Report to the Twenty-Third Legislature
2005 Regular Session

Pursuant to

Act 200, Part III, Section 60, Session Laws of Hawai'i 2003

On

How the Department of Commerce and Consumer Affairs' Expenditures will be Aligned with its Special Fund Revenue Collections, and its Plans to Lower Fees to Appropriate Levels

Department of Commerce and Consumer Affairs
State of Hawai'i

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How the Department of Commerce and Consumer Affairs' Expenditures will be Aligned with its Special Fund Revenue Collections, and its Plans to Lower Fees to Appropriate Levels

I. EXECUTIVE SUMMARY

This is the second of two annual reports required by part III, section 60 of Act 200 (the "Act"), Session Laws of Hawaii ("SLH") 2003 concerning the Department of Commerce and Consumer Affairs' ("DCCA" or "Department") compliance resolution fund ("CRF"). The first report was filed with the Legislature in December 2003 ("2004 Report"). [1]

The Department has made substantial progress toward the twin goals of reducing and leveling its overall fund balance. In 2003 we pursued (Attachment A), and in 2004 we are again pursuing (Attachment B), fee reductions and assessment waivers through both legislative and administrative processes. We continue to believe, as we stated in the 2004 Report, that the CRF cash reserves will fall within our revised policy of 6-9 months by the next biennium. In fact, with the 2005 Legislature's assistance in passing critical customer-friendly legislation, we expect that the fund will meet the goal by the end of this (FY05) fiscal year. Attachment C.

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] The Act was subsequently amended by Act 41 (2004), section 41(36) to eliminate the requirement for this report, and to substitute another report concerning the use of the Department's general funds. This was consistent with the Legislature's determination to allocate $29,205,558 in general fund monies to the Department. Act 41 (2004), section III, item J. The Governor, however, vetoed SB 2525, which would have eliminated the CRF. As a result, the general fund allocation was deemed superfluous in light of the continued existence of the compliance resolution fund, and those monies were not allocated by the Governor. Since the Department has no general funds under the budget act, the Department is submitting this report on its use of special funds, consistent with what it understands to have been the Legislature's intent.

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 taking office in January 2003, this Administration has worked with the Legislature to implement the following fee/assessment reductions (see Attachments A and 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 Hawaii 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 Hawaii by $3,608,574 from the assessment made in 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; and

- 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;

In addition, the Department has been able to initiate the following fee/assessment reductions during the current fiscal year:

- BREG has initiated 50% reductions for 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") has initiated a two-year 25% reduction of compliance resolution fees associated with professional and vocational license online renewals, with projected foregone revenue of $108,434, $206,287 and $100,680 for FY05, FY06 and FY07 respectively;

- INS will not make any assessments of insurers in FY 05, with foregone FY 05 revenue of $1,943,079;

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

- Cable Television Division ("CATV") has been directed to initiate rule changes to give the department flexibility to reduce that portion of the franchise fee (currently 1%) currently charged on behalf of DCCA to Hawaii's cable television subscribers, with potential foregone annual revenue beginning in FY 06;

Finally, the Department is proposing approximately $1.5 million in CATV spending for the purposes of rebating monies to cable television subscribers and/or PEG expansion to underserved areas. Any rebate would effectively amount to a temporary fee reduction for cable television subscribers.

II. INTRODUCTION

The Act, known as the General Appropriations Act of 2003, reads in pertinent part as follows:

> "SECTION 60. 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*; and 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 this report shall be submitted to the legislature no later than twenty days prior to the convening of the 2004 and 2005 regular sessions, respectively." (Emphasis added)

As this is the second in a series of such reports,[2] the DCCA's background, its source of funds, its historical cash reserve policy and the reasonableness of its current plan to reduce fund reserves to 6-9 months of spending ceiling, all contained in the 2004 Report, will not be discussed. Instead, we will move directly to the plan and its intended implementation in FY 05.

[2] In testimony submitted in response to SB 2525 (2004), the Department offered to make the filing of this Report a permanent obligation. The Legislature did not act on the Department's offer; nevertheless, the Department remains ready to make this Report a permanent feature of the fund if the Legislature believes it appropriate to do so.

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 budgeting regimen that focused on more realistic revenue and expenditure levels. Prior to that, the Department had used conservative revenue and expenditure ceiling figures.

The Department's fee reduction plan is formulated to reduce the CRF's existing fund balance and to bring its revenues in line with its expenses. As such, DCCA currently projects that its FY 05 expenditures will exceed its FY 05 revenues. Attachment C.

While the Department projects an increase in expenditures, realignment also requires significant reductions in revenues. The 2004 Report reflected DCCA's proposal to reduce FY 05 revenues by approximately $2.1 million. 2004 Report, Appendix, Attachment A-1. The Department is now proposing an additional $3.5 million in FY 05 fee cuts / assessment waivers (Attachment B), bringing the total FY 05 reduction to $6.1 million (including the $400,000 annual reduction implemented at the end of FY 03, and recognizing proposals not adopted by the Legislature). Those cuts and waivers are projected to bring the FY 05 CRF end of year balance to $27,694,278 or 8.9 months. Attachment C.

Most of these additional initiatives are already being implemented administratively. DFI has already waived its FY 05 examination fees and related expenses totaling $202,000. *Infra*, section III, B, 3. In order to encourage increased use of online services, RICO is reducing by 25% its online fees for program renewals, which are expected to reduce FY 05 revenues by at least $108,434 (*infra*, section III, B.8). BREG has reduced by 50% the fees associated with its

(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. These reductions will have the effect of reducing FY 05 revenues by $1,878,000. *Infra*, section III, B.9. INS reduced its FY 05 direct assessments by $1,943,079 from the assessment made in FY 04, *infra*, section III, B.5, while CATV seeks legislative authorization to expand PEG services or rebate funds to cable subscribers ($1,500,000). *Infra*, section III, B.1

At the same time that the Department focuses on bringing the CRF balance within the revised reserve level policy, it recognizes the need to keep its reserves at a reasonable level. Maintaining that alignment, though, will require more frequent – but modest – fee adjustments. Therefore, the Department must have the flexibility to adjust its fees and other non-tax revenues to keep revenue collections aligned with expenditures during times of changing economic conditions and in response to customer demands.

Existing laws limit DCCA's ability to make these adjustments expeditiously. Section 26-9(o), HRS, authorizes the Director to establish, increase, decrease, or repeal CRF fees as necessary pursuant to rules adopted under Chapter 91, HRS. Rule changes, however, can take a year or more to implement. The longer the lag between identifying the need for more or less revenue and being able to address the need, the more uncertain the budget picture and the larger the CRF reserve level has to be to ensure program viability. DCCA is anxious to loosen its budgetary safety net, but the procedural tight rope on which it walks must also be strengthened.

Section 92-28, HRS, presently allows DCCA to increase or decrease *certain* fees or other non-tax revenues by up to fifty percent of the statutorily assessed amount, with the Governor's approval, to maintain a reasonable relation between the revenue and the cost or value of services rendered by the Department. By means of Act 116, the 2004 Legislature approved the expansion of section 92-28 to include seven additional chapters that address BREG; nevertheless, the section still omits 79 chapters specific to other DCCA fees or other non-tax revenues. As a result, DCCA is proposing again to extend the statutory authority granted under section 92-28 to *all* fees and non-tax revenues, whether determined by statute or rule, that are administered by the Department.

B. DCCA Plans To Lower Fees To Appropriate Levels

The franchise fee rebate and fee/assessment cuts outlined here, many of which have already been implemented, will save Hawaii residents approximately $10,000,000 over the current biennium, and will help improve Hawai'i's business climate.

Program details follow.

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

Action Plan: The department anticipates expending approximately $1.5 million through CATV by means of a rebate to cable television subscribers and/or for increased funding to support public, education, and government ("PEG") cable television access in underserved areas.

Justification: DCCA held public comment meetings in Hilo, Kona, Honolulu, Kahului, and Lihue. Public responses reflected a strong interest in PEG access and a need to improve PEG access in underserved areas throughout the State. In addition, to the extent that program fee revenues exceed the amount necessary, there should be (1) a reduction in DCCA's portion of the cable franchise fee and/or (2) a refund of any excess monies to those who paid them.

Fiscal Impact: A FY 05 expenditure of approximately $1.5M, would reduce CATV's fund balance from 22.3 months to 8.3 months.

Estimated Revenue Reduction / (Expenditure Increase)		
Description	**FY 04**	**FY 05**
Reimbursement to cable television subscribers and/or PEG service expansion		(1,500,000)

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

Action Plan: A permanent Administrator for the program was appointed in FY 04, and he is aggressively pursuing efforts to recruit and retain qualified individuals for the program's highly technical positions. DCA expects to significantly lower its position vacancies in the current biennium.

Justification: DCA receives its primary funding from the proceeds in the PUC Special Fund, pursuant to section 269-33, HRS. Funding is received quarterly in an amount not exceeding 30% of the net proceeds in the PUC Special Fund, after payment of the central services assessment, and in accordance with legislative appropriations. The program's fund balance is currently in compliance with the Department's fund reserve level policy.

Fiscal Impact: The program's beginning fund balance in FY 05 is within the Department's revised policy level. With additional hiring, however, DCA will need to monitor what may become a lower than desirable reserve level.

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

Action Plan: In FY 04 and FY 05, 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 $404,000. This waiver is temporary and subject to regular review by the program's Commissioner.

Justification: DFI may 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: This program's FB 03-05 revenue will decrease by $404,000. DFI expects to reduce its fund balance in the current biennium from 18.4 to 16.9 months. This appears to be a reasonable reserve level for DFI because the agency does not receive the bulk of its annual revenue until the end of the fiscal year.

Estimated Revenue Reduction / (Expenditure Increase)		
Description	**FY 04**	**FY 05**
Waiver of exam fees and related costs	202,000	202,000

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

Action Plan: PVL's 2004 fee reduction proposals (discount for on-line filers and those adopting inactive status) were held by the Legislature. PVL proposes no reduction to its FY 05 fee structure.

Justification: PVL proposes no fee reductions due to uncertainty over (i) the permanence of the unanticipated increase in PVL's FY 04 revenues, (ii) the amount of revenues/expenses that can reasonably be expected from the newly-transferred (July 1, 2004) mental health counselors program, and (iii) the loss of future program revenues associated with its proposal to transfer its mortgage brokers licensing program to DFI.

Fiscal Impact: None

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

Action Plan: INS reduced its FY 04 direct assessment on insurers from $5,551,653 in FY 03 to $1,943,079 in FY 04. Additionally, in FY 05, INS reduced licensing fees for resident producers by $25 (for a total reduction of $170,000), and made no assessments on insurers. 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: Because INS can assess the insurance industry as often as is necessary on 60 days' notice, the division can operate with less cash in reserve than some other divisions. The waiver of assessment in FY 05 will reduce the division's fund balance in the current biennium from 9.8 months to 5.0 months. This appears reasonable under the circumstances.

Fiscal Impact: As a result of the above stated savings to licensees, this program's CRF funds would see decreased revenue in the FB 03-05 of $5,721,653. INS will need to resume assessments in FY 06 in order to maintain a reasonable reserve balance.

Estimated Revenue Reduction		
Description	**FY 04**	**FY 05**
Direct Assessment reduction from prior yr	3,608,574	1,943,079
Fee Reduction for resident producers	0	170,000
TOTAL	3,608,574	2,113,079

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 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 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.

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 the current biennium from 10.9 to 3.7 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 last session, 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 is limited to FY 05. These reductions will have the effect of reducing FY 05 revenues by $1,878,000.

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: As a result of the above savings to licensees, this program's CRF funds would see decreased revenue in the FB 03-05 of approximately $4,000,000. BREG expects these initiatives to bring program revenues in better alignment with expenditures. As a result, the program's fund balance is expected to fall from 9.4 months to 8.2 months through FY 05.

Estimated Revenue Reduction		
Description	**FY 04**	**FY 05**
25%-50% reduction for online filers	400,000	400,000
50% reduction for doc registration fees	0	1,470,000
50% reduction on Reg. D filings		30,000
50% reduction on all on-line Initial Filings		57,500
Up to 50% reduction on paper Initial Filings		120,000
50% reduction on all on-line Annual Filings		41,500
Up to 50% reduction on paper Annual Filings		254,000

50% reduction in renewal fees for salespersons		1,375,000
TOTAL	400,000	3,748,000

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) represents a pure budget ceiling reduction, with the remainder amounting to a transfer to the office of consumer protection. RICO also intends to implement a two-year 25% reduction in online CRF fees, resulting in revenue reductions of $108,434, $206,287 and $100,680 in FY 05, FY 06 and FY 07, respectively.

Justification: With reduced revenues on the horizon for two years, the program expects its beginning fund balance to be consistent with the Department's fund reserve level policy by the end of FY 06. A program analysis determined that cost cuts were feasible. These cost cuts will bring program expenditures and revenues in closer alignment, and are a conservative attempt to better ensure that the program is able to maintain a sufficient fund balance.

Fiscal Impact: As a result of the above stated initiative, the program expects actual costs are expected to better approximate budgeted costs. RICO will close the year with reserves of 11.6 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**
Two-year 25% reduction in CRF fees for online filers		108, 434

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.

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 5.9 to 4.5 months. This appears to be a reasonable reserve level for ADMN.

V. CONCLUSION

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. Longer lasting reform in the form of more securely aligned revenues and expenses can be ensured beginning FY 06 upon legislative approval.

December 29, 2004
Att. A

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
Compliance Resolution Fund
Prior Year Action Plan to Reduce Fund Balance / Align Revenues and Expenses

PROGRAM	MOF	INITIATIVE / OUTCOME	AUTHORITY	EFF DATE	IMPACT			
					Revenue			Expense
					FY04	FY05	Total	FY05
CCA-102 (CATV)	B	3-year pilot project for public, education, government ("PEG") cable television access in underserved areas. ***Bill did not pass.***	Statute Δ required. Leg proposal CCA-44 (04).	FY05	-	-	-	800,000 ***0***
CCA-104 (DFI)	B	Waive exam fees and related expenses for financial institutions and escrow depositories. ***Implemented.***	HRS §412:2-105 and §449:14.	FY04, FY05	(202,000) ***(202,000)***	(202,000) ***(202,000)***	(404,000) ***(404,000)***	-
CCA-105 (PVL)	B	$10 discount for online renewals. ***Bill did not pass.***	Statute Δ required. Leg proposal CCA-02 (04).	FY05-FY08	-	(170,000) ***0***	(170,000) ***0***	-
	B	Add inactive filing option with 25% fee reduction for for inactive filers ***Bill did not pass.***	Statute Δ required. Leg proposal CCA-18 (04).	FY05-FY08	-	(73,000) ***0***	(73,000) ***0***	-
CCA-106 (INS)	B	Waive FY04 assessments. ***Implemented.***	HRS §431:2-215(d) & 216	FY04	(3,608,574) ***(3,608,574)***	-	(3,608,574) ***(3,608,574)***	-
	B	$25 fee reduction for resident producers. ***Implemented.***	Statute Δ required. Leg proposal CCA-10 (04).	FY05	-	(170,000) ***(170,000)***	(170,000) ***(170,000)***	-
CCA-111 (BREG)	B	25% for online filings and payment by credit card and by 50% for Hawaii internet portal subscribers.* ***Implemented.***	HRS §92-28	as of FY03	(400,000) ***(400,000)***	(400,000) ***(400,000)***	(800,000) ***(800,000)***	-
	B	50% fee reduction in document registrations except new business registration and annual filings. ***Implemented.***	Statute Δ required. Leg proposal CCA-37(04).	as of FY05	-	(1,400,000) ***(1,400,000)***	(1,400,000) ***(1,400,000)***	-
	B	Repeal fee for certificate of good standing. ***Bill amended by legislature to require $5 fee.***	Statute Δ required. Leg proposal CCA-36(04).	as of FY05	-	(93,000) ***(70,000)***	(93,000) ***(70,000)***	-
CCA-112 (RICO)	B	Reduce expenses. ***Implemented.***	Statute Δ required. Supp budget request.	FY05	-	-	-	(237,000) ***(237,000)***
TOTAL	B	Proposed. ***Implemented.***			(4,210,574) ***(4,210,574)***	(2,508,000) ***(2,242,000)***	(6,718,574) ***(6,452,574)***	563,000 ***(237,000)***

*Not included in 2004 report Att. A.

December 29, 2004
Att. B

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

PROGRAM	MOF	INITIATIVE	AUTHORITY	EFF DATE	IMPACT				
					Revenue				Expense
					FY05	FY06	FY07	Total	FY05
CCA-102 (CATV)	B	Rebate to cable television subscribers and/or expenditure to increase public, education, government ("PEG") cable television access to underserved areas.		FY05	-	-	-	-	1,500,000
CCA-103 (DCA)	B	None.	-	-	-	-	-	-	-
CCA-104 (DFI)	B	Waive exam fees and related expenses for financial institutions and escrow depositories.	HRS §412:2-105 and §449:14.	FY05	(202,000)	-	-	(202,000)	-
CCA-105 (PVL)	B	None.	-	-	-	-	-	-	-
CCA-106 (INS)	B	Waive FY05 assessments.	HRS §431:2-215(d) & 216	FY05	(1,943,079)	-	-	(1,943,079)	-
	B	$25 fee reduction for resident producers.	Act 122/04	as of FY05	(170,000)	(170,000)	(170,000)	(510,000)	
CCA-110 (OCP)	B	None.	-	-	-	-	-	-	-
CCA-111 (BREG)	B	25% for online filings and payment by credit card and by 50% for Hawaii internet portal subscribers.	HRS §92-28	as of FY03	(400,000)	(400,000)	(400,000)	(1,200,000)	-
	B	50% fee reduction in document registrations except new business registration and annual filings.	Act 116/04	as of FY05	(1,400,000)	(1,400,000)	(1,400,000)	(4,200,000)	-
	B	Repeal fee for certificate of good standing.	Act 117/04	as of FY05	(70,000)	(70,000)	(70,000)	(210,000)	-
	B	50% fee reduction for Reg D filings.	HRS §92-28	as of FY05	(30,000)	(55,000)	(55,000)	(140,000)	-
	B	50% fee reduction for initial filings.	HRS §92-28	as of FY05	(177,500)	(330,000)	(330,000)	(837,500)	-
	B	50% fee reduction for annual filings.	HRS §92-28	as of FY05	(295,500)	(615,000)	(615,000)	(1,525,500)	-
	B	50% fee reduction for salesperson renewals.	HRS §92-28	FY05	(1,375,000)	-	-	(1,375,000)	-
CCA-112 (RICO)	B	Reduce expenses.	Act 154/04	FY05	-	-	-	-	(237,000)
	B	25% fee reduction for compliance resolution fees associated with PVL online renewals.	HRS §92-28	FY05-FY07	(108,000)	(206,000)	(101,000)	(415,000)	-
CCA-191 (ADMN)	B	None.	-	-	-	-	-	-	-
TOTAL	B				(6,171,079)	(3,246,000)	(3,141,000)	(12,558,079)	1,263,000

December 29, 2004

Att. C

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
CRF Financial Plan

	FY03 (act)	FY04 (act)			FY05 (est = 5 mo. actual + 7 mo. proj)				FY06 (est = budget request)		
Subaccounts	**END Bal** a	**Overhead** b	**Rev/(Exp)** cR, cE	**END Bal** d=Σ(a:c)+adj	**Act 240/04** e	**Overhead** f	**Rev/(Exp)** gR, gE	**END Bal** h=Σ(d:g)	**Overhead** i	**Rev/(Exp)** jR, jE	**END Bal** k=Σ(h:j)
CRF-CATV	1,939,668		1,391,802	2,481,827	0		1,424,262	998,345		1,420,000	978,881
CCA-102		(155,255)	(726,593)			(233,979)	(2,673,765)		(230,726)	(1,208,738)	
	15.1			22.3				8.3			8.2
CRF-DFI	3,738,540		2,239,073	3,937,811	0		2,138,600	3,800,816		2,388,500	3,284,607
CCA-104		(310,510)	(1,739,489)			(311,972)	(1,963,623)		(461,451)	(2,443,258)	
	16.9			18.4				16.9			13.6
CRF-PVL	4,598,939		4,996,953	5,153,140	0		4,344,000	4,442,430		4,405,500	2,947,173
CCA-105		(582,205)	(3,901,173)			(584,947)	(4,469,763)		(922,902)	(4,977,855)	
	11.1			12.5				10.3			6.0
CRF-INS	6,882,216		5,464,996	6,947,485	0		5,156,781	3,755,507		8,916,597	2,743,538
CCA-106		(970,342)	(6,261,377)			(1,013,908)	(7,334,851)		(1,557,397)	(8,371,169)	
	9.5			9.8				5.0			3.3
CRF-BREG	3,053,089		11,745,280	9,262,016	(4,100,000)		5,809,000	4,624,636		7,096,000	4,662,004
CCA-111		(776,274)	(4,787,565)			(740,933)	(5,605,447)		(1,095,946)	(5,962,686)	
	5.7			16.9				8.2			7.9
CRF-RICO	5,888,106		4,575,619	6,129,515	0		4,733,000	6,010,641		3,914,000	3,902,153
CCA-112		(737,460)	(3,609,851)			(701,937)	(4,149,937)		(980,584)	(5,041,904)	
	10.6			11.5				11.6			7.8
CRF-DCA	1,737,110		2,518,516	1,737,007	0		2,535,837	1,839,016		2,622,100	1,349,883
CCA-103		(349,323)	(2,176,031)			(311,972)	(2,121,856)		(519,133)	(2,592,100)	
	6.8			7.1				7.9			5.2
CRF-OCP	1,588,098	379,204	131,595	1,158,940	0	172,141	318,200	428,631	1,137,471	312,200	390,831
CCA-110			(942,761)				(1,220,650)			(1,487,471)	
	14.6			10.9				3.7			3.2
CRF-ADMN	2,443,647	3,502,165	110,745	2,203,736	0	3,727,507	51,200	1,794,256	4,630,668	41,200	1,593,956
CCA-191			(3,866,202)				(4,188,187)			(4,872,168)	
	6.4			5.9				4.5			3.9
CRF Total	31,869,413	0	33,174,579	39,011,477	(4,100,000)	0	26,510,880	27,694,278	0	31,116,097	21,853,026
			(28,011,042)				(33,728,079)			(36,957,349)	
	11.0			13.3				8.9			7.1

December 29, 2004

Att. C cont.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

CRF Financial Plan

FOOTNOTES:

Ending Balance ($):

fy03-fy04	all programs	●Adj for prior year transactions.

Ending Balance (months):

all fys	OCP, ADMN	●(Ending balance $ x 12) / (Ceiling).
all fys	other programs	●(Ending balance $ x 12) / (Overhead + Ceiling).
fy05	CATV	●Adj ceiling -800K for PEG.

Administrative Overhead Assessment:

all fys	paying programs	●Assessment = (Program ceiling / Aggregate ceiling of paying programs)*(OCP ceiling + ADMN ceiling - adj).
		●Adj for OCP and ADMN account balance = -1.9M (FY04 act). -2.3M (FY05 est). -591.5K (FY06 est).

Revenue:

fy05 on	all programs	●Last program update to B&F (12-2004).
fy05	INS	●Adj for omission of assessment.
fy05 on	INS	●Adj for CIAF transfer-in per section 431:19-101.8, HRS = 1,239,439 (FY04 actual). 1,473,477 (FY05 actual). 1,688,897 (FY06 est).

Expenditure:

fy04	PVL	●Act 198/03 (UH center for nursing) not reflected. Net effect is 0.
fy05	all programs	●5 months actual + 7 months estimate
fy06	all programs	●FB 05-07 budget request.