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# A BILL FOR AN ACT

RELATING TO PROFESSIONAL AND VOCATIONAL LICENSING TRUST FUNDS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Section 444-26, Hawaii Revised Statutes, is  
2 amended to read as follows:  
3           "~~§444-26 Contractors recovery fund; use of fund; person~~  
4 ~~injured; fees.~~ (a) The board is authorized to establish and  
5 maintain a contractors recovery fund from which any person  
6 injured by an act, representation, transaction, or conduct of a  
7 duly licensed contractor, which is in violation of this chapter  
8 or the rules adopted pursuant thereto, may recover by order of  
9 the circuit court or district court of the judicial circuit  
10 where the violation occurred, an amount of not more than \$12,500  
11 per contract, regardless of the number of persons injured under  
12 the contract, for damages sustained by the act, representation,  
13 transaction, or conduct. Recovery from the fund shall be  
14 limited to the actual damages suffered by the claimant,  
15 including court costs and fees as set by law, and reasonable  
16 attorney fees as determined by the court; provided that recovery  
17 from the fund shall not be awarded to persons injured by an act,



1 representation, transaction, or conduct of a contractor whose  
2 license was suspended, revoked, forfeited, terminated, or in an  
3 inactive status at the time the claimant entered into the  
4 contract with the contractor.

5 (b) For purposes of this chapter, "person injured" or  
6 "injured person" means and is limited to owners or lessees of  
7 private residences, including condominium or cooperative units,  
8 who have contracted with a duly licensed contractor for the  
9 construction of improvements or alterations to the owners' or  
10 lessees' own private residences and owners or lessees of real  
11 property who have contracted with a duly licensed contractor for  
12 the construction of the owners' or lessees' own private  
13 residences on the owners' or lessees' real property.

14 (c) When any person applies for a contractors license, the  
15 person shall pay, in addition to the person's original license  
16 fee, a fee of \$150 for deposit in the contractors recovery fund,  
17 and a fee for deposit in the contractors education fund as  
18 provided in rules adopted by the director pursuant to chapter  
19 91. In the event that the board does not issue the license,  
20 these fees shall be returned to the applicant.



1       ~~[(d) When the contractors recovery fund attains a funding~~  
2 ~~level of \$420,893 in any fiscal year, the board shall either:~~

3       ~~(1) Cease accepting payments made by renewing licensees,~~  
4       ~~or~~

5       ~~(2) Develop a process to refund monies in excess of the~~  
6       ~~\$420,893 fund balance to licensees who paid into the~~  
7       ~~fund, and refund such monies.~~

8 ~~If acceptance of payments is ceased, it shall remain ceased~~  
9 ~~until the funding level falls below \$420,893.] "~~

10       SECTION 2. Section 444-29, Hawaii Revised Statutes, is  
11 amended to read as follows:

12       " ~~[+] §444-29~~ ~~[+]~~ **Management of fund.** (a) The sums received  
13 by the contractors license board for deposit in the contractors  
14 recovery fund shall be held by the contractors license board in  
15 trust for carrying out the purposes of the contractors recovery  
16 fund. The contractors license board, as trustee of the recovery  
17 fund, shall be authorized to retain private legal counsel to  
18 represent the board in any action which may result in collection  
19 from the contractors recovery fund. These funds may be invested  
20 and reinvested in the same manner as funds of the state  
21 employees' retirement system, and the interest from these



1 investments shall be deposited to the credit of the contractors  
2 education fund.

3 (b) The contractors education fund, which is hereby  
4 created, shall be available to the contractors license board for  
5 educational purposes [~~; provided that when the contractors~~  
6 ~~education fund attains a funding level of \$15,315 in any fiscal~~  
7 ~~year, the board shall either:~~

8 ~~(1) Cease accepting payments made by renewing licensees;~~  
9 ~~or~~

10 ~~(2) Develop a process to refund monies in excess of the~~  
11 ~~\$15,315 fund balance to licensees who paid into the~~  
12 ~~fund, and refund such monies.~~

13 ~~If acceptance of payments is ceased, it shall remain ceased~~  
14 ~~until the funding level falls below \$15,315].~~

15 (c) Any law to the contrary notwithstanding, to maintain a  
16 reasonable relation between the fees generated and the cost of  
17 services rendered by the contractors recovery fund and the  
18 contractors education fund, the board may make a finding that a  
19 fee adjustment is appropriate and adjust the fees generated by  
20 renewals accordingly. For the purposes of finding that a fee  
21 adjustment is appropriate in order to maintain a reasonable



1 relation between the fees generated and the cost of services  
2 rendered by the funds, the board's review shall include the  
3 following:

4 (1) Frequency and timing of anticipated revenue to the  
5 fund;

6 (2) Identification of a reserve amount based on  
7 unanticipated revenue reductions and historical  
8 expenditures;

9 (3) Anticipated expenses paid, including recovery payouts  
10 during a biennial budget cycle;

11 (4) Unanticipated natural disasters or catastrophic  
12 weather events that may increase fund payments; and

13 (5) Any statutory adjustments to fund payout amounts.

14 The balance of the funds shall not exceed a sum determined by  
15 the board. The sum shall be determined by the board  
16 biannually."

17 SECTION 3. Section 467-11, Hawaii Revised Statutes, is  
18 amended to read as follows:

19 "§467-11 Fees; original license and biennial renewals.

20 (a) All fees for applications, registrations, certificates, and  
21 any license prescribed by this chapter shall be deposited to the



1 credit of the compliance resolution fund established pursuant to  
2 section 26-9(o), and all fees allocated to the real estate  
3 education fund shall be as provided in rules adopted by the  
4 director of commerce and consumer affairs pursuant to chapter  
5 91.

6 (b) The biennial renewal fee and completed renewal  
7 application shall be submitted to the department of commerce and  
8 consumer affairs on or before the commission-prescribed deadline  
9 and prior to the expiration date of the license. All real  
10 estate licenses expire on December 31 of an even-numbered year.  
11 Failure, neglect, or refusal of any duly licensed real estate  
12 broker or real estate salesperson to pay the biennial renewal  
13 fee and to submit a completed renewal application shall  
14 constitute a forfeiture of the license as of January 1 of the  
15 subsequent odd-numbered year.

16 (c) The forfeited license of an individual real estate  
17 broker or real estate salesperson may be restored upon  
18 compliance with the licensing renewal requirements provided by  
19 law; submission of a complete written application; payment of  
20 all applicable renewal fees, penalty fees, compliance resolution  
21 fund fees, and, if applicable, recovery fund assessments;



1 satisfaction of the applicable requirements in sections 467-8  
2 and 467-9; submission of written documentation demonstrating  
3 compliance with section 467-11.5; and, for individual licensees,  
4 satisfaction of one of the following as applicable:

5 (1) For a license forfeited for more than one year but  
6 less than four years, the successful completion of the  
7 commission-approved course or courses or passage of  
8 the commission-approved examination; or

9 (2) For a license forfeited for more than four years but  
10 less than five years, the successful passage of the  
11 commission-approved examination.

12 (d) The license of any individual licensed as a real  
13 estate broker or a real estate salesperson who fails to apply  
14 for restoration of a forfeited license within five years from  
15 the date of forfeiture shall be automatically terminated. Once  
16 a license has been terminated pursuant to this section, the  
17 individual may apply for a new salesperson license pursuant to  
18 and subject to all applicable laws and rules in effect at the  
19 time of application.

20 (e) The license of any real estate broker other than a  
21 natural person that fails to apply for restoration of a



1 forfeited license within one year from the date of forfeiture,  
2 shall be automatically terminated. Once a license has been  
3 terminated pursuant to this section, the entity may apply for a  
4 new license pursuant to and subject to all applicable laws and  
5 rules in effect at the time of application.

6 (f) A real estate broker or real estate salesperson may  
7 place that person's license on an inactive status by filing an  
8 application and setting forth information prescribed or required  
9 by the commission; the license shall be renewed on or before the  
10 commission-prescribed deadline prior to the expiration date of  
11 the license by payment of the biennial renewal fee and  
12 submission of a completed renewal application. A real estate  
13 broker or real estate salesperson may reactivate that person's  
14 inactive license by satisfying section 467-11.5, filing an  
15 application setting forth any information as may be prescribed  
16 or required by the commission, and paying the proper fee.

17 (g) The commission may refund any fee erroneously paid to  
18 it under this section when the commission deems it just and  
19 equitable.

20 ~~[(h) If the education fund balance attains a funding level~~  
21 ~~of \$1,713,510 in any fiscal year, the commission shall either:~~





1       ~~(1) Cease accepting payments made by renewing licensees,~~

2               ~~or~~

3       ~~(2) Develop a process to refund monies in excess of the~~  
4               ~~\$1,713,510 fund balance to licensees who paid into the~~  
5               ~~fund, and refund such monies.~~

6       ~~If acceptance of payments is ceased, it shall remain ceased~~  
7       ~~until the funding level falls below \$1,713,510.] "~~

8               SECTION 4. Section 467-16, Hawaii Revised Statutes, is  
9       amended to read as follows:

10              "**§467-16 Real estate recovery fund; use of fund; fees.**

11       (a) The commission shall establish and maintain a trust fund  
12       which shall be known as the real estate recovery fund from which  
13       any person aggrieved by an act, representation, transaction, or  
14       conduct of a duly licensed real estate broker, or real estate  
15       salesperson, upon the grounds of fraud, misrepresentation, or  
16       deceit, may recover upon the commission's settlement of a claim  
17       or by order of the circuit court or district court of the county  
18       where the violation occurred, an amount of not more than \$25,000  
19       per transaction for damages sustained by the fraud,  
20       misrepresentation, or deceit, including court costs and fees as



1 set by law, and reasonable attorney fees as determined by the  
2 court.

3 (b) When any person makes application for an original  
4 license to practice as a real estate broker or salesperson the  
5 person shall pay, in addition to the person's original license  
6 fee, a real estate recovery fund fee as provided in rules  
7 adopted by the director of commerce and consumer affairs  
8 pursuant to chapter 91 for deposit in the real estate recovery  
9 fund. If the commission does not issue the license, this fee  
10 shall be returned to the applicant.

11 (c) The commission, as the trustee of the real estate  
12 recovery fund, shall be authorized to expend the funds to:

13 (1) Retain private legal counsel to represent the  
14 commission in any action involving or which may result  
15 in payment from the real estate recovery fund;

16 (2) Retain a certified public accountant for accounting  
17 and auditing of the real estate recovery fund;

18 (3) Employ necessary personnel, not subject to chapter 76,  
19 to assist the commission in exercising its powers and  
20 duties with respect to the real estate recovery fund;  
21 and



1 (4) Retain a consultant to recover and collect any  
2 payments from the real estate recovery fund plus  
3 interest from the judgment debtor.

4 ~~[-(d) When the real estate recovery fund attains a funding  
5 level of \$481,799 in any fiscal year, the commission shall  
6 either:~~

7 ~~(1) Cease accepting payments made by renewing licensees,  
8 or~~

9 ~~(2) Develop a process to refund monies in excess of the  
10 \$481,799 fund balance to licensees who paid into the  
11 fund, and refund such monies.~~

12 ~~If acceptance of payments is ceased, it shall remain ceased  
13 until the funding level falls below \$481,799.] "~~

14 SECTION 5. Section 467-19, Hawaii Revised Statutes, is  
15 amended by amending subsection (a) to read as follows:

16 "(a) The sums received by the real estate commission for  
17 deposit in the real estate recovery fund shall be held by the  
18 commission in trust for carrying out the purpose of the real  
19 estate recovery fund. The real estate commission, as the  
20 trustee of the recovery fund, shall be authorized to expend the  
21 funds to retain private legal counsel to represent the



1 commission in any action involving the real estate recovery  
2 fund. These funds may be invested and reinvested in the same  
3 manner as funds of the state employees retirement system, and  
4 the interest from these investments shall be deposited to the  
5 credit of the real estate education fund, and which shall be  
6 available to the commission for educational purposes, which is  
7 hereby created. The real estate commission, as trustee of the  
8 real estate education fund, may invest and reinvest the real  
9 estate education fund in the same manner as funds of the state  
10 employees retirement system. Any law to the contrary  
11 notwithstanding, the commission may make one or more findings  
12 that a fee adjustment is appropriate and may adjust the fees  
13 generated to regulate the fund balances of the real estate  
14 recovery fund and the real estate education fund to appropriate  
15 levels to maintain a reasonable relation between the fees  
16 generated and the cost of services rendered by the real estate  
17 recovery fund and real estate education fund. The commission  
18 for investment purposes, may combine the real estate education  
19 and recovery funds and invest and reinvest the combined funds in  
20 the same manner as funds of the state employees retirement  
21 system. The commission shall keep separate accounting records



1 for the two funds. For the purposes of finding that a fee  
2 adjustment is appropriate in order to maintain a reasonable  
3 relation between the fees generated and the cost of services  
4 rendered by the funds, the commission's review shall include the  
5 following:

6 (1) Frequency and timing of anticipated revenue to the  
7 fund;

8 (2) Identification of a reserve amount based on  
9 unanticipated revenue reductions and historical  
10 expenditures;

11 (3) Anticipated expenses paid, including recovery payouts  
12 during a biennial budget cycle;

13 (4) Unanticipated natural disasters or catastrophic  
14 weather events that may increase fund payments; and

15 (5) Any statutory adjustments to fund payout amounts.

16 The balance of the funds shall not exceed a sum determined by  
17 the commission. The sum shall be determined by the commission  
18 biannually."

19 SECTION 6. Section 514B-71, Hawaii Revised Statutes, is  
20 amended by amending subsection (b) to read as follows:



1           "(b) The commission shall use all moneys in the  
2 condominium education trust fund for purposes consistent with  
3 subsection (a). Any law to the contrary notwithstanding, the  
4 commission may make a finding that a fee adjustment is  
5 appropriate and adjust the fees paid by associations to regulate  
6 the fund balance to an appropriate level to maintain a  
7 reasonable relation between the fees generated and the cost of  
8 services rendered by the condominium education trust fund. For  
9 the purposes of finding that a fee adjustment is appropriate in  
10 order to maintain a reasonable relation between the fees  
11 generated and the cost of services rendered by the fund, the  
12 commission's review shall include the following:

- 13           (1) Frequency and timing of anticipated revenue to the  
14           fund;
- 15           (2) Identification of a reserve amount based on  
16           unanticipated revenue reductions and historical  
17           expenditures;
- 18           (3) Anticipated expenses paid, including recovery payouts  
19           during a biennial budget cycle;
- 20           (4) Unanticipated natural disasters or catastrophic  
21           weather events that may increase fund payments; and



1           (5) Any statutory adjustments to fund payout amounts.  
 2 The balance of the fund shall not exceed a sum determined by the  
 3 commission. The sum shall be determined by the commission  
 4 biannually."

5           SECTION 7. Section 514B-72, Hawaii Revised Statutes, is  
 6 amended to read as follows:

7           "**§514B-72 Condominium education trust fund; payments by**  
 8 **associations and developers.** (a) Each project or association  
 9 with more than five units shall pay to the department of  
 10 commerce and consumer affairs:

11           (1) A condominium education trust fund fee within one year  
 12 after the recordation of the purchase of the first  
 13 unit or within thirty days of the association's first  
 14 meeting, and thereafter, on or before June 30 of every  
 15 odd-numbered year, as prescribed by rules adopted  
 16 pursuant to chapter 91; and

17           (2) Beginning with the July 1, 2015, biennium  
 18 registration, an additional annual condominium  
 19 education trust fund fee in an amount equal to the  
 20 product of \$1.50 times the number of condominium units  
 21 included in the registered project or association to



1 be dedicated to supporting mediation or voluntary  
2 binding arbitration of condominium related disputes.  
3 The additional condominium education trust fund fee  
4 shall total \$3 per unit until the commission adopts  
5 rules pursuant to chapter 91. On June 30 of every  
6 odd-numbered year, any unexpended additional amounts  
7 paid into the condominium education trust fund and  
8 initially dedicated to supporting mediation or  
9 voluntary binding arbitration of condominium related  
10 disputes, as required by this paragraph, shall be used  
11 for educational purposes as provided in section 514B-  
12 71(a)(1), (2), and (3).

13 (b) Each developer shall pay to the department of commerce  
14 and consumer affairs the condominium education trust fund fee  
15 for each unit in the project, as prescribed by rules adopted by  
16 the director of commerce and consumer affairs pursuant to  
17 chapter 91. The project shall not be registered and no  
18 effective date for a developer's public report shall be issued  
19 until the payment has been made.

20 (c) Payments of any fees required under this section shall  
21 be due on or before the registration due date and shall be





1 nonrefundable [~~except as specified in subsection (e). Unless~~  
2 ~~acceptance of payments is ceased pursuant to subsection (e),~~  
3 ~~failure]~~. Failure to pay the required fee by the due date shall  
4 result in a penalty assessment of ten per cent of the amount due  
5 and the association shall not have standing to bring any action  
6 to collect or to foreclose any lien for common expenses or other  
7 assessments in any court of this State until the amount due,  
8 including any penalty, is paid. Failure of an association to  
9 pay a fee required under this section shall not impair the  
10 validity of any claim of the association for common expenses or  
11 other assessments, or prevent the association from defending any  
12 action in any court of this State.

13 (d) The department of commerce and consumer affairs shall  
14 allocate the fees collected under this section to the  
15 condominium education trust fund established pursuant to section  
16 514B-71. The fees collected pursuant to this section shall be  
17 administratively and fiscally managed together as one  
18 condominium education trust fund established by section 514B-71.

19 [~~(e) When the condominium education trust fund attains a~~  
20 ~~funding level of \$1,819,971 in any fiscal year, the commission~~  
21 ~~shall either:~~



- 1       ~~(1) Cease accepting payments made by projects and~~
- 2           ~~associations at each biennial registration; or~~
- 3       ~~(2) Develop a process to refund monies in excess of the~~
- 4           ~~\$1,819,971 fund balance to projects and associations~~
- 5           ~~that paid into the fund at applicable biennial~~
- 6           ~~registrations, and refund such monies.~~

7       ~~If acceptance of payments is ceased, it shall remain ceased~~  
 8 ~~until the funding level falls below \$1,819,971.] "~~

9       SECTION 8. Act 29, Session Laws of Hawaii 2019, is amended  
 10 by amending section 18 to read as follows:

11       "SECTION 18. This Act shall take effect on July 1, 2019;  
 12 provided that:

- 13       (1) Section 3 shall take effect on June 28, 2019; and
- 14       (2) Sections 7, 8, 10, 11, and 12 of this Act shall take
- 15           effect on July 1, 2020 [~~and shall be repealed on June~~
- 16           ~~30, 2022; provided further that sections 444-26,~~
- 17           ~~444-29, 467-11, 467-16, and 514B-72, Hawaii Revised~~
- 18           ~~Statutes, shall be reenacted in the form in which it~~
- 19           ~~read prior to the effective date of this Act]. "~~

1 SECTION 9. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 10. This Act shall take effect on July 1, 2050;  
4 provided that the amendments made by this Act shall take effect  
5 on July 1, 2020, and shall supersede any contrary amendments  
6 made by Act 29, Session Laws of Hawaii 2019.



**Report Title:**

Contractors Recovery Fund; Contractors Education Fund; Real Estate Recovery Fund; Real Estate Education Fund; Condominium Education Trust Fund; Department of Commerce and Consumer Affairs

**Description:**

Allows the contractors license board and real estate commission to adjust, reduce, suspend, or cease collection of recovery fund and education fund fees to maintain a reasonable relation between the fees generated and the cost of services rendered by the funds. Caps the contractors recovery fund, contractors education fund, real estate recovery fund, real estate education fund, and condominium education trust fund at amounts determined biannually by the contractors license board or real estate commission. Effective 7/1/2050. (HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

