

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

TO THE
HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE

February 4, 2021
2:00 p.m.

Chair Johanson and Members of the Committee:

MEASURE: H.B. No. 60

TITLE: RELATING TO NON-GENERAL FUNDS.

DESCRIPTION: Abolishes or reclassifies various non-general funds of the Department of Commerce and Consumer Affairs.

POSITION:

The Public Utilities Commission (“Commission”) offers the following comments for consideration.

COMMENTS:

The Commission notes that this measure abolishes the Electrical Vehicle Charging System Rebate Program Special Fund, which was administratively established in 2019, and lapses remaining unencumbered balance to the Public Utilities Commission Special Fund (PUC Special Fund).

Pursuant to the recommendations of the State Auditor, the Commission is currently working to reclassify the Electric Vehicle Charging System Rebate Program Special Fund, in order to fulfill the legislative intent of Act 142 (2019) and satisfy the significant interest in the program. The Commission intends to account for these funds separately, once they are transferred to the PUC Special Fund.

If this measure moves forward, the Commission requests that the committee add language increasing the ceiling of the PUC Special Fund to reflect the encumbrance of funds from the Electric Vehicle Charging System Rebate Program Special Fund. This

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amendment will authorize the Commission to spend the remaining funds once they are transferred from the abolished special fund.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

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

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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Consumer Protection and Commerce
Thursday, February 4, 2021
2:00 p.m.
Via Videoconference**

**On the following measure:
H.B. 60, RELATING TO NON-GENERAL FUNDS**

Chair Johanson and Members of the Committee:

My name is Dean Hazama, and I am the Business Management Officer of the Department of Commerce and Consumer Affairs' (DCCA or Department) Administrative Services Division. The Department offers comments on this bill.

The purpose of this bill is to abolish or reclassify various non-general funds of the DCCA.

Regarding section 2 of the bill, the Department opposes reclassifying the Commissioner's Education and Training Fund from a trust fund to a special fund. Pursuant to Hawaii Revised Statutes sections 431:2-214(b) and (d), this trust fund is used to: (1) "compensate or reimburse staff and personnel of the insurance division for education and training"; and (2) "pay the cost of consumer education and information, including publication of information, brochures, and consumer guides and costs related to conferences, workshops, seminars, and any other event of this nature which the [insurance] commissioner sponsors or in which the commissioner or insurance division

Testimony of DCCA

H.B. 60

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staff participates.” As such, the fund is earmarked for the use and benefit of a discrete group of persons and for a specific purpose.

Regarding sections 3, 4, and 5 of the bill, the Department concurs with the recommendations of the auditor and with the language of those sections.

Thank you for the opportunity to testify on this bill.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Repeal Non-General Funds

BILL NUMBER: HB 60

INTRODUCED BY: LUKE, CULLEN

EXECUTIVE SUMMARY: Abolishes or reclassifies various non-general funds of the Department of Commerce and Consumer Affairs.

SYNOPSIS:

- Reclassifies the commissioner's education and training fund as a special fund.
- Abolishes the compliance resolution fund--appraisal management registration program special fund administratively established in 2017, with any unencumbered balance to lapse to the credit of the compliance resolution fund in section 26-9(o), HRS..
- Abolishes the electrical vehicle charging system rebate program special fund administratively established in 2019, with any unencumbered balance to lapse to the credit of the public utilities commission special fund in section 269-33, HRS.

EFFECTIVE DATE: 7/1/2021.

STAFF COMMENTS: The 1989 Tax Review Commission noted that use of special fund financing is a "departure from Hawaii's sound fiscal policies and should be avoided." It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

Because of the spotlight of monies in special funds, HRS section 23-12 requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and at five-year intervals. This bill was the result of Auditor's Report No. 20-18.

Digested 2/2/2021



**Hawaiian
Electric**

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
PROTECTION AND COMMERCE**

HB 60

Relating to Non-General Funds

February 4, 2021

2:00 PM, Agenda Item # 4

State Capitol, Conference Room 329 / VIDEO CONFERENCE

June Chee

Program Manager, Electrification of Transportation
Hawaiian Electric Company, Inc.

Aloha Chair Johanson, Vice Chair Kitagawa and Committee Members,

My name is June Chee and I am testifying on behalf of Hawaiian Electric Company **with comments on HB60**, Relating to Non-General Funds.

The proposed bill abolishes the electric vehicle (EV) charging system rebate program, which was established in 2019 and is currently administered by Hawaii Energy. Supplemental funding for EV charging systems has proven to be successful, widely adopted, and is needed to encourage further EV and EV infrastructure adoption. The abolishment of the EV charging system rebate program will impact the Company's EV make-ready efforts as the rebates offer a cost-share for participants of the make-ready pilot programs. The EV make-ready program targets commercial properties, fleet owners, and multi-unit dwelling facilities, which are key locations that serve the EV charging needs of current and future EV drivers. If the program is abolished, it may undermine the positive momentum to develop much needed charging infrastructure across the state.

Hawaiian Electric is sensitive to the State's current financial climate and hardship and is providing testimony with understanding of the intent of this bill. If funds are abolished or reclassified, we encourage and ask for consideration to seek other funding

mechanisms to continue a rebate program for EV charging stations as the systems are crucial in meeting the State's climate change goals.

Hawaiian Electric Company remains committed to EV strategies that are sustainable and help create a bridge to a cleaner future. Thank you for this opportunity to testify.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 3, 2021

TO: Representative Aaron Ling Johanson
Chair, Committee on Consumer Protection & Commerce
Submitted Via Capitol Website

FROM: Rick Tsujimura

RE: **H.B. 60 - Relating to Non-General Funds**
Hearing Date: Thursday, February 4, 2021 at 2:00 p.m.
Conference Room: 329

Dear Chair Johanson, Vice Chair Kitagawa, and Members of the Committee on Consumer Protection & Commerce:

I am Rick Tsujimura representing State Farm Insurance Cos. Offering testimony in opposition to a portion of Section 2 of House Bill 60 relating to the Commissioner's Education and Training Fund, which would reclassify the fund as a special fund.

This fund established in 1987 was intended as a funding mechanism for the education of insurance division personnel and the public. It is paid solely from fees paid for insurance rate filings. The fees were to be used to educate division personnel in the latest developments in insurance, as well as best practices in the industry.

Auditors report 20-18 states *inter alia*:

We stated that the fund did not meet the definition of a trust fund because there are no designated persons or classes of persons having a vested beneficial interest or equitable ownership in the assets of the fund. In its response, DCCA stated that the fund was established for the education and training of Insurance Division employees, as well as for the benefit of individuals interested in insurance topics, and that Insurance Division employees and Hawai'i's insurance consumers have an interest in education and training. **We maintain that the fund operates like a special fund, using revenues for statutorily allowed purposes rather than being held in trust for designated persons or classes of persons having a vested beneficial interest or equitable ownership and should be reclassified.** (Emphasis added.)

We respectfully disagree. The beneficiaries of the fund are the division employees, who have a vested beneficial interest in this fund for their education as employees. Properly educated employees are the lifeblood of any regulatory program. Insurance is a very specialized field, and the education of employees of the division is not only necessary but required if the division is to adequately protect the public and the industry. In this we believe the employees of the division who must maintain their proficiency have a vested beneficial interest.

We therefore ask that this measure at least as regards Section 2 of the bill be held.