



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

335 MERCHANT STREET, ROOM 310

P.O. BOX 541

HONOLULU, HAWAII 96809

Phone Number: 586-2850

Fax Number: 586-2856

cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Finance
Wednesday, March 27, 2019
2:00 p.m.
State Capitol, Conference Room 308**

**On the following measure:
S.B. 812, S.D. 1, H.D. 1, RELATING TO THE DEPARTMENT
OF COMMERCE AND CONSUMER AFFAIRS**

Chair Luke and Members of the Committee:

My name is Catherine Awakuni Colón, and I am the Director of the Department of Commerce and Consumer Affairs (DCCA or Department). The Department supports parts I, II, and III of this bill that establish the operating budget for the Department's program IDs CCA-102 (Cable Television Division, CATV), CCA-104 (Financial Regulatory Services, DFI), CCA-105 (Professional and Vocational Licensing Division, PVL), and CCA-106 (Insurance Regulatory Services, INS). In addition, the Department offers comments on parts IV and V of this bill that: (1) amend the calculation of cable operators' annual fees under Hawaii Revised Statutes (HRS) section 440G-15; and (2) establish or amend certain special fund ceilings and provide for the suspension or refund of fees if the ceiling is exceeded.

Parts I, II, and III

The budget requests of the DFI, PVL, and INS are explained in detail below and by order of priority. The CATV has no budget requests this session. Each division has sufficient reserves to cover the costs associated with the proposed budget increases.

1. CCA-105, PVL

The PVL requests an appropriation out of the Compliance Resolution Fund (CRF) of \$300,000 for fiscal year (FY) 2019-2020 and \$300,000 for FY 2020-2021 to fund software licensing costs to replace its applicant/licensee integrated automated system.

2. CCA-104, DFI

The DFI requests an appropriation out of the CRF of \$40,000 for FY 2019-2020 and \$40,000 for FY 2020-2021 for maintenance and software licensing costs for the DFI's database and records management system. The contract for the database and document management system was executed after the previous biennium budget was implemented. At that time, the DFI used its best estimate available in estimating the costs of the replacement of the outdated database and maintenance costs. The annual cost of the maintenance and software costs is \$140,000, and the DFI currently has \$100,000 allocated in its budget. The database and records management system is scheduled to "go live" in July 2019, when the division will be required to start the annual payment of maintenance and software costs.

3. CCA-105, PVL

The PVL requests an appropriation out of the CRF of \$108,806 for FY 2019-2020 and \$108,806 for FY 2020-2021 to fund two full-time equivalent (2.00 FTE) permanent positions that will perform work pertaining to Act 044, Session Laws of Hawaii 2018 (physician licensure by endorsement).

4. CCA-106, INS

The INS requests an appropriation out of the CRF of \$2,500,000 for FY 2019-2020 and \$500,000 for FY 2020-2021 to fund the replacement of the Hawaii Insurance Database System and corresponding licensing, maintenance, and independent verification and validation costs.

In addition, the Department requests adding to part III of H.D. 1 the following appropriation ceiling increases: (1) \$300,000 for the DFI's Mortgage Loan Recovery Fund, T-926-R account to accommodate anticipated increases in awards pursuant to HRS section 454F-41(a); and (2) \$160,000 for the PVL's Contractors Education Fund, T-909-R account to accommodate anticipated increased expenditures for program outreach, education, training, and conferences. Ceiling increases in these two funds will allow these programs to right-size unencumbered cash balances more expeditiously.

Parts IV and V

Parts IV and V of H.D.1 amend certain statutes that affect funding for the CATV, DFI, and PVL. The Department has been communicating with the House Committee on Intrastate Commerce Chair regarding possible amendments to parts IV and V that would, among other things, provide alternative language for the reduction of CATV (cable) annual fees, provide alternative language for a reduction of DFI franchise tax payments, and provide alternative language for payments from the DFI Mortgage Recovery Fund.

The Department respectfully requests that it be afforded a short window of time to continue these discussions to provide this committee with proposed amendments to H.D. 1. Accordingly, the Department requests that decision making on this bill be deferred to a date certain later this week or early next week.

Thank you for the opportunity to testify on this bill.

Testimony of the Contractors License Board

**Before the
House Committee on Finance
Wednesday, March 27, 2019
2:00 p.m.
State Capitol, Conference Room 308**

**On the following measure:
S.B. 812, S.D. 1, H.D. 1, RELATING TO THE DEPARTMENT
OF COMMERCE AND CONSUMER AFFAIRS**

Chair Luke and Members of the Committee:

My name is Candace Ito, and I am the Executive Officer of the Contractors License Board (Board). The Board offers comments on this bill.

The purposes of this bill are to: (1) establish the operating budget for certain programs of the Department of Commerce and Consumer Affairs; (2) clarify calculation of cable operators' annual fee; and (3) establish or amend certain special fund ceilings and provide for suspension or refund of fees if the ceiling is exceeded.

At its meeting on March 15, 2019, the Board established an Investigative Committee to examine the Contractors Recovery Fund. The Investigative Committee is tasked with investigating, among other things, the amount each claimant may recover and the maximum liability for any licensed contractor. The Investigative Committee is also tasked with looking into the Board's plans to publish articles to aid consumers with the knowledge and information needed to make informed decisions when hiring contractors. For the Committee's information, these projects will be funded by the Contractors Education Fund.

The Board notes that the provision in H.D. 1 that establishes an option to refund monies to licensees when the Contractors Recovery Fund and the Contractors Education Fund have exceeded the imposed ceiling is unfeasible because contractors change the type of their contractor license from sole proprietor to responsible managing employee, obtain re-licensure after forfeiture, and change from active to inactive status. Additionally, the Board would not be able to reach previously licensed contractors if their mailing addresses are not current, and the process of issuing refunds is cost prohibitive.

Testimony of the Contractors License Board
H.B. 812, S.D. 1, H.D. 1
Page 2 of 2

The Board respectfully requests that it be afforded the opportunity to gather information before the establishment of ceilings for the Contractors Recovery and Education Funds and that the option of refunding licensees be deleted from this bill.

Thank you for the opportunity to testify on this bill.