



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  
Senate Committee on Ways and Means  
Tuesday, February 28, 2019  
10:30 a.m.  
State Capitol, Conference Room 211**

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

**WRITTEN TESTIMONY ONLY**

Chair Dela Cruz 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). This testimony relates to all DCCA program IDs other than the program ID for the Public Utilities Commission (PUC). The PUC, as an independent attached agency, will present testimony separately regarding its budget requests.

The Department supports S.B. 812, which appropriates funds for the DCCA. The Department understands this bill is designed to complement the DCCA's "modified base budget" bill, S.B. 285, and as such, respectfully requests the two bills be appropriately reconciled to capture the DCCA's budget appropriations. To that end, the Department requests revising page 3, lines 19-21 of the bill to include a reference to S.B. 285.

As this committee reviewed the Department's current budget and budget request during the joint session of the Senate Committees on Ways and Means and Commerce, Consumer Protection, and Health on January 10, 2019, this testimony does not repeat an overview of the Department's functions, program IDs, priorities, and methods of funding. See,

[http://www.capitol.hawaii.gov/session2019/testimony/Info\\_Testimony\\_WAM-CPH\\_01-10-19\\_CCA.pdf](http://www.capitol.hawaii.gov/session2019/testimony/Info_Testimony_WAM-CPH_01-10-19_CCA.pdf). However, the DCCA's 11 program IDs are reproduced below:

- CCA-102, Cable Television Division (CATV)
- CCA-103, Division of Consumer Advocacy (DCA)
- CCA-104, Division of Financial Institutions (DFI)
- CCA-105, Professional and Vocational Licensing Division (PVL)
- CCA-106, Insurance Division (INS)
- CCA-107, Hawaii Post-Secondary Education Authorization Program (HPEAP)
- CCA-110, Office of Consumer Protection (OCP)
- CCA-111, Business Registration Division (BREG)
- CCA-112, Regulated Industries Complaints Office (RICO)
- CCA-191, General Support, including: Director's Office, Administrative Services Office (ASO), Information Systems Communications Office (ISCO), and Office of Administrative Hearings (OAH)
- CCA 901, Public Utilities Commission (PUC)

## **DCCA BUDGET REQUESTS**

The Department has 16 budget requests, which do not include the five requests from the PUC and, as discussed in the Department's S.B. 285 testimony, the three requests involving conversions. The 16 requests are explained in greater detail below and by order of priority. Each division has sufficient reserves to cover the costs associated with the proposed budget increases.

### **1. CCA-103, DCA**

The DCA is requesting an appropriation out of the PUC Special Fund of \$292,000 for fiscal year (FY) 2019-2020 and \$584,000 for FY 2020-2021 to fund five permanent positions in its division: one full-time equivalent (1.0 FTE) attorney; one full-time equivalent (1.0 FTS) administrative specialist; and three full-time equivalent (3.0 FTE) program specialists. These additional positions would increase the total number of DCA positions to 28 and help meet the division's increasing workload, both in terms

of volume and complexity, and cases before the PUC. Recognizing the time required to establish and fill these positions, the DCA is requesting that the positions be hired as follows: one program specialist in FY 2020; the attorney, the administrative specialist and the second program specialist in the second half of FY 2020; and the third program specialist in FY 2021. The DCA requests authorization to expend \$4,520,537 in FY 2020 and \$4,812,537 in FY 2021.

## **2. CCA-112, RICO**

RICO is requesting an appropriation out of the Compliance Resolution Fund (CRF) of \$350,000 for FY 2019-2020 and \$50,000 for FY 2020-2121 to build on and maintain its case management system.

## **3. CCA-105, PVL**

The PVL is requesting an appropriation out of the CRF of \$300,000 for FY 2019-2020 and \$300,000 for FY 2020-2021 to fund software licensing costs to replace its applicant/licensee integrated automated system.

## **4. CCA-104, DFI**

The DFI is requesting 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.

## **5. CCA-191/AI, ISCO**

ISCO is requesting an appropriation out of the CRF of \$100,000 for FY 2019-2020 and \$25,000 for FY 2020-2021 to fund software to assist with integrating and tracking data objects with newly developed systems.

**6. CCA-105, PVL**

The PVL is requesting 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).

**7. CCA-106, INS**

The INS is requesting 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.

**8. CCA-110, OCP**

The OCP is requesting an appropriation out of the CRF of \$50,000 for FY 2019-2020 and \$50,000 for FY 2020-2021 to pay the central services assessment, which is based on a percentage of revenue.<sup>1</sup>

**9. to 16. CCA-104, DFI; CCA-106, INS; CCA-106, INS Captives; CCA-107, HPEAP; CCA-111, BREG; CCA-112, RICO; CCA-191/AA, Admin; and CCA-191/AI, ISCO**

These program IDs are requesting ceiling increases to accommodate an adjustment in the fringe assessment. Pursuant to Finance Memorandum No. 18-16, the State's fringe benefit assessment rate for non-general fund programs is 60% for FY 2020 and FY 2021, due primarily to the projected costs of prefunding other post-employment benefits. The Department requires the requested budget increase to effectively fund all authorized positions. Each of these program IDs have sufficient fund balances to cover their fringe increases.

Thank you for the opportunity to testify on this bill.

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<sup>1</sup> Under Hawaii Revised Statutes section 36-27(a), "[T]he director of finance, for the purpose of defraying the prorated estimate of central service expenses of government in relation to all special funds . . . shall deduct five per cent of all receipts of all other special funds, which deduction shall be transferred to the general fund of the State and become general realizations of the State."

TESTIMONY OF  
JAMES P. GRIFFIN, Ph.D.  
CHAIR, PUBLIC UTILITIES COMMISSION  
STATE OF HAWAII

TO THE  
SENATE COMMITTEE ON  
WAYS AND MEANS

February 28, 2019  
10:30 a.m.

Chair Dela Cruz and Members of the Committee:

**MEASURE:** S.B. No. 812

**TITLE:** RELATING TO THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS.

**DESCRIPTION:** Appropriates funds for operating expenses of the department of commerce and consumer affairs.

**POSITION:**

The Public Utilities Commission is in **support** of this measure offers the following comments for consideration.

**COMMENTS:**

Senate Bill 812 appropriates funds for the Department of Commerce and Consumer Affairs ("DCCA"). As an agency administratively attached to the DCCA, the Public Utilities Commission ("Commission") is in support of this measure.

The Commission understands this bill is designed to complement the DCCA's "modified base budget" bill, S.B. No. 285, and as such, respectfully requests the two bills be appropriately reconciled to capture the DCCA's budget appropriations.

The Commission has five budget addition requests included in this measure, which are further described below.

- 1. Request to replace the Commission's document management system (DMS).**  
Per Report No. 18-05 Audit of the Public Utilities Commission issued in February

2018, the State Auditor recommended that the Commission address shortfalls in its Document Management System (DMS) as soon as possible to avoid additional maintenance for the current system. The Commission has procured a vendor to conduct a Feasibility Study to determine whether an enhancement of the current system or replacement of the entire system is the best course of action. It has been recommended that the system be replaced. The requested amount is \$500,000 and \$2,060,000 in FY 20 and FY 21 respectively.

- 2. Request to convert two temporary Enforcement positions to permanent to increase enforcement activities in its oversight of motor carriers.** The Consumer Affairs and Compliance section works to resolve complaints for all the Commission's regulated entities. Two temporary enforcement positions (effective July 1, 2018 for one year) were appropriated in Act 201 SLH 2018 HB2684 HD1 SD1 CD1. The enforcement positions authorized will allow the department to increase its presence in monitoring motor carrier activity and compliance with Commission laws, rules, regulations and orders. These positions have been difficult to fill because they are temporary. The Commission is requesting to convert them to permanent positions. The requested amount is \$200,240 and \$195,840 in FY 20 and FY 21 respectively.
- 3. Request to replace aging IT equipment for staff.** This request includes but is not limited to, laptops, desktops, and monitors needed to provide adequate equipment to new staff as well as replace aging equipment. The requested amount is \$33,000 for both FY 20 and FY 21.

Purchases for FY20 include:

- 10 monitors;
- 27 laptops;
- UPS Smart UPS for LAN Servers & Network Equipment (2x).

Purchases for FY21 include:

- 17 laptops;
- 20 monitors;
- LAN File Servers (Replacement) (2x)

4. **Request to increase Fringe.** Pursuant to Finance Memorandum No. 18-16, the State's fringe benefit assessment rate for non-general fund programs is 60% for FY 20 and FY 21 primarily due to the projected costs for the prefunding of other post-employment benefits. The Commission requires the requested budget increase to effectively fund all authorized positions.
5. **Request to fund additional positions for the Division of Consumer Advocacy (CCA-103).** The Division of Consumer Advocacy funded from the PUC Special Fund and is requesting an appropriation for \$292,000 for FY 19 and \$584,000 for FY 20, to fund five permanent positions in its division: one staff attorney, one administrative specialist, and three program specialists. These additional positions would help meet the division's increasing workload, both in terms of volume and complexity, and cases before the PUC. Recognizing the time required to establish and fill these positions, the DCA is requesting that the positions be hired as follows: one program specialist in FY 2020; the attorney, the administrative specialist and the second program specialist in the second half of FY 2020; and the third program specialist in FY 2021.

Thank you for the opportunity to testify on this measure.