# Report to the Twenty-Fourth Legislature
# 2007 Regular Session

*Pursuant to*

**Act 178, Part III, Section 68, Session Laws of Hawai'i 2005**

*On*

**How the Department of Commerce and Consumer Affairs' Expenditures will be Aligned with its Special Fund Revenue Collections**

**Department of Commerce and Consumer Affairs**
**State of Hawai'i**

**December 2006**

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**Report to the Twenty-Fourth Legislature**
**2007 Regular Session**

## How the Department of Commerce and Consumer Affairs' Expenditures will be Aligned with its Special Fund Revenue Collections

## I. EXECUTIVE SUMMARY

This report is required by part III, section 68 of Act 178 (the "Act"), Session Laws of Hawai'i ("SLH") 2005 concerning the Department of Commerce and Consumer Affairs' ("DCCA" or "Department") compliance resolution fund ("CRF"). The report was first required by Act 200 (2003), and was filed with the Legislature in December 2003 ("2004 Report"). A second such report, although not required by law, was submitted in December 2004 ("2005 Report").[1] A third report was filed in December 2005 ("2006 Report").

The Department has made substantial progress toward the twin goals of reducing and leveling its overall fund balance. Although the pace of reserve level reduction has been slowed by the effects of a strong economy, the failure of several legislative proposals which would have facilitated fee reductions or permitted certain expenditures, and the artificial and one-time increase in CATV revenues in FY06,[2] the Department expects to have achieved its reserve target by the end of this fiscal year (FY 07). Attachment A.

DCCA subscribes to the principle that its customers should only be paying the Department for services reasonably related to the regulation, registration, license or related

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[1] Act 200 (2003) was amended by Act 41 (2004), section 41(36) to eliminate the requirement for this report.

[2] FY 06 projections and results were artificially inflated due to an increase in CATV revenues associated with changing the division's collection from June 30 and December 30 of each year to a single collection date of January 1. Whereas monies collected by the cable operator on behalf of DCCA in calendar year 2005 would, under prior practice, not have been delivered to DCCA until June 30, 2006 (½ of the 2005 collection) and December 30, 2006 (the other ½), the entire sum is now turned over on January 1, 2006. The effect of the change was to combine what would have been the December 30, 2005, June 30, 2006 and December 30, 2006 transfers into the January 1, 2006 transfer, amounting to 18 months of franchise fees in the FY06 revenue figure.

service that the Department provides. For that reason, fees should be kept at reasonable levels and any unaccounted-for surplus should be returned to those who first provided it.

Since January 2003, the Department has implemented the following fee/assessment reductions (see Attachment B):

- On March 4, 2003, the Business Registration Division ("BREG") reduced the filing fee by 25% for on-line filings and payment by credit card, and by 50% for subscribers to the Hawai'i internet portal, with projected foregone annual revenue of $400,000;

- On August 18, 2003, the Insurance Division ("INS") reduced the FY 04 direct assessment on insurance companies doing business in Hawai'i by $2,810,606 from the average assessment made in FY 00 – FY 03;

- On January 26, 2004, the Division of Financial Institutions ("DFI") waived FY 04 exam fees and related expenses for financial institutions and escrow depositories, with projected foregone FY 04 revenue of $202,000;

- On July 1, 2004, BREG reduced the fees charged for business document registration by 50%, exclusive of new business registration and annual report and statement fees, with projected foregone annual revenue of approximately $1,400,000;

- On July 1, 2004, BREG reduced the fee charged for Certificates of Good Standing from $25 to $5, with projected foregone annual revenue of $70,000;

- On July 1, 2004, INS reduced producer licensing fees by $25, with projected foregone annual revenue of $170,000;

- BREG initiated 50% reductions for securities industries Reg. D filing fees, all on-line Initial Filings, and all on-line Annual Filings, a fiscal year 50% reduction for salesperson renewal fees, and up to 50% reductions on paper Initial and Annual Filings, with projected foregone FY 05 revenue of 1,878,000, and projected foregone annual revenue thereafter of $1,000,000;

- Regulated Industries Complaints Office ("RICO") initiated a two-year 25% reduction of compliance resolution fees associated with professional and vocational license online renewals, with projected foregone revenue of $108,000, $206,000 and $101,000 for FY 05, FY 06 and FY 07 respectively;

- INS made no assessments of insurers in FY 05, with foregone FY 05 revenue of $4,752,658 (based on the average of FY 00 – FY 03 assessments); and

- DFI waived FY 05 assessments, with foregone FY 05 revenue of $202,000;

- Cable Television Division ("CATV") directed that the cable franchisee temporarily cease collecting the department's portion of the franchise fee from subscribers, effective November 1, 2005, with projected foregone revenues of approximately $250,000 in FY 06 and $1,500,000 in FY 07;[3]

- INS made no assessments of insurers in FY 06, with foregone FY 06 revenue of $4,752,658, based on the average of assessments from FY 00 – FY 03;

- BREG initiated a 50% one-year only reduction for filing fees charged for application and renewal fees for securities dealers and their salespeople, investment advisors and their representatives, and the initial notice filing and renewal fees for investment company securities, with projected foregone revenues of $1,900,000 in FY 06 and $200,000 in FY 07;

- BREG initiated a 50% one-year only reduction for filing fees charged for franchise fee applications, amendments and renewals, from $250 to $125, with projected foregone revenues of $90,000 in FY 06 and $25,000 in FY 07;

- Professional Vocational Licensing Division ("PVL") initiated a "customer appreciation credit" of 10% for biennial professional and vocational licensing online renewals between the periods of December 31, 2005 through June 30, 2007, for those licensing areas listed under section 92-28, HRS, with projected foregone revenues of $157,945 in FY 06 and $163,296 in FY 07; and

- DFI waived FY 06 assessments, with foregone FY 06 revenue of $202,000.

In addition, the Department has initiated the following fee/assessment reductions during the current fiscal year (see Attachment C):

- CATV franchise fee waiver was continued, to the effect that an additional $250,000 in revenues were foregone in FY 07, and another $750,000 in revenues will be foregone in FY 08;

- DFI waived FY 07 exam assessments, with foregone FY 07 revenue of $202,000;

- BREG renewed its 50% one-year reduction for filing fees charged for franchise fee applications, amendments and renewals, from $250 to $125, with projected foregone revenues of an additional $75,000 in FY 07 and $20,000 in FY 08;

- BREG renewed its 50% one-year reduction for filing fees charged for application and renewal fees for securities dealers and their salespeople, investment advisors and their

[3] Projections in the 2006 Report assumed that the franchise fee collections would produce some revenues in FY07, but that projection has now changed. Current projections assume no franchise fee transfer in FY07.

representatives, and the initial notice filing and renewal fees for investment company securities, with projected foregone revenues of an additional $2,500,000 in FY 07 and $200,000 in FY 08.

## II. INTRODUCTION

The Act, known as the General Appropriations Act of 2005, reads in pertinent part as follows:

> "SECTION 68. Provided that the department of commerce and consumer affairs shall submit a detailed report each year on *how the department's expenditures will be aligned with their special fund revenue collections*; provided further that this report shall include a discussion of the plans for the lowering of its fees to appropriate levels; [and] provided further that the report shall be submitted to the legislature no later than twenty days prior to the convening of the 2006 and 2007 regular sessions." (Emphasis added)

Since the Department's background, its source of funds, its historical cash reserve policy and the reasonableness of its current plan to reduce fund reserves to approximately 9 months of budget ceiling were all addressed in earlier Reports, those matters will not be discussed herein. Instead, we will move directly to the Department's plan and its intended implementation in FY 07.

## III. PLAN DETAILS

### A. DCCA Expenditures Are Becoming Aligned With Its Revenues.

Beginning with revised FY 04 projections developed during the 2004 legislative session and shared with House Finance and Senate Ways and Means committees, the Department instituted an internal mid-year budgeting regimen that incorporated to-date revenue and expenditure levels. Prior to that, the Department had not presented the committees with updated projections, and relied instead on beginning of the year estimates.

The Department's fee reduction plan is to reduce the Department's CRF's current fund balance to nine months or less of budget ceiling and to bring its revenues more in line with its expenses. As such, DCCA currently projects that its FY 07 expenditures will exceed its FY 06 revenues, just as FY 06 expenditures exceeded FY 05 revenues. Attachment A. With reduced revenues stemming largely from permanent and temporary fee cuts and assessment waivers, and with increased expenditures stemming largely from increased personnel costs, the Department's projected FY 07 end of year CRF cash balance is $27.8M, or 8.5 months. *Id*. FY 04, FY 05 and FY 06 end of year cash balances were $39.0M (13.3 months), $36.2M (11.7 months), and $34.7M (11.6 months) respectively.

The Department's expenditures have increased from FY 03 to FY 04 ($25.5M to $28.0M), from FY 04 to FY 05 ($28.0M to $29.2M) and from FY 05 to FY 06 ($29.2M to $29.8M), but revenues have decreased by an even greater amount over the same period of time ($34.5M to $33.2M to $28.6M to 27.6M).[4] The Department is projecting FY 07 revenues and expenditures of $27.6M and $34.6M, respectively. As noted above, the Department is implementing new FY 07 fee cuts or assessment waivers totaling $3,027,000 on top of the prior cuts/waivers taking effect in FY 07 of $4,779,000, for a total FY 07 effect of $7,806,000 in fee cuts and assessment waivers. Attachments B and C. As a result, cuts and waivers implemented in FY 04, FY 05, FY 06 and FY 07 will total $30,797,922. *Id*.

### B. DCCA Plans To Better Balance Revenues and Expenses.

The franchise fee rebate and fee/assessment cuts outlined here, many of which have already been implemented, will save Hawai'i businesses and residents more than $30,000,000 over four years, and are helping to strengthen Hawai'i's business climate.

Program details follow.

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[4] Attachment A. Projections are based on four months actual and eight months projected FY 07 results.

### 1. Program CCA-102, Cable Television Division (CATV)

Status: CATV entered the fiscal year with 37.7 months of cash reserves, due in principal part to (1) the one-time revenue allocation of 18 months of revenue, discussed *supra* note 2, and (2) the failure of the division's legislative proposals to refund excess reserves (2005) or to expend additional monies on public, education, and government ("PEG") services in underserved areas (2004 and 2005). During the 2006 legislative session, the division was directed to spend approximately $1M on various I-Net projects. The effect on the division's budget was to increase the division's FY 07 budget ceiling by that same amount, thus artificially decreasing the size (measured in months of budget ceiling) of the division's reserve balance.

Action Plan: The Department amended its rules, pursuant to which it has directed the cable franchise holder, effective November 1, 2005, to temporarily halt collecting the Department's portion (1%) of the cable franchise fee charged to cable customers. That directive reduced by two months of revenue the amount of revenue that would otherwise have been collected by the Department in FY 06. Current projections are that it will reduce revenue levels by twelve months in FY 07 and six months in FY 08. *Id*. In addition, CATV is working with its I-Net partners (University of Hawai'i, Department of Education, and DAGS/ISCD) and the Hawaii Health System Corporation to undertake projects that are expected to increase the division's FY 07 expenditures by approximately $1.5M over FY 06 expense levels. These revenue decreases and expenditure increases are projected to bring the division's cash reserve down to less than eight months heading into FY 08.

Justification: Revenue reductions are necessary in FY 07 because the division was unsuccessful in obtaining legislative authorization to refund monies (2005) or to expend monies on PEG expansion (2004 and 2005), and because the Legislature has instructed the Department to bring its revenues in line with its expenses. An increase in I-Net expenditures is appropriate because the expenditures themselves are warranted and the Legislature has made clear its desire that the division support I-Net to the extent possible.

Fiscal Impact: Projected FY 07 revenue reduction and I-Net spending increase are expected to reduce division cash reserves by approximately 30 months. By the end of FY 07, the division expects to reduce its cash reserve to less than eight months.

| **Estimated Revenue Reduction / (Expenditure Increase)** | | | | |
|---|---|---|---|---|
| **Description** | **FY 05** | **FY 06** | **FY 07** | **FY 08** |
| Temporary cessation in collecting DCCA's 1% franchise fee | | $250,000 | $1,500,000 | $750,000 |
| Increase in I-Net spending | | | ($1,500,000) | |

### 2. Program CCA-103, Division of Consumer Advocacy (DCA)

Status: DCA entered FY 06 with 10 months of reserve on hand, but finished the year with 11.4 months, slightly more than its target. The principal reasons for the increase in DCA's reserves were (1) fewer cases requiring the use of consulting contracts (something that varies from year to year and is out of the DCA's control) and (2) continued difficulty in filling utility accounting and utility engineering positions due to the lack of qualified candidates.

Action Plan: The division is actively seeking to fill its vacant positions. In response to Act 143, SLH 2006, the division has proposed to restructure its operations and, as part of that restructuring, is considering increasing the number of exempt positions from four to ten, and to convert four existing civil service positions to exempt. In order to attract candidates, the division recently downgraded several positions, and is looking to new graduates with an interest in business analysis, rather than public accounting or engineering.

Justification: DCA receives its primary funding from the proceeds in the PUC Special Fund, pursuant to section 269-33, HRS. As a result, its revenues are usually fixed each year.

This year, the division expects to request an emergency appropriation for $250,000 to permit its participation in the PUC's investigation of the October 15, 2006 HECO outage. Although the division will continue to attempt innovative hiring solutions, the division forecasts that reserves will still be at 10.1 months by the end of the fiscal year.

Fiscal Impact: The division expects that its reserves will remain at 10.1 months by the end of the fiscal year.

### 3. Program CCA-104, Division of Financial Institutions (DFI)

Status: DFI entered FY 06 with reserves of 17.2 months, but finished the year with 16.4 months, still well above the 13-month target established for the division. DFI's reserve target is higher than that for other divisions because the division does not receive its annual funding until immediately after the fiscal year by means of a transfer from the Department of Taxation.

Action Plan: In FY 04, FY 05 and FY 06, DFI waived examination fees and related expenses for its examination of regulated financial institutions and escrow depositories pursuant to sections 412:2-105 and 449:14, HRS, foregoing projected revenues of $606,000. This waiver is temporary and subject to regular review by the program's Commissioner. DFI has announced its intention to renew this waiver again for FY 07.

Justification: DFI has the ability to charge its regulated businesses examination fees and related expenses pursuant to Chapter 412, Code of Financial Institutions and Chapter 449, Code of Escrow Depositories. The waiver of these fees is possible immediately, will result in a comparable reduction in the program's fund balance, and acts on the concept that if programs have adequate funding with which to operate, they should adjust the cost assessed their regulated businesses accordingly.

Fiscal Impact: Waiving an additional $202,000 in examination fees in FY 07 will bring the division's reserve level down to 14.7 months.

| Estimated Revenue Reduction | | | |
|---|---|---|---|
| **Description** | **FY 05** | **FY 06** | **FY 07** |
| Waiver of exam fees and related costs | $202,000 | $202,000 | $202,000 |

### 4. Program CCA-105, Professional and Vocational Licensing Division (PVL)

Action Plan: The Department's 2004 fee reduction proposals for PVL (discount for on-line filers and those adopting inactive status) were held by the Legislature, while the Department's proposals to expand the list of professions/vocations covered by the administrative fee reduction process in section 92-28, HRS were denied in both 2004 and 2005. PVL expects to bring this request back to the 2007 legislature for PVL fees alone. PVL has implemented a "customer appreciation credit" of 10% for professional and vocational licensing online renewals between the period of December 31, 2005 through June 30, 2007, for those licensing areas listed under section 92-28, HRS.

Justification: Because of the State's strong economy, PVL's revenues have increased over the last three years to unexpected levels. As a result, PVL is implementing a fee reduction for online renewals over a biennial period and where a fee reduction is permitted by section 92-28, HRS, as a form of appreciation to our customers for using the internet for license renewals and to encourage increased use of the internet for license renewals.

Fiscal Impact: The online fee reduction proposal is designed to benefit all licensing programs included within section 92-28, HRS, with a total revenue reduction of $157,945 in FY 06 and $163,296 in FY 07. The proposal should help to reduce the division's FY 07 reserve level from 13.8 months to 11.3 months.

| Estimated Revenue Reduction | | | | |
|---|---|---|---|---|
| **Description** | **FY 04** | **FY 05** | **FY 06** | **FY 07** |
| Online renewal fee reductions (per section 92-28, HRS) | | | $157,945 | $163,296 |

**5. Program CCA-106, Insurance Division (INS)**

Action Plan: INS reduced its FY 04 direct assessment on insurers, mutual benefit societies and health maintenance organizations from $5,616,310 in FY 03 to $1,942,052 in FY 04. Assessments were reduced to zero in both FY 05 and FY 06. Assessments renewed this year, in the amount of $2,032,000. Additionally, in FY 05, INS reduced licensing fees for resident producers by $25 (for a total estimated recurring reduction of $170,000 annually). The Insurance Commissioner is given the authority to determine the amount and timing of the assessment to defray the operating costs incurred by the division and the supporting divisions pursuant to sections 431:2-215(d) and 431:2-216, HRS. This authority was granted to the Insurance Commissioner since revenues from insurance fees are insufficient to cover all program expenditures. The assessment provides INS with a mechanism for annually adjusting total revenues to estimated expenditures, thereby allowing the division to maintain its fund balance at the Department's policy level.

Justification: Act 1 (2005 Special Session) restricts the division's ability to assess the insurance industry (the principal method by which the division is funded) and to maintain a cash reserve. As a result, it appears likely that the division will experience difficulty making early year payroll or contract payments beginning in FY 08. INS entered FY 07 with a cash reserve level of 3.8 months, and by the close of the year expects to be at 1.2 months.

Fiscal Impact: Despite renewing the industry assessments in FY 07, the division's expenses are projected to exceed its revenues by approximately $1.4 million. Corrective legislation may be necessary in FY 08 if the division is to maintain the ability to perform its mandated functions.

| Estimated Revenue Reduction | | | | |
|---|---|---|---|---|
| **Description** | **FY 04** | **FY 05** | **FY 06** | **FY 07** |
| Direct assessment reduction from average of FY 00 – FY 03 | $2,810,606 | $4,752,658 | $4,752,658 | |
| Fee reduction for resident producers | | $170,000 | $170,000 | $170,000 |
| TOTAL | $2,810,606 | $4,922,658 | $4,922,658 | $170,000 |

### 6. Program CCA-110, Office of Consumer Protection (OCP)

Action Plan: The administrative overhead assessment on DCCA's net revenue generating programs provides the principle funding source for OCP and is the mechanism by which the program will annually adjust its beginning fund balance. The Department will adjust the administrative overhead assessment for each year to reflect any beginning cash balance in the recipient programs' accounts over and beyond that prescribed by the Department's fund balance reserve policy.

Justification: OCP's operating costs are covered primarily by the administrative overhead assessment on DCCA's net revenue generating programs. Therefore, any beginning cash balance in excess of that necessary to ensure the continuation of program services into the new fiscal year, should be credited back to the revenue generating source programs.

Fiscal Impact: The program expects to reduce its fund balance in FY 07 from 3.7 to 3.6 months. This appears to be a reasonable reserve level for OCP, an agency funded largely on an on-going basis throughout the fiscal year from other program revenues.

### 7. Program CCA-111, Business Registration Division (BREG)

Action Plan: By executive order of the Governor, BREG online filing fees were reduced effective March 4, 2003 by 25% for online filings and payment by credit card and by 50% for subscribers to the Hawai'i internet portal that file documents regularly. The estimated foregone revenue is $400,000 annually. Pursuant to legislation passed in 2005, the bulk of the program's document registration fees (exclusive of new business registration and annual report and statement fees) were reduced by 50%. The estimated annual foregone revenue is $1,400,000. In addition, although DCCA recommended that Certificates of Good Standing be provided at no cost, the Legislature required that there be a $5 charge. The fee reduction has been implemented, and the estimated annual foregone revenue associated with issuing these certificates is $70,000.

BREG has since implemented additional reductions of 50% for (i) Reg. D filings, (ii) all on-line Initial Filings, (iii) all on-line Annual Filings, and (iv) salesperson renewals. BREG has also reduced by up to 50% all paper Initial and Annual Filings. The salesperson renewal fee reduction was limited to FY 05, and reduced FY 05 revenues by $1,878,000. The fee reduction is being renewed this year and is expected to reduce FY 07 revenues by $2,575,000.

Justification: Proposed fee reductions will reduce the program's fund balance, should positively affect Hawai'i's business climate, and are based on the principle that that if the program has more than adequate funding, it should adjust its fees accordingly.

Fiscal Impact: Since FY 04, BREG has provided its licensees with more than $14,000,000 in fee reductions. These initiatives have brought the program's revenues in better alignment with expenditures. As a result, the program's fund balance is expected to fall from 12.1 months to 8.6 months by the end of FY 07.

| **Estimated Revenue Reduction** | | | | |
|---|---|---|---|---|
| **Description** | **FY 04** | **FY 05** | **FY 06** | **FY 07** |
| 25-50% reduction for online filers | $400,000 | $400,000 | $400,000 | $400,000 |
| 50% reduction for doc registration fee and COGS | | $1,470,000 | $1,470,000 | $1,470,000 |
| 50% reduction for Reg. D filings | | $30,000 | $55,000 | $55,000 |
| 50% reduction initial filings | | $177,500 | $330,000 | $330,000 |
| 50% reduction online annual filings | | $295,500 | $615,000 | $615,000 |
| 50% reduction salesperson renewal fees | | $1,375,000 | | |

| | | | | |
|---|---|---|---|---|
| 50% reduction for securities dealers and salespeople, investment advisors and their representatives, and investment company securities initial notice and renewal fees | | | $1,900,000 | $2,700,000 |
| 50% reduction for franchise fee applications, amendments and renewals | | | $90,000 | $100,000 |
| TOTAL | $400,000 | $3,748,000 | $4,860,000 | $5,670,000 |

### 8. Program CCA 112, Regulated Industries Complaints Office (RICO)

Action Plan: RICO lowered its appropriation in the FY 05 supplemental budget by approximately $237,000. The bulk of this amount ($150,000) represented a pure budget ceiling reduction, with the remainder amounting to a transfer to the office of consumer protection. RICO is in the midst of implementing a two-year 25% reduction in online CRF fees, resulting in revenue reductions of $108,000, $206,000 and $101,000 in FY 05, FY 06 and FY 07, respectively. As a result of filled positions and on top of negotiated labor cost increases, RICO's FY 07 expenditures are expected to increase from $4.3M to $4.8M.

Justification: Just as PVL's revenues rose with the State's strong economy over the last two years, so, too, did RICO's. Revenue increases are now slowing and salary increases are projected to help bring the division's reserve level down from 14.3 months (FY 06 end of year) to 11.4 months (FY 07 end of year) and even further down to 7.5 months (FY 08 end of year).

Fiscal Impact: As a result of the above stated initiative, the program expects to close the FY 07 fiscal year with reserves of 11.4 months. DCCA will continue to monitor the division's program balances to ensure compliance with desirable reserve levels.

| **Estimated Revenue Reduction** | | | | |
|---|---|---|---|---|
| **Description** | **FY 04** | **FY 05** | **FY 06** | **FY 07** |
| Two-year reduction in CRF fees for online filers | | $108,000 | $206,000 | $101,000 |

### 9. Program CCA-191, Administration/Office of Administrative Hearings (ADMN)

Action Plan: The administrative overhead assessment on DCCA's net revenue generating programs provides the principle funding for ADMN and is the mechanism by which the program will annually adjust its beginning fund balance. The Department will adjust the administrative overhead assessment for a fiscal year for any beginning cash balance in the recipient programs' accounts over and beyond that prescribed by the Department's fund balance reserve policy. Overhead will increase in FY 07 due, in large part, to increases in electricity costs, the creation of a Business Management Officer positions (re-allocated from INS).

Justification: ADMN's operating costs are covered primarily by the administrative overhead assessment on DCCA's net revenue generating programs. Therefore, any beginning cash balance in excess of that necessary to ensure the continuation of program services into the new fiscal year, should be credited back to the revenue generating programs from where the funding was sourced.

Fiscal Impact: The program expects to reduce its fund balance in the current biennium from 5.3 to 2.4 months. This appears to be a reasonable reserve level for ADMN.

## V. CONCLUSION

The State's booming economy and the resulting upward pressure on revenues and cash reserves notwithstanding, DCCA is committed to reducing its overall fund balances, and keeping its revenues aligned with its expenses. The plan has already borne significant fruit in the form of significant assessment reductions, exam fee waivers and fee cuts. The Department is close to achieving its goals, but will not rest there. We will continue, even after reaching the target, devoting attention and resources to ensuring that revenues and expenditures are closely aligned and that reserves are kept to the minimum necessary.

November 2006

# DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
## Compliance Resolution Fund

| 944,925 | 6,453,637 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **FY05** (act) | **FY06** (act) | | | **FY07** (est = 4 mo. act + 8 mo. est) | | | **FY08** (est) | | | **FY09** (est) | | |
| **Subaccounts** | **END Bal** | **Overhead** | **Rev/(Exp)** | **END Bal** | **Overhead** | **Rev/(Exp)** | **END Bal** | **Overhead** | **Rev/(Exp)** | **END Bal** | **Overhead** | **Rev/(Exp)** | **END Bal** |
| | a | b | cR, cE | d=Σ(a:c)+ adj | e | fR, fE | g=Σ(d:f) | h | iR, iE | j=Σ(g:i) | k | lR, lE | m=Σ(j:l) |
| **CRF-CATV** | 3,046,708 | | 2,134,884 | 4,299,087 | | 75,598 | 1,704,646 | | 825,000 | 1,026,455 | | 1,625,000 | 1,148,264 |
| CCA-102 | | (151,212) | (794,314) | | (442,647) | (2,227,392) | | (270,857) | (1,232,334) | | (270,857) | (1,232,334) | |
| | 25.2 | | | 37.7 | | | 7.7 | | | 8.2 | | | 9.2 |
| **CRF-DCA** | 2,313,521 | | 2,673,523 | 2,778,833 | | 2,668,894 | 2,699,013 | | 2,668,894 | 2,052,687 | | 2,668,894 | 1,047,728 |
| CCA-103 | | (302,424) | (1,907,586) | | (505,882) | (2,242,832) | | (609,427) | (2,705,793) | | (609,427) | (3,064,425) | |
| | 10.0 | | | 11.4 | | | 10.1 | | | 7.4 | | | 3.4 |
| **CRF-DFI** | 3,874,183 | | 2,180,745 | 3,843,945 | | 2,442,990 | 3,776,372 | | 2,506,050 | 3,162,428 | | 2,533,050 | 2,575,484 |
| CCA-104 | | (302,424) | (1,944,171) | | (505,882) | (2,004,681) | | (541,713) | (2,578,281) | | (541,713) | (2,578,281) | |
| | 17.2 | | | 16.4 | | | 14.7 | | | 12.2 | | | 9.9 |
| **CRF-PVL** | 5,998,089 | | 5,505,513 | 6,469,219 | | 5,141,242 | 5,816,836 | | 5,285,947 | 4,961,951 | | 5,211,570 | 4,084,689 |
| CCA-105 | | (604,848) | (4,447,468) | | (1,011,764) | (4,781,861) | | (1,015,712) | (5,125,120) | | (1,015,712) | (5,073,120) | |
| | 13.9 | | | 13.8 | | | 11.3 | | | 9.7 | | | 8.1 |
| **CRF-INS** | 4,795,102 | | 4,025,591 | 2,453,080 | | 6,530,417 | 995,341 | | 8,123,312 | (56,160) | | 8,123,312 | (1,107,661) |
| CCA-106 | | (907,272) | (5,736,426) | | (1,327,941) | (6,660,215) | | (1,557,425) | (7,617,388) | | (1,557,425) | (7,617,388) | |
| | 6.3 | | | 3.8 | | | 1.2 | | | (0.1) | | | (1.4) |
| **CRF-OCP** | 462,945 | 796,743 | 489,106 | 466,578 | 1,163,114 | 248,676 | 465,504 | 1,250,284 | 317,000 | 432,504 | 1,250,284 | 317,000 | 399,504 |
| CCA-110 | | | (1,285,234) | | | (1,412,865) | | | (1,600,284) | | | (1,600,284) | |
| | 4.0 | | | 3.7 | | | 3.6 | | | 3.2 | | | 3.0 |
| **CRF-BREG** | 6,375,905 | | 6,111,001 | 6,807,871 | | 5,508,712 | 5,420,285 | | 8,271,000 | 5,964,509 | | 8,271,000 | 6,508,733 |
| CCA-111 | | (718,257) | (4,979,580) | | (1,201,470) | (5,694,828) | | (1,286,569) | (6,440,207) | | (1,286,569) | (6,440,207) | |
| | 11.3 | | | 12.1 | | | 8.6 | | | 9.3 | | | 10.1 |
| **CRF-RICO** | 7,169,054 | | 4,476,522 | 6,765,935 | | 4,925,000 | 5,906,310 | | 4,395,000 | 3,964,837 | | 4,865,000 | 2,493,364 |
| CCA-112 | | (604,848) | (4,295,255) | | (1,011,764) | (4,772,861) | | (1,083,426) | (5,253,047) | | (1,083,426) | (5,253,047) | |
| | 13.9 | | | 14.3 | | | 11.4 | | | 7.5 | | | 4.7 |
| **CRF-ADMN** | 2,149,574 | 3,046,562 | 75,010 | 832,845 | 5,160,412 | 55,590 | 1,036,513 | 5,521,130 | 55,100 | 1,091,613 | 5,521,130 | 55,000 | 1,146,613 |
| CCA-191 | | | (4,455,091) | | | (5,012,334) | | | (5,521,130) | | | (5,521,130) | |
| | 5.3 | | | 2.0 | | | 2.4 | | | 2.4 | | | 2.5 |
| ***CRF Total*** | 36,185,082 | 252,020 | 27,671,895 | 34,717,393 | 316,176 | 27,597,119 | 27,820,820 | 406,285 | 32,447,303 | 22,600,824 | 406,285 | 33,669,826 | 18,296,718 |
| | | | (29,845,126) | | | (34,809,868) | | | (38,073,584) | | | (38,380,216) | |
| | 11.7 | | | 11.6 | | | 8.5 | | | 7.1 | | | 5.7 |

November 24, 2006

**FOOTNOTES:**

**Ending Balance (months):**

| | | |
|---|---|---|
| all FYs | OCP, ADMN | •(Ending balance $ x 12) / (Ceiling). |
| all FYs | other programs | •(Ending balance $ x 12) / (Overhead + Ceiling). |
| **Administrative Overhead:** | | |
| all FYs | paying programs | •Assessment = (Program ceiling / Aggregate ceiling of paying programs)*(OCP ceiling + ADMN ceiling - adj for OCP, ADMN account balance). |
| **Revenue:** | | |
| FY07 | all programs | •Revenue estimate updates as of 10/2006 for 12/2006 meeting of the Council on Revenues. |
| **Expenditure:** | | |
| FY07 | all programs | •4 months actual + 8 months projected. |
| FY08 & FY 09 | all programs | •Reflects FB 08-09 budget requests |

Att. B

**DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**
**Compliance Resolution Fund**
**Prior Years Initiatives to Reduce Fund Balance / Align Revenues and Expenses**

| PROGRAM | INITIATIVE | AUTHORITY | EFF DATE | IMPACT | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Revenue | | | | | Expense |
| | | | | FY04 | FY05 | FY06 | FY07 | Total | FY05 |
| CCA-102 | Rebate to cable television subscribers, PEG access to underserved. | LP# CCA-35(05), 04(05) | FY05 | - | - | - | - | - | 1,500,000 |
| (CATV) | **Bill did not pass.** | | | | | | | | **0** |
| | Temporarily cease collecting DCCA's portion of franchise fee from subscribers. | HAR 16-132 | 11/1/05-10/30/06 | - | - | (250,000) | (1,250,000) | (1,500,000) | |
| | **Implemented.** | | | | | **(250,000)** | **(1,250,000)** | **(1,500,000)** | - |
| | | | | | | | | | |
| CCA-103 | None. | | | - | - | - | - | - | - |
| (DCA) | | | | | | | | | |
| | | | | | | | | | |
| CCA-104 | Waive exam fees and related expenses for financial institutions, escrow depositories. | HRS §412:2-105 & §449:14 | FYs 04,05,06 | (202,000) | (202,000) | (202,000) | | (606,000) | - |
| (DFI) | **Implemented.** | | | **(202,000)** | **(202,000)** | **(202,000)** | | **(606,000)** | |
| | | | | | | | | | |
| CCA-105 | 10% fee reduction for online renewals for programs authorized under HRS §92-28. | HRS §92-28 and §436B-15 | 12/31/05-6/30/07 | - | - | (158,000) | (163,000) | (321,000) | - |
| (PVL) | **Implemented.** | | | | | **(158,000)** | **(163,000)** | **(321,000)** | |
| | | | | | | | | | |
| CCA-106 | Waive direct assessment. | HRS §431:2-215(d) & §216 | FY04,FY05,FY06 | (2,810,606) | (4,752,658) | (4,752,658) | - | (12,315,922) | - |
| (INS) | **Implemented.** | | | **(2,810,606)** | **(4,752,658)** | **(4,752,658)** | | **(12,315,922)** | |
| | $25 fee reduction for resident producers. | Act 122/04 | as of FY05 | - | (170,000) | (170,000) | (170,000) | (510,000) | - |
| | **Implemented.** | | | | **(170,000)** | **(170,000)** | **(170,000)** | **(510,000)** | |
| | | | | | | | | | |
| CCA-110 | None. | | | - | - | - | - | - | - |
| (OCP) | | | | | | | | - | |
| | | | | | | | | | |
| CCA-111 | 25% disc for online filings/pymt by credit card; 50% disc for HI internet portal subscribers. | HRS §92-28 | as of FY03 | (400,000) | (400,000) | (400,000) | (400,000) | (1,600,000) | - |
| (BREG) | **Implemented.** | | | **(400,000)** | **(400,000)** | **(400,000)** | **(400,000)** | **(1,600,000)** | |
| | 50% fee reduction in document registrations except new bus registrations/annual filings. | Act 116/04 | as of FY05 | | (1,400,000) | (1,400,000) | (1,400,000) | (4,200,000) | - |
| | **Implemented.** | | | | **(1,400,000)** | **(1,400,000)** | **(1,400,000)** | **(4,200,000)** | |
| | Repeal fee for certificate of good standing. | Act 117/04 | as of FY05 | | (70,000) | (70,000) | (70,000) | (210,000) | - |
| | **Bill passed with amendments. Implemented.** | | | | **(70,000)** | **(70,000)** | **(70,000)** | **(210,000)** | |
| | 50% fee reduction for Reg D filings. | HRS §92-28 | as of FY05 | | (30,000) | (55,000) | (55,000) | (140,000) | - |
| | **Implemented.** | | | | **(30,000)** | **(55,000)** | **(55,000)** | **(140,000)** | |
| | 50% fee reduction for initial filings. | HRS §92-28 | as of FY05 | | (177,500) | (330,000) | (330,000) | (837,500) | - |
| | **Implemented.** | | | | **(177,500)** | **(330,000)** | **(330,000)** | **(837,500)** | |
| | 50% fee reduction for annual filings. | HRS §92-28 | as of FY05 | | (295,500) | (615,000) | (615,000) | (1,525,500) | - |
| | **Implemented.** | | | | **(295,500)** | **(615,000)** | **(615,000)** | **(1,525,500)** | |
| | 50% fee reduction for salesperson renewals. | HRS §92-28 | FY05 | | (1,375,000) | - | - | (1,375,000) | - |
| | **Implemented.** | | | | **(1,375,000)** | - | - | **(1,375,000)** | |
| | 50% fee reduction for franchise apps/amendments/renewals. | HRS §92-28 | 11/1/05-10/31/06 | | | (90,000) | (25,000) | (115,000) | - |
| | **Implemented.** | | | | | **(90,000)** | **(25,000)** | **(115,000)** | |
| | 50% fee reduction for apps/renewals for dealers/salespeople, inv advisors/reps, | HRS §92-28 | 11/1/05-10/31/06 | | | (1,900,000) | (200,000) | (2,100,000) | - |
| | initial notice/renewals for investment company securities. **Implemented.** | | | | | **(1,900,000)** | **(200,000)** | **(2,100,000)** | |
| | | | | | | | | | |
| CCA-112 | Reduce expenses. | Act 154/04 | as of FY05 | | - | - | - | - | (237,000) |
| (RICO) | **Implemented.** | | | | | | | | **(237,000)** |
| | 25% compliance resolution fee reduction associated with PVL online renewals. | HRS §92-28 | FYs 05-07 | - | (108,000) | (206,000) | (101,000) | (415,000) | - |
| | **Implemented.** | | | | **(108,000)** | **(206,000)** | **(101,000)** | **(415,000)** | |
| | | | | | | | | | |
| CCA-191 | None. | | | - | - | - | - | - | - |
| (ADMN) | | | | | | | | | |
| TOTAL | Proposed. | | | (3,412,606) | (8,980,658) | (10,598,658) | (4,779,000) | (27,770,922) | 1,263,000 |
| | **Implemented.** | | | **(3,412,606)** | **(8,980,658)** | **(10,598,658)** | **(4,779,000)** | **(27,770,922)** | **(237,000)** |

Att. C

**DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**
**Compliance Resolution Fund**
**Current Year Initiatives to Reduce Fund Balance / Align Revenues and Expenses**

| PROGRAM | INITIATIVE | AUTHORITY | EFF DATE | IMPACT | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Revenue | | | | Expense |
| | | | | FY07 | FY08 | FY09 | Total | |
| CCA-102 (CATV) | Direct cable franchisees to temporarily cease collecting DCCA's portion of the franchise fee from subscribers. | HAR 16-132. | 11/1/06-6/30/07 | (250,000) | (750,000) | - | (1,000,000) | - |
| CCA-103 (DCA) | None. | | | - | - | - | - | - |
| CCA-104 (DFI) | Waive exam fees and related expenses for financial institutions, escrow depositories. financial institutions and escrow depositories. | HRS §412:2-105 and §449:14. | FY06 | (202,000) | - | - | (202,000) | - |
| CCA-105 (PVL) | None. | | | - | - | - | - | - |
| CCA-106 (INS) | None. | | | - | - | - | - | - |
| CCA-110 (OCP) | None. | | | - | - | - | - | - |
| CCA-111 (BREG) | 50% fee reduction for franchise apps/amendments/renewals. | HRS §92-28 | 11/1/06-10/31/07 | (75,000) | (20,000) | - | (95,000) | - |
| | 50% fee reduction for apps/renewals for dealers/salespeople, inv advisors/reps, initial notice/renewals for investment company securities. Implemented. | HRS §92-28 | 11/1/06-10/31/07 | (2,500,000) | (200,000) | - | (2,700,000) | - |
| CCA-112 (RICO) | None. | | | - | - | - | - | - |
| CCA-191 (ADMN) | None. | | | - | - | - | - | - |
| TOTAL | | | | (3,027,000) | (970,000) | - | (3,997,000) | - |

November 15, 2006