

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
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FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

HOUSE COMMITTEE ON FINANCE

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 782 HD1 RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM

TESTIFIER: FREDERICK D. PABLO, DIRECTOR OF
TAXATION (OR DESIGNEE)
COMMITTEE: FIN
DATE: FEBRUARY 25, 2011
TIME: 12:30PM

POSITION: COMMENTS

This measure proposes to assess, for FY2012-FY2015, a \$20 surcharge on the application, issuance, renewal, or reissuance of a license, permit, certificate, or other authorization, for several taxes administered by the Department of Taxation.

While we understand the desire to provide a dedicated source of revenue for the operations of the Department of Economic Development and Tourism, we have concerns that the surcharge will significantly raise the cost of doing business in the State of Hawaii. The Department also is concerned about its ability to implement modifications to its computer system to account for the collection of the surcharge.

The total estimated revenue to be generated is \$650,000 per fiscal year.

Thank you for the opportunity to testify on this matter.

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 782, H.D. 1

February 25, 2011

RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT
AND TOURISM

House Bill No. 782, H.D.1, establishes the Department of Business, Economic Development and Tourism Operation special fund and assesses a \$20 surcharge in addition to the various fees charged by the: Department of Commerce and Consumer Affairs; Public Utilities Commission; Department of Labor and Industrial Relations; and the Department of Taxation, and deposits the proceeds of the surcharge into the newly created operation special fund from July 1, 2011 through June 30, 2015.

As a matter of general policy, the Department of Budget and Finance 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. In regards to House Bill No. 782, H.D. 1, 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.



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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KEALI'I S. LOPEZ
DIRECTOR

EVERETT S. KANESHIGE
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON
FINANCE

TWENTY-SIXTH LEGISLATURE
REGULAR SESSION, 2011

Friday, February 25, 2011
12:30 p.m.

**TESTIMONY ON HOUSE BILL NO. 782, HD1 - RELATING TO THE DEPARTMENT
OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM.**

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, AND MEMBERS OF THE
COMMITTEE:

The Department of Commerce and Consumer Affairs (Department) appreciates the opportunity to testify in opposition to House Bill No. 782, HD1, Relating to the Department of Business, Economic Development, and Tourism. My name is Keali'i Lopez, and I am the Director of the Department (DCCA). House Bill No. 782, HD1, proposes, among other things, to add, for a period of several years, a \$20 surcharge on every fee charged by the Department for the:

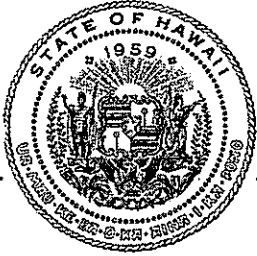
- (1) Application, issuance, or renewal of a license, permit, or other authorization for a profession, business, or occupation;
- (2) Examination or audit of a person engaged in a profession, business, or occupation;

- (3) Filing, registration, or renewal of a business document;
- (4) Application for, or registration of, a trade name, trademark, or service mark; or
- (5) Tax on insurance premiums.

The proposed \$20 surcharge, in essence, amounts to a tax increase on businesses. From a policy standpoint, the imposition of the proposed surcharge is inconsistent with the Department's long standing focus of reducing the cost of doing business in Hawaii. The Department understands the revenue picture and that principle must be balanced against the need for additional general fund revenues.

The proposal, however, turns the Department into a tax collector, and represents a significant variation on the agreement or understanding that was reached between the Department, the Legislature, and the Department's customers when the CRF was established. It is not clear that there is any direct nexus between the proposed surcharge and the services provided by DBEDT.

Thank you, for the opportunity to provide testimony on this bill. We respectfully request that this bill be held in this Committee.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

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Statement of
RICHARD C. LIM
Interim Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE
Friday, February 25, 2011
12:30 p.m.
State Capitol, Conference Room 308

in consideration of
HB 782, HD1
**RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM.**

Chair Oshiro, Vice Chair Lee, and members of the Committee. DBEDT supports the intent of HB782 to establish a special fund for DBEDT operations. This fund would be funded by various surcharge revenues. We defer to the departments who are affected by the surcharges for comment on the impact of this bill to their budget.

We appreciate the Committee's efforts to provide DBEDT with a dedicated source of funding which will enable us to engage in more long term planning, which is crucial to economic development.

Thank you for the opportunity to present this testimony.



**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.hawaii.gov/labor
Phone: (808) 586-8842 / Fax: (808) 586-9099
Email: dlir.director@hawaii.gov

February 25, 2011

To: The Honorable Marcus Oshiro, Chair
and Members of the House Committee on Finance

Date: Friday, February 25, 2011

Time: 12:30 p.m.

Place: Conference Room 309, State Capitol

From: Dwight Y. Takamine, Director
Department of Labor and Industrial Relations

**Re: H.B. No. 782, H.D. 1 Relating to the Department of Business, Economic Development,
and Tourism**

I. OVERVIEW OF PROPOSED LEGISLATION

- A. Establish a new special fund for the operation of the department of business, economic development, and tourism, and
- B. Impose a \$20 surcharge on certain business- and commerce-related fees and require the surcharge revenues to be deposited into the special fund.

II. CURRENT LAW

N/A

III. HOUSE BILL 782, H.D. 1

- A. Within the department of labor and industrial relations, the proposal would affect the following programs:

Certification/Permitting Operation	Approx Nos.	Range of Fees
Hoisting Machine Operators	200	\$ 50 - \$ 500
Blaster or Pyrotechnics Operator	150	\$50 - \$150
Safety & Health Professional	25	\$ 50 - \$300
Boiler Inspection and Permitting	12,000	\$ 35 - \$1,060
Elevator Inspection and Permitting	6,800	\$100 - \$450

Therefore, the proposed \$20 surcharge would affect 375 individuals and 18,800 businesses with a fee increase ranging from 40% to 2%.

Annual fees collected for the DBEDT special fund by the above programs would be approximately \$160,000 per year as not all fees are paid on an annual basis.

- B. The department is opposed to this measure for the following reasons:

1. The fee surcharge is regressive - disproportionately affecting an individual blaster by increasing his/her fees by 40% each year, whereas the owner of a large power boiler would experience a fee increase of only 2%. Small business would be affected more severely by this surcharge.

The first three activities are certificates issued to individuals. The application fee is \$50, the initial certification fee ranges from \$150 to \$500 with renewal fees of \$50 a year to \$500 for a 5-year renewal. There are also special boiler inspector commission fees ranging from \$250 for the examination fee to \$35 for a 3-year renewal fee.

Boiler and elevator installation and inspection fees are assessed to building owners or contractors of new or renovated buildings or businesses. Many of these are small business owners with a single air compressor or a single commercial rice cooker.

2. The software program used by the department for boilers and elevators is not capable of accounting for a separate surcharge and would therefore not be able to identify and separate the amounts that would be deposited into a separate fund versus the amount that goes into the general fund.

The software program is no longer being supported by the vendor and is not capable of being easily re-programmed to support the identification of a separate surcharge. The approximate cost of obtaining a new software program has been estimated to be over \$100,000.

3. The nexus between the activities of the department of business, economic development, and tourism and the additional benefit to the businesses regulated by the department of labor and industrial relations is not as certain and tangible as the benefit to the businesses of having their permits issued on a timely basis.

Permits for boilers and elevators are backlogged by approximately 3 months as of today, e.g., inspections conducted of elevators on November 1, 2010 have yet to receive a permit to operate. The reduction-in-force of November 2009 eliminated the clerical support whose function was to input the inspection data and generate the report and permits to operate. Without a permit to operate, new businesses are unable to begin operations and existing businesses may face an increase in insurance premiums because of the added liability to the property owner.

The department believes that a more appropriate boost to business would be to adequately fund existing operations that have a more direct impact on business operations and revenue. Businesses we contacted are willing to support an increase in fees only if the fees are dedicated to the inspection and permitting of their specific business activity, e.g. boiler and elevator installation and operation.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Surcharge fee on certain services

BILL NUMBER: HB 782, HD-1

INTRODUCED BY: Senate Committee on Economic Revitalization and Business

BRIEF SUMMARY: Adds a new section to HRS chapter 92 to provide that between July 1, 2011 and June 30, 2015, a surcharge of \$20 shall be added to every fee charged by: (1) the department of commerce and consumer affairs for the: (a) application, issuance, renewal, or reissuance of a license, permit, or other authorization for a profession, business, or occupation; (b) examination or audit of a person engaged in a profession, business, or occupation; (c) filing, registration, or renewal of a corporate or other business document; (d) application for or registration of a trade name, trademark, or service mark; or (e) tax on insurance premiums; (2) the public utilities commission pertaining to the regulation of a public utility or the filing of any document; except a telecommunications carrier that is the carrier of last resort; (3) the department of labor and industrial relations pertaining to the regulation of a hoisting machine operator, blaster or pyrotechnics operator, safety and health professional, boiler installer or installation, and elevator mechanic or installation; and (4) the department of taxation for the application, issuance, renewal, or reissuance of a license, permit, certificate, or other authorization required under the following taxes: (a) general excise; (b) transient accommodations; (c) rental motor vehicle and tour vehicle; (d) liquor; (e) cigarette and tobacco; (f) liquid fuel; (g) public service company; and (h) banks and financial corporations.

Defines "fee" for purposes of the measure.

No surcharge shall be added to: (1) any service for which no fee is charged; (2) any fine for a violation of a state law; (3) any fee for the dissemination or copying of a public record; or (4) any fee charged to a state, county, or federal agency.

Adds a new section to HRS chapter 201 to establish the department of business, economic development and tourism (DBEDT) special fund between July 1, 2011 and June 30, 2015. Moneys in the special fund shall be expended for the operations of the department, including the salary and fringe benefit costs of department personnel. Transfers any unexpended and unencumbered moneys remaining in the special fund on July 1, 2015 to the general fund.

EFFECTIVE DATE: July 1, 2112

STAFF COMMENTS: This measure proposes to impose a surcharge of \$20 on certain fees assessed by the department of commerce and consumer affairs, public utilities commission, department of labor and industrial relations and department of taxation. The proceeds of the surcharge shall be deposited into a DBEDT special fund which shall be used to for the operations of DBEDT including salary and fringe benefit costs of its employees. While the measure proposes that revenues from the DBEDT special fund shall be used to pay for the operation of DBEDT, it is questionable whether the special fund would be

the only source of funding for DBEDT as there is no provision to disconnect DBEDT from receiving funds from the state budgetary process. If the special fund is the sole source of funding for DBEDT, and if the revenues from the surcharge are insufficient, there is no doubt the surcharge amount will have to be increased to provide adequate funds to operate DBEDT resulting in an indirect "tax increase" to taxpayers.

It should also be noted that the proposed measure would add another special fund to the numerous other special funds. It should also be remembered that the State Auditor's report on special funds noted that: "Special funds give agencies full control of these unappropriated cash reserves, provide a way to skirt the general fund expenditure ceiling, and over time erode the general fund. Many experts say that special funds are likely to hamper budget administration. And from a legislative perspective, they are less desirable because they are not fully controlled by the appropriation process."

Given the findings of the Auditor and the current financial crisis, it is quite clear that the creation of numerous special funds has eroded the integrity of state finances. It should be remembered that moneys in special funds are neither subject to the general fund expenditure limitation nor to the close scrutiny that general funds are subject to in the budgeting process. The use of special funds which fly under the radar will inevitably lead to a call for tax increases even though money abounds in these special funds. One only has to review the measures introduced each year which set up numerous new special funds or add new fees or charges the receipts of which are earmarked for special funds, to see the prolific establishment of special funds. Rather than create another special fund which will allow DBEDT to operate without financial scrutiny, lawmakers should repeal the numerous special funds and require these programs to compete for general funds like all other programs.

Although conjecture, it would appear that the rationale behind this measure is that all of the fees targeted for the surcharge are fees paid by businesses in the state and that somehow these businesses should give a little more to support the department that oversees the development of the business community and the economy as a whole. That is the kind of logic that leads policymakers to believe that taxes can be raised on businesses much as the counties impose higher real property tax rates on non-residential properties while lowering the rates on residential properties. Unfortunately, that added burden on business must be passed on to the customers of those businesses, customers who are consumers of the goods and services those businesses sell. Thus, this proposal represents nothing more than an indirect tax increase on all consumers/taxpayers in the state as well as outside the state for those businesses who export their goods and services.

If lawmakers lack the funds and truly can't fund the department, then raise the income tax so that at least taxpayers know that they are being taken to the cleaners. Hiding a revenue increase in fees paid by businesses is less than honest.

Digested 2/24/11



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Telephone (808) 525-5877
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Alison Powers
Executive Director

TESTIMONY OF ALISON POWERS

HOUSE COMMITTEE ON FINANCE
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

February 25, 2011
12:30 p.m.

HB 782, HD1

Chair Oshiro, Vice Chair Lee, and members of the Committee, my name is Alison Powers, Executive Director of Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 40% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** HB 782, HD1, which would create a new special fund for the operation of the Department of Business, Economic Development and Tourism (DBEDT) to be funded by assessing a \$20.00 surcharge on various fees charged by the Department of Commerce and Consumer Affairs (DCCA), Public Utilities Commission, Department of Labor and Industrial Relations and the Department of Taxation.

Hawaii Insurers Council opposes HB 782, HD1 on several grounds. First, as a matter of fundamental fiscal policy, the special fund proposed in this bill does not meet the statutory criteria set forth in Hawaii Revised Statutes §37-52.3 for the establishment of special funds. Specifically, §37-52.3 provides that the Legislature, in establishing special funds, is to ensure that such funds reflect "a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process." The disproportionate and diverse impact of the \$20 surcharge proposed in HB 782, HD1

is so diverse and far ranging that it is difficult to discern any direct nexus to the users or beneficiaries of programs administered by DBEDT. The new special fund that would be created by HB 782, HD1 also fails to meet the additional criteria set forth in §37-52.3 of providing "an appropriate means of financing for the program or activity; and [demonstrating] the capacity to be financially self-sustaining." Accordingly, the special fund proposed in this bill is fundamentally flawed and contrary to the statute governing the establishment of special funds.

It is relevant to note that the \$20 surcharge proposed in HB 782, HD1 would have a disproportionate impact on the property and casualty insurance industry by imposing the surcharge on all insurance-related licensees, including insurers, agents, adjusters and bill reviewers, as well as imposing an additional \$20 surcharge on the "tax on insurance premiums." This \$20 surcharge would be on top of a new tax just imposed on the insurance industry. Act 59, 2010 (HB 1985, SD1, CD1) doubled all statutory fees for the insurance industry in a separate tax for four years. The property and casualty insurance industry in Hawaii already pays substantial government imposed fees and taxes, including the highest premium tax rate for property and casualty insurance in the nation. In addition to a very high premium tax, which goes into the state general fund, property and casualty insurers are also required to pay an annual assessment to the CRF, as well as underwriting the cost of the Workers' Compensation Special Compensation Fund, the Hawaii Joint Underwriting Plan, the Hawaii Property Insurance Association and the Hawaii Insurance and Guaranty Association. Simply stated, the property and casualty insurance industry in Hawaii is already paying more than its fair share to regulate itself and support the operations of the DCCA. To impose the additional expense of multiple \$20 surcharges contemplated in this bill would be grossly unfair to the insurance carriers doing business in this state and the consumers and businesses they serve who would ultimately bear this additional expense.

For the foregoing reasons Hawaii Insurers Council respectfully requests that HB 782, HD1 be held.

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

February 25, 2011

Rep. Marcus R. Oshiro, Chair,
and members of the House Committee on Finance
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **House Bill 782, HD 1 (Department of Business, Economic Development, and Tourism)**
Hearing Date/Time: Friday, February 25, 2011, 12:30 P.M.

I am the attorney for the **Hawaii Financial Services Association** ("HFSA"). The HFSA is a trade association for Hawaii's consumer credit industry. Its members include Hawaii financial services loan companies (which make mortgage loans and other loans and which are regulated by the Hawaii Commissioner of Financial Institutions), mortgage lenders, and financial institutions.

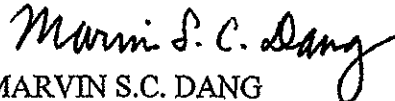
The HFSA **opposes** this Bill as drafted.

This Bill: (1) establishes the Department of Business, Economic Development, and Tourism operation special fund to support operations; (2) imposes a temporary surcharge on certain fees charged by certain departments for deposit into the fund; and (3) takes effect on 7/1/12 and sunsets on 6/30/15.

The \$20 fee surcharge mandated under Section 2 of this Bill will have a negative impact on companies that are examined or audited by the Division of Financial Institutions ("DFI") of the Department of Commerce & Consumer Affairs. On page 2, line 19 of this Bill, a \$20 surcharge would be imposed on the examination fee that financial institutions (such as financial services loan companies and state chartered banks) pay to the DFI. Under HRS Chapter 412 (Code of Financial Institutions), the current examination fee is \$40 per hour. The \$20 surcharge would result in an examination fee of \$60 per hour. This would be a 50% increase in these hourly fees which already cost financial institutions tens of thousands of dollars annually.

We ask that you do not pass this bill as drafted because any surcharges on the hourly examination or audit fees will be detrimental to Hawaii financial institutions which need to maintain capital levels and add to reserves.

Thank you for considering our testimony.



MARVIN S.C. DANG

Attorney for Hawaii Financial Services Association

(MSCD/hfsa)

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
IN OPPOSITION TO HOUSE BILL 782, HD 1, RELATING TO THE DEPARTMENT OF
BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM

February 25, 2011

Via E Mail: fintestimony@capitol.hawaii.gov
Hon. Representative Marcus R. Oshiro, Chair
Committee on Finance
State House of Representatives
Hawaii State Capitol, Conference Room 308
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Oshiro and Committee Members:

Thank you for the opportunity to testify in opposition to HB 782, HD 1, relating to the Department of Business, Economic Development and Tourism ("DEBDT").

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association, who represents more than three hundred (300) legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies account for 90% of the assets and premiums of the United States Life and annuity industry. ACLI member company assets account for 91% of legal reserve company total assets. Two hundred sixty-nine (269) ACLI member companies currently do business in the State of Hawaii; and they represent 93% of the life insurance premiums and 95% of the annuity considerations in this State.

HB 782, HD 1, would impose a \$20 surcharge on every fee imposed by stated departments and commissions to be deposited into a special fund to finance the activities of DBEDT. In the case of the Department of Commerce and Consumer Affairs ("DCCA") the \$20 surcharge would be imposed on the filing of every application, license, permit or any other matter relating to a business' (including life insurers') authority to do business in the State. In the case of an insurer only, the \$20 surcharge would also be imposed on the payment of its tax on insurance premiums.

Section 1 of HB 782, HD 1, states that the basis for this bill as applied to life insurers and other businesses regulated by DCCA is that the success of DBEDT in fulfilling its statutorily mandated mission benefits their business. Accordingly, imposing a surcharge upon the fees paid by them to fund DCCA's operation is appropriate and justified.

ACLI respectfully disagrees.

The general objectives, functions and duties of DBEDT is "... to make broad policy determinations with respect to the economic development in the State and to stimulate through research and demonstration projects those industrial and economic development efforts that offer the most immediate promise of expanding the economy of the State." Section 201-2, HRS.

To fulfill its mission the specific functions, positions, offices or programs established within DBEDT include (but are not limited) the following:

- a. Research and Promotion in the following areas: industrial development, land development, credit development, promotion of present and new industries and investments in the State, tourism research and statistics, establishing and updating self-sufficiency standards and coordinating film permit activities . §201-3, HRS.
- b. Energy planning and conservation. §201-12, HRS.
- c. Renewable energy facilitator whose duties include establishing and administering a permitting process for renewable energy projects. §201-12.5, HRS.
- d. Marine resources and affairs. §201-13, HRS.
- e. Collection of data information. §201-13.8, HRS.
- f. Film permitting processing. §201-14, HRS.
- g. Office of International Affairs. §201-17, HRS.
- h. Research and statistics for growth industries. §201-19, HRS.
- i. Office of Aerospace Development. §201-72, HRS.

ACLI submits that the foregoing functions, positions, offices and programs of DBEDT do not directly benefit life insurers. The nexus of requiring insurers to pay the proposed surcharge and the services provided to them by DBEDT is, therefore, at best tenuous.

The \$20 surcharge is imposed on an insurer not only on the filing of every one of its applications, licenses or permits but also on the insurer's payment of its insurance premium tax. This is patently unfair as it singles out only insurers with this additional fee.

Life insurers already pay their fair share of the costs of government.

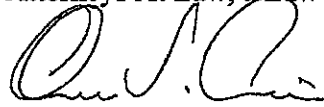
Life insurers are subject to and pay an insurance premium tax of 2.75% of their gross income derived from premiums received on contracts issued to Hawaii residents. At 2.75%, Hawaii already has one of the highest life insurance premium tax rates in the nation (the national average is 1.9%).

In addition to the fees, premium taxes and other charges imposed under Hawaii's Insurance Code, life insurers (like other businesses regulated by DCCA) are required to pay a fee into the compliance resolution fund ("CRF"). The stated purpose of the fund is to cover DCCA's cost of its compliance activities as required under the laws of this State. §26-9(o), HRS.

For the foregoing reasons, ACLI strongly opposes this bill and requests this committee defer passage of this bill.

Again, thank you for this opportunity to testify in opposition to House Bill 782, HD 1.

CHAR HAMILTON
CAMPBELL & YOSHIDA
Attorneys At Law, a Law Corporation



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TESTIMONY BEFORE THE
HOUSE COMMITTEE ON FINANCE

Friday, February 25, 2011
12:30 p.m., Agenda #3

H.B. NO. 782, H.D.1
RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC
DEVELOPMENT, AND TOURISM.

By Kevin Katsura
Associate General Counsel, Legal Department
Hawaiian Electric Company, Inc.

Chair Oshiro, Vice-Chair Lee, and Members of the Committee:

My name is Kevin Katsura providing written testimony in opposition to a portion of H.B. No. 782, H.D.1 on behalf of Hawaiian Electric Company, Inc. and our subsidiary companies, Hawaii Electric Light Company, Inc. and Maui Electric Company, Ltd. (collectively, the Hawaiian Electric Companies).

The Hawaiian Electric Companies oppose the language found on page 3 that increases the filing fee a regulated public utility, other than a telecommunications carrier that is the carrier of last resort, must pay for any documents filed with the Public Utilities Commission (PUC).

The utilities already pay a public utility fee that is deposited into the public utilities commission special fund to fund the PUC and the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs (Consumer Advocate). For fiscal year (FY) 2010, the PUC collected \$20.3 million in public utility fees, more than twice the amount needed to fund the PUC and the Consumer Advocate. Then as required by statute, at the end of FY 2010, the PUC transferred to the general fund a total amount of \$15.8 million, representing its special fund excess balance of \$14.7 million plus central service assessments of \$1.1 million.

Electricity is a necessity of modern living, and an increase in fees imbedded in our cost hurts the lower income consumer the most. Although this fee increase is proposed to be in effect for a limited period, until June 30, 2015, Hawaii consumers can ill-afford this additional cost in these tough economic times.

For these reasons, the Hawaiian Electric Companies respectfully request that this measure be amended by deleting the language increasing the PUC filing fee.

Thank you for the opportunity to testify.

Natalie J. Iwasa, CPA, Inc.
1331 Lunalilo Home Road
Honolulu, HI 96825
808-395-3233

TO: Committee on Finance

HEARING

DATE: Friday, February 25, 2011, 12:30 p.m.

RE: HB782, HD1 Relating to DBED and Tourism - OPPOSE

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee,

This bill would impose more fees on small businesses. Last year CPAs were required to obtain firm permits to practice and pay additional fees to do so. I am a sole practitioner. I also carry an individual permit to practice, as required by law. Because of the rules imposed by the DCCA, I now pay into the compliance fund twice - once as an individual and once as a corporation. Sole proprietors, however, only pay into this fund once. This is not fair.

In addition, last year the IRS imposed a new fee. These fees add up to a significant amount of money for small businesses.

Please vote "no" on this bill.