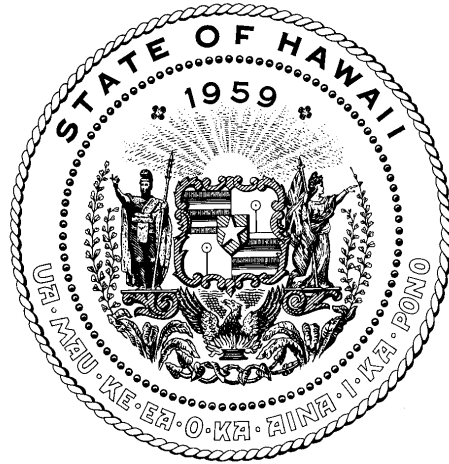


# Annual Compliance Resolution Fund Report



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
STATE OF HAWAII  
SUBMITTED DECEMBER 2024

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## INTRODUCTION

The Department of Commerce and Consumer Affairs (DCCA or Department) submits its Annual Compliance Resolution Fund (CRF) Report pursuant to Hawaii Revised Statutes (HRS) section 26-9(o). The report describes the use of the CRF for the fiscal year (FY) beginning July 1, 2023, and closing June 30, 2024, by presenting an overview of the functions and activities of core DCCA programs funded by the CRF. In addition, the report provides a financial summary of expenditures from the CRF, including personnel and operating expenses and revenues received.<sup>1</sup> The report complies with Act 100, Session Laws of Hawaii (SLH) 1999, which requires all state departments and agencies to identify their goals, objectives, and policies to provide a basis for determining priorities and allocating limited public funds and human resources.

As a special-funded department, the DCCA's primary funding source is the CRF, and the Department relies upon the fees and fines assessed by its programs instead of general tax revenues. Pursuant to HRS section 26-9(o), fees shall be assessed and deposited into the CRF for issuance of a license, permit, certificate, registration, and subsequent renewals, together with all other fines, income, and penalties collected or reimbursement of costs or attorneys' fees assessed from actions brought by the Department. The director of the DCCA may use the moneys in the CRF to employ and train hearings officers, attorneys, and other necessary personnel for CRF-funded operations, and the CRF shall defray all other administrative costs, including costs to operate the supporting offices of the DCCA. The CRF may also fund any other activity relating to compliance resolution.

“Compliance resolution” is defined in HRS section 26-9(o) and means a determination of whether:

- (1) Any licensee or applicant under any chapter subject to the jurisdiction of the DCCA has complied with that chapter;
- (2) Any person subject to HRS chapter 485A has complied with that chapter;
- (3) Any person submitting any filing required by HRS chapter 514E or HRS section 485A-202(a)(26) has complied with that chapter or section;
- (4) Any person has complied with the prohibitions against unfair and deceptive acts or practices in trade or commerce; or
- (5) Any person subject to HRS chapter 467B has complied with that chapter

and includes work involved in or supporting the above functions, licensing, or registration of individuals or companies regulated by the Department, consumer protection, and other activities of the Department.

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<sup>1</sup> The CRF summary figures in this report are pre-close numbers.

## OFFICE OF THE DIRECTOR

### OVERVIEW AND COMPOSITION

The Office of the Director (Director's Office) provides general policy and administrative leadership in supervising and coordinating various department activities. The Director's Office also includes the **Hawaii Post-Secondary Education Authorization Program**, which authorizes accredited post-secondary degree-granting institutions to operate in the State, and the **Personnel Office**, which provides personnel management services to the Department.

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### GOALS AND OBJECTIVES

The Department's goals and objectives are detailed in the report sections of each division<sup>2</sup> and summarized below:

- Ensure effective and timely oversight of regulated industries and greater promotion of consumer education by providing the Department's divisions with adequate resources to carry out their responsibilities.
- Improve and upgrade existing operating systems and technologies the Department uses to advance its capabilities in responding to consumer issues and helping businesses navigate the regulatory environment.
- Provide transparency and accountability in the Department's operations.
- Improve the regulatory environment for businesses and consumers by collaborating with other agencies to provide effective and efficient regulation, as well as safe and appropriate economic development.

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<sup>2</sup> The Public Utilities Commission (PUC or Commission) is funded by the PUC Special Fund pursuant to HRS section 269-33 and not in any part by the CRF. HRS section 269-5 requires the Commission to submit its own annual report to the Legislature. Please see the 2023 Public Utilities Commission Annual Report for information on PUC operations.

## **ACCOMPLISHMENTS OF THE DIRECTOR'S OFFICE AND INFORMATION SYSTEMS AND COMMUNICATIONS OFFICE IN FY 2024**

### **Consumer Education Program**

#### Consumer Education Program

The Consumer Education Program (CEP) is dedicated to empowering the community with essential information on consumer protection.

In March 2024, the CEP proudly sponsored the 19th annual National Consumer Protection Week Fair, the second consecutive in-person celebration following virtual events during the pandemic. This marks the first year it was hosted at the Hawaii State Capitol. Representatives from local, federal, and community organizations delivered key insights and addressed public concerns on topics such as identity theft, healthcare fraud, and various scams. Notable participants included the Internal Revenue Service, U.S. Attorney's Office – Hawaii, U.S. Department of Housing and Urban Development, Better Business Bureau, Legal Aid Society of Hawaii, and over two dozen other state, county, and community organizations.

In addition to its involvement in DCCA sponsored events, the CEP regularly engages in a number of community outreach events per month to maximize community engagement. The program also ensures its presence in at least one community event on every neighbor island annually, strengthening its relationship with the public statewide and reaching underrepresented communities.

As part of a digital initiative, the CEP develops consumer content and highlights the information to consumers electronically via the department's website and social media platforms. "Consumer Wise Wednesdays" is a weekly post on Facebook that provides tips on a gamut of consumer issues, such as identity theft, condominium owners' rights and responsibilities, and hurricane preparedness. This information is also disseminated department-wide and made available to government and community stakeholders.

The CEP oversaw the modernization of DCCA's website. The project consisted of the launch of newly redesigned website pages, including a revamped homepage, aimed at providing visitors with a seamless and intuitive browsing experience and a new complaint management webpage, signifying an ongoing commitment to enhancing user accessibility and engagement. The CEP provided design input as pages were created and currently manages the general complaint intake system.

In support of the electronic initiatives, DCCA implemented organic and paid digital outreach efforts through various multimedia vehicles which amounted over 366,000 in reach and 2.6 million impressions across social media platforms.

Additionally, the CEP supports various department divisions, including the Real Estate Branch, the Business Registration Division's LifeSmarts program, and the Division of Consumer Advocacy, by developing digital media content, multimedia production, and graphic design materials.

A comprehensive communications campaign was also launched addressing contracting licensing and unlicensed activity, utilizing a blend of traditional and digital media, with an emphasis on Maui as the rebuilding process following the devastating wildfires. The campaign aims to raise awareness about unlicensed contracting, promote best practices in hiring professionals, and provide resources through DCCA's website. The campaign includes press releases, media interviews, digital advertisement, television and radio public service announcements, and physical advertisements.

The CEP updated the Military Consumer Guide, which is available in hard copy and on the DCCA website. The booklet offers comprehensive information to protect against fraudulent activities, as well as necessary information for military families to live and work in the state. The guide provides information about consumer topics that often affect Hawaii's military community, including housing, buying a car, specific protections, and identity theft. It also explains laws and regulations governing professional licensure and starting a business in Hawaii. The information in the publication has been updated to reflect changes resulting from the 2024 legislative session.

Finally, CEP continues to strengthen its partnerships with the Federal Trade Commission, AARP, and other national and local organizations to expand the reach of consumer protection information across Hawaii.



**Hawaii Post-Secondary Education Authorization Program**

In FY 2024, HPEAP issued no new school authorizations. Four of its authorized schools closed their Hawaii location in FY 2024. In addition, two other schools issued notice of intent to close their Hawaii location in FY 2025, leaving 19 authorized institutions in Hawaii moving forward. HPEAP continues to issue transcripts for former students of Argosy University – Hawaii, which closed in 2019, Heald College Honolulu, which closed in April 2015, and World Medicine Institute, which closed in April 2018.

HPEAP is the designated state portal entity for the State Authorization Reciprocity Agreement (SARA). SARA is an agreement among member states that establishes comparable national standards for interstate offering of post-secondary education distance courses. In FY 2024, HPEAP added two schools, the Institute of Clinical Acupuncture and Oriental Medicine and Hawaii Medical College, to its list of SARA institutions. There are 16 participating schools in total.

HPEAP continues to work with stakeholders, including the U.S. Department of Education and accrediting agencies, to ensure that Hawaii schools and students will continue to fully participate in and benefit from Title IV programs.

**Office of the Director’s Legislative Coordination**

In FY2024, the Director’s Office, including multiple DCCA administrative services and support offices, oversaw the Department’s legislative activities concerning budgetary, fiscal, personnel, and administrative matters. The Director’s Office assisted with the legislative operations of each division and liaised with other state departments, agencies, branches or government, and community and business groups on legislative matters.

During the Regular Session of 2024, the Department submitted 431<sup>3</sup> testimonies and comments and recommendations pertaining to consumer and commerce matters. In addition, the Department supported various nominees for the boards and commissions attached to the DCCA. Several of the Department’s legislative proposals, which were introduced as part of the Governor’s administration package, received favorable consideration by the Legislature and were enacted.

Following the adjournment of session, the Department’s legislative coordinator/administrative assistant continued to support the DCCA in implementing legislative directives and coordinating departmentwide activities for the 2025 legislative session.

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<sup>3</sup> This total does not include testimonies submitted by the PUC.

## Information Systems and Communications Office

The Information Systems and Communications Office (ISCO) assists the Department with information technology hardware, software, and custom programming support, departmental website support, and telephone and other communication services support.

For the Business Registration division's modernization project, ISCO supported the division and the system integrator with extensive analysis, architecture support, data cleanup, data extraction and migration, and continues to support the project moving forward.

ISCO continued to enhance its legislative tracking system LeTS, which assists DCCA Legislative Coordinators in tracking active measures from the Hawaii State Capitol website. The LeTS application filters and follows legislative measures of interest and tracks Division positions and testimony on a per-measure basis. The latest enhancements include simplifications to the user interface, greater efficiency in back-end processing, and incorporation of a range of user-requested improvements to application functionality.

ISCO embarked on a major IT strategy re-design, with the three major thrusts being migration of servers and infrastructure to the cloud to improve robustness and resilience to disaster, insourcing of Salesforce support, and improved data integration.

ISCO continued to support multiple state technical committees, representing DCCA for the Access Hawaii Committee; Employee Emergency Communications (Alert Media); Enhancing the Value of State Data working group; Statewide IT Portfolio Governance working group; Information Privacy & Security Council (IPSC); the ETS IT Coordination Team; and multiple committees of the IT Consolidation Working Group.

To boost disaster resilience, ISCO initially adopted VMWare's VCDR, a cloud disaster recovery system. Later, the switch was made to AWS Elastic Disaster Recovery System (EDRS) for its superior RTO/RPO.

As divisions handle larger files, our network connection's bandwidth and speed needed an upgrade. ISCO's ongoing enhancements involve upgrading switches in IDFs, core switches, firewalls, and network connections to 10G—resulting in increased throughput from the desktop to the ETS-managed State Network.

The public Wifi system, particularly for conference rooms, was upgraded to WiFi6, allowing DCCA laptops secure connections to the internal network. The internet connection for this system was also upgraded to HT Gig Fiber.

PrinterLogic was introduced to better manage our network printers. It offers advanced control and management capabilities, enabling users to install printers independently without ISCO support.

Neighbor island offices saw improvements with the switch to Hawaiian Tel Fiber circuits and new routers for faster, more reliable communication. Wireless internet access was also added.

Lastly, enhancing building access control and security was a priority. ISCO upgraded the access control system, covering various division doors and adding a new badge printer.

### **CRF FINANCIAL SUMMARY FOR FY 2024**

The following is the Department's CRF financial summary for FY 2024:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$ 41,998,380	\$ 22,682,176	\$ 64,680,556	\$ 60,775,869

As a special-funded department, the DCCA requires that revenue-generating divisions secure revenues to cover their expenses and contribute equitably to overhead costs, while ensuring that they can address anticipated major improvements and expenditures and maintain adequate reserves. Maintaining an adequate reserve ensures fund solvency and continuation of mandatory public services. Since the onset of the CRF, the Department's primary fiscal goal has been to implement this strategy through conservative spending and adjusting its expenses to align with projected revenues. Accordingly, the Department's financial planning accounts for current FY year expenses, as well as future major projects and expenditures.

The following is the Director's Office's (includes the Administrative Services Office, CEP, HPEAP, ISCO, Office of Administrative Hearings, and Personnel) CRF financial summary for FY 2024:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$ 6,269,295	\$ 12,091,741	\$ 18,361,036	\$ 658,704

## BUSINESS REGISTRATION DIVISION

### OVERVIEW AND COMPOSITION

The Business Registration Division (BREG) has three primary functions: (1) ministerial business registration, processing, and maintenance of business registration documents, including corporations, general and limited partnerships, limited liability partnerships, limited liability limited partnerships, limited liability companies, cooperatives, trade names, trademarks, service marks, and publicity rights; (2) to provide general assistance to businesses applying for state business registrations and information on employer registrations and state taxpayer IDs; and (3) regulatory oversight over the securities industry and franchises in the State in the following areas: registration of broker-dealers, agents, investment advisers, investment adviser representatives, investment companies, and securities and franchise offerings for sale in the State; field examinations of broker-dealers and investment advisers in the State; review of securities and franchise offerings for sale in the State; and enforcement of the Hawaii Uniform Securities Act and the Hawaii Franchise Investment Law. BREG also conducts statewide outreach through its Investor Education Program, which provides free presentations and resources relating to investment fraud protection.

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Website (Securities):	<a href="http://cca.hawaii.gov/sec">cca.hawaii.gov/sec</a>
Email:	<a href="mailto:breg@dcca.hawaii.gov">breg@dcca.hawaii.gov</a>
Maui office address:	(Business Action Center – Maui) Wells Professional Center 2145 Wells Street, Suite 106 Wailuku, HI 96793 Phone: (808) 243-8679

The **Documents Registration Branch (phone: (808) 586-2727)** consists of the Documents Information Section, Documents Processing Section, and Records Section. The branch maintains the State's business registry for corporations, limited liability companies, general partnerships, limited partnerships, limited liability limited partnerships, and limited liability partnerships conducting business activities in the State. In addition, the registry contains filings for trade names, trademarks, service marks, and publicity rights.

The **Business Action Center (phone: (808) 586-2545)** provides general assistance with state business registrations, and information on other requirements such as employer registrations, state taxpayer IDs, and more. The center has offices on Oahu and Maui. Services are delivered in-person and via phone, email, mail, fax, and Live Chat, an instant messaging system that allows customers on the Hawaii Business Express website to obtain real-time assistance from a customer service representative.

The **Securities Enforcement Branch (phone: (808) 586-2740)** enforces state laws governing the securities industry under the Hawaii Uniform Securities Act and franchises under the Franchise Investment Law. The branch investigates and prosecutes cases involving state securities law and franchise law violations.

The **Securities Compliance Branch (phone: (808) 586-2722)** is responsible for the registration of securities broker-dealers, agents, investment advisers, investment adviser representatives, investment companies, securities offerings, and the filing of franchise offering circulars in the State. The branch also conducts field examinations of broker-dealers and investment advisers in Hawaii.

The **Investor Education Program (phone: (808) 587-7400)** falls under the Securities Compliance Branch and provides investor education and financial literacy outreach statewide. The program maintains outreach programs in the areas of: kupuna (seniors) and caregivers; working families and union members; keiki (youths); industry professionals; military; and Hawaiian and other ethnic communities. Additionally, the program serves as the State Coordinator of the Hawaii LifeSmarts Program, a free, national educational program for youth. The program's free educational materials, presentations, and exhibits help consumers and investors detect and prevent securities fraud and report securities law violations.

## **GOALS AND OBJECTIVES**

- **Documents Registration Branch:** Maintain an accurate and efficient state business registry.
  - Review and implement policies and procedures to efficiently process document filings and information requests in a timely manner.
  - Develop and improve its online services to better assist the public and to provide faster and more efficient service.
  - Enhance information systems to improve retrieval, processing, recording, and maintenance of public filing information while protecting the integrity of the data system.

- **Business Action Center:** Be a responsive and helpful center for business registration and licensing for all businesses in Hawaii.
  - Provide practical information and efficient customer service to the public.
  - Develop and maintain relationships with the business community and seek ways to reach communities in need of business registration assistance.
  
- **Securities Enforcement Branch:** Be an effective state securities regulatory agency that is responsive, appropriately aggressive, and efficient.
  - Investigate and prosecute state securities law violations under the Hawaii Uniform Securities Act and Hawaii Franchise Investment Law.
  - Investigate and prosecute consumer complaints timely.
  - Reduce case backlog.
  - Inform consumers of enforcement matters and investment scams through participation in the Investor Education Program.
  - Attend and develop training to keep staff current on emerging investigative techniques, legal analyses, and securities issues.
  
- **Securities Compliance Branch:** Be a state securities regulatory agency that is responsive, effective, and efficient.
  - Accurately and timely review and approve securities and franchise applications and/or filings.
  - Maintain a regular field examination cycle for registered broker-dealers and state registered investment advisers.
  - Develop and implement internal procedures to process applications efficiently.
  - Keep current with regulatory changes and updates by providing ongoing training for professional staff.
  
- **Investor Education Program:** Develop meaningful investor education programs, materials, and active outreach programs that respond to the public's needs and address the financial problems that investors face. Develop and expand:
  - Partnerships with federal, state, and county agencies, nonprofit organizations, and private companies to provide outreach to various audiences throughout Hawaii.
  - Outreach through fraud prevention presentations and investor education materials at various community events.
  - The use of multimedia technology and social media to reach audiences in a current and relevant manner.
  - An industry training program to help financial professionals report financial exploitation and securities fraud.
  - A securities training program for law enforcement agencies to build partnerships to help prosecute financial fraud.

## **ACCOMPLISHMENTS IN FY 2024**

### **Hawaii LifeSmarts**

A team of high school students from Kalani High School tied for 5<sup>th</sup> Place at the 2024 National LifeSmarts Championship in San Diego, CA from April 18 – 21, 2024. This was Kalani’s first time at nationals and they represented Hawaii well! LifeSmarts is a free consumer education program designed to teach students in grades 6-12 about personal finance, health and safety, the environment, technology, and consumer rights and responsibilities. The Hawaii LifeSmarts program is locally sponsored by the Department of Commerce and Consumer Affairs’ Business Registration Division and Insurance Division, in partnership with the Hawaii Credit Union League, and is run by the National Consumers League. Visit <https://cca.hawaii.gov/lifesmarts/> or contact BREG’s Investor Education Program at (808) 587-7400 for more information.

### **Protecting Hawaii Investors**

BREG’s Securities Enforcement Branch (SEB) investigates and prosecutes state securities law violations under the Hawaii Uniform Securities Act and Hawaii Franchise Investment Law. The SEB takes necessary action and continuously works to protect Hawaii investors against fraud and deceptive business practices. In FY 2024, the SEB closed 121 cases and participated in 12 multi-state actions.

### **Education and Outreach**

The Investor Education Program (IEP) continues to return to in-person outreach events and presentations. Some of the in-person activities the IEP participated in are highlighted, below:

- **DCCA’s Annual Financial Literacy Fair**

This in-person event, hosted by the IEP, celebrates Financial Literacy Month in April with an informational fair featuring various government agencies and nonprofit organizations, to provide the general public with information on saving and investing, insurance, home ownership preparation, credit, planning for retirement, tips on financial fraud prevention, and more. The fair was held at Tamarind Park, Bishop Square in Downtown Honolulu.

- **Kupuna Alert Partners (KAP) – Presentations**

KAP is a multi-agency partnership that offers presentations and information to the community statewide on Medicare Fraud, Prescription Drug Misuse, Securities Fraud, and the Top 5 Scams in Hawaii. KAP partners include the State Departments of the Attorney General, Health, Commerce and Consumer Affairs, and Law Enforcement. Presentations are offered statewide, year-round.

- **“Celebrating Safe Communities” Event**

This annual event is a partnership between the IEP, U.S. Attorney’s Office, Department of the Attorney General, Honolulu Police Department, and other community organizations to provide outreach on fraud awareness and protection to the community in Leeward Oahu.

- **Outreach**

The IEP continues to work with various organizations to provide outreach to our seniors/Kupuna and public on investor education, financial literacy, detecting and reporting fraud, and more. The IEP constantly strives to reach new audiences through community events and presentations. This year, the IEP has participated in event and/or presentation activities with the local unions (i.e., HSTA, HGEA), industry firms (i.e.,

Chinen & Arinaga Financial Group, Morgan Stanley), and medical organizations (i.e., Straub Hospital, HMSA).

**CRF FINANCIAL SUMMARY FOR FY 2024**

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$ 5,548,166	\$ 2,420,313	\$ 7,968,479	\$ 17,091,340

BREG is special funded through its statutorily established filing, application, registration, renewal, and copy fees, as well as fines, penalties and other actions taken by its Securities Enforcement Branch. While BREG's revenue does fluctuate due to various economic factors, the division anticipates it will continue receiving sufficient funds to cover its budgeted expenditures.



## CABLE TELEVISION DIVISION

### OVERVIEW AND COMPOSITION

The Cable Television Division (CATV) supports the DCCA director in the issuance of cable franchises, regulation of cable operators, and facilitation of expanded access to and use of broadband services throughout the State. The CATV's primary regulatory function is to determine whether the issuance, renewal, or transfer of a cable franchise is in the public interest. In so doing, the CATV takes under consideration the: (1) public need for the proposed service; (2) legal, technical, financial, and operational ability of the applicant or franchisee to provide safe, adequate, and reliable service at a reasonable cost to subscribers; (3) comments arising from public hearing and the advice of the Cable Advisory Committee (CAC) appointed by the Governor pursuant to HRS chapter 440G; and (4) other matters deemed appropriate under the circumstances.

After the issuance, renewal, or transfer of a franchise, the CATV's role in protecting the public interest continues through the duration of the franchise. The CATV monitors and enforces the franchisee's obligations under the franchise order and ensures compliance with state rules and regulations relating to cable operators' practices and procedures. This includes monitoring the franchisee to ensure its cable operating system and service provided is reliable and responsive to the public, signified in part by the franchisee's provision of diverse informational sources and services and enhanced communication capabilities for served communities through public television; public, educational, or governmental (PEG) access; and the interconnection of public facilities.

As part of its cable television regulatory responsibilities, the CATV seeks to ensure that all public inquiries, concerns, and complaints regarding franchised cable operators and the cable television service provided are appropriately resolved. In furtherance of this goal, the CATV will respond to the consumer directly; refer the matter to the concerned cable operator; or inform the consumer of the appropriate complaint filing procedures. The CATV also monitors the resolution of cable operators of customer service concerns and assesses customer satisfaction through review of cable operator submitted surveys and reports. The CATV also continues to encourage cable operators to develop new, improved, and more effective services and facilities to enhance customer-based services to the people of Hawaii.

The State's Institutional Network (INET), provided for under the cable television franchise agreements, supplies broadband communications for state and county government and state public schools and institutions of higher learning. To the extent permitted by federal law, the DCCA/CATV negotiates with the cable operators for the valuable INET benefits (network capacity and service connections) and for other data communications networks as part of the issuance of a franchise. The DCCA/CATV is generally responsible for the administration of the INET benefits while other INET Partners<sup>4</sup> manage and operate the State's communications networks, of which the INET is a significant component.

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<sup>4</sup> The INET Partners are the following state agencies: (1) the Department of Accounting and General Services, through Enterprise Technology Services; (2) the University of Hawaii; (3) the Department of Education; and (4) the DCCA/CATV.

The CATV also requires that cable operators support PEG access facilities and services for the franchised areas in which they operate. Support may be provided in various ways, including setting aside several channels for PEG access and providing a percentage of gross revenues for PEG services. The DCCA/CATV designates and contracts operation of these access channels to nonprofit entities (PEG access organizations) located in each of Hawaii's four major counties. Designation is made upon written application and after a public hearing, and taking into consideration the: (1) public need for the proposed service; (2) legal, technical, financial, and operational ability of the applicant to provide the proposed service in an efficient and effective manner that is fair to the public in the service area; (3) comments arising from public hearing and from the CAC; and (4) other matters deemed appropriate under the circumstances.

The CATV is cognizant of the increasing importance of ancillary services provided through cable television service to the people of Hawaii, including informational and educational programming, high speed internet access, and other data services. As the infrastructure to support cable television services extends to more areas across the State, more residents can gain access to broadband and the many opportunities and advantages it offers in areas such as health care, education, job resources, consumer welfare, entrepreneurship, and civic engagement. The CATV therefore continually monitors franchise service areas to identify locations that may qualify for the extension of cable service under the franchise agreements.

In 2010, the Legislature passed Act 199, SLH 2010, charging the DCCA/CATV with broadband-related duties that include supporting public and private efforts to facilitate deployment of and access to competitively priced broadband and internet access services; and facilitating broadband application development to bolster usage and demand for broadband. Broadband-related duties include working with state and county government agencies, the Legislature, service providers, and other stakeholders to address issues related to the advancement of broadband; working with public and private agencies to expand and expedite broadband access and adoption; and participating in Federal Communications Commission (FCC) proceedings related to reforms affecting potential funding for telecommunications and broadband for the State.

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## **GOALS AND OBJECTIVES**

- Ensure consistent cable television regulatory policies and practices.
  - Conduct regular franchise fee and PEG reviews.
  - Designate access organizations to provide PEG access services.
  - Ensure timely response to and resolution of customer service complaints and inquiries.
  - Convene CAC meetings upon the DCCA director's request to advise on matters under HRS chapter 440G.
  
- Monitor and participate in federal telecommunications legislation and rulemaking.
  - Monitor federal actions for issues that may impact Hawaii cable television subscribers and broadband users and provide support as requested by federal agencies and Hawaii's congressional delegation.
  - Participate in relevant FCC proceedings on universal service support, broadband, and other cable-and certain telecommunications-related matters.
  - Monitor other relevant government programs to identify potential funding for the State's broadband-related activities.
  
- Use the DCCA's franchise authority to provide benefits for the State and counties and the franchise areas to the extent permitted by federal law.
  - Require cable franchisees, to the extent permitted by federal law and regulation, to invest in infrastructure to provide capacity and connections for public, educational, and government facilities to expand and strengthen the INET.
  - Ensure efficient management of INET and use negotiated INET benefits for the optimal benefit of state and county government and educational facilities.
  
- Facilitate and support broadband infrastructure deployment and a competitive internet service marketplace.
  - Raise awareness about policies and programs of state, and county agencies, broadband providers, and other stakeholders that facilitate deployment of broadband infrastructure and expand access to broadband services.
  - Disseminate information on federal broadband programs, including low-cost internet programs, to local public and private stakeholders.
  - Facilitate communication for BAAC members and participants to share broadband deployment and program information.

## **ACCOMPLISHMENTS IN FY 2024**

### **FCC Rulemaking and Appeals**

The CATV monitors developments in Congress and at the FCC relating to cable television, telecommunications, and broadband. In FY 2024, the CATV continued to monitor FCC proceedings and appeals that directly impact cable television subscribers in Hawaii, in particular:

**Cable Franchise Fees (MB Docket No. 05-311; U.S. Court of Appeals Case Nos. 19-4161/19-4162/19-4163/19-4165)**

On August 2, 2019, the FCC issued an order, effective September 26, 2019, changing how local franchising authorities (LFAs) may regulate incumbent cable operators. Among other matters, the FCC ordered that cable-related “in-kind” contributions required by franchising agreements, including costs associated with the construction, maintenance, and services of INETs, are franchise fees subject to the 5% cap and are to be valued at fair market value (FMV). As this determination would significantly impact the distribution of franchise fees for the State, the DCCA/CATV, along with numerous LFAs, government agencies, and PEG organizations across the country, appealed the FCC order.

On May 26, 2021, the Sixth Circuit court issued its ruling affirming in part and reversing in part the FCC order. The court affirmed the FCC’s definition of franchise fees to include in-kind contributions such as INETs (i.e., the construction, maintenance, and service of INETs), but reversed the FCC’s FMV determination regarding the cost of in-kind contributions including INETs. The Sixth Circuit court ruled that “noncash cable-related exactions should be assigned a value equal to the cable operator’s marginal cost in providing them.” A petition for certiorari was filed with the United States Supreme Court, which was denied on February 22, 2022.

CATV will continue to represent the State’s interest in applicable future proceedings and monitor developments regarding this matter. In addition, throughout this process, the CATV has and will continue to send notices and updates to the INET Partners and the counties to prepare them for potential changes in cost and application of INET connections that have historically been negotiated with the cable operators to be provided at no cost or “at-cost” (i.e., discounted).

Impacts of the FCC’s ruling as amended by the Sixth Circuit Court will be a continuing challenge to the CATV in FY 25. During FY 2024, the CATV reached out to some of Hawaii’s federal legislators for assistance in urging further action by the FCC. Additional petitions to the FCC for reversal or clarification of the ruling, as amended, continue to be evaluated.

**Early Termination Fees (ETFs) and Billing Cycle Fees (BCFs) (MB Docket No. 23-405)**

On December 14, 2023, the FCC issued a draft Notice for Proposed Rulemaking (NPRM) seeking to prohibit ETFs and BCFs by cable and direct satellite service operators that make it difficult for consumers to exercise choice in their selection of service providers. After reviewing the NPRM, CATV filed its comments with the FCC on February 5, 2024, supporting the prohibition of ETFs and BCFs. The CATV continues to monitor this proceeding and awaits the FCC decision.

**Applications for New Cable Television Franchises**

In FY 2024, Hawaiian Telcom Services Company Inc. (HTSC) filed three applications for cable franchises for the Island of Kauai, County of Hawaii and County of Maui, respectively. HTSC’s

applications proposed providing video service to subscribers and expanding its fiber network in these areas. As part of the application process CATV issued information requests, conducted public hearings on Kauai, Hawaii Island and Maui, convened a CAC meeting, and held numerous discussions and meetings with HTSC. Decisions on the applications will be issued in FY 2025.

### **Broadband Projects/Activities**

In FY 2024, the DCCA/CATV conducted broadband-related activities that included:

- Continuing the DCCA/CATV Hi-WiFi program, including the pilot WiFi project on Hawaii Island, undertaken in partnership with the County of Hawaii to provide community access to broadband-level WiFi internet services at seven county facilities in unserved and underserved areas around the island (Hi-WiFi Pilot Project).
- In FY 2024, the CATV and the County of Kauai worked together to plan for an expansion of the Hi-WiFi project to the Island of Kauai, with a goal of implementation by the end of 2024. A total of eight locations accessible by the public are being considered for use as wifi hotspots utilizing satellite-based technology.
- Maintaining broadband-related information on its website such as internet speed data provided by Ookla, a proprietor of Speedtest.net, links to federal and local broadband agencies, digital literacy resources, and other consumer broadband information.

### **CRF FINANCIAL SUMMARY FOR FY 2024**

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$914,652	\$663,163	\$1,577,815	\$534,480

The CATV is special funded almost exclusively by annual fees collected from each of the State's two cable operators. These annual fees are paid to the CATV during the beginning of the third quarter of each fiscal year, and amounts are calculated based on each cable operator's gross revenues for the prior calendar year. Revenue for the CATV is thus dependent on the market for cable television services in the State, which varies from year-to-year and which is projected to decline as the market for streaming services over the internet continues to grow. Due to these factors, the CATV has set a target reserve of approximately 24 months of operating expenses to ensure continuity of the division's operations in a declining market for cable television service.

## DIVISION OF CONSUMER ADVOCACY

### OVERVIEW AND COMPOSITION

The Division of Consumer Advocacy (DCA) represents, protects, and advances the interests of consumers of utility and transportation services before regulatory agencies, primarily the Hawaii Public Utilities Commission (Commission). The DCA reviews requests for rate and tariff changes, capital improvement projects, integrated resource plans, certificates for authority to operate, and many other types of applications filed by regulated public utility and transportation companies in Commission proceedings. The DCA also participates in proceedings opened by other regulatory agencies to investigate or review various regulatory issues. In representing consumers, the DCA must perform complex legal, engineering, financial, and socioeconomic analysis that is informed by existing laws and administrative rules, past Commission decisions, current industry standards, information provided by the utility and transportation companies to support their applications, and information and data from a range of relevant resources to develop its recommendations. The DCA files either written statements of position or testimonies explaining its analyses, findings, and recommendations with the Commission. When necessary, DCA analysts and/or consultants provide written and oral testimony, subject to cross-examination, in contested case evidentiary hearings to resolve differences among the parties.

#### **Contact information:**

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Honolulu, Hawaii 96813

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Phone: (808) 586-2800

Website: [cca.hawaii.gov/dca](http://cca.hawaii.gov/dca)

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The **Engineering Branch** analyzes and makes recommendations on technical matters such as production capacity and efficiency, depreciation allowances, maintenance cost factors, engineering safety standards, plans for capital improvements, purchased power agreements, and quality of service standards.

The **Research Branch** analyzes and advises on matters imposed on regulated public utility and transportation industries, provides services and advice relating to the current operations of and evolving changes to regulated public utilities and transportation industries, conducts special

studies on the changes in various regulatory areas, including energy and telecommunications, and assists and participates with other branches in developing data and conducting analyses on matters under examination.

The **Legal Branch** provides the DCA's legal representation before regulatory agencies, performs analysis of proposed legislation, administrative rule changes, and provides analysis of complex legal regulatory matters to help inform the DCA's recommendations to the Commission. The branch also has administrative professionals that help ensure the efficient and effective day-to-day operations of the office by providing general clerical support by updating and maintaining the DCA's docket, general office, and electronic database files, formatting draft documents prepared by staff for filing with regulatory agencies and utility companies, and maintaining DCA's library.

In addition to these three branches, the DCA has staff that includes program specialists and an education specialist. Program specialists are responsible for analyzing highly complex regulatory matters. The education specialist interfaces with the general public to help provide information and education to utility customers on utility programs to help customers lower their bills and to help customers understand the impact that certain regulatory matters and decisions may have on them.

## **GOALS AND OBJECTIVES**

### **Consumer Advocacy**

The DCA's primary goal is advocacy to help ensure that Hawaii's regulated utilities and transportation service companies provide their customers with safe and reliable regulated utility services, delivered equitably at reasonable and just rates, and where applicable, also ensuring that utilities are sufficiently progressing toward the State's clean energy mandates and environmental goals. Accomplishing all these goals involves balancing various competing interests.

The DCA is primarily involved in proceedings before the Commission. The DCA's participation in Commission proceedings typically involves some or all of the following:

- Review of applications to ensure compliance with regulations;
- Participation in Commission held public hearings;
- Completing of information discovery with the utilities and other intervenors;
- Analyzing applications and supporting documents to determine the accuracy and reasonableness of the requests;
- Providing recommendations to the Commission on the merits of the application through statements of position and written and/or oral testimonies, which are subject to cross-examination in proceedings where evidentiary hearings are necessary; and
- Completing related legal actions, such as filings of legal briefs, motions, and appeals, as necessary.

The DCA tracks various categories of information to measure the DCA's performance in advocating for consumer interests. The DCA monitors consumer savings resulting from its participation in Commission proceedings, the percentage of Commission decisions that adopt

settlements reached by parties to a proceeding, the number of service quality investigations the DCA participates in, and the number of filings before the Commission that are reviewed by the DCA. Chart 1 describes the total number of dockets the DCA reviewed, the proportion of dockets reviewed by area, and the total consumer savings due to DCA participation.

### Policy Advancement

**Chart 1: Dockets Reviewed by Area and Overall Consumer Savings, FY 2024**

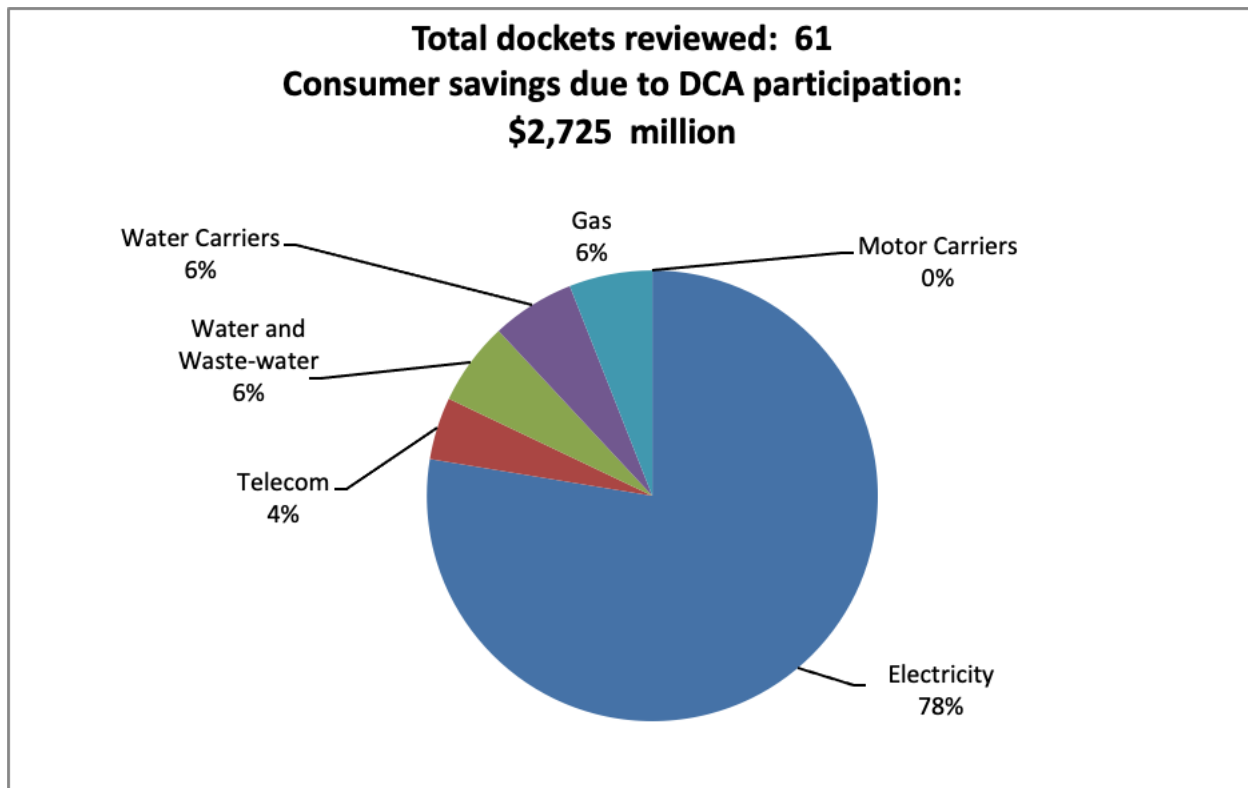
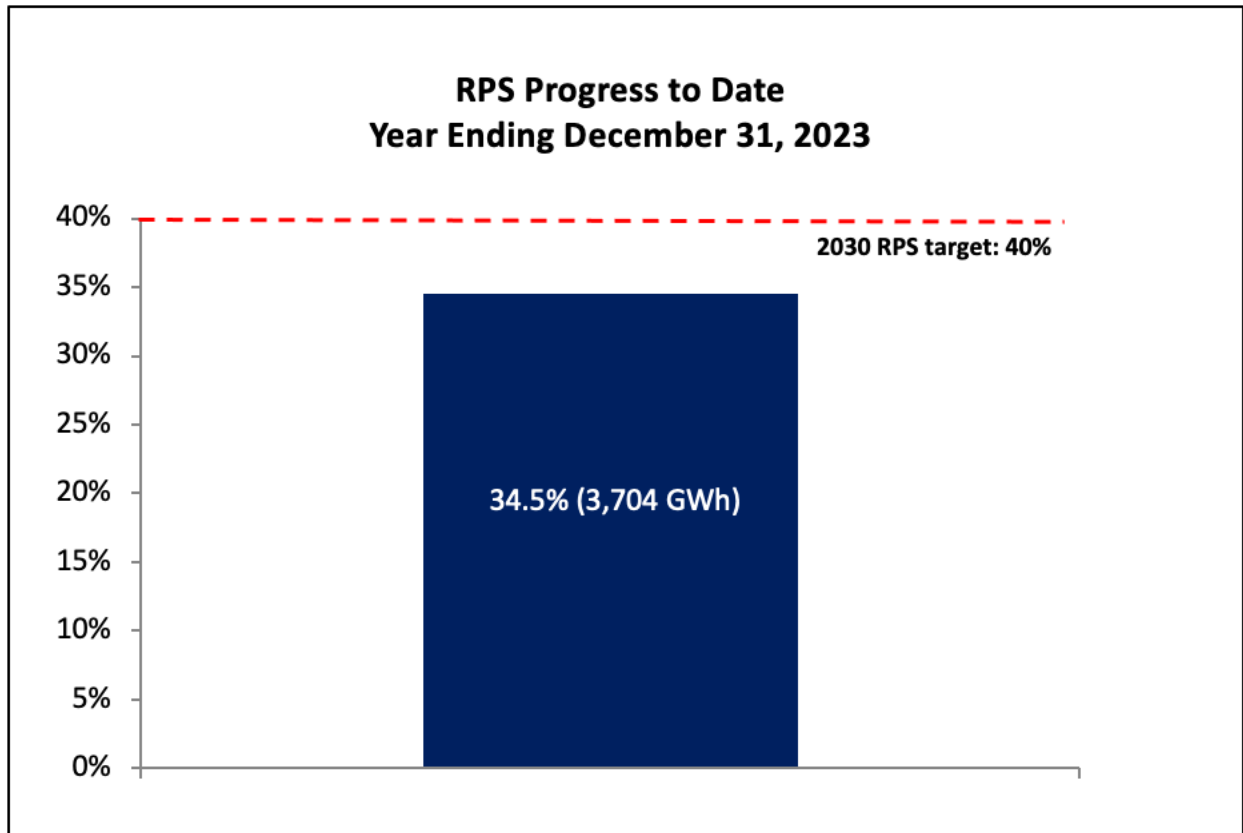


Chart 2 reflects Hawaii's progress on its Renewable Portfolio Standard (RPS) goals. As of December 31, 2023, Hawaii's percentage of renewable generation is 34.5% of its net electricity generation, pursuant to Act 240 (H.B. 2089). Hawaii appears to be on track to meet its 2030 RPS goal of 40%.



Chart 2: Hawaii's RPS Goals



It should also be noted that there is also ongoing work to evaluate the State's energy efficiency potential as well as its Energy Efficiency Portfolio Standard (EEPS) goals.

Measuring the performance of the DCA's efforts to promote policy objectives is inexact. While the DCA generally tracks the percentage of its positions with which the Commission ultimately agrees, this measure does not capture the efforts throughout proceedings to educate and work with other parties to reach agreement on issues.

### Commission Proceedings

In the Commission's general, investigative, or policy proceedings, the DCA follows a similar approach to its review and analysis of applications. A typical investigative proceeding may involve the following steps:

- After the DCA and other parties to the proceeding state their initial positions on the issues, discovery and analyses are done to determine the reasonableness of the other parties' positions;
- Technical meetings between the parties are often held to discuss and educate each other on the issues and positions taken and to determine where possible agreement may be reached;

- The DCA provides the Commission with a recommendation that DCA believes is in the best interest of consumers; and
- The DCA participates in evidentiary or panel hearings conducted by the Commission.
- The DCA presents its evidence by way of expert testimony on specific technical issues.

### **Legislative and Policy Matters**

At the state level, the DCA is actively involved with the State Legislature and provides testimonies that detail consumer benefits or risks of specific proposals and bills being considered by various legislative committees and whether and to what extent amendments to proposed legislation should be considered. In 2024, the DCA monitored and/or testified on numerous bills and resolutions and submitted a significant amount of written testimony.

At the federal level, the DCA also monitors congressional activity in the energy and telecommunications areas. The DCA maintains contact with Hawaii's congressional delegation, particularly those members sitting on committees that deal with energy and telecommunications and provides input where appropriate and when called upon. The DCA is also actively involved in the National Association of State Utility Consumer Advocates, which participates in proceedings before the Federal Communications Commission (FCC), Federal Energy Regulatory Commission, Congress, and the federal courts to advance consumer interests on national issues, many of which affect Hawaii consumers.

### **Education and Outreach**

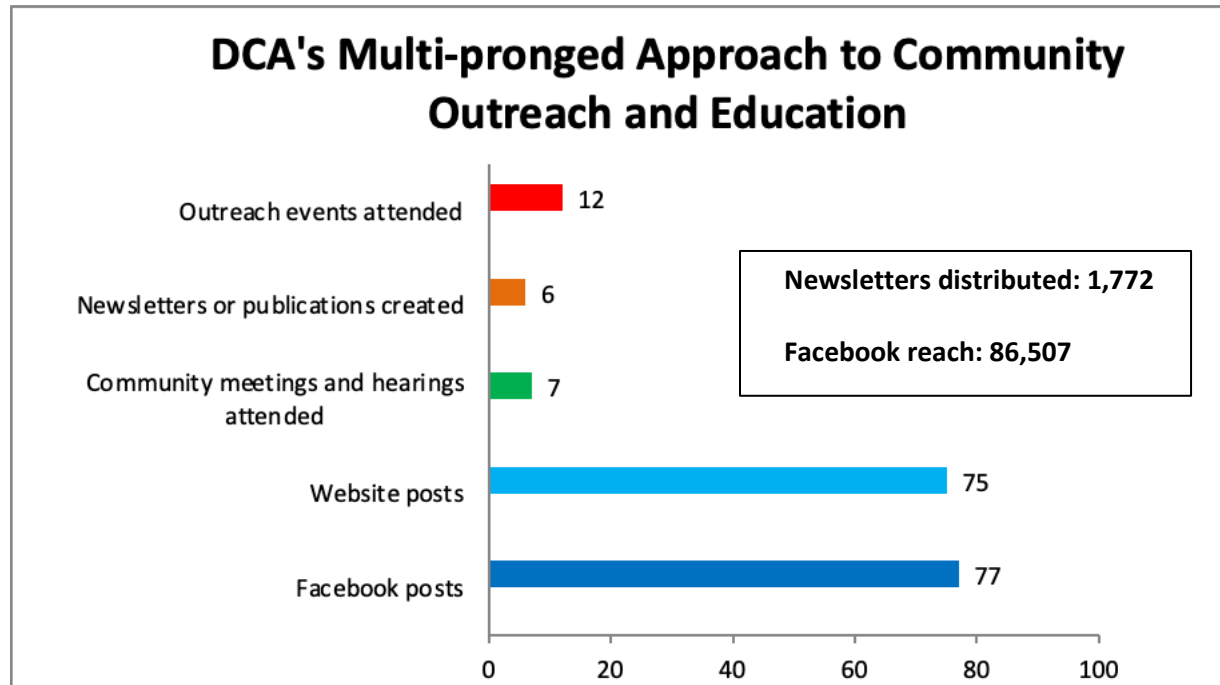
The DCA's goal is to encourage the public to be wiser consumers of public utility services by, among other things, emphasizing the possible effects that their consumption habits may have on utility rates and the environment. It is through the education and outreach process that the DCA aims to gather consumer input on utility issues and to encourage consumers to be more involved in utility proceedings. The DCA attends public meetings and hearings to learn of consumer complaints and concerns and provides informational resources to help reduce their utility bill.

The DCA can accomplish its goal of positively affecting the habits of consumers statewide through its website and public outreach activities. The DCA established the following action plan to accomplish its goals and objectives:

- Update and improve its website with consumer-friendly and useful content;
- Use social media, such as Facebook, to reach a greater number of consumers;
- Attend public hearings and meetings to listen to consumer complaints and concerns;
- Establish information booths and provide presentations at community events, such as home shows and public fairs throughout the State and build positive relationships with both business and individual community members;
- Improve communications with consumers and the public through expanded distribution and publication of its newsletter;
- Hold informational seminars or use public service announcements to highlight different utility issues and topics; and
- The DCA also seeks virtual events to attend to reach an increased number of consumers.

To measure its performance and progress on education and outreach activities, the DCA tracks the number of people reached through education and outreach events, newsletters and other publications distributed, and consumers assisted with complaints and other issues. Chart 3 illustrates various ways the DCA engaged in community outreach and education in FY 2024.

**Chart 3: DCA's Multi-pronged Approach to Community Outreach and Education**



## **ACCOMPLISHMENTS IN FY 2024**

### **Advocacy Before the Legislature**

DCA provided significant amounts of testimony this past legislative session on many issues. A primary focus area was legislation related to the tragic wildfires of August 8, 2023, that devastated Lahaina and other parts of Maui and Hawaii islands. The DCA advocated for amendments to legislation to provide necessary protections for consumers. Various bills were introduced seeking different forms of financial and liability protections for utilities that were deemed to contribute to the risk of wildfires within Hawaii. Some of the bills required that those utilities establish wildfire safety mitigation plans, and in some instances, included provisions that would have shielded the utilities from liability if, for example, the utility submitted a wildfire safety plan that was approved by the Commission and the utility complied with the plan. Additionally, some forms of legislation were proposed to establish ratepayer backed securitization as a mechanism to recover utility costs directly related to the wildfires and/or the costs of developing and implementing wildfire safety plans and/or the costs of establishing and contributing to a fund to cover potential future costs from property damage caused by wildfires regardless of whether the utility had liability related to the

fire. DCA's general position and testimony was focused on ensuring that utilities remained accountable for actions related to their operations, the utilities quickly obtaining access to the most cost-effective forms of financing to cover costs of investing in infrastructure to reduce the risk of future wildfires, and protecting ratepayers from bearing costs that should be borne by the utilities' shareholders. DCA also sought to expand the focus of legislative efforts to include resilience to additional hazards such as flooding and high winds. DCA will continue to focus its efforts within the upcoming legislative session to encourage a focus on holistic resiliency planning across all the State's regulated utility and transportation sectors with the goal of increasing the State's resilience to hazardous events and mitigating the potential for adverse impacts on the public from natural disasters.

### **Advocacy Before the Public Utilities Commission**

The DCA's primary activities consist of its advocacy on behalf of consumers of regulated utility and transportation services before the Commission. DCA was able to assist in the expedient review of matters critical to consumers before the Commission regarding issues pertaining to regulated public utility and transportation service providers across various sectors as described in greater detail below.

#### Proceedings Involving the Electric Utilities

##### **(1) Safety – Disaster Resilience / Wildfire Recovery**

DCA actively seeks opportunities to work with stakeholders to cost-effectively enhance the safety of public utility services.

The DCA is participating in Hawaiian Electric's working group on wildfire safety. DCA anticipates reviewing the Hawaiian Electric Companies' wildfire safety mitigation strategy/plan that the Commission has required Hawaiian Electric to file no later than January 10, 2025 (Case No. 2023-04661).

The DCA worked with Hawaiian Electric and stakeholders to help facilitate and arrive at a settlement to modify Hawaiian Electric's Climate Adaptation and Distribution Resilience Program to expand the wildfire mitigation component. The settlement supported Hawaiian Electric's proposed changes to the project that shifted the program's focus toward having a greater impact on wildfire safety and helped quickly bring in \$95 million in Federal funding through the Infrastructure Investment and Jobs Act (IIJA) (Docket 2022-0135).

In the same proceeding, in the aftermath of the August 2023 wildfires, the DCA recommended to the Commission that it open a new docket to assess the vulnerability of Hawaii's regulated utilities to a range of threats from different hazards and also recommended that the Commission require regulated utilities to develop and file plans to

cost-effectively mitigate the risks from those hazards. The Commission subsequently opened a non-docketed proceeding, Case No. 2023-04661, requiring that all regulated utilities file hazard mitigation plans. The DCA will continue to advocate that those plans be formally reviewed under the regulatory process and through the lens of a holistic assessment of the entirety of State's publicly regulated utility systems because of the interdependency of utility services on other utility sectors in maintaining reliable service.

DCA also worked with the Hawaiian Electric Companies to quickly reach a stipulated settlement to address an administrative step needed for the Hawaiian Electric Companies to begin tracking their response and restoration costs related to the wildfires (Docket No. 2023-0349). This was done to help ensure people impacted by the Maui wildfires were able to have their services quickly restored and that proper safeguards were put into place to help protect/shield customers if the utility seeks to recover those costs.

## (2) **Reliability**

DCA is advocating that the Hawaiian Electric Companies sufficiently prioritize reliability by recommending to the Commission that the Hawaiian Electric Companies' reliability performance incentive mechanisms remain intact with the safety-related operational changes that Hawaiian Electric implemented such as the of public safety power shutoff (PSPS) plans and blocking of reclosers from automatically reenergizing and line or circuit after a fault. While such actions have been deemed necessary to prioritize safety, they may also result in increasing the number and frequency of outages. It is therefore important that solutions are sought to both prioritize safety and reliability by considering operational and technological solutions to decrease the number and frequency of service outages (Docket No. 2018-0088).

DCA also participated in reviewing several capital improvement projects (CIPs) aimed at improving and maintaining the provision of safe and reliable services to utility customers. Notably, the DCA is participating in the Grid Modernization proceeding in docket No. 2019-0327. Within that proceeding, the Hawaiian Electric Companies are seeking significant investments to help increase the visibility and control at the distribution level of the grid and federal funding to offset approximately half of the project's proposed costs. The DCA has provided recommendations to the Commission to help ensure the expenditures are cost-effective and address key grid modernization needs. The investment is expected to help identify the locations of outages and restore electricity services more expediently.

## (3) **Affordability and Equity**

The DCA was successful in improving the affordability of electricity for the customers of Kauai Island Utility Cooperative (KIUC) by evaluating KIUC's requested rate increase and reaching a settlement with KIUC that was approximately 16% less in revenues than what KIUC had originally requested. DCA was able to save KIUC's ratepayers nearly \$2.7 million (Docket No. 2022-0208).

DCA has been advocating over the years for the need to consider equity and affordability in energy dockets so that the clean energy transition appropriately considers and incorporates the needs of vulnerable customers. The legislature passed SR 43 and SCR 48 that called for the Commission to consider the energy burden in Hawaii and to investigate considerations of energy equity and justice. The Commission subsequently opened the Energy Equity and Justice Docket (Docket No. 2022-0250). DCA has been an active participant within that proceeding providing comments in both the working group meetings and through various filings. DCA is also providing input as the Commission develops its request for proposals to seek a community engagement consultant. The consultant will work with communities to identify their needs and ensure they are incorporated into the decision-making process related to the siting of utility-scale energy projects within Hawaiian Electric's service territory.

Within Docket No. 2022-0250, the DCA is also advocating for changes to the disconnection process to eliminate or reduce disconnection/reconnection fees with the electric utilities to decrease the burden on financially distressed customers. DCA is also advocating to encourage utilities to adopt a "trusted partner" approach to help customers maintain their utility services. DCA also helped several customers over the year maintain their utility services by acting as a liaison between distressed customers, utilities, and organizations providing utility bill assistance to help customers find resolutions to restore their services. The DCA also generated a comprehensive resource of contact information for organizations helping provide bill assistance and programs designed to decrease the upfront costs of investing in energy efficient and clean energy technologies.

In addition, SCR 242 requested the creation of a working group to evaluate a state program to supplement the Federal Low-Income Home Energy Assistance Program (LIHEAP) currently referred to as the Hawaii Home Energy Assistance Program (H-HEAP). The DCA has proposed a state-level program multiple times in the past. The DCA is hopeful that its efforts will expand the available assistance to low-income customers while balancing progress on clean energy goals and ultimately result in legislation enabling a Hawaii state-level Home Energy Assistance Program during this legislative session.

**(4) Progress Toward the State’s Clean Energy Goals****a. Integrated Resource Planning**

Throughout most jurisdictions, energy utility companies are required to conduct long-term planning processes to efficiently plan for how to meet customer needs with an optimal mix of resources, such as central station generation, distributed generation, and demand-side resources. The need for energy planning is heightened in Hawaii because Hawaii’s RPS and EEPS objectives require careful planning to ensure that Hawaii’s energy rates do not unreasonably escalate and the safety and reliability of electric services are appropriately prioritized and not adversely impacted. Although such planning was historically done through Integrated Resources Planning proceedings, and more recently as Power Supply Improvement Plans proceedings, the Hawaiian Electric Companies have continued hosting a series of Integrated Grid Planning meetings and workshops as part of Docket No. 2018-0165 that the DCA participates in.

**b. Utility Scale Renewable Energy Procurement**

In Docket No. 2017-0352, the Commission provided a forum through which the Hawaiian Electric Companies could issue requests for proposals to acquire new renewable energy projects. The DCA continues to be an active party in this proceeding and the resulting applications seeking approval of new and revised purchased power agreements (PPAs) with independent power producers (IPPs). The DCA also reviews utility requests to commit funds toward energy projects.

As part of advocating for increasing the cost-effective deployment of renewable generation on the electrical system, the Consumer Advocate reviews the terms and conditions of new and revised PPAs and the business cases for utility owned renewable generation projects to evaluate the net benefits to customers. The Consumer Advocate participated in the review of several new or revised PPAs for utility-scale energy projects that included:

**Renewable Dispatchable Generation**

- Maui: Kuihelani Solar + Storage (Docket No. 2018-0436)
- Oahu: AES Mountain View, LLC (Docket No. 2020-0139)

**Other PPAs**

- Hawaii Island: Puna Geothermal Venture (Docket No. 2019-0333)
- Hawaii Island: Wailuku River Hydroelectric Power Company (Docket No. 2023-0229)

Energy Storage

- Kauai: KIUC owned Battery Energy Storage (Docket No. 2024-0071)

**c. Deployment of Distributed Energy Resources (DERs)**

DERs provide an important additional means of deploying renewable energy and grid services and helping achieve the State's clean energy and climate goals. The deployment of DERs together with work to design and deploy programs and mechanisms for compensating DER customers for the delivery of grid services and the design of advanced rates to meet different policy objectives are being considered in Docket 2019-0323. The DCA continues to participate in and review proposals from the Hawaiian Electric Companies and stakeholders pertaining to programs to increase the deployment of customer-sited DERs. The DCA's advocacy within this area focuses on equity for all customers so that compensation to customers participating in DER programs accurately reflects the value of the services delivered to the grid at the time of delivery, and non-participating customers, or customers that are unable to participate in customer-sited DER, are not subsidizing the compensation received by customers that have the financial means to afford DER systems. As part of that evaluation, the DCA also considers the benefits that DER technologies deliver to grid reliability, resilience, and the State's clean energy goals. These issues are being considered as the Hawaiian Electric Companies and stakeholders work collaboratively to design and implement new DER customer programs managed by the Hawaiian Electric Companies, new types of contracts with third parties that manage the delivery of grid services, and new advanced rate designs.

**d. Customer Funded Programs Increasing Clean Energy Technology Deployment**

Customers pay charges on their bills to fund programs that help customers make investments in clean energy infrastructure more accessible and affordable (i.e., the Green Infrastructure Fee and Public Benefits Fund Surcharge). The Green Infrastructure Fee supports the Hawaii Green Infrastructure Authority's Green Energy Money Saver On-Bill financing program that enables underserved utility customers that are homeowners or renters to invest in solar photovoltaic (PV) electricity systems, solar thermal water heaters, solar PV water heaters, and heat pump water heaters. Revenue collected through the Public Benefits Fee (PBF) surcharge is transferred to a third-party administrator contracted by the Commission and is used to support investments in clean energy technology, demand response technology, and energy use reduction, and demand-side management infrastructure, programs, and services more affordable. The DCA



provides its observations and recommendations to the Commission on proposed GEMS based programs and the performance of the energy program funded by the PBF surcharge (Docket 2007-0323).

e. **Intragovernmental Wheeling**

The Commission opened Docket No. 2024-0200 to investigate the establishment of electricity wheeling. The DCA will be an active participant within the proceeding, which the DCA anticipates will begin ramping up in 2025 based on the schedule outlined by the Commission.

f. **Community Based Renewable Energy (CBRE)**

CBRE projects provide a means for customers that are unable to participate in customer sited DER programs to receive the financial benefits of those projects while participating in the clean energy transition. The DCA reviewed contracts for the the CBRE 1 project for renewable dispatchable generation with Hoahu (Docket No. 2023-0389) and the CBRE 2 project for renewable dispatchable generation with Kualapuu (Docket No. 2023-0390).

g. **Retirement of Fossil Fuel Generation**

In addition, based on the expected termination of PPAs for and retirement of fossil fueled generation, the Commission has opened Docket No. 2021-0024 to review the Hawaiian Electric Companies' transition plans to replace the fossil fueled generation with renewable energy projects. The DCA is actively participating in the evaluation of this transition by reviewing the impacts of retiring fossil fuel units both from a perspective of having sufficient generating resources to meet and grid services available to maintain sufficient reliability and assessing the potential financial impact on customers as the Hawaiian Electric Companies seeks to rebase the target amount of revenues that they are allowed to collect (i.e., Retirement of Honolulu 8 and 9 Generation Assets - Docket No. 2022-0243 and Retirement of Waiuu Generation Units 3 & 4 – Docket No. 2023-0418).

### **Proceedings Involving Other Sectors (Telcom, Transportation, Gas, Water, Wastewater)**

#### **Sandwich Isles Communications (SIC)**

SIC sought to abruptly terminate its services to Department of Hawaiian Home Lands (DHHL) lessees at the beginning of June 2024. Upon receiving notice that SIC intended to discontinue its service, DCA convened a meeting of DHHL, the Commission, and other key stakeholders such as the FCC to ensure all relevant parties were immediately aware of the situation and to advocate that

actions be taken to expediently and effectively protect SIC's customers. Within that same day, the Commission separately issued a Notice of Violation and Order to Show Cause to SIC (Docket No. 2024-0164) and the Governor issued an emergency proclamation to protect SIC's customers. The DCA shortly thereafter recommended that the Commission issue a subpoena ordering SIC to provide certain data and customer information to ensure that customers were protected and information that would assist with porting of customers' telephone number was preserved. The DCA represented SIC's customers at the Commission's Show Cause Hearing with the Commission ultimately finding that SIC had violated Hawaii Administrative Rules and ordering SIC to immediately comply with all applicable laws and rules. The DCA has also been supporting DHHL as a liaison between SIC and its customers to help resolve issues with the telecom provider.

## **Transportation**

### Young Brothers

DCA continues to participate in dockets meant to encourage water carrier Young Brothers (YB) to be more efficient and to reduce the chances of further rate increases after the Commission had to grant an emergency rate increase (ERI) of \$47 million in 2021 because YB had not adequately controlled its costs. DCA is advocating that YB refund a portion of its revenues obtained under the ERI back to its customers (Docket No. 2019-0117). DCA is also participating in YB's most recently opened rate case where it is requesting an additional \$26,368,923 or a 27.06% in revenues at present rates (Docket No. 2024-0164). YB is also seeking approval for a mechanism to adjust its revenues for inflation in between rate cases.

### Hone Heke dba Expeditions

Hone Heke provides passenger ferry service between West Maui and Lanai. It originally sought an across-the-board thirty seven percent rate increase for its fares in March of 2023 (Docket 2023-0204). During the tragic wildfires that devastated Lahaina, Maui, Hone Heke suffered significant property losses including the loss of an office, a vessel, and the ability to operate from Lahaina harbor. Hone Heke subsequently suspended its rate increase request application. Hone Heke has since shifted its operations to Maalaea harbor and refiled an amended application with larger rate increase request with fare increases ranging from fifty to one hundred and twenty percent. The Commission subsequently approved the requested increase without the opportunity for public comment or the opportunity for the DCA to provide its analysis of Hone Heke's request and provide its recommendation to the Commission. The Commission indicated that Hone Heke must refile its increase when the sooner of the Governor's emergency proclamation for Maui is lifted or after four-years. The DCA subsequently filed a motion for reconsideration with the Commission recommending that the Commission reconsider the duration under which Hone Heke's requested rates would be in effect without review. The Consumer Advocate recommended that the Commission required Hone Heke to file a revised application or formally request an ERI after one-

year and hold a process for public hearing to mitigate any potential on-going adverse impact to Hone Heke's customer base, which may also be facing significant financial hardship.

### **Hawaii Gas**

In 2022, due in part to DCA recommendation to initiate an integrated resources planning (IRP) docket for Hawaii Gas to help evaluate the possibility of a decarbonization standard, the Commission opened Docket No. 2022-0009 and DCA has been an active participant pushing Hawaii Gas to develop an IRP that addresses decarbonization, improved fuel security, and improved long-term planning. The DCA is participating in Hawaii Gas' pending rate case where it is requesting an increase \$24.346 million in revenue or 17.67% increase in its revenue over its present rates (Docket No 2024-0158).

### **Water and Wastewater Utilities**

The DCA is participating in several dockets brought forth this year by the State's water and wastewater utilities and will be advocating for revenue requirement adjustments that are reasonable and a phased in approach to any significant rate increases approved by the Commission.

### **Advocacy through Participation on Committees and Boards**

The DCA seeks to represent, protect, and advance customers' interests by participating in various committees and boards that are related to regulated utility and transportation services. Some of the committees and boards that the DCA served on in FY 2023 include the following:

- **Enhanced Wireless 911 Services:** Pursuant to Act 168, SLH 2011, the Enhanced Wireless 911 (E911) Board and the E911 Fund were created to ensure that the State's E911 system can meet emergency needs;
- **Hawaii Energy Policy Forum:** The Hawaii Energy Policy Forum is an organization that brings together various entities from government, education, industry, and other interested stakeholders to discuss energy-related issues and how to best pursue changes that are consistent with the State's goals and objectives;
- **Hawaii Clean Energy Initiative:** Initiated by a memorandum of agreement between the U.S. Department of Energy and the State of Hawaii, the Hawaii Clean Energy Initiative is a key driving factor in Hawaii's clean energy transition efforts;
- **Hawaii Home Energy Assistance Program Working Group (HIHEAP):** As mentioned above, DCA has been participating in the working group that is tasked with exploring the feasibility of creating a state program similar to the Federal LIHEAP to assist low-income customers. A report was filed with the legislature in FY 23. The Commission put forth a legislative proposal to formally establish HIHEAP during the FY24 legislature that did not pass. DCA anticipates the Commission putting forth a similar legislative proposal to establish the HIHEAP the program during the FY25 legislative session

## Education and Outreach

The DCA continued its outreach activities to communities throughout the State. DCA developed a comprehensive resource for utility customers of bill assistance programs that were available to help those customers that were struggling to pay their utility bills and programs that help permanently reduce bill by providing funding and rebates for technology that reduces energy usage or enables energy generation.

The DCA used its website, social media, and its monthly newsletter to reach customers. Social media (Facebook) provided a method for quickly reaching customers that needed assistance. DCA's outreach efforts also included providing energy and water-saving tips and notifying consumers of utility-related online newspaper articles, blog posts, and radio and television programs to help increase customer awareness of relevant issues. The DCA also uses its website, Facebook page, and monthly newsletters to provide important information regarding Hawaii's regulated utilities and water carriers that includes information on public hearings, consumer fairs, utility and green energy conferences, and media events.

The DCA also acts as a liaison between utility customers and the utility or community organizations providing utility bill assistance. Through the DCA efforts a number of customers either facing imminent disconnection of their utility services or having already lost utility service were able to be maintained or restored.

### **CRF FINANCIAL SUMMARY FOR FY 2024**

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$2,627,468	\$1,023,622	\$3,651,090	\$394,631

DCA anticipates having sufficient funds to meet its general funding requirements for this fiscal year. However, DCA anticipates that public utility companies will continue to seek rate increases at an increased frequency especially with inflation rates continuing to be high. DCA anticipates, that additional revenues for the upcoming fiscal years will be necessary to obtain outside services with expertise in issues that will arise within regulatory investigations related to the Maui wildfires and to help cover the workload resulting from the increased number of rate case applications reviewed.

## DIVISION OF FINANCIAL INSTITUTIONS

### OVERVIEW AND COMPOSITION

The Division of Financial Institutions (DFI) provides regulatory oversight for the State's financial service providers, which include both bank and nonbank companies. The DFI provides supervision, regulation, and examination of all Hawaii state-chartered and state-licensed financial institutions, including banks, foreign banking agencies and representative offices, savings banks, trust companies, financial services loan companies (both depository and nondepository), money transmitters, mortgage loan originators and companies, mortgage servicers, escrow depositories, installment lenders, and credit unions.

In supervising financial institutions authorized to take deposits, the DFI works closely with the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Bank of San Francisco, Consumer Financial Protection Bureau, and National Credit Union Administration. The DFI supervises nondepository financial institutions with other state regulators through a system referred to as networked supervision. The partnerships with the federal bank regulators and networked supervision provides a comprehensive oversight over financial institutions.

The major functions of the DFI are to:

- Charter, supervise, regulate, and examine all state banks and credit unions, foreign bank branches, agencies and representative offices, and intra-Pacific branches.
- License, supervise, regulate, and examine nondepository companies, including escrow depositories, money transmitters, mortgage loan originators ("MLO"), mortgage loan originator companies, and mortgage loan originator branches, mortgage servicer companies, small dollar consumer lenders, and non-depository trust companies.
- Provide guidance to supervised financial institutions.
- Accept and investigate complaints by consumers.

The DFI is recognized by two accreditation organizations for appropriately licensing, supervising, and examining chartered and licensed companies, providing consumer protection to individuals, and providing the highest standards of training for its staff. The DFI was first accredited by the Conference of State Bank Supervisors (CSBS) in 1990 and reaccredited in 1995, 2000, 2005, 2012<sup>5</sup>, 2018 and 2023. The CSBS accreditation program sets high standards for state banking regulators nationwide. During the pandemic, some states were unable to maintain the accreditation standard. Hawaii is one of the forty-four out of 52 states<sup>6</sup> that met CSBS bank accreditation requirements.

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<sup>5</sup> Hawaii did not seek reaccreditation in 2010. A new commissioner was appointed in 2011.

<sup>6</sup> Includes the District of Columbia and Puerto Rico.

In 2Q FY 2015, the DFI was the eighteenth state in the nation to be accredited by the CSBS/American Association of Residential Mortgage Regulators (AARMR)<sup>7</sup> for mortgage supervision. The CSBS/AARMR accreditation program sets high standards for state mortgage regulators nationwide. Currently, 29 of 66 mortgage regulatory agencies meet CSBS/AARMR accreditation standards. The accreditation program includes mortgage loan originators, mortgage loan originator companies, and mortgage servicer programs. In 2023, the DFI underwent the five-year reaccreditation review and was successfully reaccredited for both banking and mortgage. DFI's next accreditation will be in 2028.

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Email for mortgage program: [dfi-nmls@dcca.hawaii.gov](mailto:dfi-nmls@dcca.hawaii.gov)

The **Administrative Section** coordinates and facilitates activities within the DFI, with other divisions, and with other state and federal agencies regarding regulatory and supervisory oversight issues. This section also coordinates interactions with the legislature, proposed legislation, investigates complaints regarding possible state and federal law violations, and conducts the UIPA/FOIA requests. This section conducts studies related to emerging financial products and services.

The **Licensing and Regulatory Analysis Branch** is responsible for licensing activities and other regulatory approvals, and the quarterly off-site monitoring program. Licensing activities include reviewing and analyzing all applications for new financial institutions (bank and nonbank), opening, relocating, or closing branches, and adding new or unique services to determine whether consumers may be harmed by the action of any licensee. The branch reviews all license renewals for state and federal compliance before issuing an approval. The branch has two sections: one section focuses on emerging financial technology companies including money transmitters, while the other section focuses on the mortgage industry, including mortgage loan originators, mortgage loan originator companies, and mortgage servicers. An informal section also oversees banks, escrow depositories, small dollar installment lenders, and the nondepository trust companies.

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<sup>7</sup> The AARMR is a trade organization for mortgage regulators.

The **Field Examination Branch** is responsible for on-site and off-site examinations of all state-chartered and state-licensed financial institutions. Examinations, unlike accounting audits, are forward-looking and risk-based reviews of factors underlying the safety and soundness of financial institutions. For example, examiners not only evaluate existing and projected financial information, but also assess the effectiveness of management, its policies, and implementation of those policies in administering the institution's risk management programs and practices. The branch is divided into two sections: one section focuses on the safety and soundness of state-chartered banks, trust companies, small dollar installment lenders, credit unions, and money transmitters, while the other section focuses on compliance with federal and state regulatory laws and guidance for mortgage-related industries and escrow depositories.

### **GOALS AND OBJECTIVES**

In January 2024, all DFI team members participated in updating the Division's three-year strategic plan. The updated strategic plan sets forth four goals:

- Maintain a strong and efficient system of financial regulation.
  - The DFI does not receive any general funds. Instead, the division receives funding from its chartered and licensed companies and individuals. DFI also receives almost half of its revenues from the franchise tax paid by the banks and other financial institutions. The DFI operates like a business, as it balances revenues and expenses to provide oversight and supervision for the benefit of Hawaii's residents.
  - Examiners would identify training opportunities to keep abreast of emerging technologies and financial products during the quickly evolving innovative products and services by financial technology ("fintech") companies.
  - The DFI reviews and proposes changes to its laws to appropriately meet the everchanging environment in which it functions. The innovative business models and functions of licensees have changed the landscape of compliance to become complex and multifaceted. Instant fulfillment of services has become the norm for consumers, and the DFI strives to continue maintaining proper supervision of licensees amidst this environment.
- Maintain the networked supervision model.
  - The DFI would leverage other states' experience in licensing and examinations. States want to leverage off each other's skill set and experience to provide a more efficient and economical examination of companies.
  - Participate in multi-state examinations to allow for many examinations going on at the same time. Hawaii, like other states, have a finite number of staff that can conduct examinations. When Hawaii joins multi-state examinations, we can conduct more examinations. For instance, when Hawaii conducts an examination by itself, it schedules three to four examiners. When Hawaii joins a multi-state examination, it schedules one or two examiners, thereby freeing up the DFI staff to conduct an examination on another company.

- Share DFI's skills with the other states, especially in the area of regulatory compliance. Hawaii has been recognized as having a very strong examination team.
- The DFI leverages its resources with other federal agencies to provide oversight over state-chartered and licensed companies. This networked supervision involves communication skills to efficiently discuss and take appropriate action on licensees.
- Continue to improve our operational efficiencies.
  - The DFI strives to develop an internal searchable database. The DFI recognizes that the database topics are only recognizable to the individual branch team members. Documents are not easily identifiable if you work in a different DFI branch.
- Recognize the workforce of tomorrow challenges.
  - The DFI emphasizes cross-training among its branches to allow a more holistic understanding of the DFI supervisory reach.
  - Encourage coaching, mentoring, and leadership training to develop the DFI team for succession planning.
  - Train IT and cybersecurity examiners as this area touches all of our licensees.
  - The DFI seeks to recruit new staff who, through on-the-job training, will be able to adjust to the rapidly changing landscape of the financial services industry. New financial service products continue to be created, modified, and initiated by licensees that the DFI regulates and supervises.

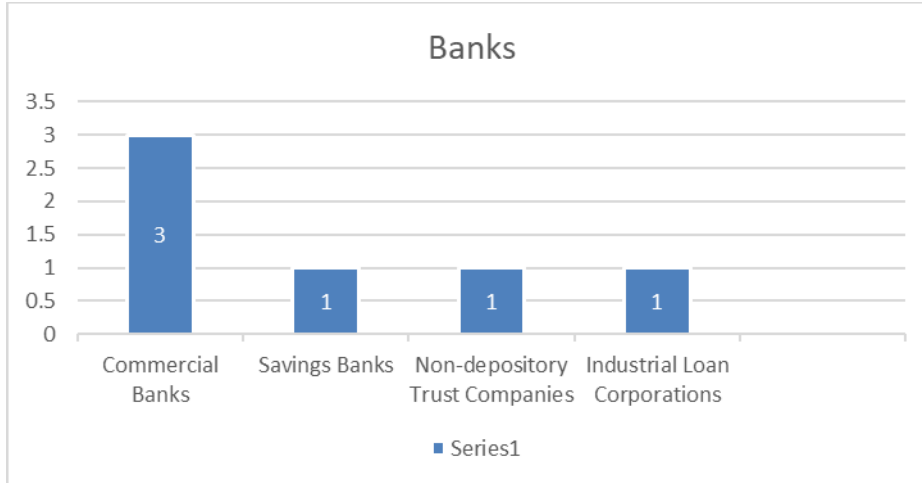
### **ACCOMPLISHMENTS IN FY 2024**

The DFI continues to provide supervision for five state-chartered banks with assets totaling over \$55 billion dollars. The DFI has 11 financial institution examiners to supervise these state-chartered banks. This bank supervisory team has three licensing examiners and eight field examiners<sup>8</sup>. The national banks, which are not supervised by the DFI, have assets totaling over \$8 billion dollars. The DFI notes that although it does not supervise the national banks, the national banks are invited to training sessions offered by the DFI since all banks must comply with the same regulations.

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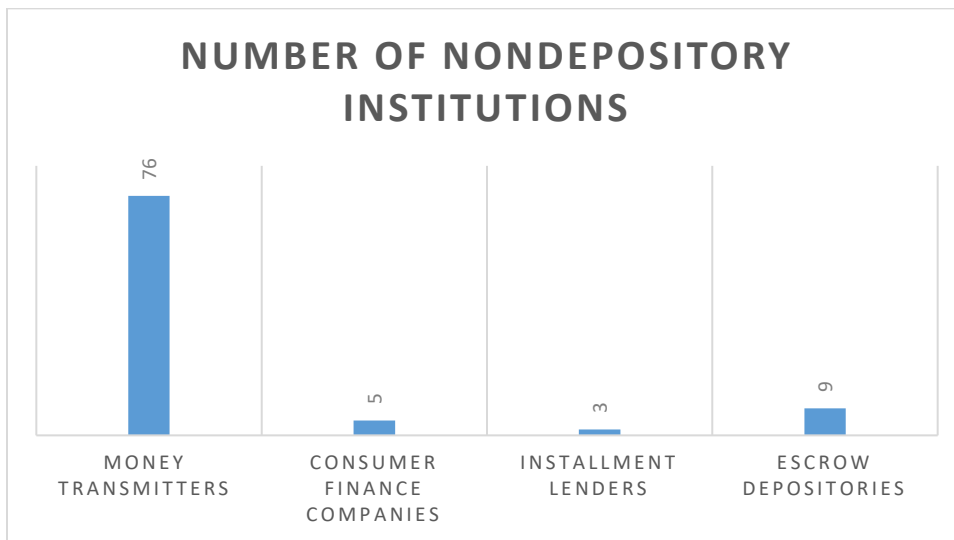
<sup>8</sup> DFI notes that the examination financial institution examiners also conduct money transmitter examinations.

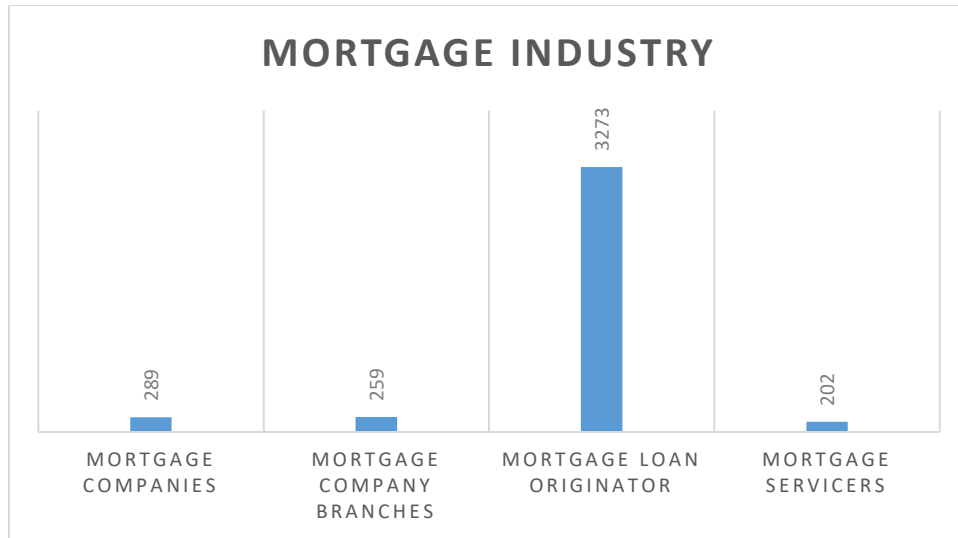




Total Assets	As of 6/30/24
Commercial Banks	\$54,634,438,000
Savings Banks	\$2,165,115,000
Non-depository Trust Companies	\$3,016,191
Industrial Loan Corporations	\$667,495,000

The DFI supervises over 4,000 non-depository licensees with our limited number of examiners. These non-depositories include the mortgage industry, money transmitters, escrow depositories, installment lenders, and finance companies. The DFI has six dedicated money transmitter examiners and 13 dedicated mortgage industry examiners.





### Nationwide Coordination and Consumer Protection

The DFI team worked with federal and state regulators and as well as with Congress to keep state financial regulation at the forefront of the policy discussion as financial services continue to evolve and the nation recovers from the global pandemic. Navigating changes means staying abreast of emerging issues as they may affect banks and licensees.

- The DFI continues to be a member of CSBS that works with Congress to address banking and non-depository industry issues.
- The DFI provided staffing for the Disaster Recovery Center that was set up by FEMA in the immediate aftermath of the Maui wildfires. The DFI provided consumers with information on how to identify and contact loved one's banks and mortgage servicers. Additionally, the DFI coordinated two Mortgage Servicer events in Lahaina to help residents connect with local banks, federal regulators and larger mortgage servicers.
- The DFI worked with federal regulators to improve access to sharing data which led to more effective analytics and better collaboration between state and federal agencies.
- The DFI participated in a multi-state enforcement action against a nationwide payment processor who debited consumers' mortgage payments twice for a single payment.

### State Consumer Protection

In FY 2024, the DFI ordered restitution totaling \$483,586 to 637 consumers for overcharging of fees in violation of consumer protection laws identified through examinations of mortgage loan origination companies. DFI assessed more than \$300,000 in administrative fines for violations of Hawaii's laws, rules, and regulations by its licensees.

The DFI examination team has expanded its participation in multi-state examinations for money transmitters, mortgage loan originator companies, and mortgage servicer companies. In FY2024, the DFI participated in one multi-state investigation of a mortgage originator company for unlicensed activity. The DFI was also the lead agency in a multi-state examination of a large

nationwide consumer finance company and the lead agency in a multi-state examination of a large nationwide money transmitter.

The DFI's licensing staff continues to be challenged by the number of work items submitted. These work items included amendments to the application for change in control by key individuals, name changes to the company, change of employers, and surrender of licenses. The DFI believes the interest rate environment over the past two years has created movement within the mortgage industry as well as a reevaluation of how they conduct business.

This year, mortgage interest rates leveled and the mortgage industry remained even. The DFI expects to see a continued 15-20% decline in the number of mortgage industry renewals due to the high cost of getting a mortgage. Although the mortgage origination market was booming in FY2022, economic factors continue to show that housing prices were largely unaffordable.

Added to the number of applications, mortgage loan originator companies and money transmitter companies were making changes to their business models, layering subsidiaries, affiliates, and related companies to facilitate the transactions. The DFI licensing team reviewed thousands of pages of business models, explanations, additional policies, and flow of funds to determine if consumers would continue to be protected by state and federal laws. These subsidiaries, affiliates and related company key individuals also had to be vetted to determine whether they met the regulatory criteria which proved to be difficult in some cases because of the global status of the individuals involved.

### **Digital Currency Innovation Lab**

The DFI created the Digital Currency Innovation Lab (DCIL) to study whether the money transmitter law was the appropriate licensing scheme, and to determine whether digital currency companies should be licensed for consumer protection. This study was to last for two years to allow the DFI to determine its next steps in whether to regulate the industry. The DCIL started operations in August 2020 with twelve companies<sup>9</sup>. In June 2021, another four companies were allowed to participate in the DCIL.

The DCIL project ended on June 30, 2024. The findings from the project indicate that digital currency companies will no longer require a Hawaii-issued money transmitter license to conduct business within the state. The companies will be able to continue transaction activity as an unregulated business. However, such companies will be responsible for complying with any applicable federal licensing or registration requirements, including those set forth by the Financial Crimes Enforcement Network, Securities and Exchange Commission, and the Financial Industry Regulatory Authority, as well as any pertinent federal regulatory requirements involving consumer protection, anti-money laundering measures, etc.

In addition to the DCIL closing on June 30, 2024, digital currency will no longer be licensed under Hawaii's Money Transmitter Act. Consumers are now free to conduct digital currency transactions with and company choosing to conduct business in this State. While this will eliminate money

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transmission applications for companies conducting only digital currency services, it does not eliminate the need for a license for their tradition money transmission activities. Accordingly, the DFI expects money transmission application to increase in the coming years. Additionally, the money transmission industry and their deep connections to FinTechs, will continue to propose new and innovative products relating to money transmission. Money transmitter applications are increasingly complex as money transmitters used creative fintech applications and platforms to either request an exemption from the law or have such complex business structures making it difficult to determine how the flow of money occurred during the transactions. There have been several applicants that are diving into banking as a service. These companies partner with insured depositories to offer products and services resembling bank products. Additionally, many money transmitters became increasingly global, and had directors and key individuals (control persons of the company) outside the jurisdiction of the United States. DFI continues to discuss with other states about how discipline can be applied for companies operating outside the jurisdiction of the United States.

### **Maui Fire Events**

After the devastating Maui fire that destroyed Lahaina, the DFI sent staff to work at the Maui Disaster Recovery Center. Staff assisted impacted residents by providing answers to questions and resources regarding their mortgage and banking needs.

The DFI also reached out to Conference of State Bank Supervisors for assistance with coordinating efforts with federal agencies. CSBS created a working group with DFI and representatives from Federal Housing Finance Agency (oversees government sponsoring entities Freddie Mac and Fannie Mae), Freddie Mac, Fannie Mae, Federal Housing Administration, and Veterans Administration. Federal agencies sent letters to all approved lenders and servicers to inform them of disaster assistance guidelines for each respective federal loan programs that lenders and servicers must provide to their borrowers.

In October 2023, the DFI held the Maui Mortgage Assistance event and invited local and mainland banks, mortgage servicers, and representatives from FHFA, Freddie Mac, Fannie Mae, FHA, VA, HUD, as well as other non-profit housing assistance organizations. Approximately 200 residents attended the two-day event to discuss their mortgage loss mitigation options with their bank, servicer, or federal agency. The DFI considered the event a success as residents could meet face to face with representatives that clearly explained their options on what assistance can be provided to them.

In June 2024, the DFI held the second Maui Mortgage Assistance event and invited the same participants from the first event. The timing of the event was critical as for many residents, the initial 12 month forbearance period for their mortgages would be coming up. Approximately 150 residents attended the two-day event. The DFI considered the event a success as banks, servicers, and government agencies were provided with updated information on residents' status of their property: still in debris removal, EPA test negative, permits approved, ready to build, etc. Additionally, residents were provided with next steps assistance options regarding their mortgage when their forbearance period ends.

**Continued Accreditation status for Banking and Mortgage**

In October 2023, DFI went through the CSBS bank accreditation review and the CSBS/AARMR mortgage accreditation review. The accreditation review team interviewed 13 DFI employees serving in various administrative, managerial, and examiner positions. The review team also reviewed a sample of examination reports, correspondence, and related information for banks and mortgage companies of various asset sizes and risk classifications. The DFI met all accreditation standards and successfully retained both bank and mortgage accreditations for another 5 years.

**CRF FINANCIAL SUMMARY FOR FY 2024**

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$4,421,922	\$1,083,831	\$5,505,753	\$6,564,772

## INSURANCE DIVISION

### OVERVIEW AND COMPOSITION

The Insurance Division (INS) is responsible for overseeing the State's insurance industry, which includes insurance companies, insurance agents, self-insurers, and captives. The division ensures that commercial and individual consumers are provided with insurance services that meet acceptable standards of quality, equity, and dependability at fair rates by establishing and enforcing appropriate service standards and by monitoring the solvency of insurers. The INS licenses, supervises, and regulates all insurance transactions in the State under HRS title 24. Legal service plans also fall under the division's duties.

The following list shows the number of active insurance licensees at the end of the last two FYs:

<u>Type of License</u>	<u>Licenses as of June 30, 2024</u>	<u>Licenses as of June 30, 2023</u>
Adjuster	3,776	3,604
Captive	273	262
Certificate of authority (insurer)	1,094	1,076
Foreign risk retention group (registered)	77	75
Fraternal benefit society	10	7
Health maintenance organization	5	5
Independent bill reviewer	22	22
Life settlement broker	40	35
Life settlement provider	18	22
Limited lines motor vehicle rental company producer	38	38
Limited lines portable	18	18
Limited lines producer	1,657	1,627
Limited lines self-service storage producer	17	17
Managing general agent	99	79
Mutual benefit society	3	4
Nonresident producer	96,107	93,208
Pharmacy benefit manager registration	47	46
Producer	8,520	8,461
Purchasing group (registered)	230	224
Reinsurance intermediary	49	47
Service contract provider registration	230	219
Surplus lines broker	2,926	2,711
Third party administrator	252	238
Vehicle protection product warrantor registration	66	60
<b>TOTAL:</b>	<b>115,574</b>	<b>112,105</b>

The INS administers HRS chapters 431 (Insurance Code), 431C, 431K, 431L, 431M, 431P, 431S, 432, 432C, 432D, 432E, 435C, 435E, 448D, 481R, 481X, and 488, which relate to the licensing, supervision, and regulation of all insurance transacted in the State by all insurance entities.

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The **Captive Insurance Branch** handles all aspects of licensing, regulating, and developing the State's captive insurance industry. With 273 active licenses as of June 30, 2024, Hawaii's captive insurance domicile is ranked eighth worldwide and fifth in the U.S. for the largest captive domiciles. Pursuant to Act 1, SLH 2005, the Captive Insurance Administrative Fund defrays funds expended for the INS' captive insurance program. Accordingly, the CRF does not fund the cost of this program.

When a complaint is filed with the INS, the **Compliance and Enforcement Branch** investigates to ensure compliance with applicable statutes and rules. When violations are identified, the branch recommends appropriate disciplinary actions. In addition, the branch is responsible for processing administrative hearing requests, qualifying applicants to the Hawaii Joint Underwriting Plan assigned claims program, reviewing background information of producer licensing applicants to identify criminal and administrative histories, assisting consumers, and coordinating and qualifying applications for written consent pursuant to 18 United States Code section 1033 and HRS section 431:2-201.3.

The **Financial Surveillance and Examination Branch** conducts financial analyses and examines Hawaii-domiciled insurance companies, agencies, health maintenance organizations, and mutual benefit societies to assess their financial condition, solvency, and compliance with applicable laws and regulations. To safeguard consumer interests and maintain the integrity of the insurance industry, the branch also:

- Licenses more than 1,400 domestic, foreign, and alien insurers.

- Processes and collects more than \$221 million in premium and surplus lines taxes on behalf of the General Fund and workers' compensation levies on behalf of the Department of Labor and Industrial Relations.
- Processes and administers tax credits claimed against insurance premium taxes.
- Authorizes and monitors accredited, certified, and trustee reinsurers.
- Registers purchasing groups and foreign risk retention groups.
- Regulates self-insurers.
- Maintains security deposits.
- Monitors market share and competitive standards of mergers and acquisitions.

The INS is subject to periodic review by the National Association of Insurance Commissioners' (NAIC) Financial Regulation Standards and Accreditation Program, which requires state insurance departments to regulate domestic insurers' corporate and financial affairs. The Financial Surveillance and Examination Branch introduces legislation and promulgates administrative rules to ensure the INS has adequate statutory and administrative authority and the resources necessary to satisfy its regulatory obligations.

The **Health Insurance Branch** regulates health insurers, including health maintenance organizations and mutual benefit societies. The branch's primary responsibilities include: receiving inquiries and complaints pertaining to health insurance, including long-term care insurance; receiving requests from consumers for external reviews of a health plan's coverage decisions under HRS chapter 432E and administering the external review process; reviewing premium rate filings and forms to ensure readability and disclosure of required information; and coordinating with the Financial Surveillance and Examination Branch to conduct financial surveillance of health insurers.

The **Insurance Fraud Investigations Branch** conducts a statewide program for the prevention, investigation, and prosecution of insurance fraud cases and complaints. The branch's jurisdiction includes all lines of insurance, except workers' compensation. The branch reviews referrals submitted by the insurance industry, other agencies, and the public and initiates an investigation when a crime may have been or is being committed. State law requires that any insurer, insurer's employee, or insurer's agent that believes a fraudulent claim is being made refer the case to the Insurance Fraud Investigations Branch within 60 days.

The **Legal Branch** advises the INS on all legal matters and serves as the interface between the INS and the Department of the Attorney General. The branch serves as hearings officers for administrative hearings as assigned by the insurance commissioner; researches insurance issues; interprets statutes and rules; reviews and analyzes administrative decisions and rulings; prepares legislative bills, legislative testimonies, and administrative rules; responds to requests for formal and informal legal opinions; assists other INS branches in enforcing compliance with the Insurance Code; and provides assistance to other branches in supervision, rehabilitation, and liquidation proceedings.



The **Licensing Branch** handles and administers individual and business entity, resident and nonresident, insurance licenses and registrations as well as the continuing education (CE) program in Hawaii. The branch is responsible for the issuance, extension, inactivation, and reinstatement of various individual and business entity licenses or registrations, and the administration of the insurance commissioner's CE advisory board to review, approve, or deny CE providers or courses. In addition, the branch also handles license amendments, including name change, lines of authority addition or deletion, and designated responsible license producer addition or deletion. The branch also answers calls, emails, or assist walk-ins for any licensing related inquiries.

The **Office Services Branch** provides general reception services; answers and screens telephone calls; provides clerical, typing, and other administrative services for the INS; maintains the INS' central administrative files, including memoranda, newspaper articles, documents, and reports; orders office supplies and equipment for the INS and maintains its inventory; and receives and distributes the INS' mail.

The **Rate and Policy Analysis Branch** provides systems and procedures for the analyses of rate and policy filings of domestic, foreign, and alien insurance companies for compliance with the State's insurance laws. The branch analyzes and approves or disapproves rate filings for casualty, property, motor vehicle, inland marine, surety, credit life and disability, and Medicare supplement insurance. The branch also reviews policy form filings for workers' compensation, motor vehicle, credit life and disability, long-term care, Medicare supplement, temporary disability, and title insurance.

For a comprehensive report on the INS' activities, please visit [cca.hawaii.gov/ins/reports/](https://cca.hawaii.gov/ins/reports/) to view the 2024 Annual Report of the Insurance Commissioner of Hawaii.

## **GOALS AND OBJECTIVES**

- Continue meeting its statutorily mandated requirements.
  - The INS will continue complying with the Insurance Code and the Hawaii Administrative Rules (HAR) through proper personnel and caseload management.
- Maintain accreditation status with the NAIC.
  - Accreditation of state insurance regulators is administered by the NAIC and requires state insurance departments and divisions to maintain adequate statutory and administrative authority, as well as sufficient resources to effectively regulate the financial solvency of insurance companies. To maintain its accreditation status, the INS will ensure the required level of funding for its financial surveillance resources. In addition, the INS will review and submit to the Legislature, when necessary, proposed legislation for the adoption of NAIC model laws required for accreditation.

- Improve Hawaii’s world ranking as a leading captive insurance domicile.
  - Hawaii has long been an attractive domicile for the captive insurance industry because of its rigorous standards and geographical location. The INS continued to review its marketing strategy and amend existing components to remain competitive with the maturing and dynamic captive market in the United States. Hawaii actively pursues opportunities in Asia and has maintained its standing as a captive insurer domicile world leader.
- Develop and implement solutions to help stabilize the Hawaii property insurance marketplace.
  - Hawaii is experiencing unprecedented rate increases in the condominium insurance market due to a hardening global insurance industry and recent increase of catastrophic events around the world. The INS is continuing to work with the Joint Executive and Legislative Task Force to implement short-term fixes and recommend emergency changes or legislative proposals.

### **ACCOMPLISHMENTS IN FY 2024**

#### **Provided Continuous Assistance at the Maui Disaster Resource Center**

Following the tragic Maui wildfires on August 8, 2023, the INS was tasked with aiding the thousands of residents and businesses whose properties were damaged or destroyed. The INS created informational flyers, brochures, FAQs, and other materials to distribute as handouts and make available on our website. With the Kahului disaster resource center opening on August 17, 2023, the INS sent volunteers to staff an all-day assistance table. Furthermore, daily volunteers were sent to the Lahaina Civic Center Disaster Resource Center through the end of 2023. The INS, along with the Division of Financial Institutions, established Insurance and Banking Assistance Center events in August and September 2023 at Whalers Village.

#### **Savings to Hawaii Consumers**

Through a combination of the rate review process and the complaint investigation process, the INS helped consumers save a total of \$24.8 million in FY 2024. The INS reviewed and issued dispositions on 2,470 rate filings and handled 527 complaints. The Rate and Policy Analysis Branch recorded \$6.1 million of long-term care premium savings and \$11.8 million of property and casualty premium savings. Review of health rate filings resulted in consumers savings of \$6.9 million.

### **CRF FINANCIAL SUMMARY FOR FY 2024**

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$8,269,466	\$2,488,458	\$10,757,924	\$13,214,853

With the growth in licensees and the revenue associated with those licenses, the INS expects to have enough funds to cover budgeted expenditures.

## OFFICE OF ADMINISTRATIVE HEARINGS

### OVERVIEW AND COMPOSITION

The Office of Administrative Hearings (OAH) is a support office under the Director's Office and is responsible for conducting administrative hearings and issuing recommended decisions for all DCCA divisions that are statutorily required to provide contested case hearings under chapter 91, HRS. The OAH's primary CRF caseload includes cases involving:

- Disciplinary actions filed by the Regulated Industries Complaints Office against licensees;
- Appeals of the decisions of the boards, commissions, and programs attached to the Professional and Vocational Licensing Division to deny license applications;
- Petitions for declaratory relief;
- Citations issued to persons or businesses engaged in unlicensed activities;
- Trade name or trademark disputes;
- Securities enforcement actions brought pursuant to the Uniform Securities Act;
- Denials of personal injury protection insurance benefits;
- Disciplinary actions arising from HPEAP; and
- Other matters from other divisions.

The OAH is also responsible for conducting administrative review hearings on:

- Procurement cases from all agencies and divisions of the State, its four counties, and the University of Hawaii that arise under the Hawaii Public Procurement Code;
- Certain kinds of motor vehicle dealer, distributor, and manufacturer disputes under HRS chapter 437, part 2;
- Appeals of benefit determinations from the Employer-Union Health Benefits Trust Fund under a Memorandum of Understanding; and
- Appeals of benefits determinations from the Hawaii Employees' Retirement System under a Memorandum of Understanding.

Another integral part of the OAH's responsibilities is its administration of the Medical Inquiry and Conciliation Panel (MICP) and the Design Claim Conciliation Panel (DCCP). The MICP conducts informal conciliation hearings on inquiries regarding health care providers before any claims against those providers can be filed as lawsuits. Similarly, the DCCP conducts informal conciliation hearings on claims against design professionals (i.e., engineers, architects, surveyors, and landscape architects) before those claims can be filed as lawsuits. The MICP does not make any decisions on the merits of the parties' positions. The decisions of the DCCP are advisory and not binding on the parties, should a party decide to pursue the matter in court.

For a comprehensive report on MICP and DCCP activities, please visit [cca.hawaii.gov/oah/reports/](https://cca.hawaii.gov/oah/reports/) to view the 2024 Annual Report on the Medical Inquiry and Conciliation Panel and Design Claim Conciliation Panel.

**Contact information:**

Office and mailing address: 335 Merchant Street  
Suite 100  
Honolulu, Hawaii 96813

Phone: (808) 586-2828

Website: [cca.hawaii.gov/oah](http://cca.hawaii.gov/oah)

Email: [oah@dcca.hawaii.gov](mailto:oah@dcca.hawaii.gov)

**GOALS AND OBJECTIVES**

- Conduct contested case hearings and issue consistent and well-reasoned, recommended decisions in a fair and impartial manner and as expeditiously as possible.
  - The OAH implements processes and procedures to ensure all cases are timely processed, from the date of filing to the issuance of a final order. These processes and procedures include: entering additional data fields in the OAH’s database so that all pending cases can be tracked for timeliness throughout the entire hearings process; inventorying all OAH cases every February and August of each year; and disposing of cases where no party has taken any action.
  - Make available to the public an efficient means of submitting their hearing and related requests to the OAH electronically.
  - Provide greater accessibility to contested case hearings by offering several methods to conduct hearings, including in-person and remote options.
- Make available to the public all decisions issued by CRF-related boards, commissions, programs, and divisions.
  - The OAH makes available online all procurement protest decisions shortly after it notifies the parties of the decisions. Since January 2009, the OAH has posted on its website all decisions in other areas.
  - Through new software, the OAH redacts personal information protected by privacy laws from decisions and makes decisions compliant with the Americans with Disabilities Act.
  - The OAH routinely publishes all decisions shortly after they are issued to foster greater awareness of state laws, encourage voluntary resolution of disputes, and maintain consistency in rendering decisions.
- Make available to the public various forms and detailed written instructions to access and initiate the contested case hearing process.

**ACCOMPLISHMENTS IN FY 2024**

Contested case hearings continue to be conducted on a regular basis, utilizing remote as well as in-person platforms where appropriate. Upgraded equipment in the hearings rooms have allowed hearings to be conducted in any format, including hybrid proceedings.

The OAH has nearly completed the second stage of its digital scanning project. This phase of the project involved digital storage of closed files that are retained pursuant to the OAH's one-year retention policy. The final "bugs" are being worked out with the new contractor who took over the project after the initial vendor went out of business. Utilizing electronic filing of legal documents as well as an electronic case management system further supports the OAH's goal of going "paperless" and facilitates retention of required files and documents. Electronic case management supports productivity while teleworking as all case materials are accessible remotely.

To advance the goal of making OAH decisions and Board and Commission final orders accessible to the public, the OAH website is undertaking a long-term improvement project. The OAH continues to revise and improve its forms and instructions to aid participants in their contested case hearings.

The table below summarizes CRF-related activities the OAH conducted in FY 2024:

<b>Type of Proceeding Conducted</b>	<b>Number</b>
Pre-hearing conferences	51
Status conferences	14
Motions	15
Hearings	24

The table below summarizes the number of cases and relative percentage of CRF-related activities the OAH conducted in FY 2024.

<b>DCCA Divisions Referring Matters to the OAH</b>	<b>Cases Filed</b>	<b>%</b>
Insurance Division (denial of personal injury protection benefits and enforcement actions)	6	11%
Regulated Industries Complaints Office (petitions for discipline and appeals from citations for unlicensed activities)	8	14%
Business Registration Division (trade name revocation proceedings, corporate name abatement proceedings, and violations of securities laws)	14	25%
Professional and Vocational Licensing (license denials)	11	20%
Hawaii Employees' Retirement System (retirement benefit denials)	11	20%
Procurement Administrative Reviews (protest denials)	3	5%
Other CRF-related hearings	3	5%

The OAH caseload is dependent on filings from the public and other divisions of the DCCA. OAH continues to see a decline in filings in almost all matter types. Changes to insurance and licensing practices may have contributed to the decline in filings.

As we previously noted, on July 6, 2021, Governor Ige signed into law SB 1329, SD2, HD3, CD1, which, among other things, requires that any party initiating a proceeding under Hawaii Revised Statutes 103D-709(d) shall pay to the DCCA a cash or protest bond in the amount of one percent of the estimated value of the contract. Under the previous version of the law, unless the petitioner prevailed in the matter, the bond was forfeited to the General Fund. We saw a decline in procurement appeals after this legislation went into effect. However, HRS §103D-709(e) was changed in the 2024 legislative session to require the refund of any cash or procurement bond unless the OAH determines that the appeal was frivolous or filed in bad faith which could lead to more procurement appeals being filed.

The OAH also assists other agencies with contested case hearings. In addition to conducting hearings for the Employees Retirement System, the OAH has assisted the Department of Education with salary overpayment matters. Additionally, the OAH has agreed to assist the Public Utilities Commission (PUC) regarding hearing motor carrier citation and order to show cause matters for the PUC. This will assist the PUC in being able to meet the enforcement of motor carrier and excavator regulations.

The OAH Hearings Officers assist the MICP program by serving as non-paid MICP panel chairs. They also serve as resources for other panel members. The Hearings Officers also serve as arbitrators for the State Certified Arbitration Program.

Additional statistical data pertaining to CRF-related activities the OAH conducted may be found in the statistical tables presented by the Regulated Industries Complaints Office.

## OFFICE OF CONSUMER PROTECTION

### OVERVIEW AND COMPOSITION

The Office of Consumer Protection (OCP) investigates and prosecutes violations of laws enacted for consumer protection purposes. OCP is, therefore, DCCA's enforcement division for non-licensee conduct that violates state consumer protection laws. Related to enforcement, OCP strives to help the public be more aware and knowledgeable as consumers through education programs and materials that consist of both online resources and interfacing with the community. OCP also provides consumer education and promotes awareness of important consumer protection issues through its media releases. In addition to its enforcement duties, OCP offers information on the Residential Landlord-Tenant Code, HRS chapter 521, to the public through the Landlord-Tenant Information Center.

OCP receives complaints of potential misconduct from a variety of sources, including individuals, businesses, professionals, government officials, law enforcement, out-of-state agencies, and persons who choose to remain anonymous. Complaints are filed by individuals predominantly, but OCP staff may initiate complaints when, for example, conduct or information that indicates a suspected violation comes to its attention.

OCP's **enforcement jurisdiction** encompasses a wide range of businesses and commercial activities that are the subject of state consumer protection laws, including, but not limited to: unfair and deceptive acts or practices in trade or commerce, misleading or false advertising, mortgage rescue fraud, door-to-door sales, gift certificates, offers of gifts and prizes, going-out-of-business sales, refunds and exchanges, collection practices, credit sales, health clubs, towing, and motor vehicle rentals. See Table 1: Laws Enforced by OCP. More recently, OCP has investigated and initiated enforcement actions to protect consumers from misleading and deceptive practices by mortgage rescue consultants, tow operators, and financial technology (fintech) companies.

#### **Contact information:**

Main office address:           Leiopapa A Kamehameha Building  
  (State Office Tower)  
  235 South Beretania Street  
  Suite 801  
  Honolulu, HI 96813  
  (808) 586-2630

Maui office address:           Wells Professional Center  
  2145 Wells Street  
  Suite 106  
  Wailuku, HI 96793  
  (808) 243-4648

Hilo office address: Bank of Hawaii Building  
120 Pauahi Street  
Suite 212  
Hilo, Hawaii 96720  
(808) 933-8845

Website: [cca.hawaii.gov/ocp](http://cca.hawaii.gov/ocp)

Email: [ocp@dcca.hawaii.gov](mailto:ocp@dcca.hawaii.gov)

Online Complaints Portal: [consumercomplaint.hawaii.gov](http://consumercomplaint.hawaii.gov)

OCP has investigators, attorneys, and administrative and support staff. OCP's neighbor islands offices are comprised of one investigator each.

**Intake: Consumer Resource Center (phone: 808-587-4272)**

OCP's complaints intake function is performed by intake investigators at the Consumer Resource Center, a division of the Regulated Industries Complaints Office. Intake investigators answer consumers' questions, distribute OCP complaint forms, receive written consumer complaints, and forward cases to OCP for review, closure, or further investigation. The Regulated Industries Complaints Office and OCP share a common case management system that facilitates the transition of information between divisions. For more information about the intake investigators at the Consumer Resource Center, please see the description of their function in the Regulated Industries Complaints Office chapter of this report.

In FY 2024, the CRC resolved approximately 1,525 OCP complaint inquiries without a formal complaint. If circumstances permit, consumers can visit OCP's Honolulu office to view hard copies of case files. Prior to releasing any file, OCP reviews its contents to ensure legally protected private information is not disclosed.

**Investigation Section (phone: 808-586-2630)**

The Investigation Section is the largest section within OCP and includes investigators located in OCP's Honolulu, Hilo, and Wailuku offices and related administrative staff. The Investigations Section receives cases from the Consumer Resource Center, gathers evidence, and presents the evidence to the Legal Section. See Table 3: Numerical Breakdown of Dispositions of all OCP Cases and Table 4: OCP's Top Ten Complaints.

Investigators communicate directly with respondents (or their counsel) that are the subject of complaints. Formal investigations often require in-depth communications with complainants and respondents, obtaining and analyzing information and records, site visits, and witness interviews.

Complaints may close in Investigations Section for a variety of reasons, including the absence of sufficient credible evidence to prove a violation, evidence establishing that no violation has occurred, or an education contact or a warning being issued.



Investigators may continue working on complaints after a referral to Legal Section by assisting OCP staff attorneys with pre-trial and trial work, such as gathering information or witness declarations that can be used to conduct examinations under oath or depositions, serving process on defendants, or testifying as a witness.

The Hilo and Wailuku offices handle a high-volume of telephone calls, many of which bring non-OCP matters and concerns to the table. In FY 2024, OCP's neighbor island staff collectively assisted with referrals to other DCCA and non-DCCA agencies on 97 occasions.

**Residential Landlord-Tenant Information Center (phone: 808-586-2634, Consumer Dial Information Service: 808-587-1234)**

Long operated by OCP, the Residential Landlord-Tenant Information Center provides information about the rights and duties of landlords and tenants. This service is provided free of charge to both landlords and tenants. OCP publishes the Hawaii Residential Landlord-Tenant Handbook, which summarizes key provisions of the Residential Landlord-Tenant Code, chapter 521, HRS, and distributes hundreds of copies annually. Additional information on landlord-tenant matters is available on OCP's website. The number of calls to the Residential Landlord-Tenant Information service decreased as the impact of the pandemic lessened in 2023. However, the number of calls rose again in FY 2024 as landlords and tenants sought more information about their rights and responsibilities under the governor's emergency proclamation relating to the Maui wildfires, specifically regarding the moratorium on rent increases and evictions on Maui (see Table 2).

**Legal Section (phone: 808-586-2636)**

The Legal Section consists of staff attorneys and related administrative and clerical staff. The primary obligations of the staff attorneys are investigative and legal in nature. At the investigation stage, staff attorneys provide guidance and advice to investigators, review and at times prepare administrative subpoenas, and conduct examinations under oath to obtain information. Staff attorneys may also negotiate voluntary compliance agreements with individuals in lieu of court action.

Staff attorneys also prepare and file lawsuits under various consumer protection laws which OCP is mandated to enforce. In each case, staff attorneys are responsible for assessing whether there exists sufficient evidence and legal authority to warrant legal action, conducting formal discovery, and participating in all court proceedings.

Staff attorneys may analyze state and federal legislative and regulatory activities related to consumer protection. These activities fulfill the office's mandate to study the operation of laws affecting consumers and recommend new laws and amendments to the Governor and the Legislature in the consumers' interest.

OCP also provides the following services:

**Consumer Education**

OCP continuously strives to promote consumer education to enhance awareness of various consumer problems. OCP issues press releases on multiple consumer topics and distributes written materials tailored to provide specific consumer information. OCP also provides consumer information through its website, which includes information on various topics. OCP participates in numerous educational forums such as in the media, at community fairs, and via live webinars. In FY 2024, OCP's consumer education efforts provided relevant information to hundreds of consumers and businesses.

**Neighbor Island Assistance Requests**

OCP offers assistance to neighbor island residents in DCCA-related matters and other areas. In FY 2024, OCP neighbor island investigators provided assistance and referrals in other places in 97 instances. See Table 5 for OCP's Neighbor Island Assistance statistics in FY 2024.

**GOALS AND OBJECTIVES**

- Foster a fair and safe marketplace for consumers and businesses.
- Investigate allegations of unfair or deceptive trade practices.
- Enforce Hawaii's consumer laws.
- Educate consumers and businesses on their respective rights and responsibilities.
- Support innovative legislation designed to protect consumers in Hawaii.
- Facilitate the exchange of information with a wide array of civil and criminal law enforcement agencies.

**Accomplishments IN FY 2024**

In 2023, the devastating wildfires in Lahaina and Upcountry significantly impacted many homeowners and renters on Maui, leading to the loss of homes and businesses. In response, government agencies at the state, county, and federal levels worked together to provide disaster relief. Governor Josh Green issued emergency proclamations to address price gouging and implemented an eviction moratorium to protect consumers and renters from exploitation.

Following the first of the emergency proclamations related to the fire, the Hawai'i Office of Consumer Protection Residential Landlord-Tenant Information Center recorded a significant increase in call volume related to rent increases, lease terminations, needed repairs, or security deposits on the Island of Maui. The Residential Landlord-Tenant Information Center received nearly 700 calls related to the emergency proclamations by April 2024; nearly 450 of those calls concerned lease terminations.

OCP stationed staff at the Federal Emergency Management Agency (FEMA) Disaster Relief Center at the Lahaina Civic Center to provide consumer education materials, landlord-tenant information, and advice on avoiding scams. OCP developed relationships with legal service organizations serving wildfire survivors, participated in monthly calls led by the Legal Aid Society

of Hawaii to assist Maui wildfire survivors, and updated legal service organizations on breaking developments related to the governor's emergency proclamations.

OCP staff coordinated with the Department of the Attorney General. The Department of the Attorney General undertook enforcement of the Governor's Emergency Proclamation. Callers to OCP's Residential Landlord-Tenant Information Center describing illegal rent increases and eviction were provided referral information to the Department of the Attorney General. The Attorney General's investigators looked into matters concerning compliance with the prohibition on rent increases and evictions. OCP also regularly updated its website to provide the latest information on the rights and obligations of residential landlords and tenants.

Consumer education is a priority for OCP, and reaching the largest number of consumers possible is important. In the spring, OCP collaborated with the Federal Trade Commission (FTC) and joined the Legal Aid Society of Hawaii and AARP Hawaii for a webinar on combating consumer fraud and identity theft in Hawaii. The one-hour presentation was attended by over a hundred government agencies, non-profit organizations, financial institutions, and media outlets. The educational materials were promoted on local media websites and through news releases for consumers to access.

OCP addressed persistent staffing shortages and built on its relationship with the University of Hawaii William S. Richardson School of Law. Staffing shortages caused by the pandemic and retirements in 2020 were addressed by continuous recruitment leading to the hiring of two staff attorneys and three investigators. The Legal Section received further assistance from a third-year Richardson law student, who completed her four-credit externship and 60 hours of pro bono service at OCP.

The American Bar Association recently selected OCP to host a highly qualified law student for an eight-week, full-time fellowship in Summer 2025. The Steiger Fellowship offers a fully funded stipend to well-qualified law students interested in consumer protection work at state government. Recruitment for the fellowship will take place through Richardson Law School and other potential venues. The OCP Steiger Fellow will be selected from a pool of well-qualified law students following a selection and interview process administered by OCP.

### **Legal Action – OCP Collects Nearly \$2 million in Fines and Penalties**

OCP's legal actions involved many different areas of consumer protection, including financial technology platforms, mortgage rescue fraud, tow operators, subprime and service member consumer borrowing, and privacy and data breaches. These included complex multistate enforcement actions based on unfair or deceptive marketing practices by a major hotel chain, nation-wide wireless mobile carriers, and financial technology platforms misrepresenting protections available to consumers.

Foremost among the multistate settlements obtained by OCP in FY 2024 was a settlement with a pharmaceutical company over its marketing, manufacturing, and sale of talc powder products that

contained tainted carcinogenic asbestos. This settlement requires the company to stop manufacturing, marketing, distributing, and selling the talc products. To date, it is one of the largest multistate settlements in the history of the United States, and Hawaii received more than \$5.3 million in penalties payable over five years.

### **Consumer Education**

OCP's in-person consumer outreach events in FY 2024 included presentations at The Plaza Assisted Living, Senior Health and Fitness Fair, and Mililani Town Association Senior Fair, as well as participation in DCCA's Consumer Fair and Financial Literacy Fair. OCP also participated in several consumer education outreach activities at local media outlets such as Hawaii Public Television, Hawaii Public Radio, and local television news stations. Lastly, OCP partners with numerous public and private agencies to promote consumer protection throughout Hawaii.

### **Legislation – Protecting Homeowners From Predatory Listing Agreements**

State attorney investigations and lawsuits frequently bring to light harmful business practices. Recently, investigations and lawsuits in a number of states have shined a light on predatory exclusive listing agreements between companies and elderly and vulnerable homeowners. Homeowners are solicited to enter into exclusive listing arrangements for their property for as little as a few hundred dollars. Terms of the agreements are outrageous—some exclusive listing agreements last for forty years and require payment of fees if the agreement is terminated early for any reason. Agreements are recorded against the title and the listing agent is compensated for early termination, for default, and whenever the property changes hands.

OCP worked with State Senator Angus McKelvey to introduce a bill specifically targeting predatory exclusive listing arrangements. Following discussions with the Real Estate Commission and the Bureau of Conveyances, the bill was amended, passed out of both chambers, enrolled to the Governor, and signed into law. The law makes such agreements void and unenforceable and per se unfair or deceptive acts or practices. Homeowners are authorized to bring a court action and recover their actual damages, costs, and attorney's fees. Procedural hurdles to clearing title to the property are also addressed in the newly enacted law. Hawaii joins nearly twenty other states that have enacted legislation that targets predatory exclusive listing arrangements.

OCP also fulfilled its legislative mandate to educate landlords, homeowners, property managers, and tenant advocacy groups about tenant screening fees as required under Act 200 (2023 SLH). Educational materials were provided to tenant-serving stakeholders real-estate industry stakeholders, including postings on social media. Those materials are available at [Office of Consumer Protection | FAQs for Tenant Screening Fees \(hawaii.gov\)](https://www.hawaii.gov/ocp/faq-tenant-screening-fees).

OCP will continue to advise the Legislature on bills and laws affecting consumer interests. Matters likely to be addressed during the Regular Session of 2025 include earned wage advances, price transparency, drip pricing and hidden fees, updates to the data breach notification law, social-media regulation, and privacy matters.

## Investigations

OCP received more than 965 consumer complaints in FY2024. OCP averaged approximately 1,485 consumer complaints per year during the past several years. The actual number of OCP complaints varies from year to year, depending on circumstances. Many factors influence the number of complaints to OCP in any given year, such as the number of victims impacted by a business' illegal conduct.

OCP investigators employ many different strategies to ensure its goals are achieved meaningfully and cost-effectively. Investigators attempt to provide as much phone assistance as possible, enabling consumers to resolve their concerns without official or formal government procedures or intervention. Investigations of actions that present significant consumer harm may be “fast-tracked” for immediate legal intervention. To proactively address perceived consumer problems, OCP initiates investigations of problematic commercial practices.

## Residential Landlord-Tenant Information Center

In FY2024, OCP responded to 66,547 requests and inquiries from the public, including 6,751 requests for landlord/tenant information through its Residential Landlord-Tenant Information Center. See Table 2: OCP's Information Requests.

## CRF Financial Summary FOR FY 2024

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$ 1,756,521	\$ 320,153	\$ 2,076,674	\$ 1,357,105

Through its efforts, OCP collected nearly \$2,000,000 (actual \$1,980,167.62) in fines, penalties, costs, and restitution for Hawaii consumers. OCP anticipates receiving fines and penalties in FY 2024 from multistate settlements and cases.

## TABLES

**Table 1: Laws Enforced by OCP**

HRS section 127A-30	Rental or sale of essential commodities during a state of emergency; prohibition against price increases <sup>10</sup>
HRS section 290-11	Vehicles left unattended on private and public property; sale or disposition of abandoned vehicles
HRS chapter 437D	Motor Vehicle Rental Industry Act
HRS chapter 446	Debt Adjusting
HRS chapter 446E	Unaccredited Degree Granting Institutions

<sup>10</sup> This statute makes violations into unfair or deceptive acts or practice under HRS section 480-2. OCP's enforcement authority, however, is prescribed pursuant to its enabling statute, HRS chapter 487, which does not authorize OCP to pursue legal action on behalf of landlords or tenants. See also HRS chapter 521, *infra*, note 18.

HRS chapter 476	Credit Sales <sup>11</sup>
HRS chapter 477E	Fair Credit Extension
HRS section 480-2	Unfair competition, practices, declared unlawful <sup>12</sup>
HRS chapter 480D	Collection Practices <sup>13</sup>
HRS chapter 480E	Mortgage Rescue Fraud Prevention Act
HRS chapter 480F	Check Cashing
HRS chapter 481A	Uniform Deceptive Trade Practice Act
HRS chapter 481B	Unfair and Deceptive Practices, including: Unsolicited Goods; Commercial Mail Order Buying Clubs; Unlawful Offers of Gifts or Prizes; Misrepresentation as to Aid to Handicapped; Returns for Refunds, Merchandise Credits, and Exchanges; Sale of Solar Energy Devices; Sale of Computers; Sensitivity-Awareness Group Seminars; Credit Repair Organizations; Gift Certificates; and Ticket Brokers and Fees
HRS chapter 481C	Door-To-Door Sale
HRS chapter 481D	Going Out of Business Sales
HRS chapter 481F	Sale of Prints
HRS chapter 481H	Water Treatment Units
HRS chapter 481K	Assistive Technology Warranty Act
HRS chapter 481L	Motor Vehicle Lease Disclosure Act
HRS chapter 481M	Lease-Purchase Agreements for Personal Property
HRS chapter 481P	Telemarketing Fraud Prevention Act
HRS chapter 481X	Service Contracts
HRS chapter 486N	Health Clubs
HRS section 487-5	General functions, powers, and duties of director of OCP
HRS chapter 487A	Language of Consumer Transactions
HRS chapter 487J	Personal Information Protection
HRS chapter 487N	Security Breach of Personal Information
HRS chapter 487R	Destruction of Personal Information Records
HRS chapter 506	Mortgages of Real Property or Fixtures
HRS chapter 521	Residential Landlord-Tenant Code <sup>14</sup>

**Table 2: OCP's Information Requests**

REQUEST AND INQUIRIES	FY 2022	FY 2023	FY 2024
Requests for prior complaint history	8,435	13,691	12,460
Website inquiry general information	37,239	19,068	26,067
Website inquiry landlord/tenant information	14,033	10,608	12,513

<sup>11</sup> HRS section 476-31. OCP has also filed cases based upon the Federal Truth in Lending Act and the State's usury statute, HRS chapter 478.

<sup>12</sup> The OCP also has enforcement power over certain lemon law agreements under HRS section 481I-4. Also, HRS chapter 514E sets forth a comprehensive regulatory scheme for time-share development, sales, and maintenance and establishes 13 specific types of conduct that constitute *per se* violations of HRS section 480-2. Under HRS section 490:2A-104, Uniform Commercial Code leases are explicitly subject to state consumer protection statutes and case law.

<sup>13</sup> See also HRS section 443B-20 (Unfair competition, unfair or deceptive acts or practices of collection agencies).

<sup>14</sup> HRS section 521-77 provides that OCP may receive, investigate, and attempt to resolve any dispute arising under HRS chapter 521. In 1976, however, the Legislature repealed HRS section 521-76 to remove OCP's authority to represent indigent tenants in court actions. This was seen as a solution that would enable OCP to continue providing information on the rights and duties of landlords and tenants, without incurring the risk of conflicts of interest.

Requests for landlord/tenant information	7,646	5,700	6,751
Complaint inquiries	8,457	11,492	8,746
Requests for records review	4	5	8
<b>TOTAL</b>	<b>75,810</b>	<b>60,564</b>	<b>66,545</b>

**Table 3: Numerical Breakdown of Dispositions of all OCP Cases**

<b>DISPOSITIONS</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Complaint withdrawn	3	5	9
Legal action and referrals to Legal Section	44	42	53
Advisory contact	10	9	2
Civil dispute/personal matter	107	120	333
Security Breach	0	22	76
Complainant uncooperative	35	25	22
Consumer complaint resolved	51	79	59
Respondent died or bankrupt	36	21	29
Business vs. business	13	19	16
No jurisdiction	30	33	79
Refer to investigation	189	153	228
Other	0	6	14
Warning letter	0	8	10
Insufficient evidence	197	141	156
Transferred to other government agency	188	250	237
No violation	37	20	24
Information only/inquiry	953	791	87
<b>TOTAL</b>	<b>1,893</b>	<b>1,744</b>	<b>1,434</b>

<b>DISPOSITIONS</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Advisory contact (A)	10	9	2
Business vs. business (B)	13	19	16
Civil dispute/personal matter (C)	107	120	333
Complaint withdrawn (D)	3	5	9
Legal action and referrals to Legal Section (E/L)	42	46	53
Complainant uncooperative (F)	35	25	22
Refer to investigation (I)	189	153	228

No jurisdiction (J)	30	33	79
Other (K [Admin error], M [threshold], T [prior action taken], Y [educational contact])	0	6	14
Insufficient evidence (N)	197	141	156
Consumer complaint resolved (R)	51	79	59
Transferred to other government agency (S)	188	250	237
Security Breach (SB)	0	22	76
Respondent died or bankrupt (U)	36	21	29
No violation (V)	37	20	24
Warning letter (W)	0	8	10
Information only/inquiry (Z)	953	791	87*
<b>TOTAL</b>	<b>1,891</b>	<b>1,835</b>	<b>1,434</b>

\*Note: Drop from the prior year due to no longer including IC3 count



Table 4: OCP's Top Ten Complaints

Rank	FY 2024**	FY 2023	FY 2022
1	<b>Privacy &amp; Data Security</b>	<b>Scams</b> (Imposter, Romance, Phishing, Spoofing, Robo-Calls)	<b>Scams</b> (Imposter, Romance, Phishing, Spoofing, Robo-Calls)
2	<b>Refunds</b>	<b>Refunds</b>	<b>Telephone Related</b> (Mobile Devices, Account Services, Billing)
3	<b>Towing</b>	<b>Travel &amp; Accommodations</b> (Airlines, Hotels, Vacation Rentals, Cruise Ships)	<b>Internet Services</b> (Transactions, Online Retail Marketplaces)
4	<b>Internet Transactions</b>	<b>Auto Related</b> (Rental, Auto Body Repair, Maintenance Service, Parking)	<b>Identity Theft</b>
5	<b>Car &amp; Truck Rental</b>	<b>Telephone Related</b> (Mobile Devices, Account Services, Billing)	<b>Travel &amp; Accommodations</b> (Airlines, Hotels, Vacation Rentals, Cruise Ships)
6	<b>Cosmetics &amp; Beauty Products</b>	<b>Identity Theft</b>	<b>Refunds</b>
7	<b>Scams</b> (Imposter, Romance, Phishing, Spoofing, Robo-Calls)	<b>Internet Services</b> (Transactions, Online Retail Marketplaces)	<b>Investment Related</b> (Financial Investment Products and Institutions, Art, Rare Coins, and Gems Investments, Investment Seminars and Advice)
8	<b>Travel &amp; Vacations</b> (Airlines, Cruise Ships)	<b>Food &amp; Drink</b> (Caterers, Delivery Services, Restaurants, Grocery Stores, Bars)	<b>Auto Related</b> (Rental, Auto Body Repair, Maintenance Service, Parking)
9	<b>Hotels &amp; Motels</b> (Accommodations)	<b>Health Related</b> (Billing, Medical Treatments & Cures, Health Clubs, Gyms, Spas, Cosmetics)	<b>Health Related</b> (Billing, Medical Treatments & Cures, Health Clubs, Gyms, Spas, Cosmetics)
10	<b>Appliances</b>	<b>Towing</b> (Signage, Refuse to Drop, Payment, Overcharges)	<b>Consumer Credit</b> (Credit Cards, Store Cards, Credit Reporting Agencies, Credit Repair)

\*\*Note: OCP updated its subject codes in 2024, which resulted in changes in some descriptions from previous years.

Table 5: OCP's Neighbor Island Assistance in FY 2024

DIVISION	HILO	MAUI	TOTAL
Division of Financial Institutions	3	0	3
Business Registration	1	0	1
Cable Television	0	0	0
Insurance Division	5	0	0

<b>DIVISION</b>	<b>HILO</b>	<b>MAUI</b>	<b>TOTAL</b>
Division of Consumer Advocacy	0	0	0
Professional and Vocational Licensing	5	0	5
Regulated Industries Complaints Office	6	0	6
Non-DCCA related	42	0	42
Other DCCA divisions	37	0	37
<b>TOTAL</b>	<b>97</b>	<b>0</b>	<b>97</b>

## PROFESSIONAL AND VOCATIONAL LICENSING DIVISION

### OVERVIEW AND COMPOSITION

The Professional and Vocational Licensing Division (PVL/Division) is responsible for implementing the licensing regulations of 52 different professions, trades, and vocations. The Division: provides support to licensing regulatory boards, commissions, and programs; handles applications and licenses; reviews and processes renewals; maintains license records; provides guidance to properly implement licensing laws and administrative rules; and responds to consumer inquiries on whether a person or an entity is properly licensed, to help them decide whether to use the services of that person or entity.

The **PVL website** (<https://cca.hawaii.gov/pvl/>) provides consumers licensing information for all of its licensing areas; fillable license applications; publications; licensing laws and administrative rules; FAQs; a link to the division's online services ([https://cca.hawaii.gov/pvl/e\\_services/](https://cca.hawaii.gov/pvl/e_services/)); board meeting schedules, agendas, and meeting minutes; and a geographical report that lists current, active, or inactive licensees by county.

The PVL's **Licensing Search website** (<https://mypvl.dcca.hawaii.gov/public-license-search/>) helps consumers verify the licenses of businesses or individuals, including their license identification number; whether a license is active or inactive; current status of the license; original date of licensure; expiration date of licensure; current and former persons, businesses, or tradenames; information on "conditional license" codes and descriptions; and any formal disciplinary action taken against the licensee. The PVL Licensing Search website was viewed 7,006,026 times with 1,781,403 online searches in FY 2024.

The public can create a customized list of licensees using the PVL's **List Builder website** (<https://mypvl.dcca.hawaii.gov/list-builder/>). The list is sortable by board, program, commission, license type, zip code, license issuance, license status, and island. Lists are available for download within 24 hours of making the request.

The Division's **MyPVL website** (<https://mypvl.dcca.hawaii.gov/public-license-search/>) allows licensees to access information and services from a single dashboard, including: managing or renewing<sup>15</sup> their existing licenses; making address changes; and printing pocket identification cards<sup>16</sup> and wall certificates online at no cost. Applicants for licensure can also submit their initial license applications and supporting documents; pay fees; monitor their application status; and receive correspondence. As of FY 2024, MyPVL has over 251,490 individual MyPVL user accounts with licenses.

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<sup>15</sup> While the PVL still accepts and processes renewals mailed by licensees, most renewals are now submitted online.

<sup>16</sup> The pocket ID card has a QR code that consumers can scan to verify a licensee's status.

**Contact information:**

Office address: 335 Merchant Street  
Room 301  
Honolulu, Hawaii 96813

Mailing address: P.O. Box 3469  
Honolulu, Hawaii 96801

Phone: (808) 586-3000

Website: <https://cca.hawaii.gov/pvl/>

Email: [pvl@dcca.hawaii.gov](mailto:pvl@dcca.hawaii.gov)

The **Licensing Branch (phone: 808-586-3000)** is comprised of the Applications Section and the Records Section. The Applications Section reviews and processes applications for licensure, issues licenses, and maintains records of licensing applications. The Applications Section, on behalf of the boards, commissions, and programs, conducts highly intensive reviews of all initial licensing applications, and determines the status of those applications. The Licensing Branch received approximately 50,582 calls in FY 2024, or approximately 4,215 calls per month. The Division continues to work with a third-party call center to assist with calls routed to the Division's main public line. The call center has provided both the Applications Section staff and the Administration Branch phone support by addressing routine inquiries, such as the status of an application or where to obtain and file applications. The Records Section is PVL's frontline for in-person customer service. They assist the public with licensing information at the main PVL walk-in counter. The Records Section is also responsible for renewing, restoring, and reactivating licenses, maintaining records of all licensees, and responding to phone inquiries. Both sections of the Licensing Branch use the PVL's computerized licensing database to obtain immediate information about applicants and licensees. Inquirers may request information on whether a person or entity is licensed, the original date of licensure, the status of licensure, the expiration date of the license, Hawaii disciplinary sanctions imposed on the licensee and, if applicable, whether mandatory insurance (e.g., workers compensation, liability insurance) is current and in effect.

The **Administration Branch (phone: 808-586-2690)** handles board and commission affairs such as coordinating, preparing, facilitating, and recording board, commission, or advisory committee meetings; ensuring board and commission compliance with applicable laws that guide and direct its conduct; and implementing board decisions on applications, policies and procedures, and disciplinary actions. The branch also responds to requests for interpreting licensing laws and rules, oversees licensing and examination activities, and guides and assists with regulatory compliance issues. The same activities are done for the 27 programs (absent the necessity of board/commission meetings) on behalf of the DCCA director, most recently reenacting the Appraisal Management Company Registration Program pursuant to Act 80, SLH 2024. The Administration Branch also

performs substantial coordination and facilitation activities with other state, county, and federal agencies involved with licensing and regulatory issues.

The **Examination Branch (phone: 808-586-2711)** is responsible for overseeing the proper administration of licensing examinations for various boards, commissions, and programs. The branch conducts in-house examinations, reviews, and processes requests for special examination accommodations, maintains examination records, and transmits eligibility information for individuals seeking licensure, certification, or registration in Hawaii. The branch also ensures that approved applicants receive the necessary pre-examination information and provides post-examination score reports. Furthermore, in collaboration with board members and subject matter experts, the branch reviews and updates examination content to ensure the validity and reliability of exams.

The **Real Estate Branch (Phone 808-586-2643)** performs the same functions as the Administration Branch, but for real estate licensing and regulation, and condominium property regimes. With a large volume of applicants, licensees, and registrations, the Real Estate Branch administers the Real Estate Recovery Fund, Real Estate Education Trust Fund, and the Condominium Education Trust Fund. The Branch also administers education and research programs in the field of real estate and condominiums. Information on the programs, financial reports, and the Commission's annual report may be reviewed at the Branch's website: <https://cca.hawaii.gov/reb/>.

All four branches within the Division work collectively toward processing applications, licenses, and renewals to ensure the public has choices among competent and licensed practitioners. In FY 2024, 92.66% or 62,765 licensees renewed their licenses online, as compared to 93.52% or 65,614 licensees who renewed online in FY 2023. The PVL encourages applicants and licensees to use its online services. For example, the PVL's online renewal system reduces the processing of renewals from 14 to 21 business days to 3 to 5 business days, which saves valuable time and effort and ensures no disruption in practice.

For a statistical summary of key PVL activities, see:

- Table 1: PVL Statistical Overview;
- Table 2: Total Number of Current PVL Licensees;
- Table 3: Total Number (Percentage) of Licenses Renewed Online; and
- Table 4: Total Number of Email Inquiries.

## **GOALS AND OBJECTIVES**

- Focus on improving customer service by changing workflow processes and streamlining unnecessary procedures through increased use of technology. The Division continues its business process reengineering project with the Public Consulting Group (PCG). The goal of this project is to build a high functioning core team to service our customers efficiently and effectively, which will result in licenses being issued timely and correctly.

Simply put, the goal of this project is to perform an analysis of the Division's processes for optimization and recommendations for changes in all branches.

- Store documents electronically until they are ready for processing, as this will decrease the amount of time staff spends manually filing paper and will allow greater access to relevant documents by all branches.
- Implement other means of reducing paper transactions, such as processing high-volume transactions online.

### **Examination Branch**

- Identify and implement improvements to the examination portion of the licensing process to enhance the experience for applicants and optimize PVL's operational efficiency.
- Collaborate with vendors to update existing exams, including the development and revision of exam questions.
- Advance the development of procedures for electronically recording and storing computer-based testing scores.

### **Real Estate Branch<sup>17</sup>**

The Real Estate Branch (REB) will continue to improve the offering and delivery of real estate pre-licensing and continuing education (CE) courses. Work continues on revisions to Hawaii Administrative Rules (HAR) chapter 99 for real estate brokers and salespersons, which will result in the replacement of the existing chapter with three smaller chapters for future ease of use, as well as other changes, as recommended by the Legislative Reference Bureau. The REB will continue educating its licensees on various real estate related topics through the Real Estate Commission's (REC) mandatory core course and quarterly Real Estate Bulletin. For the condominium program, through the formation of a new Ad Hoc Committee on Condominium Board Education, the REB is currently working on researching, soliciting, and procuring for new free comprehensive condominium educational courses which would supplement the current ABC's Course. The new course will be designed for registered associations not able to send members due to financial constraints. REB continues to enhance online public access to condominium projects, Association of Unit Owners registrations, and further develop its communication efforts with unit owners, developers, boards, associations, the legislature, and the general public. The COVID-19 pandemic pushed the REB to adjust to providing a vast majority of its programs online and virtually. For a comprehensive report on the REB's and REC'S FY 2024 goals and objectives, please refer to <https://cca.hawaii.gov/reb/>, publications to view its Annual Report for fiscal year ending June 30, 2023.

### **ACCOMPLISHMENTS IN FY 2024**

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<sup>17</sup> For a comprehensive report on the goals and objectives of the Real Estate Branch and the Real Estate Commission, please visit <https://cca.hawaii.gov/reb/> to view the 2023 Annual Report of the Real Estate Commission.

**Conversion of Licensing Documents to Electronic Format**

The Division continued its scanning and imaging project of converting licensing documents into electronic format. Conversion protects historical documentation from damage or destruction and allows Division staff to retrieve and review documents electronically, thereby eliminating the delay that comes with physically retrieving files. The Division also moved toward incorporating a documents management system to enable it to more efficiently file scanned documents to the appropriate licensing files. Further, in consultation with PCG, the Division is working towards expanding its online services to include an express change broker form, which is currently a manual process.

**Licensing Branch Accomplishments**

The Licensing Branch received approximately 23,654 new applications and issued 18,199 licenses in FY 2024. The branch received 50,582 calls in FY 2024, or approximately 4,215 calls per month with the assistance of its internal and contracted call center. The Licensing Branch team continue to process all initial and renewal applications and hope to reduce its processing times to pre-pandemic numbers of 15 to 20 business day processing times through recommendations and strategies provided through its business processing reengineering project.

**Examination Branch Accomplishments**

The Examination Branch consistently processed applicant eligibility for testing and post-examination results in a timely manner, typically within 5 to 7 days of key milestone dates. The branch collaborated closely with testing organizations, applicants, and relevant Division staff, including Executive Officers, Program Specialists and the Licensing Branch, to process requests for special testing accommodations. All requests were handled professionally and within established timeframes.

Leveraging the capabilities of the Ho‘ala system, the Examination Branch continues to integrate program requirements, updates from testing agencies, and changes from national organizations into Ho‘ala.

**Real Estate Branch Accomplishments**

In line with PVL’s objectives of improving and expanding the Division’s online services, REB continued its implementation of online services, including condominium association registration and improving a continuing education (CE) system which provided real estate licensees the ability to view the number of CE hours required and earned for the current licensing period, their CE history, online renewal of their license, and the ability to search for future CE courses being offered by approved CE providers. Additionally, real estate principal brokers and brokers-in-charge may monitor and view the current CE hours, CE history, and license status of all licensees associated with the brokerage. The system is simple to use and updated daily; information may be found at <https://myce.dcca.hawaii.gov/>. For a comprehensive report on the REB’s and REC’S FY2024 goals and objectives, please refer to its Publications <https://cca.hawaii.gov/reb/>, to view its Annual Report for FY ending June 30, 2024.

**CRF FINANCIAL SUMMARY FOR FY 2024**

Professional and Vocational Licensing Division (PVL)

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$5,587,692	\$1,589,691	\$7,177,383	\$10,367,180

**TABLES**

**Table 1: PVL Statistical Overview**

		<b>FY 2023</b>	<b>FY 2024</b>
Applications received		23,091	23,654
Applicants licensed		15,059	18,199
Licenses renewed		74,607	69,882
Permits issued		1,016	1,141
Calls received by Licensing Branch		92,224	50,582
Current licensees		173,459	178,091
<b>Total licensee population (all statuses, i.e., current, forfeited, delinquent)</b>		<b>527,114</b>	<b>533,403</b>

**Table 2: Total Number of Current PVL Licensees**

<b>Boards and Commissions (shown by asterisks) and Programs</b>		<b>FY 2023</b>	<b>FY 2024</b>
Accountants*		2,788	3,447
Activity desks		837	800
Acupuncturists*		714	749
Appraisal management companies - license effective 9/1/24		79	21
Athletic trainers		226	245
Barbering and cosmetology*			
Barbers		1,601	1,528
Barber shops		257	220



## Professional and Vocational Licensing Division (PVL)

<b>Boards and Commissions (shown by asterisks) and Programs</b>		<b>FY 2023</b>	<b>FY 2024</b>
Beauty operators*		10,045	9,674
Beauty instructors		132	115
Beauty schools		12	12
Beauty shops		1,656	1,467
Behavior analysts		641	619
Boxing (all categories)*		31	16
Cemeteries and pre-need funeral authorities		21	22
Chiropractors*		634	571
Collection agencies		592	571
Contractors*		12,233	12,546
Dentists*		1,525	1551
Community service dentists		15	15
Dental hygienists		1,183	1,143
Community service dental hygienists		0	2
Dispensing opticians		195	175
Electricians (all categories)*		3,330	3,509
Plumbers (all categories)*		1,328	1,245
Electrologists		16	17
Elevator mechanics*		256	258
Employment agencies		76	34
Engineers, architects, surveyors, and landscape architects*			
Engineers		7,375	7,365
Architects		2,539	2,464
Surveyors		207	210

## Professional and Vocational Licensing Division (PVL)

<b>Boards and Commissions (shown by asterisks) and Programs</b>		<b>FY 2023</b>	<b>FY 2024</b>
Landscape architects		148	148
Hearing aid dealers and fitters		113	99
Marriage and family therapists		694	777
Massage therapists*		7,609	6,656
Massage establishments		842	786
Medical and osteopathy*			
Physicians (MD)		10,667	10,889
Podiatrists		90	85
Osteopaths (DO)		1,257	1,289
Physician assistants		678	691
Emergency medical technicians		951	896
Emergency medical technicians-1		16	24
Emergency medical technicians -advanced		39	37
Emergency medical technicians-paramedics		624	600
Mental health counselors		793	891
Midwives		29	36
Mixed martial arts		23	43
Motor vehicle dealers*		248	249
Motor vehicle dealer branches		43	34
Motor vehicle distributors		36	37
Motor vehicle manufacturers		54	52
Motor vehicle salespersons		1,468	1,272
Motor vehicle others (auction, broker, consultant)		11	10
Motor vehicle repair dealers*		415	515

## Professional and Vocational Licensing Division (PVL)

<b>Boards and Commissions (shown by asterisks) and Programs</b>		<b>FY 2023</b>	<b>FY 2024</b>
Motor vehicle mechanics		1,041	1,166
Naturopaths*		170	157
Nursing*			
Registered nurses (RN)		30,231	38,149
Licensed practical nurses (LPN)		1,770	2,202
Advanced practice registered nurses (APRN)		2,488	3,130
Nurse aides		8,488	8,875
Nursing home administrators		153	147
Occupational therapists		729	895
Occupational therapist assistants		163	197
Optometrists*		451	435
Pest control operators*		169	159
Pest control field representatives		215	186
Pharmacists*		2,989	2,851
Pharmacies		257	246
Wholesale prescription drug distributors		60	56
Miscellaneous permits		812	805
Physical therapists		2,022	2,261
Physical therapist assistants		434	479
Port pilots		11	8
Deputy port pilots		3	2
Private detective agencies*		32	30
Private detectives		81	76
Guard agencies		87	90

## Professional and Vocational Licensing Division (PVL)

<b>Boards and Commissions (shown by asterisks) and Programs</b>		<b>FY 2023</b>	<b>FY 2024</b>
Guards		107	104
Guard employees		15,685	10,933
Psychologists*		1,399	1,411
Real estate appraisers		622	576
Real estate brokers*		6,459	6,681
Real estate salespersons		12,347	13,164
Real estate branch offices		141	147
Condominium hotel operators		27	26
Respiratory therapists		869	1,033
Social workers		2,702	3,018
Speech pathologists*		903	821
Audiologists		123	116
Travel agents		835	767
Uniform athlete agents		6	5
Veterinarians		763	787
Veterinary Technicians		190	203
<b>TOTAL</b>		<b>173,459</b>	<b>178,091</b>

**Table 3: Total Number (Percentage) of Licenses Renewed Online**

<b>License Types</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Accountants		2,529 (99.33%)		2,468 (97.7%)
Accountancy firm permits to practice		644 (94.72%)		625 (92.46%)

**Annual Compliance Resolution Fund Report**

**Professional and Vocational Licensing Division (PVL)**

<b>License Types</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Activity desks		195 (97.5%)		194 (97%)
Acupuncturists	642 (96.4%)		652 (96.74%)	
Architects		2,137 (97.76%)		2,260 (97.62%)
Audiologists		88 (100%)		101 (100%)
Barbers		1,173 (87.6%)		1,188 (87.03%)
Barber shops		193 (89.77%)		170 (85%)
Beauty operators		7,491 (93.26%)		7,768 (93.33%)
Beauty instructors		95 (87.96%)		106 (92.17%)
Beauty shops		1,127 (92.08%)		1,219 (92.49%)
Behavior analysts		402 (99.26%)		504 (98.05%)
Chiropractors		501 (94.89%)		495 (94.83%)
Contractors	8,153 (76.02%)		8,361 (75.29%)	
Community service dentists		9 (100%)		13 (100%)
Dental hygienists		1,026 (98.18%)		1,049 (97.76%)
Dentists		1,176 (94.61%)		1,323 (92.84%)
Dispensing opticians		160 (97.56%)		166 (97.65%)
Electrologists	15 (100%)		15 (100%)	
Electricians			3,191 (95.25%)	

**Annual Compliance Resolution Fund Report**

**Professional and Vocational Licensing Division (PVL)**

<b>License Types</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Elevator mechanics		193 (95.54%)		235 (96.71%)
Emergency medical technicians		569 (79.25%)		676 (81.35%)
Emergency medical technicians-1				5 (55.56%)
Emergency medical technicians (advanced)		16 (50%)		22 (64.71%)
Emergency medical technicians (paramedic)		429 (82.18%)		487 (87.28%)
Guards		74 (84.09%)		86 (86%)
Guard agencies		57 (87.69%)		76 (86.36%)
Guard employees	8,542 (92.44%)			8,900 (94.38%)
Hearing aid dealers and fitters		96 (100%)		87 (98.86%)
Landscape architects		133 (98.52%)		134 (96.4%)
Land surveyors		187 (98.87%)		201 (98.05%)
Marriage and family therapists			576 (93.05%)	
Massage establishments		619 (92.66%)		659 (91.53%)
Massage therapists		5,465 (94.09%)		5,810 (91.38%)
Mental health counselors			738 (98.4%)	
Midwives			23 (95.83%)	

**Annual Compliance Resolution Fund Report**

**Professional and Vocational Licensing Division (PVL)**

<b>License Types</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Motor vehicle auctions		5 (100%)		5 (100%)
Motor vehicle branches		31 (96.88%)		30 (100%)
Motor vehicle consumer consultants		5 (100%)		5 (100%)
Motor vehicle dealers		222 (90.98%)		204 (84.65%)
Motor vehicle salespersons		1,145 (94.32%)		1,044 (94.05%)
Motor vehicle distributors		30 (88.24%)		34 (100%)
Motor vehicle manufacturers		43 (93.48%)		47 (97.92%)
Motor vehicle repair dealers	322 (90.45%)		396 (90.62%)	
Motor vehicle repair registered mechanics	165 (91.16%)		133 (86.36%)	
Nurses, advanced practice registered (APRN)	1,664 (95.41%)		2,204 (95.78%)	
Nurses, licensed practical (LPN)	1,562 (95.89%)		1,576 (95.05%)	
Nurses, registered (RN)	23,217 (97.94%)		27,243 (97.85%)	
Nursing home administrators		125 (95.42%)		129 (98.47%)
Occupational therapists	560 (96.72%)		569 (97.77%)	
Occupational therapist assistants	137 (96.48%)		144 (95.13%)	

**Annual Compliance Resolution Fund Report**

**Professional and Vocational Licensing Division (PVL)**

<b>License Types</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Optometrists		391 (98.49%)		394 (98.01%)
Osteopaths		775 (85.92%)		1,002 (94.35%)
Pest control field representatives		153 (85%)		141 (78.33%)
Pharmacists		2,631 (97.81%)		2,679 (97.38%)
Pharmacies		262 (97.4%)		232 (93.83%)
Pharmacy – miscellaneous permits		554 (82.2%)		600 (82.53%)
Pharmacy – wholesale prescription drug distributors		42 (80.77%)		41 (80.39%)
Physical therapists	1,606 (97.81%)		1,696 (94.75%)	
Physical therapist assistants	346 (98.02%)		383 (96.96%)	
Physicians		6,248 (72.4%)		7,820 (83.44%)
Plumbers	1,034 (93.2%)			1,103 (93.24%)
Podiatrists		55 (19.43%)		64 (79.01%)
Private detectives		65 (90.28%)		66 (86.84%)
Private detective agencies		24 (88.89%)		28 (90.32%)
Professional engineers		6,361 (98.87%)		676 (98.43%)
Psychologists		1,134 (96.35%)		1,321 (97.2%)
Real estate branch offices	113 (99.12%)		99 (96.12%)	
Real estate brokers	5,923 (96.78%)		5,904 (96.11%)	



## Professional and Vocational Licensing Division (PVL)

License Types	FY 2021	FY 2022	FY 2023	FY 2024
Real estate salespersons	10,824 (96.71%)		10,946 (96.91%)	
Respiratory therapists			765 (97.7%)	
Social workers		2,117 (96.79)		
Speech pathologists		610 (99.03%)		630 (98.9%)
Travel agencies		469 (94.18%)		437 (91.42%)
Uniform athlete agents		2 (100%)		3 (75%)
Veterinarians		565 (97.08%)		738 (97.49%)
Veterinary Technicians				175 (94.59%)
<b>TOTAL</b>	<b>64,825 (89.7%)</b>	<b>55,664 (91.26%)</b>	<b>65,614 (93.52%)</b>	<b>62,765 (92.66%)</b>

Table 4: Total Number of Email Inquiries

Boards and Programs	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Accountancy	1,482	1,881	2,794	2,447	2,273	1,661
Activity desk	106	138	330	193	41	149
Acupuncture	321	393	816	450	566	624
Appraisal management company – effective 1/1/2018	124	123	271	374	315	80
Athletic trainer	200	285	417	204	172	96
Barbering and cosmetology	1,658	2,308	5,546	4,863	7,761	8,909
Behavior analyst	135	257	464	540	238	243
Boxing	90	124	30	68	209	258
Cemetery and pre-need funeral authority	101	50	16	110	143	120

**Annual Compliance Resolution Fund Report**

**Professional and Vocational Licensing Division (PVL)**

<b>Boards and Programs</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Chiropractor	380	440	1,106	1,035	610	1,536
Collection agency	650	856	1,585	166	1,637	907
Contractor	3,860	4,319	13,388	9,429	10,715	3,288
Dentist and dental hygienist	670	2,005	2,981	4,358	3,507	1,838
Dispensing optician	94	74	62	178	132	117
Electrician and plumber	778	686	1,501	1,165	1,358	1,088
Electrologist	9	133	317	96	107	59
Elevator mechanic	167	192	228	190	88	280
Employment agency	33	149	421	120	279	94
Engineer, architect, surveyor, and landscape architect	1,715	2,169	2,872	2,143	4,524	10,578
Exam Branch	1,695	1,436	1,777	1,531	1,477	1,583
Hearing aid dealer and fitter	137	295	349	98	135	112
Marriage and family therapist	389	744	1,475	954	781	1,056
Massage therapy	1,085	1,826	2,775	3,093	3,322	4,394
Medical and osteopathy	9,131	8,905	11,050	16,175	14,951	16,303
Mental health counselor	781	1,184	2,242	2,352	1,167	2,605
Midwives – effective 7/1/2020		7	295	160	147	54
Mixed martial arts	280	144	11	137	259	269
Motor vehicle industry	210	301	466	30	1,142	1,053
Motor vehicle repair	134	89	253	413	644	709
Naturopathy	490	638	395	764	487	520
Nurse aide	525	620	1,608	677	247	255
Nursing	8,567	16,815	30,005	57,323	42,663	34,439

**Annual Compliance Resolution Fund Report**

**Professional and Vocational Licensing Division (PVL)**

<b>Boards and Programs</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Nursing home administrator	151	462	1,123	341	150	176
Occupational therapist	166	222	782	303	850	569
Optometry	544	781	820	319	837	753
Pest control	404	387	932	657	496	297
Pharmacy and pharmacist	2,430	4,717	8,196	6,787	4,026	3,399
Physical therapy	1,174	1,613	3,172	2,366	2,465	2,886
Port Pilot	13	8	26	32	98	131
Private detective and guard	863	968	3,315	4,564	2,219	2,035
Psychology	1,276	1,557	2,761	2,560	2,036	1,438
Real estate	8,141	13,271	36,599	25,273	19,212	15,184
Real estate appraiser	412	871	737	1,588	1,259	800
Respiratory therapist	284	371	511	1,004	787	441
Social worker	1,187	1,065	2,155	2,310	1,996	2,336
Speech pathology and audiology	320	382	772	903	1,114	743
Subdivision	49	106	192	144	211	130
Time share	457	466	577	517	545	535
Travel agency	106	198	168	170	342	829
Uniform athlete agent	18	132	149	29	7	4
Veterinary	463	647	2,082	1,735	1,857	162
Veterinary technician – license effective 7/1/2018	110	264	596	207	220	5
<b>TOTAL</b>	<b>63,936</b>	<b>83,561</b>	<b>165,078</b>	<b>175,750</b>	<b>150,762</b>	<b>139,731</b>

## REGULATED INDUSTRIES COMPLAINTS OFFICE

### OVERVIEW AND COMPOSITION

The Regulated Industries Complaints Office (RICO) is an independent, prosecutorial agency that appears before the licensing boards, commissions, and programs (Boards) that are administratively attached to the DCCA through the Department's Professional and Vocational Licensing (PVL) division.<sup>18</sup> While the Boards oversee occupations in a regulated industry by issuing licenses to those who are competent and qualified to perform the specialized services, when a customer or client complains about the conduct of a licensee, RICO can investigate, prosecute and make sanction recommendations to the Boards for final action. RICO also investigates and prosecutes persons engaging in unlicensed work in a regulated industry before the circuit courts of the State.

RICO's investigative and prosecutorial functions begin with the filing of formal complaints and tips of potential misconduct from a variety of sources including individuals, businesses, government officials, law enforcement, out-of-state agencies, professional affiliations and associations, hospitals, and persons who choose to remain anonymous. RICO staff also initiate complaints when it becomes apparent during a site inspection that a licensing law violation may have occurred.

Related to enforcement, RICO provides opportunities for the public to become more knowledgeable as consumers, and for licensees to remain legally compliant, through an education campaign consisting of online resources and direct interfacing with the community. RICO also administers the State Certified Arbitration Program (SCAP) for "lemon" motor vehicle claims that can be brought directly against vehicle manufacturers for serious suspected defects that are covered by the new car's warranty.

#### **Contact information:**

RICO is located in five separate offices throughout the State: Honolulu (Oahu), Hilo (Hawaii), Kailua-Kona (Hawaii), Wailuku (Maui), and Lihue (Kauai). The Hilo, Kailua-Kona, Wailuku, and Lihue offices are commonly referred to as RICO's neighbor island offices. The Oahu location serves as RICO's main hub.

Main office address: State Office Tower  
Leiopapa a Kamehameha Building  
235 S. Beretania Street, 9<sup>th</sup> Floor  
Honolulu, Hawaii 96813  
Phone: (808) 587-4272

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<sup>18</sup> Currently, 52 boards, commissions and programs have regulatory authority over industries that require a professional or vocational license from the PVL to engage in certain industry professions or trades. The industries regulated by the 52 boards affect the health, safety, and welfare of Hawaii's citizens.

Kauai office address:	3060 Eiwa Street Room 204 Lihue, Hawaii 96766 Phone: (808) 241-3300
Maui office address:	Wells Professional Center 2145 Wells Street Suite 106 Wailuku, Hawaii 96793 Phone: (808) 243-5808
Hilo office address:	120 Pauahi Street Suite 212 Hilo, Hawaii 96720 Phone: (808) 933-8846
Kona office address:	Hualalai Center, Room C-309 75-170 Hualalai Road Kailua-Kona, Hawaii 96740 Phone: (808) 327-9590
Website:	<a href="http://cca.hawaii.gov/rico">cca.hawaii.gov/rico</a>
Email:	<a href="mailto:rico@dcca.hawaii.gov">rico@dcca.hawaii.gov</a>

RICO has a complaints and enforcement officer, intake investigators, field investigators, attorneys, and administrative and support staff. Approximately one-fifth of RICO's positions are located in the four neighbor island offices.

### **Intake Section (RICO's Consumer Resource Center or CRC)**

RICO's Intake Section, or CRC, is often the first contact a consumer will have with the division. The CRC handles the intake functions exclusively for RICO primarily.<sup>19</sup> CRC staff includes intake investigators and clerical support.

CRC's Intake investigators address a variety of preliminary matters related to RICO's jurisdiction, complaints processing, investigations and prosecutions. They contribute to the resolution of customer inquiries and complaints before official RICO action begins by providing a templated self-help letter for consumers to use to communicate directly with a service provider. The investigators sometimes solicit an explanation from a licensee and in some of those cases the explanation will end the matter especially if the dispute resulted from a misunderstanding or inadvertent neglect. Even when a formal complaint form is received, intake investigators may

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<sup>19</sup> The CRC also provides basic intake services for the Office of Consumer Protection (OCP), a separate agency and division within the DCCA.

allow the parties additional time to work together to resolve their dispute and if they succeed the matter will end in the CRC without a need for further official action such as a formal RICO investigation or review.

The majority of the CRC intake investigators' time is spent on conducting preliminary investigations or reviews to determine if further official action by RICO may be warranted. Further official action could include an investigation of certain subject matters by the intake investigator including through RICO's Early Complaints Resolution (ECR) program,<sup>20</sup> monitoring a matter that may be pending with another agency or jurisdiction, and referring a complaint to the Field Investigation Section for a more formal investigation. Many complaints are closed in the CRC for a variety of reasons including jurisdiction concerns, no violation can be established, insufficient evidence, and through education contacts and warnings.

### **Licensing and Business Information Section in the CRC**

The Licensing and Business Information Section (LBIS), is a call center within the CRC that is available to the public by telephone (808-587-4272 or 808-587-4CRC) Monday through Friday, from 7:45 A.M. to 4:30 P.M. The LBIS provides business registration information, RICO complaints history information, and information about whether a business or individual has a current professional or vocational license.<sup>21</sup> The LBIS also screens calls for intake investigators.

### **Field Investigation Section**

The Field Investigation Section contains the largest concentration of RICO employees with investigators and clerical support staff in offices in Honolulu, Hilo, Kailua-Kona, Wailuku, and Lihue.

Complaints are referred to Field for review and investigation from other units within RICO, but Field investigators may also initiate complaints too. They conduct formal investigations that may include in-depth communications with the parties, obtaining and analyzing information and records, site visits, and interviews. Field investigators may also consult confidentially with an industry expert about issues in a complaint.

Where there is at least sufficient evidence of a probable licensing law violation, complaints may be referred to the Legal Section for consideration. But, similar to the CRC, many complaints will end in Field Section too for a variety of reasons including the absence of sufficient credible evidence of a licensing violation; the investigation established that no violation occurred; or an education contact or warning is appropriate.

The Field Section has two full-time Unlicensed Task Force (UTF) teams that are based on Oahu. They respond to tip information about unlicensed jobs or unlicensed activity, but they can initiate unlicensed complaints too. The UTF will on occasion travel to assist RICO's neighbor island

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<sup>20</sup>The ECR program involves investigating and direct-referring a matter to the Legal Section, which preserves resources through bypassing the Field Section.

<sup>21</sup> LBIS also furnishes OCP complaints history information if requested.

investigators with “unlicensed sweeps,” which are large-scale, community-wide inspections of businesses (also known as licensure compliance checks), that are conducted over several days. Compliance checks also include instances when the UTF and neighbor island investigators scour and review advertisements for suspected unlicensed activity and then take appropriate action.

During a site inspection or compliance check, the Field investigator can issue and serve a formal citation on an unlicensed person that is engaging in activity requiring licensure. Citations may also be issued and served on massage and beauty operators that fail to publicly display their licensing credentials at their work site. Citations consist of a monetary fine and an order of abatement.

Field investigators assist RICO staff attorneys during pre-trial and trial work including obtaining or clarifying additional information for litigation purposes; serving hearing notices on parties; and testifying as witnesses in contested case proceedings.

Finally, the Hilo, Kailua-Kona, Lihue, and Wailuku RICO offices serve as local RICO and DCCA liaisons for the respective neighbor island communities. They handle a high volume of telephone calls and walk-in visitors who need assistance with RICO/DCCA and non-RICO matters too.

### **Legal Section**

The Legal Section is comprised of attorneys and legal clerical support staff. The section reviews completed investigations to determine if reliable evidence and good cause exists to pursue formal enforcement action such as discipline in the case of licensees, or, a court judgment or formal settlement in the case of unlicensed persons. Many factors influence if a complaint will be prosecuted by the Legal Section as well as the outcome, including the underlying conduct at issue; the violations alleged; the credibility and reliability of RICO’s evidence; the likely impact of a prosecution, the resources necessary to effectively pursue action, and the likelihood of success through litigation.

Enforcement cases involving licensees are prosecuted by the Legal Section staff attorneys as HRS Chapter 91 contested case proceedings that are held before hearings officers with the Office of Administrative Hearings (OAH). The Boards serve as decisionmakers who issue final orders based on the hearings officer’s recommended decision, or, through adopting a negotiated settlement agreement. The Boards’ final orders, therefore, contain the disciplinary terms imposed such as license revocations, suspensions, probation, reprimands, monetary fines, professional evaluations, professional education, monitoring, treatment and, in a few isolated cases, restitution to consumers.

Enforcement cases involving unlicensed persons are prosecuted by the Legal Section staff attorneys through lawsuits filed in the Circuit Courts. Many are resolved voluntarily through formal negotiated settlements known as assurances of voluntary compliance. Staff attorneys also handle appeals of citations that were issued by Field investigators to persons engaging in

unlicensed work. Enforcement action in unlicensed cases most often end with the imposition of monetary fines and an injunction prohibiting further unlicensed activity.

Every year the Legal Section additionally assists with processing hundreds of formal and informal requests for complaints-related information that RICO receives from parties, individuals, litigants, employers, educational and professional institutions, credentialing organizations, reporters, researchers, and government agencies too. They also handle OIP appeals of decisions by RICO denying an information request.

The Legal Section also reviews and responds to subpoenas for records that are served on RICO. The specialized work includes, where necessary, meeting with the RICO records custodian, reviewing records, initiating and filing applicable pleadings, and, appearing with the records custodian at depositions or court hearings.

### **Collections Program in the Legal Section**

Since calendar-year 2022, the Legal Section has added collections-work to its busy agenda. The program is designed to timely pursue funds owed by judgment debtors and to preserve RICO's statutory right to collect on judgments, if and when a judgment debtor comes into funds, confirm board's and commission's final orders imposing fines on licensees as judgements, and act quickly to seize funds to satisfy judgement debt owed to the State of Hawaii. The section's systematic collections efforts hold judgment debtors accountable for their actions, contribute funds to DCCA's CRF to support RICO's mission to enforce the State of Hawaii's licensing statutes and regulations, and send a clear and unambiguous message to licensees and unlicensed bad actors that the State of Hawaii will act to protect Hawaii's consumers well beyond the entry of a judgment in a court of law or the final order of a board or commission, or the Director of DCCA.

### **State Certified Arbitration Program (SCAP) in the Legal Section**

The Legal Section operates SCAP too, which is a program that administers Hawaii's "Lemon Law." SCAP provides a low-cost arbitration forum for consumers to resolve car warranty complaints with manufacturers,<sup>22</sup> and SCAP operates under the direction of a lemon law administrator. The Program is also a member of the International Association of Lemon Law Administrators (IALLA), which allow it to benefit from the latest in lemon law legislation and best practices, and be up to speed on vehicle recalls, flood damaged vehicles, class action lawsuits, and technological advancements. While each year only a small percentage of cars sold in the State are declared lemons, all new car buyers benefit from the Program because it incentivizes manufacturers to deliver to the market cars that are free from defect and to act quickly to address ongoing problems through repair or voluntary recall.

Consumers wishing to participate in SCAP are urged to first read the *Lemon Law Consumer Handbook* for information and instructions and then write to the manufacturer for direct assistance.

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<sup>22</sup> Specifically, under certain conditions a consumer may be entitled to receive a refund or replacement of a car that has a nonconformity, defect, or condition that is covered by the car's warranty and that substantially impairs the use, market value, or safety of the car.



If the consumer is unable to reach a resolution on their own, the consumer can file a demand for arbitration. SCAP will evaluate the demand and schedule an arbitration hearing where appropriate. The consumer pays a \$50 filing fee that is refunded if the consumer prevails in arbitration. Before an arbitration hearing can be scheduled, however, the manufacturer or its authorized repair dealership must be given a reasonable opportunity to repair the vehicle.

### **Education Campaign**

Finally, RICO is committed to making available helpful information to consumers and licensees through its website, complaints processing, and in person where possible.

### **GOALS AND OBJECTIVES**

- Focus on high-impact cases when determining prosecution priorities.
- Continue informal collaborations with state and federal enforcement agencies to better regulate the professions and vocations within RICO's jurisdiction.
  - Continue to partner with and conduct operations with law enforcement or County officials when appropriate;
  - Continue to monitor and track criminal proceedings involving licensed persons so that a conviction can be acted upon quickly;
  - Continue to pursue, on the civil side, licensees who have already been proven to have run afoul of wage and standard laws; and
  - Continue to pursue, on the civil side, licensees who have already been proven to have run afoul of City ordinances.
- Continue modernizing and expediting complaints processing through:
  - Use of IMPACT, RICO's newer complaints management system, and related portals that make it possible to share and receive information in real time;
  - Regular updates to RICO's website and the information on it; and
  - Updating equipment and accessories used by RICO staff so that efficient and productive in-office and remote work can continue throughout the division.
- Collaborate internally on subjects or projects aimed at expediting complaints processing.
- Continue staff professional growth and development.

### **ACCOMPLISHMENTS IN FY 2024**

#### **Consumer Resource Center**

Accomplishments during FY 2024:

- Much of the reported statistics from the Consumer Resource Center have reflected a historically gradual decline as consumers and customers pivot more towards using e-portals and website data and resources to help guide them and address their disputes, rather than telephoning or submitting information manually to RICO.
- The LBIS call center answered over 7,859 telephone calls where they assisted customers with at least 33,043 inquiries about a regulated industry, licensing information, or prior

complaints histories. This resulted in a 14.45% increase in telephone calls from the prior fiscal year.

- The CRC distributed 952 RICO complaint forms to interested consumers from the Oahu office alone, which is a decrease of 7.39% from the prior fiscal year<sup>23</sup> and closed approximately 1,383 complaints and complaint inquiries without having to initiate further official action by RICO. The number of complaints closed was 3.56% lower than the prior fiscal year.
- CRC's intake investigators processed 40 complaints through the ECR Program, which reduced the number of complaints referred for a full field investigation and increased the number of complaints available for quicker review by the Legal Section. The 40 represented a 42% decrease in ECRs from the preceding fiscal year. Another 2,220 RICO complaints were officially processed against licensees and unlicensed persons and many began as formal complaint forms that were reviewed in the CRC before being investigated by an intake investigator and/or referred to the Field or Legal Sections for further handling. The number was 8.9% less than complaints processed in the prior fiscal year.
- CRC received and processed 517 e-tips of possible unlicensed activity, down 11.47% from the previous fiscal year. In the years before RICO's electronic tip portal debuted in FY 2021, anonymous tips of witnesses of unlicensed activity were reported in paper form only. During FY 2023, 584 e-tips were received and processed expeditiously by CRC.
- CRC received and processed 880 e-filed complaints, a slight 8.37% bump from the prior fiscal year. RICO debuted its new electronic complaints filing portal during FY 2022, which increased the speed in which matters could be screened and reviewed at intake. That year alone, CRC was able to receive and process expeditiously 648 electronically-filed complaints.
- In the area of professional growth, this fiscal year CRC intake investigators and support staff participated in at least 25 different in-house, in-person, or virtual courses to further their professional growth and development.

### Field Investigation Section

Accomplishments during FY 2024:

- The Field Section completed 1,261 licensed and unlicensed investigations statewide.
- The Field Section initiated at least 331 complaints and investigated each one of them.
- Collectively, the neighbor island staff expended more than 596 hours assisting consumers, the public, and others as part of their regular duties. This represented a 4.11% decrease from the prior fiscal year.
- Collectively, the neighbor island staff provided assistance with at least 2,713 non-RICO matters, which represented a 1.57% decrease from the previous fiscal year.
- Collectively, the neighbor island staff provided at least 115 RICO complaint forms to the public, which represented a 48.68% decrease from the previous fiscal year.

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<sup>23</sup> If the call to the CRC is to file an OCP complaint, the intake investigator will walk the consumer through the OCP complaint process or refer the consumer to an OCP investigator for more information. In FY 2024, the CRC distributed 221 OCP complaint forms to interested persons.

- The UTF and neighbor island investigators were able to conduct a minimum of 2,336 site inspections<sup>24</sup> or licensure compliance checks statewide, which represented a 1.16% increase from the previous FY.
- The UTF issued 26 citations for unlicensed activity and/or failure to properly display licenses by businesses, which represented a 49.28% decrease in work from the previous year in part due to less neighbor-island sweeps as the State focused on the 2023 Maui wild fire situation.
- The UTF was able to conduct a neighbor-island sweep of businesses in the Kauai community. This sweep resulted in 26 physical site inspections and 5 citations.
- The Field Section continued to maintain impactful special projects in-house too, such as the property management working group which focuses on randomly auditing real estate licensees' fiscal property management practices. The working group's goal continues to be helping to prevent or minimize situations where questionable fiscal practices can result in substantial monetary loss to owners and renters of realty. During the fiscal year in February 2024, Field was able to initiate a 5<sup>th</sup> phase of random audits.
- In direct response to the Maui Wild Fire event of 2023, the Field Section took the initiative and created an in-house RICO Maui Wildfire (WF) team. The WF team consists of members of the UTF who meet monthly for updates on information pertaining to permits, infrastructure, water/sewer, access, etc. A tentative plan has been formulated for a team(s) to conduct site inspections in Lahaina/Kula when access is permitted by local authorities. In preparation for onsite inspections someday, the WF team keeps apprised of news affecting Maui County and they were self-trained on the subject, "Interviewing Persons Who Experienced Trauma," during the fiscal year.
- Finally, in the area of professional growth, Field Section personnel completed at least 73 training courses covering areas regulated by RICO, and/or professionalism, ethics, safety, work practices, or substantive investigations.

## Legal Section

### Accomplishments during FY 2024:

- The Legal Section hired several new staff members this year. Despite the ongoing staff shortage and new staff in training, the Legal Section still managed to average a case clearance rate of 127%. This means the Section was able to successfully close more cases than were referred or assigned to the section during the fiscal year. The attorneys filed 164 civil and administrative actions. While this is a decrease from the total filings from the previous fiscal year, this year's prosecutions resulted in a larger number of cases with more severe sanctions compared to the previous year, including the revocation of 10 licensees and the suspension of 2 more. In addition, nearly \$1,000,000.00 in monetary fines and penalties were assessed and collected, reflecting a 23% increase in fines collected.
- Twenty-eight (28) citation cases were referred to the Legal Section. Of the 28 citation cases, 27 resulted in a final order, one resolved through an assurance of voluntary

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<sup>24</sup> This number includes inspections of written media and publications and licensee business websites for advertising compliance.

compliance, and all but two were paid in full. In addition, during the FY, three prior citation cases were reopened for successful collection action.

- Substantive legal action highlights included the sanctioning of at least: (a) 9 licensees based upon or involving an entry of a judgment of criminal conviction; (b) at least 4 licensees for nondisclosure or the existence of unpaid tax liens or civil judgements; (c) at least 2 licensee for violations of the State's wage and labor laws; and (d) at least 2 licensee for aiding and abetting unlicensed practices in a different industry.
- Act 38 (SLH 2016), allows certain Boards in the healthcare industry to take swift action against local licensees who are licensed elsewhere too, based on discipline imposed by the other state. The intake-section investigators, therefore, continued to screen health-related complaints that involve serious discipline in other jurisdictions for potential expedited treatment by the Legal Section under the Act. At least one case screened for expedited treatment during the fiscal year resulted in disciplinary action.
- The Legal Section also processed at least 134 requests for information that resulted in the release of approximately 6,896 pages of publicly disclosable records. This represented a 4.38% increase in disclosable records from the previous fiscal year.
- A significant accomplishment of the Section's leadership this past fiscal year has been in focusing the Section on prioritizing meaningful and impactful cases for enforcement action. Due to a historically high volume of cases that had been automatically referred and assigned to the Legal Section each year, coupled with difficulty recruiting and retaining skilled attorneys, the Section staff attorneys have been scrutinizing completed investigations almost instantly to determine if they are grounded in reliable evidence, can withstand defenses, can be prosecuted without a strain on existing resources, and will be impactful. The rigorous intake screening happens before the case is accepted for prosecution and assigned to an attorney for handling and, like the year before, has proven to be successful this year too. Prior to this approach, hundreds of completed investigations were referred to the legal section automatically and assigned to an attorney which contributed to significant numbers of backlogged and aged cases.
- Finally, in the area of professional growth, the Legal Section continued taking continuing education courses as well as conducting in-house meetings and education sessions. In all, a total of 78 courses covering a variety of subjects were completed by staff attorneys. Additionally, experienced attorneys provided 26 in-house trainings for attorneys newer to RICO.

### **SCAP – Legal Section**

Accomplishments during FY 2024:

- SCAP continued its commitment to streamline and modernize the program and to go paperless whenever possible in order to provide high-quality service for consumers and manufacturers. Hence, SCAP is in the third year of using an online application portal where consumers can electronically submit a demand for arbitration. More than 20 consumers chose to file their demands electronically. The portal also allows parties and arbitrators to virtually submit and view evidence and other important supporting

documents. With these improvements, SCAP will continue to provide high-quality service for consumers and manufacturers.

- SCAP continued to rely on several strategies to effectively manage claims, including virtual hearings, email communications with parties where allowed by law, electronic signatures, and the portal for submission and sharing of key pieces of evidence, all of which have proven to be effective and satisfactory for both consumers and manufacturers. One consumer commented positively about the portal saying, “It had clear explanation step by step which is easy to follow and it was not time consuming such as making a copy and send through mail.” Another consumer wrote, “...I was very impressed and grateful with how much guidance to prepare the state offered! The SCAP portal was very easy to use...After the arbitration I did comment to my witness and a lawyer friend that it was surprising just how attentive the arbitrator is considering there are so many little details that are really only of importance to the consumer. Thank you Hawaii State for your help to facilitate this smoothly.” More information, including a glimpse into the SCAP portal, is available on the RICO website at <https://cca.hawaii.gov/rico/lemon-law/>.
- A total of 68 SCAP claims were initiated and an additional 12 claims were filed, but not initiated. This represents a 423% increase in claims initiated since the previous fiscal year. Of the 68 initiated cases, 19 decisions favored consumers, 7 favored manufacturers, and 24 were settled after filing, and 1 was withdrawn. Moreover, a further 17 cases are still pending final resolution, including 7 which are completing settlement.
- The SCAP issued a total of over \$1,930,000.00 in consumer refunds and bank loan payoffs.
- In the area of professional growth, the SCAP administrator continued to conduct training courses virtually. Five classes were held to assist arbitrators with fulfilling their duties.
- The SCAP Administrator also provided several education sessions to members of the community interested in Lemon Law, including the Department of Attorney General and the military legal assistance staff of the Hawaii Judge Advocate General’s Corps. Further, the SCAP Administrator recorded a KHON “What’s the Law” segment about Lemon Law that aired in the Fall of 2023. This story can still be found by interested community members on KHON’s website.

### **Collections - Legal Section**

Accomplishments during FY 2024:

A final and significant accomplishment of the Legal Section was the further development of its collections program. Specifically:

- Two staff attorneys with prior experience in collections law, whose duties include regular RICO enforcement cases, continue with the collection of unpaid fines. This work includes reviewing closed cases that have collections potential, collecting judgement debt, confirming fines levied by the boards and commissions as judgements, representing RICO in tax intercept cases, representing RICO in escrow payoff requests and settlement negotiations on outstanding judgements, and designating reviewed closed cases as uncollectable.
- A total of \$981,742.36 in monetary fines and penalties were paid in cases resolved this fiscal year. An additional \$181,995.66 in fines were imposed but have yet to be collected. The cases will be reviewed as part of the collections program.

- The Legal Section’s collections program also actively reviewed at least 35 closed cases and took enforcement action in 15. The great effort resulted in the renewal of 9 stale judgments, \$15,543.10 in accounts receivables from negotiations, and 8 supplemental court actions such as wage garnishment proceedings and a motion for civil contempt of court. Finally, after careful review by the program, a determination of uncollectable was made in at least 24 closed cases.

**Education**

Accomplishments during FY 2024:

- RICO’s website received more than 83,000 hits as members of the public and licensees perused information about the regulated industries, complaints process, and brochures designed to assist consumers with making informed choices. Most who visited were interested in knowing if a person had a record of discipline because more than 179,000 queries occurred in RICO’s complaints history portal alone, which represented an 22.04% increase in queries from the previous year.
- RICO personnel continued to participate in the division’s education campaign too by counseling parties about licensure requirements through warnings, education contacts, and brochures, and by answering questions from complainants, licensees, or unlicensed persons as they reviewed, investigated and processed complaints. Likewise, the SCAP team conferred with consumers regularly about Lemon Law tips and whether their dispute was appropriate for arbitration.

**CRF FINANCIAL SUMMARY FOR FY 2024**

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$ 6,445,397	\$ 989,767	\$ 7,435,164	\$ 10,390,675

RICO is 100% special-funded through licensing fees primarily, and fines and assessments paid during the fiscal year. Licensee fee collections vary annually because of licensee retirements and resignations, and because most renewal fees are assessed biennially and collected at different times of the year depending on the profession. The amount of fines that are paid annually through the enforcement process vary too according to the timing of different legal actions and the solvency of individuals and entities. Despite these variables, RICO’s revenue source and resulting operations have remained stable.

**CONCLUSION**

RICO is responsible for investigating and prosecuting licensing law violations for the 52 industry boards, commissions, and programs. RICO continues to do so by maintaining a high level of productivity and responsiveness, by having staff remain committed to professional growth and development, and through the division’s investment in technological advances that include receiving and processing information electronically to ensure a fair marketplace for Hawaii’s consumers and licensed professionals.

**TABLES**

The following tables illustrate the level of public interest in RICO-related information and the variety and complexity of work performed daily by division employees.

**Table 1: Top 5 Subjects of Callers Seeking Assistance from the LBIS**

<b>FY 2024</b>
1. Contractor (3836)
2. Is a person or business licensed? (2680)
3. Real Estate (708)
4. Medical (320)
5. Motor Vehicle Industry (294)

**Table 2: Top 5 Industries that are the Subject of Information Requests**

<b>FY 2024</b>
1. Medical (27)
2. Real Estate (26)
3. Contractor (23)
4. Dentist and Dental Hygienist (8)
5. Nurses (6)

**Table 3: Top 5 Public Internet Inquiry Areas Related to RICO**

<b>FY 2024</b>
1. RICO complaints history queries (179,587)
2. RICO homepage (83,750 hits)
3. RICO complaints history portal (61,559 hits)
4. RICO webpage on filing a complaint (10,797 hits)
5. RICO complaints history details (20,468 hits)

**Table 4: Top 5 Industry Complaints Processed by RICO**

<b>FY 2024</b>
1. Contractor (652)
2. Real Estate (486)
3. Medical (343)
4. Barber (186)
5. Massage (136)

**Table 5: Top 5 Industry Prosecutions – Licensees**

<b>FY 2024</b>
1. Contractor (35)
2. Barbering and Cosmetology (20)
3. Medical (17)
4. Real Estate (13)
5. Massage Therapy (10)

**Table 6: Top 5 Industry Prosecutions – Unlicensed Persons**

<b>FY 2024</b>
1. Contractor (29)
2. Elevator Mechanic (6)
3. Travel Agency (3)
4. Motor Vehicle Repair (2)
5. Massage Therapy, Medical, Motor Vehicle Industry, Pest Control, Private Detective and Guard, Real Estate (1)