, AND TOURISM**

Chairs McKelvey and Herkes, Vice Chairs Choy and Wakai, and Members of the Committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). I am here to state The Chamber's concerns with HB 1926.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This measure imposes a surcharge on the fees charged by certain departments for certain business and commerce-related authorizations and services.

Although the Chamber understands the intent of this measure, we believe that this measure will have a difficult fiscal impact on small businesses, especially as they weather this tough economic storm.

Thank you for the opportunity to testify.

HAWAII FINANCIAL SERVICES ASSOCIATION

c/o Marvin S.C. Dang, Attorney-at-Law

P.O. Box 4109

Honolulu, Hawaii 96812-4109

Telephone No.: (808) 521-8521

Fax No.: (808) 521-8522

January 27, 2010

Rep. Angus L.K. McKelvey, Chair

and members of the House Committee on Economic Revitalization, Business, & Military Affairs

Rep. Robert N. Herkes, Chair

and members of the House Committee on Consumer Protection & Commerce

Hawaii State Capitol

Honolulu, Hawaii 96813

Re: **House Bill 1926 (Department of Business, Economic Development, and Tourism)**
Hearing Date/Time: Wednesday, January 27, 2010, 2:30 P.M.

I am the attorney for the **Hawaii Financial Services Association** ("HFSA"). The HFSA is the trade association for Hawaii's financial services loan companies which make mortgage and other loans and which are regulated by the Hawaii Commissioner of Financial Institutions.

The HFSA **opposes** this Bill as drafted.

This Bill: (1) establishes the Department of Business, Economic Development, and Tourism operation special fund; (2) imposes a surcharge on the fees charged by certain departments for certain business-related and commerce-related authorizations and services; (3) requires the deposit of the surcharge revenues, as well as \$2 million from the financial institutions tax, into the special fund; (4) requires moneys in the special fund to be used for the operation of the department of business, economic development, and tourism, and (5) takes effect on 7/1/10 and sunsets on 6/30/15.

Under Chapter 241 of the Hawaii Revised Statutes, the Hawaii franchise tax is paid by various financial institutions such as banks, savings and loan associations, financial services loan companies, and other entities. Currently \$2 million of the franchise tax that is collected annually goes to the credit of the Compliance Resolution Fund of the Hawaii Department of Commerce & Consumer Affairs ("DCCA"). The Compliance Resolution Fund is used to fund the operations of the DCCA, including the Division of Financial Institutions ("DFI"). The \$2 million is earmarked for the DFI.

However, under Section 4 of this Bill, the \$2 million franchise tax would be annually diverted from the DCCA to a new special fund to pay for the operations of the Department of Business, Economic Development, and Tourism. The result is that the revenue of the DFI will be negatively impacted.

A likely result of the annual diversion of the \$2 million is that the fees that Hawaii financial institutions currently pay to the DFI will be increased to cover the shortfall in revenue. Additionally, there could be special assessments administratively imposed on the institutions to deal with the revenue drop.

Those anticipated fee increases and special assessments would be in addition to the fee surcharges mandated under Section 2 of this Bill. For example, a \$20 surcharge on the \$40 per hour examination fee that financial institutions pay to the DFI would amount to a 50% increase in these fees which already cost institutions tens of thousands of dollars annually.

We ask that you do not pass this bill as drafted because that any diversion of the \$2 million franchise tax and any surcharges on fees will be detrimental to Hawaii financial institutions which need to maintain capital levels and add to reserves. Thank you.

Marvin S.C. Dang

MARVIN S.C. DANG

Attorney for Hawaii Financial Services Association

(MSCD/hfsa)



National Association of Social Workers

Hawaii Chapter

January 26, 2010

TO: Rep. Angus McKelvey, Chair and Rep. Robert Herkes, Chair
And members of the House Economic Revitalization, Business & Military Affairs
Committee
And members of the House Consumer Protection & Commerce Committee

FROM: Debbie Shimizu, LSW
National Association of Social Workers, Hawaii Chapter

RE: HB 1926 Relating to the Department of Business, Economic Development and Tourism

Chair McKelvey, Chair Herkes and members of the House Economic Revitalization, Business & Military Affairs Committee and Consumer Protection & Commerce Committee, I am Debbie Shimizu, Executive Director of the National Association of Social Workers, Hawaii Chapter (NASW). I am testifying in **OPPOSITION to HB 1926 Relating to the Department of Business, Economic Development and Tourism.**

Specifically, I am concerned about Section 2, 92-A, and the \$20 surcharge on every fee charged for:

1. Application, issuance, renewal, or reissuance of a license, permit, or other authorization for a profession, business, or occupation;
2. Examination or audit of a person engaged in a profession, business or occupation;
3. Filing, registration, or renewal of a corporate or other business document;

This means that an individual will be charged an additional \$20 to apply for a license, \$20 to take a licensing exam and \$20 to open a private practice business. That is a total of \$60 additional charges.

This month the cost of our licensing exam was increased from \$175 to \$230, an increase of \$55. In June, our renewal fee will increase from \$180 to \$183 for LSWs (\$3 increase) and to \$220 for LCSWs (\$40 increase). However, social work salaries have not increased. In fact, the economic situation has caused social work salaries in both the public and private sector to be cut.

When licensing for social workers was established in 1994 and expanded in 2002, the licensing fee schedule developed by DCCA was set up to be self-sustaining and therefore, the fees are sufficient to cover the cost of implementing our licensing program.

The licensing program for social workers does not have a Board to oversee it. It is administered by DCCA staff and requires minimal work. Unlike other licenses that have to maintain a Board, the social work license is "low maintenance". Our program should not be penalized with additional fees.

While we understand these economic times are calling for new sources of revenue, I worry that these increases will discourage social workers from obtaining their license. To protect the public, we should be encouraging professionals to get licensed and be held accountable for their practice.

Thank you for the opportunity to testify.