

STAND. COM. REP. NO.

1693

Honolulu, Hawaii

MAR 22 , 2019

RE: S.B. No. 812  
S.D. 1  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Intrastate Commerce, to which was referred  
S.B. No. 812, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE DEPARTMENT OF COMMERCE AND  
CONSUMER AFFAIRS,"

begs leave to report as follows:

The purpose of this measure is to appropriate funds for  
operating expenses of the Department of Commerce and Consumer  
Affairs (DCCA).

DCCA commented on this measure.

Your Committee has amended this measure by deleting its  
substantive contents and replacing them with language that:

- (1) Appropriates funds for operating expenses of state  
executive branch programs under the purview of the House  
of Representatives Standing Committee on Intrastate  
Commerce, rather than for all DCCA operating expenses;
- (2) Repeals the statutory requirement that \$2,000,000 of  
certain taxes collected on banks and financial  
corporations be deposited to the Compliance Resolution



Fund, effective July 1, 2019 and to be repealed on June 30, 2021;

- (3) Clarifies that the annual fee for cable television operators shall not exceed 0.5% of the cable operator's gross revenues from the preceding calendar year, effective July 1, 2020;
- (4) Provides for the suspension or refund of fees paid into the Contractors Recovery Fund, Contractors Education Fund, Mortgage Loan Recovery Fund, Real Estate Recovery Fund, Real Estate Education Fund, and Condominium Education Trust Fund if the balance in the funds attains a certain ceiling amount, effective July 1, 2020;
- (5) Provides that of the special fund appropriations for financial services regulation (CCA104):
  - (A) \$40,000 shall be expended for each year of fiscal biennium 2019-2021 on the maintenance and software licensing costs of the Financial Services Regulation Program's database and records management system; and
  - (B) \$25,074 shall be expended for each year of fiscal biennium 2019-2021 for fringe benefit costs for collective bargaining and salary adjustments;
- (6) Provides that of the special fund appropriations for the Professional and Vocational Licensing Division (CCA105):
  - (A) \$300,000 shall be expended for each year of fiscal biennium 2019-2021 for software licensing costs to replace the Division's applicant/licensee integrated automated system; and
  - (B) \$108,806 shall be expended for each year of fiscal biennium 2019-2021 for two full-time equivalent (2.0 FTE) permanent positions to perform work pertaining to Act 44, Session Laws of Hawaii 2018; and
- (7) Provides that of the special fund appropriations for insurance regulatory services (CCA106):



- (A) \$2,500,000 shall be expended for fiscal year 2019-2020 and \$500,000 for fiscal year 2020-2021 for replacement of the Hawaii Insurance Data System and corresponding licensing, maintenance, and independent verification and validation costs; and
- (B) \$417,736 shall be expended for each year of fiscal biennium 2019-2021 for fringe benefit costs for collective bargaining and salary adjustments.

Your Committee finds that the CCA104 Financial Institutions fund has collected excess fees resulting in a cash balance that far exceeds its targeted thirteen-month reserve amount. By removing the transfer of \$2,000,000 to the Compliance Resolution Fund, your Committee encourages the CCA104 fund to expend its cash balance to meet its set reserve target.

Your Committee finds that the CCA102 Cable Television fund has exceeded its targeted nine-month reserve amount. Nonetheless, your Committee will allow one year for the DCCA to administratively lower fees and reduce its cash balance before any related legislative action takes effect.

Your Committee notes that the ceiling amounts for the Contractors Recovery Fund and Real Estate Recovery Fund are each determined by the sum of the statutory floor amount and each fund's highest single fiscal year expenditure amount within the previous ten years.

- (1) The Contractors Recovery Fund's statutory floor is \$250,000. In the past ten years, the highest expenditure was \$170,893 in fiscal year 2012. The ceiling is thus \$420,893; and
- (2) The Real Estate Recovery Fund's statutory floor is \$350,000. In the past ten years, the highest expenditure was \$131,799 in fiscal year 2011. The ceiling is thus \$481,799.

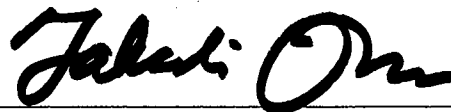
Additionally, the ceiling amounts for the Contractors Education Fund, Real Estate Education Fund, and Condominium Education Trust Fund are set at three times each fund's highest annual spending amount within the previous four years.



- (1) The Contractors Education Fund's highest expenditure in the past four years was \$5,105 in fiscal year 2017. The ceiling is thus \$15,315;
- (2) The Real Estate Education Fund's highest expenditure in the past four years was \$571,170 in fiscal year 2018. The ceiling is thus \$1,713,510; and
- (3) The Condominium Education Fund's highest expenditure in the past four years was \$606,657 in fiscal year 2018. The ceiling is thus \$1,819,971.

As affirmed by the record of votes of the members of your Committee on Intrastate Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 812, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 812, S.D. 1, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Intrastate  
Commerce,



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TAKASHI OHNO, Chair



