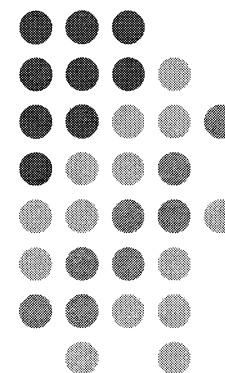
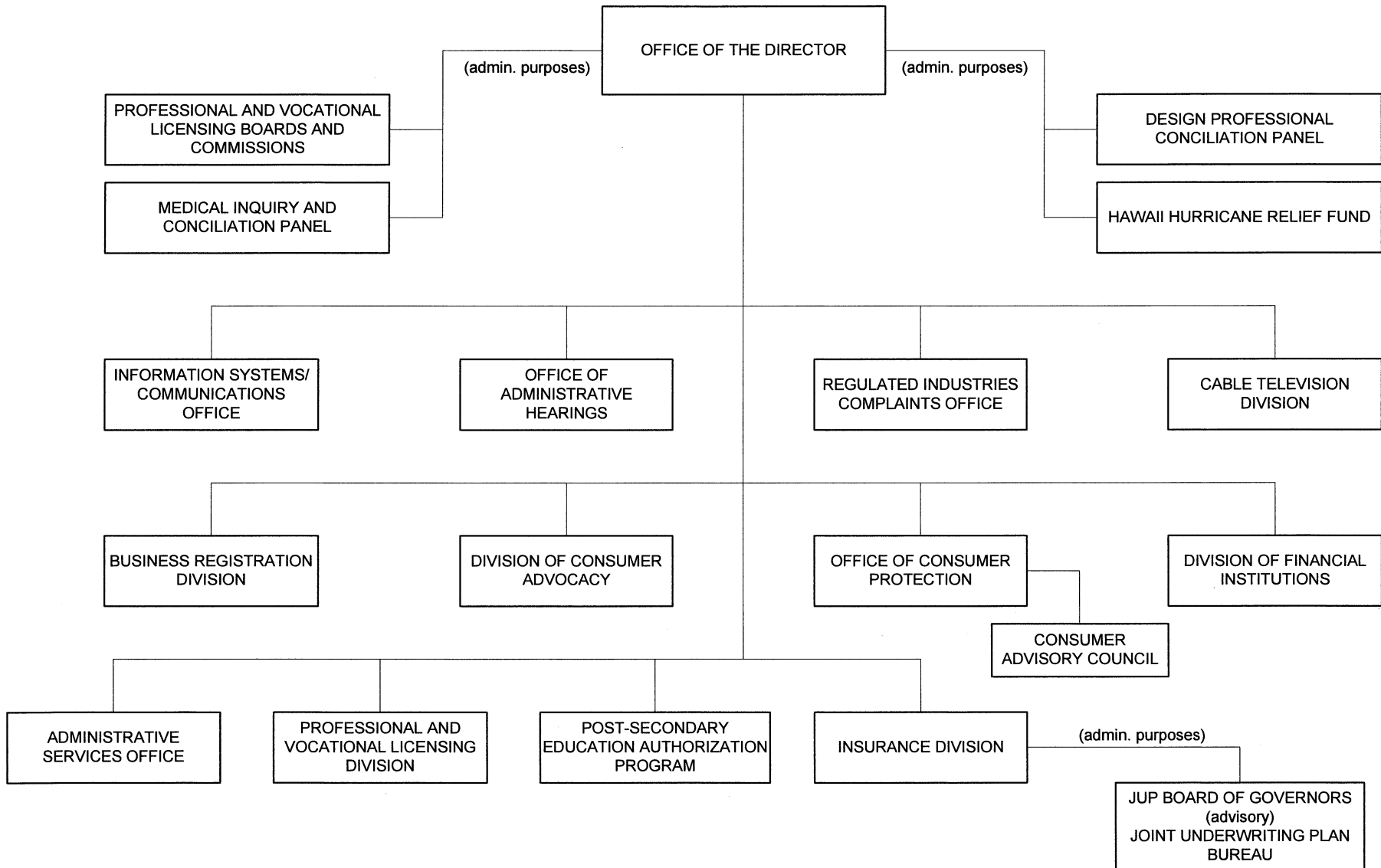

**Department of Commerce and Consumer
Affairs**



**STATE OF HAWAII
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
ORGANIZATION CHART**



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

Department Summary

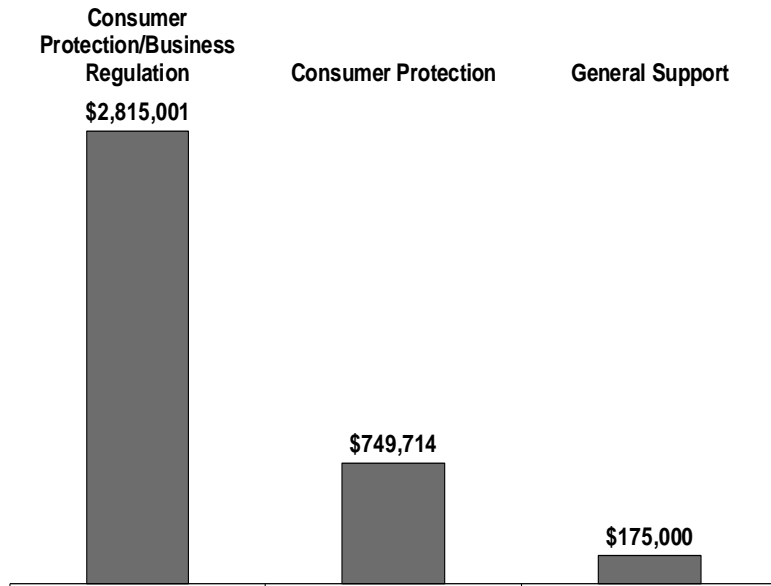
Mission Statement

To fairly regulate business, while ensuring consumer protection in commercial transactions in Hawaii.

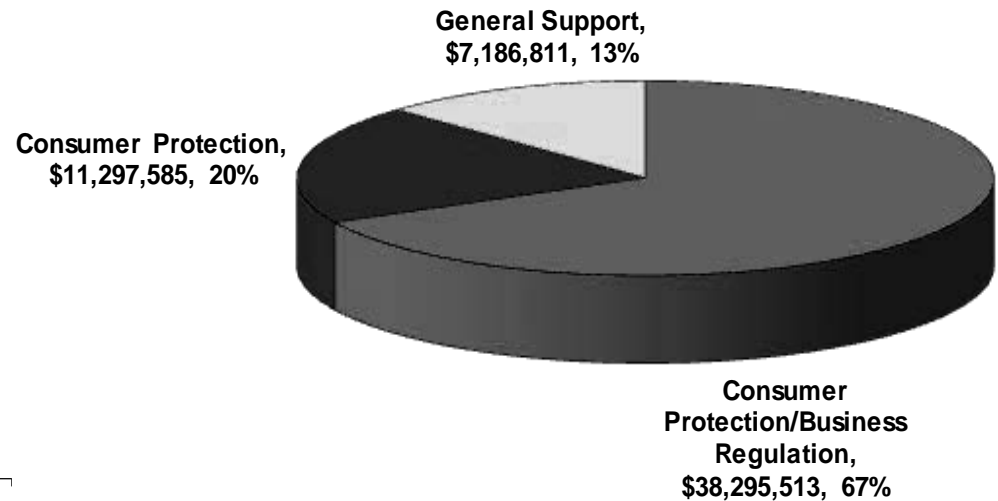
Department Goals

To develop, promote, and implement rational business regulation; to consider the public interest and increase the opportunity for public involvement in the regulatory process; and to ensure fairness in the conduct of administrative hearings that address decisions made by department regulators.

FY 2015 Supplemental Operating Budget Adjustments by Major Program



FY 2015 Supplemental Operating Budget



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS MAJOR FUNCTIONS

- Develops standards relating to the licensing of and general supervision over the conduct of the financial services industry, professions, businesses, trades, and insurance companies.
- Grants or denies the issuance of professional, business and trade licenses; directs investigations, holds hearings, and suspends, revokes or reinstates licenses; makes, amends or repeals such rules and regulations deemed necessary to fully effectuate the provisions of the laws within the Department's scope and jurisdiction.
- Represents, protects, and advances the interest of consumers of utility services; conducts investigations; assists and cooperates with Federal, State, and local agencies to protect the consumer's interests in the public utilities fields.
- Coordinates consumer protection activities in the State; conducts investigations, research, and enforces laws, rules, and regulations in the area of consumer protection; provides consumer education services and programs.
- Administers the laws of the State relating to corporations; partnerships; sales of securities; registration of trademarks, tradenames, prints and labels; miscellaneous business registrations; financial services industry; the insurance industry; and provides advice on business formation.
- Ensures that cable subscribers are provided with services that meet acceptable standards of quality, dependability, and fair rates; maintains surveillance over filed rates, charges, terms, and conditions of services; and monitors the operations and management of cable television operators and public access television entities.

MAJOR PROGRAM AREAS

The Department of Commerce and Consumer Affairs has programs in the following major program areas:

Individual Rights

Protection of the Consumer/Regulation of Services

CCA 102	Cable Television
CCA 103	Consumer Advocate for Communication, Utilities, and Transportation Services
CCA 104	Financial Services Regulation
CCA 105	Professional and Vocational Licensing
CCA 106	Insurance Regulatory Services
CCA 107	Accredited Post-Secondary Education Authorization

Protection of the Consumer/Enforcement of Fair Bus.

Practices

CCA 110	Office of Consumer Protection
CCA 111	Business Registration and Securities Regulation
CCA 112	Regulated Industries Complaints Office

General Support

CCA 191	General Support
---------	-----------------

**Department of Commerce and Consumer Affairs
Operating Budget**

			Act 134/2013	Act 134/2013	FY 2014	FY 2015	Total	Total
			FY 2014	FY 2015	Adjustments	Adjustments	FY 2014	FY 2015
Funding Sources:	Positions	Perm	-	-	-	2.00	-	2.00
		Temp	-	-	-	-	-	-
General Funds		\$	-	-	-	95,045	-	95,045
		Perm	401.00	401.00	-	11.00	401.00	412.00
Special Funds		Temp	32.00	32.00	-	(2.00)	32.00	30.00
		\$	50,425,843	50,275,202	-	1,534,670	50,425,843	51,809,872
Other Federal Funds		Perm	-	-	-	-	-	-
		Temp	4.00	4.00	-	-	4.00	4.00
Trust Funds		\$	1,000,000	250,000	-	-	1,000,000	250,000
		Perm	8.00	8.00	-	-	8.00	8.00
Total Requirements		Temp	3.00	3.00	-	-	3.00	3.00
		\$	2,554,992	2,514,992	-	2,110,000	2,554,992	4,624,992
		Perm	409.00	409.00	-	13.00	409.00	422.00
		Temp	39.00	39.00	-	(2.00)	39.00	37.00
		\$	53,980,835	53,040,194	-	3,739,715	53,980,835	56,779,909

Comments: (general funds and FY 15 unless otherwise noted)

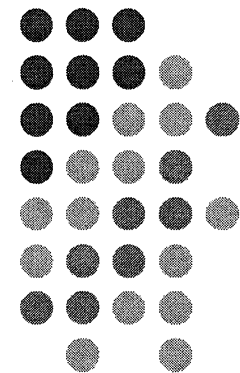
1. Adds 1.00 position and \$749,714 in special funds to support renewable energy initiative for the Division of Consumer Advocacy.
2. Adds 2.00 positions and \$95,045 and \$128,832 in special funds to support the Post-Secondary Educational Act of 1965 pursuant to Act 180, SLH 2013.
3. Adds \$2,000,000 in trust funds to allow the Department of Labor and Industrial Relations to implement the capital improvement grant pursuant to Chapter 42F, HRS, for the Hawaii Public Television Foundation.
4. Adds 6.00 positions and \$481,124 in special funds to support the Affordable Care Act for the Insurance Regulatory Division.

**Department of Commerce and Consumer Affairs
Capital Improvements Budget**

	Act 134/2013 FY 2014	Act 134/2013 FY 2015	FY 2014 Adjustments	FY 2015 Adjustments	Total FY 2014	Total FY 2015
Funding Sources:						
General Funds	-	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-	-
Federal Funds	-	-	-	-	-	-
Total Requirements	-	-	-	-	-	-

Comments on Dept CIP Budget Request: (general obligation bonds and FY 15 unless otherwise noted)
None.

Operating Budget Details



**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 139

PROGRAM ID: CCA-
PROGRAM STRUCTURE NO: 10
PROGRAM TITLE: INDIVIDUAL RIGHTS

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	409.00*	*	409.00*	409.00*	13.00*	422.00*	*	*	*
PERSONAL SERVICES	34,403,975		34,403,975	34,244,019	725,311	34,969,330	68,647,994	69,373,305	
OTH CURRENT EXPENSES	19,398,635		19,398,635	18,796,175	2,976,704	21,772,879	38,194,810	41,171,514	
EQUIPMENT	178,225		178,225		37,700	37,700	178,225	215,925	
TOTAL OPERATING COST	53,980,835		53,980,835	53,040,194	3,739,715	56,779,909	107,021,029	110,760,744	3.49
BY MEANS OF FINANCING									
GENERAL FUND	*	*	*	*	2.00*	2.00*	*	*	*
					95,045	95,045		95,045	
SPECIAL FUND	401.00*	*	401.00*	401.00*	11.00*	412.00*	*	*	*
	50,425,843		50,425,843	50,275,202	1,534,670	51,809,872	100,701,045	102,235,715	
OTHER FEDERAL FUN	*	*	*	*	*	*	*	*	*
	1,000,000		1,000,000	250,000		250,000	1,250,000	1,250,000	
TRUST FUNDS	8.00*	*	8.00*	8.00*	*	8.00*	*	*	*
	2,554,992		2,554,992	2,514,992	2,110,000	4,624,992	5,069,984	7,179,984	
TOTAL POSITIONS	409.00*	*	409.00*	409.00*	13.00*	422.00*			
TOTAL PROGRAM COST	53,980,835		53,980,835	53,040,194	3,739,715	56,779,909	107,021,029	110,760,744	3.49

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 140

PROGRAM ID: CCA-
PROGRAM STRUCTURE NO: 1001
PROGRAM TITLE: PROTECTION OF THE CONSUMER

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	409.00*	*	409.00*	409.00*	13.00*	422.00*	*	*	*
PERSONAL SERVICES	34,403,975		34,403,975	34,244,019	725,311	34,969,330	68,647,994	69,373,305	
OTH CURRENT EXPENSES	19,398,635		19,398,635	18,796,175	2,976,704	21,772,879	38,194,810	41,171,514	
EQUIPMENT	178,225		178,225		37,700	37,700	178,225	215,925	
TOTAL OPERATING COST	53,980,835		53,980,835	53,040,194	3,739,715	56,779,909	107,021,029	110,760,744	3.49
BY MEANS OF FINANCING									
GENERAL FUND	*	*	*	*	2.00*	2.00*	*	*	*
					95,045	95,045		95,045	
SPECIAL FUND	401.00*	*	401.00*	401.00*	11.00*	412.00*	*	*	*
	50,425,843		50,425,843	50,275,202	1,534,670	51,809,872	100,701,045	102,235,715	
OTHER FEDERAL FUN	*	*	*	*	*	*	*	*	*
	1,000,000		1,000,000	250,000		250,000	1,250,000	1,250,000	
TRUST FUNDS	8.00*	*	8.00*	8.00*	*	8.00*	*	*	*
	2,554,992		2,554,992	2,514,992	2,110,000	4,624,992	5,069,984	7,179,984	
TOTAL POSITIONS	409.00*	*	409.00*	409.00*	13.00*	422.00*			
TOTAL PROGRAM COST	53,980,835		53,980,835	53,040,194	3,739,715	56,779,909	107,021,029	110,760,744	3.49

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 141

PROGRAM ID: CCA-
PROGRAM STRUCTURE NO: 100103
PROGRAM TITLE: REGULATION OF SERVICES

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	211.00*	*	211.00*	211.00*	13.00*	224.00*	*	*	*
PERSONAL SERVICES	18,438,157		18,438,157	18,252,617	725,311	18,977,928	36,690,774	37,416,085	
OTH CURRENT EXPENSES	14,162,623		14,162,623	13,610,163	2,826,704	16,436,867	27,772,786	30,599,490	
EQUIPMENT	52,000		52,000		12,700	12,700	52,000	64,700	
TOTAL OPERATING COST	32,652,780		32,652,780	31,862,780	3,564,715	35,427,495	64,515,560	68,080,275	5.53
BY MEANS OF FINANCING									
GENERAL FUND	*	*	*	*	2.00*	2.00*	*	*	*
					95,045	95,045		95,045	
SPECIAL FUND	203.00*	*	203.00*	203.00*	11.00*	214.00*	*	*	*
	29,198,469		29,198,469	29,198,469	1,359,670	30,558,139	58,396,938	59,756,608	
OTHER FEDERAL FUN	*	*	*	*	*	*	*	*	*
	1,000,000		1,000,000	250,000		250,000	1,250,000	1,250,000	
TRUST FUNDS	8.00*	*	8.00*	8.00*	*	8.00*	*	*	*
	2,454,311		2,454,311	2,414,311	2,110,000	4,524,311	4,868,622	6,978,622	
TOTAL POSITIONS	211.00*	*	211.00*	211.00*	13.00*	224.00*			
TOTAL PROGRAM COST	32,652,780		32,652,780	31,862,780	3,564,715	35,427,495	64,515,560	68,080,275	5.53

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 142

PROGRAM ID: **CCA-102**
PROGRAM STRUCTURE NO: **10010301**
PROGRAM TITLE: **CABLE TELEVISION**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	7.00*	*	7.00*	7.00*	1.00*	8.00*	*	*	*
PERSONAL SERVICES	730,175		730,175	730,175	56,816	786,991	1,460,350	1,517,166	
OTH CURRENT EXPENSES	1,661,362		1,661,362	1,661,362	1,943,184	3,604,546	3,322,724	5,265,908	
TOTAL OPERATING COST	2,391,537		2,391,537	2,391,537	2,000,000	4,391,537	4,783,074	6,783,074	41.81
BY MEANS OF FINANCING									
SPECIAL FUND	7.00*	*	7.00*	7.00*	1.00*	8.00*	*	*	*
TRUST FUNDS	2,391,537		2,391,537	2,391,537	2,000,000	2,000,000	4,783,074	4,783,074	
TOTAL POSITIONS	7.00*	*	7.00*	7.00*	1.00*	8.00*			
TOTAL PROGRAM COST	2,391,537		2,391,537	2,391,537	2,000,000	4,391,537	4,783,074	6,783,074	41.81

Narrative for Supplemental Budget Requests
FY 15

Program ID: CCA 102
Program Structure Level: 10 01 03 01
Program Title: Cable Television

A. Program Objective

To foster the development of responsive and reliable cable television communications services for the people of Hawaii, by promoting the public interest in authorizations by the State regarding cable television franchises; regulate basic cable television rates and service to ensure compliance with applicable State and Federal law; expand the Statewide Institutional Network; continue the availability of Public, Education and Government cable access; and to engage in activities promoting the expansion of, and accelerating, the deployment of broadband infrastructure.

B. Description of Request

1. Add Staff Attorney position and trade off/transfer special funds to assist with telecom reform, broadband deployment, and cable regulation for the Cable Television.
2. Add \$2,000,000 in trust funds for inter-departmental transfer to the Department of Labor and Industrial Relations (DLIR) for Capital Improvement Program Grant to Hawaii Public Television Foundation.

C. Reasons for Request

Given the increased complexity of responsibilities of the Cable Television Division including advocacy of broadband deployment and existing heavy regulatory proceedings, the workload of the Cable Television Division has increased significantly. The nature of the workload, which is more

complex, highly technical, and greater in volume, involves the existing, sole attorney in nearly every interaction of the Cable Television Division. Accordingly, the sole attorney's capacity is insufficient to meet the increased activities and has significantly impacted timely completion of critical tasks.

Having a second attorney to help more quickly and efficiently complete the Division's work can help in a number of ways. First, a second attorney would help to balance the workload and also serve the important function of providing coverage and back-up where if one attorney is otherwise unavailable, the other attorney can allow the work in the proceeding to continue without interruption or significant delay. Otherwise, the Cable Television Division is left in a tenuous situation without some additional assistance and may be unable to timely respond to action items that require legal analysis or review. With the workload that the Cable Television Division has at present, the addition of a second attorney will obviate the need to rely on only a sole attorney for all of the proceedings in which the Cable Television Division participates. Second, the speed and efficiency of which the Cable Television Division could operate would be greatly increased by adding a second staff attorney position. This request proposes to trade-off other current expenses (consulting contracts) to fund the attorney position.

Narrative for Supplemental Budget Requests
FY 15

Program ID: CCA 102
Program Structure Level: 10 01 03 01
Program Title: Cable Television

Act 134, SLH 2013, provided a \$2M CIP appropriation for a Hawaii Public Television Foundation Grant-In-Aid project (plans, design and construction of a new building for PBS Hawaii). The expending agency is the DLIR, with the funding to be provided by the Department of Commerce and Consumer Affairs from monies collected from cable subscribers which are being held by Oceanic Time Warner Cable, LLC. This request is to provide Cable Television Division with the appropriation for the transfer of funds to DLIR.

D. Significant Changes to Measures of Effectiveness and Program Size

In addition to providing added capacity, the Cable Division would also be able to reduce the number of hours and amounts billed by outside legal consultants as a result of hiring and training an attorney for the Cable Television Division. Developing expertise in-house would also allow for a greater degree of continuity internally within the Cable Television Division.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 143

PROGRAM ID: **CCA-103**
 PROGRAM STRUCTURE NO: **10010302**
 PROGRAM TITLE: **CONSUMER ADVOCATE FOR COMM, UTIL & TRAN SVC**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	23.00*	*	23.00*	23.00*	1.00*	24.00*	*	*	*
PERSONAL SERVICES	1,909,796		1,909,796	1,909,796	49,714	1,959,510	3,819,592	3,869,306	
OTH CURRENT EXPENSES	1,121,712		1,121,712	1,121,712	700,000	1,821,712	2,243,424	2,943,424	
TOTAL OPERATING COST	3,031,508		3,031,508	3,031,508	749,714	3,781,222	6,063,016	6,812,730	12.37
BY MEANS OF FINANCING									
SPECIAL FUND	23.00*	*	23.00*	23.00*	1.00*	24.00*	*	*	*
	3,031,508		3,031,508	3,031,508	749,714	3,781,222	6,063,016	6,812,730	
TOTAL POSITIONS	23.00*	*	23.00*	23.00*	1.00*	24.00*			
TOTAL PROGRAM COST	3,031,508		3,031,508	3,031,508	749,714	3,781,222	6,063,016	6,812,730	12.37

Narrative for Supplemental Budget Requests
FY 15

Program ID: CCA 103

Program Structure Level: 10 01 03 02

Program Title: Consumer Advocate for Communication, Utilities & Transportation Services

A. Program Objective

Through advocacy, education, and long range planning, to ensure sustainable, reliable, safe, and quality communications, utility and transportation services at a fair cost for Hawaii's consumers for the short and long term.

B. Description of Request

1. Add \$700,000 in special funds for other current expenses for consultant services.
2. Add attorney position and \$49,714 in special funds to support Clean Energy Initiatives

C. Reasons for Request

1. New initiatives, including an interisland power cable and the importation of liquefied natural gas (LNG), are novel and complex requiring consulting expertise. New dockets are being opened to investigate renewable energy initiatives, which also require consulting expertise. With the pre-existing workload not decreasing, the existing resources cannot accommodate the new initiatives as well as the pre-existing workload. In many of the past dockets dealing with renewable energy, the primary arguments have been policy based and do not involve sufficient analytical evidence to help support positions consistent with the public interest and State policy. While the utility companies often offer analysis and reports for consideration

in these proceedings, there is a general distrust of the utilities and the consultant work that the utilities provide; additional analysis from other sources would either help refute or corroborate the analysis provided by the utilities.

Because the consultant contracts for these analyses can be significant, the Consumer Advocate has not been able to get consultants for each proceeding. The lack of reliable, independent analysis has contributed to the delays that are being experienced in these proceedings involving key issues affecting renewable energy initiatives. The necessary expertise for many of the new and complex issues is not expected from new hires or even incumbents.

Increasing the consultant budget will allow the Consumer Advocate to present analyses that will hopefully expedite and facilitate actions that need to be taken to further greater renewable energy integration, an interisland power cable, LNG, biofuels, and other Initiatives. It will also help the Consumer Advocate be more proactive on some of these issues by allowing more interim (i.e., analysis outside of docketed proceedings) analyses to be conducted so that proceedings do not get delayed while waiting for analyses to be conducted once the docket has been opened. Increasing the budget should facilitate the increase in percentage of alternative energy sources used by electric utility companies, which is one of the Consumer Advocate's measures of effectiveness.

Narrative for Supplemental Budget Requests
FY 15

Program ID: CCA 103

Program Structure Level: 10 01 03 02

Program Title: Consumer Advocate for Communication, Utilities & Transportation Services

2. Due to clean energy initiatives, the workload of the Consumer Advocate has increased in terms of both volume and complexity. This increase has a direct impact on the workload of the existing two attorneys for the Consumer Advocate. The initiatives to integrate more renewable energy are resulting in more power purchase agreements, interconnection agreements, and other associated contracts to review. Investigatory dockets that are covering new issues and areas require more research and preparation by staff and attorneys. These new initiatives are also raising significant issues that are attracting more interested stakeholders resulting in increased workload in terms of various motions and filings by the existing attorneys. These initiatives that are in accordance with New Day Initiatives include the investigation of an interisland cable, that will span a significant number of issues that will require significant amounts of work and coordination, including, but not limited to, environmental regulations and laws, financing regulations and laws, new regulations governing cable utility franchises, and new contract issues.

Besides the new and complex work associated with renewable energy and energy efficiency initiatives, the Consumer Advocate also has to deal with new and evolving issues in other regulatory areas as well. For example, Gov. Abercrombie has set forth a goal to have gigabit broadband widely available in Hawaii. This initiative is affecting the manner in which telecommunications applications and transactions are reviewed. In addition, determining how utility infrastructure design and access to utility infrastructure can facilitate the expansion of broadband facilities require research into State and county laws and

ordinances as well as industry standards. Besides telecommunications, there are also changing laws and regulations related to air emissions that require research and analysis of those new laws and regulations and how they affect current electricity resources as well as how they might influence future resources. There are also changing laws and regulations related to water quality that affect the electric utilities (e.g., when they use water for their cooling facilities and when they have water outfall), water utility companies, and wastewater utility companies.

Due to the increasing workload and complexity, the attorneys' workload has increased. It is common practice in private and public practice to have at least two attorneys assigned to a case. This helps to balance the workload but also serves the important function of providing coverage and back-up where if one attorney is otherwise unavailable, the other attorney can allow the work in the proceeding to proceed without interruption or significant delay. With the workload that the Consumer Advocate has, the addition of a third attorney will obviate the need to rely on only two attorneys for all of the proceedings in which the Consumer Advocate participates. A third attorney will allow the Consumer Advocate to conduct its analysis and prosecute its cases more expeditiously and mitigate delays and/or the need to not participate in proceedings.

Narrative for Supplemental Budget Requests
FY 15

Program ID: CCA 103

Program Structure Level: 10 01 03 02

Program Title: Consumer Advocate for Communication, Utilities & Transportation Services

D. Significant Changes to Measures of Effectiveness and Program Size

While the current level of integrated renewable energy (28%) is meeting the statutory mandate for 2015 (15%), the measurement standard will change by statute, which will result in a decrease. Under the new method, the achieved level would only be about 14%. It is uncertain that Hawaii's energy grids will be able to accept sufficient new sources, both from utility scale and distributed generation, to continue the progress to date. If additional consultant monies are available, the Division will target analyzing potential measures that can be taken to increase the energy grids' abilities to take on more renewable energy as well as to address the increasing amount of novel and complex issues that are being raised in various renewable energy and broadband initiative proceedings.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 144

PROGRAM ID: **CCA-104**
 PROGRAM STRUCTURE NO: **10010303**
 PROGRAM TITLE: **FINANCIAL SERVICES REGULATION**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	34.00*	*	34.00*	34.00*	*	34.00*	*	*	*
PERSONAL SERVICES	2,971,144		2,971,144	2,971,144		2,971,144	5,942,288	5,942,288	
OTH CURRENT EXPENSES	523,776		523,776	523,776	110,000	633,776	1,047,552	1,157,552	
TOTAL OPERATING COST	3,494,920		3,494,920	3,494,920	110,000	3,604,920	6,989,840	7,099,840	1.57
BY MEANS OF FINANCING									
SPECIAL FUND	34.00*	*	34.00*	34.00*	*	34.00*	*	*	*
TRUST FUNDS	3,384,920		3,384,920	3,384,920		3,384,920	6,769,840	6,769,840	
	110,000		110,000	110,000	110,000	220,000	220,000	330,000	
TOTAL POSITIONS	34.00*	*	34.00*	34.00*	*	34.00*			
TOTAL PROGRAM COST	3,494,920		3,494,920	3,494,920	110,000	3,604,920	6,989,840	7,099,840	1.57

Narrative for Supplemental Budget Requests
FY 15

Program ID: CCA 104
Program Structure Level: 10 01 03 03
Program Title: Financial Services Regulation

A. Program Objective

To ensure the safety and soundness of State-chartered and State-licensed financial institutions, and ensure regulatory compliance by State-licensed financial institutions, escrow depositories, money transmitters, mortgage servicers, mortgage loan originators and mortgage loan originator companies, by fairly administering applicable statutes and rules, in order to protect the rights and funds of depositors, borrowers, consumers, and other members of the public.

B. Description of Request

Add \$110,000 in trust funds for the Mortgage Loan Recovery Fund for other current expenses.

C. Reasons for Request

Purpose of this request is to increase the appropriation for the Mortgage Loan Recovery Fund (Fund) established by Chapter 454F, HRS, in order to pay claims against the Fund and to pay any expenses related to the administration of the Fund. Although no expenditures for claims or expenses have been made since the Fund was established in 2010, the Division of Financial Institutions (DFI) is currently aware of potential claims against two licensees that could require the payment of the maximum \$100,000 per licensee. Under the current appropriation ceiling, claimants would have to be paid over two years. This would not be desirable for claimants who have already suffered losses.

D. Significant Changes to Measures of Effectiveness and Program Size

The Division has had a large increase in its workload as evidenced by the actual number of institutions and offices regulated, and the number of applications, inquiries and license renewals received, which were all greater than previously projected. The increase in program size is not only due to two new regulatory programs for mortgage servicers and mortgage loan originators and mortgage loan originator companies, but also due to changes in the other financial services industries regulated.

Further, the program size data do not reflect the increasing complexity of issues the Division must deal with as those industries reacted and adjusted to:

- Economic uncertainties as the nation and Hawaii begin recovering from the national mortgage crisis that began in 2007 and evolved into a full-scale financial crisis that resulted in unprecedented economic disruptions, both nationally and globally. However, the recovery has been very slow, major uncertainties still remain, and the economy is fragile.

Narrative for Supplemental Budget Requests
FY 15

Program ID: CCA 104
Program Structure Level: 10 01 03 03
Program Title: Financial Services Regulation

- Passage of the Dodd-Frank Act in 2010, considered the most sweeping change to financial regulation in the U.S. since the Great Depression, and the over 200 rules federal agencies must adopt to implement the Dodd-Frank Act. The law and implementing rules affect almost every aspect of the U.S. financial services industry, including consumer protection; systemic risks; large, complex institutions; liquidation procedures for systemically significant institutions; executive compensation; corporate governance; mortgage practices; and the structure and powers of the federal financial regulatory agencies.
- Increased supervisory oversight is mandated by new federal laws and expected by consumers. The increased supervisory oversight brings increased costs and expenses for both DFI (and the five industries it supervises) to validate compliance with the new federal laws.
- An evolving and increasingly competitive financial services industry that continues to undergo dramatic and stunning changes to its operations, structure, and risk profile due to factors such as increased competition from non-banking entities; new products and delivery channels, and complex technological innovations to offer and promote various financial products. DFI must keep abreast of the emerging issues and technological advances in order to not fall behind the industry's advances and to protect consumers.

All of these changes require more comprehensive and enhanced examinations and supervisory efforts that are not reflected in program size data.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 145

PROGRAM ID: **CCA-105**
 PROGRAM STRUCTURE NO: **10010304**
 PROGRAM TITLE: **PROFESSIONAL & VOCATIONAL LICENSING**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	62.00*	*	62.00*	62.00*	2.00*	64.00*	*	*	*
PERSONAL SERVICES	5,243,356		5,243,356	5,243,356		5,243,356	10,486,712	10,486,712	
OTH CURRENT EXPENSES	2,941,443		2,941,443	2,901,443		2,901,443	5,842,886	5,842,886	
TOTAL OPERATING COST	8,184,799		8,184,799	8,144,799		8,144,799	16,329,598	16,329,598	
BY MEANS OF FINANCING									
SPECIAL FUND	54.00*	*	54.00*	54.00*	2.00*	56.00*	*	*	*
6,040,488			6,040,488	6,040,488		6,040,488	12,080,976	12,080,976	
8.00*		*	8.00*	8.00*	*	8.00*	*	*	*
TRUST FUNDS	2,144,311		2,144,311	2,104,311		2,104,311	4,248,622	4,248,622	
TOTAL POSITIONS	62.00*	*	62.00*	62.00*	2.00*	64.00*			
TOTAL PROGRAM COST	8,184,799		8,184,799	8,144,799		8,144,799	16,329,598	16,329,598	

Narrative for Supplemental Budget Requests
FY 15

Program ID: CCA 105

Program Structure Level: 10 01 03 04

Program Title: Professional and Vocational Licensing

A. Program Objective

To ensure that the individual is provided with professional, vocational, and personal services meeting acceptable standards of quality, equity and dependability by establishing and enforcing appropriate service standards; to regulate activities for the protection, welfare and safety of the participants as well as the public.

B. Description of Request

Convert 2.00 special fund Administrative Assistant positions from temporary to permanent status.

C. Reasons for Request

The positions are essential to ensure the continued efficiency and timeliness of the operations of the program. Converting these positions to permanent status is needed to perform duties that are of a permanent nature and essential to the operations of the program, and to be able to attract and retain qualified personnel.

D. Significant Changes to Measures of Effectiveness and Program Size

None.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 146

PROGRAM ID: **CCA-106**
 PROGRAM STRUCTURE NO: **10010306**
 PROGRAM TITLE: **INSURANCE REGULATORY SERVICES**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	85.00*	*	85.00*	85.00*	7.00*	92.00*	*	*	*
PERSONAL SERVICES	7,583,686		7,583,686	7,398,146	523,736	7,921,882	14,981,832	15,505,568	
OTH CURRENT EXPENSES	7,914,330		7,914,330	7,401,870	42,612-	7,359,258	15,316,200	15,273,588	
EQUIPMENT	52,000		52,000				52,000	52,000	
TOTAL OPERATING COST	15,550,016		15,550,016	14,800,016	481,124	15,281,140	30,350,032	30,831,156	1.59
BY MEANS OF FINANCING									
SPECIAL FUND	85.00*	*	85.00*	85.00*	7.00*	92.00*	*	*	*
	14,350,016		14,350,016	14,350,016	481,124	14,831,140	28,700,032	29,181,156	
OTHER FEDERAL FUN	1,000,000		1,000,000	250,000		250,000	1,250,000	1,250,000	
TRUST FUNDS	200,000		200,000	200,000		200,000	400,000	400,000	
TOTAL POSITIONS	85.00*	*	85.00*	85.00*	7.00*	92.00*			
TOTAL PROGRAM COST	15,550,016		15,550,016	14,800,016	481,124	15,281,140	30,350,032	30,831,156	1.59

Narrative for Supplemental Budget Requests
FY 15

Program ID: CCA 106
Program Structure Level: 10 01 03 06
Program Title: Insurance Regulatory Services

A. Program Objective

To ensure that consumers are provided with insurance services meeting acceptable standards of quality, equity, and dependability at fair rates by establishing and enforcing appropriate service standards and fairly administering the Insurance Code.

B. Description of Request

1. Add 6.00 positions and \$481,124 in special funds for regulatory oversight related to the Patient Protection and Affordable Care Act for the Insurance Regulatory Division (IRD).
2. Add 1.00 position and trade off/transfer special funds for the IRD Captive Insurance Branch.

C. Reasons for Request

1. In 2010, Congress enacted the Patient Protection and Affordable Care Act (PPACA) which greatly enlarged the laws and regulations governing health insurance by many thousands of pages. This added complexity increases both the compliance work that health insurers must perform and the regulatory oversight that must be performed by the Insurance Division. PPACA also has initiatives to increase competition in the market, such as health insurance exchanges and the enabling of multistate insurers. This further increases the regulatory burden for the Insurance Division.

It is essential that the Insurance Division maintain adequate staffing levels commensurate with the growth in the regulatory environment. Delay in creating additional positions will result in longer processing times for qualification of health plans, rate evaluations and approvals, licensing, examinations and other regulatory activities that are essential in order for the Insurance Division to continue its timely servicing, regulation and development of the health insurance industry. The positions requested have already been established and have been funded with federal moneys made available under PPACA.

2. The Captive Insurance Branch (CIB) is requesting one additional Captive Insurance Examiner I position to supplement the existing roster of Captive Insurance Examiners. The position will be responsible to assist with the non-technical, administrative functions on captive insurance examinations. This will allow the senior examiners to focus on the technical aspects of examinations and have more time to perform examinations, potentially increasing Hawaii's market share and stature in this ever-increasing competitive industry. This request for an additional Captive Insurance Examiner I position will not increase the CIB's current budget ceiling. Captive Branch will fund this requested position by converting special funds from other current expenses to the personal services cost elements.

D. Significant Changes to Measures of Effectiveness and Program Size

None.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 147

PROGRAM ID: **CCA-107**
 PROGRAM STRUCTURE NO: **10010307**
 PROGRAM TITLE: **POST-SECONDARY EDUCATION AUTHORIZATION**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	*	*	*	*	2.00*	2.00*	*	*	*
PERSONAL SERVICES					95,045	95,045		95,045	
OTH CURRENT EXPENSES					116,132	116,132		116,132	
EQUIPMENT					12,700	12,700		12,700	
TOTAL OPERATING COST					223,877	223,877		223,877	100.00
BY MEANS OF FINANCING									
GENERAL FUND	*	*	*	*	2.00*	2.00*	*	*	*
SPECIAL FUND					95,045	95,045		95,045	
					128,832	128,832		128,832	
TOTAL POSITIONS	*	*	*	*	2.00*	2.00*			
TOTAL PROGRAM COST					223,877	223,877		223,877	100.00

Narrative for Supplemental Budget Requests
FY 15

Program ID: CCA-107
Program Structure Level: 10 01 03 07
Program Title: Post-Secondary Education Authorization

A. Program Objective

To implement the state authorization requirements under Title IV of the Higher Education Act of 1965, as amended, including the issuance of state authorizations to qualified accredited institutions and addressing complaints against authorized institutions in a manner provided for in applicable law.

Specialist in the first year and 100% funding for the filled Program Administrator's position. The program is also seeking special fund ceiling of \$116,132 in FY 15 (\$100 K in out-years) for other current expenses.

B. Description of Request

1. Add 2.00 positions (1.00 filled and 1.00 new) and \$95,045 in general funds for the Hawaii Post-secondary Education Authorization Program established by Act 180, SLH 2013.
2. Add \$116,132 in special funds for other current expenses for the Hawaii Post-secondary Education Authorization Program established by Act 180, SLH 2013.

D. Significant Changes to Measures of Effectiveness and Program Size

None.

C. Reasons for Request

The Department of Commerce and Consumer Affairs established the Post-Secondary Education Authorization program pursuant to Act 180, SLH 2013. The program was appropriated \$400,000 of general revenues for program start-up costs in FY 14. This request seeks an appropriation for the continuation of the program and to establish it as a stand-alone program to be staffed by a Program Administrator and Program Specialist. As the program will not be self-sustaining based on the projected revenues, this request seeks general funds of \$95,045 in FY 15 (\$118 K in out-years) to cover Personal Service costs for the program; 50% funding for the Program

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 148

PROGRAM ID: CCA-
PROGRAM STRUCTURE NO: 100104
PROGRAM TITLE: ENFORCEMENT OF FAIR BUSINESS PRACTICES

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	154.00*	*	154.00*	154.00*	*	154.00*	*	*	*
PERSONAL SERVICES	11,498,744		11,498,744	11,524,328		11,524,328	23,023,072	23,023,072	
OTH CURRENT EXPENSES	2,641,275		2,641,275	2,641,275		2,641,275	5,282,550	5,282,550	
EQUIPMENT	22,525		22,525				22,525	22,525	
TOTAL OPERATING COST	14,162,544		14,162,544	14,165,603		14,165,603	28,328,147	28,328,147	
BY MEANS OF FINANCING	154.00*	*	154.00*	154.00*	*	154.00*	*	*	*
SPECIAL FUND	14,061,863		14,061,863	14,064,922		14,064,922	28,126,785	28,126,785	
TRUST FUNDS	100,681		100,681	100,681		100,681	201,362	201,362	
TOTAL POSITIONS	154.00*	*	154.00*	154.00*	*	154.00*			
TOTAL PROGRAM COST	14,162,544		14,162,544	14,165,603		14,165,603	28,328,147	28,328,147	

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 149

PROGRAM ID: **CCA-110**
 PROGRAM STRUCTURE NO: **10010401**
 PROGRAM TITLE: **OFFICE OF CONSUMER PROTECTION**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	17.00*	*	17.00*	17.00*	*	17.00*	*	*	*
PERSONAL SERVICES	1,434,038		1,434,038	1,459,622		1,459,622	2,893,660	2,893,660	
OTH CURRENT EXPENSES	425,711		425,711	425,711		425,711	851,422	851,422	
EQUIPMENT	22,525		22,525				22,525	22,525	
TOTAL OPERATING COST	1,882,274		1,882,274	1,885,333		1,885,333	3,767,607	3,767,607	
BY MEANS OF FINANCING	17.00*	*	17.00*	17.00*	*	17.00*	*	*	*
SPECIAL FUND	1,781,593		1,781,593	1,784,652		1,784,652	3,566,245	3,566,245	
TRUST FUNDS	100,681		100,681	100,681		100,681	201,362	201,362	
TOTAL POSITIONS	17.00*	*	17.00*	17.00*	*	17.00*			
TOTAL PROGRAM COST	1,882,274		1,882,274	1,885,333		1,885,333	3,767,607	3,767,607	

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 150

PROGRAM ID: **CCA-111**
 PROGRAM STRUCTURE NO: **10010403**
 PROGRAM TITLE: **BUSINESS REGISTRATION & SECURITIES REGULATN**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	71.00*	*	71.00*	71.00*	*	71.00*	*	*	*
PERSONAL SERVICES	5,131,685		5,131,685	5,131,685		5,131,685	10,263,370	10,263,370	
OTH CURRENT EXPENSES	1,517,555		1,517,555	1,517,555		1,517,555	3,035,110	3,035,110	
TOTAL OPERATING COST	6,649,240		6,649,240	6,649,240		6,649,240	13,298,480	13,298,480	
BY MEANS OF FINANCING									
SPECIAL FUND	71.00*	*	71.00*	71.00*	*	71.00*	*	*	*
	6,649,240		6,649,240	6,649,240		6,649,240	13,298,480	13,298,480	
TOTAL POSITIONS	71.00*	*	71.00*	71.00*	*	71.00*			
TOTAL PROGRAM COST	6,649,240		6,649,240	6,649,240		6,649,240	13,298,480	13,298,480	

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 151

PROGRAM ID: **CCA-112**
 PROGRAM STRUCTURE NO: **10010404**
 PROGRAM TITLE: **REGULATED INDUSTRIES COMPLAINTS OFFICE**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	66.00*	*	66.00*	66.00*	*	66.00*	*	*	*
PERSONAL SERVICES	4,933,021		4,933,021	4,933,021		4,933,021	9,866,042	9,866,042	
OTH CURRENT EXPENSES	698,009		698,009	698,009		698,009	1,396,018	1,396,018	
TOTAL OPERATING COST	5,631,030		5,631,030	5,631,030		5,631,030	11,262,060	11,262,060	
BY MEANS OF FINANCING									
SPECIAL FUND	66.00*	*	66.00*	66.00*	*	66.00*	*	*	*
	5,631,030		5,631,030	5,631,030		5,631,030	11,262,060	11,262,060	
TOTAL POSITIONS	66.00*	*	66.00*	66.00*	*	66.00*			
TOTAL PROGRAM COST	5,631,030		5,631,030	5,631,030		5,631,030	11,262,060	11,262,060	

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

REPORT S61-A
PAGE 152

PROGRAM ID: **CCA-191**
PROGRAM STRUCTURE NO: **100105**
PROGRAM TITLE: **GENERAL SUPPORT**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	44.00*	*	44.00*	44.00*	*	44.00*	*	*	*
PERSONAL SERVICES	4,467,074		4,467,074	4,467,074		4,467,074	8,934,148	8,934,148	
OTH CURRENT EXPENSES	2,594,737		2,594,737	2,544,737	150,000	2,694,737	5,139,474	5,289,474	
EQUIPMENT	103,700		103,700		25,000	25,000	103,700	128,700	
TOTAL OPERATING COST	7,165,511		7,165,511	7,011,811	175,000	7,186,811	14,177,322	14,352,322	1.23
BY MEANS OF FINANCING									
SPECIAL FUND	44.00*	*	44.00*	44.00*	*	44.00*	*	*	*
	7,165,511		7,165,511	7,011,811	175,000	7,186,811	14,177,322	14,352,322	
TOTAL POSITIONS	44.00*	*	44.00*	44.00*	*	44.00*			
TOTAL PROGRAM COST	7,165,511		7,165,511	7,011,811	175,000	7,186,811	14,177,322	14,352,322	1.23

Narrative for Supplemental Budget Requests
FY 15

Program ID: CCA-191
Program Structure Level: 10 01 05
Program Title: General Support

A. Program Objective

To uphold fairness and public confidence in the marketplace, promote sound consumer practices by increasing knowledge and opportunity for our businesses and citizens.

B. Description of Request

Add \$175,000 in special funds for Information Systems & Communications Office to update email system to the cloud- based architecture and replace hardware.

C. Reasons for Request

The purpose of the amended ceiling request is to provide funds to cover the cost of migrating the department's email system from a server based environment, to a cloud based environment, and switching from Lotus Notes to a Microsoft solution.

This request is directly related to the transformation of State Government to an efficient and effective enterprise. It will fund Office of Information Management and Technology (OIMT) mandates to standardize systems throughout all departments and agencies. Specifically, these funds will be used to migrate the email system from a server-based Lotus Notes platform to a Microsoft cloud-based system. In addition, the Department of Commerce and Consumer Affairs (DCCA) will be deploying the full Microsoft software package as specified by OIMT. This software package includes Office Pro, SharePoint, Lync, along with the email clients, and is cloud-based. This

software package forms the basis to integrate services that OIMT will be implementing such as a unified communications and collaboration system.

The request also funds the replacement of the Storage Area Network switches which will be End of Life and not supported after February 2014. These switches provide DCCA's servers with all the hard drive and storage space they require.

D. Significant Changes to Measures of Effectiveness and Program Size

None.