



The Professional and Vocational Licensing Division (PVL) is a statewide agency of the Department of Commerce and Consumer Affairs (DCCA). It assists the 49 professional boards, commissions, and programs that are administratively attached to the DCCA, and oversees the licensing and renewal of over 150,000 businesses and individuals licensed in the State. Its sister agency, the Regulated Industries Complaints Office (RICO), serves as the enforcement arm for the professions and vocations, investigating and prosecuting allegations of professional misconduct by licensees and possible unlicensed activity that may be occurring in the State.

Both PVL and RICO are funded by fees that support licensing and enforcement services. Those fees include (1) initial and renewal licensing fees (the PVL revenue source), and (2) compliance resolution fund fees (the RICO revenue source). Despite steady increases in operating costs, fees first established around 1982 have remained static. Both PVL and RICO have resisted the need to increase licensing fees. This has been achieved by leveraging costs across license types, implementing efficiencies in how work is accomplished, and at times, keeping positions vacant. DCCA's decisions in those instances were very purposeful, and intended to ensure that DCCA could deliver services to meet the needs of licensees and the public, while at the same time, managing costs.

Despite the DCCA's continued efforts over the past ten years, operating costs are now, clearly, outpacing revenue generated from licensing fees. The greatest increases include salary and fringe benefits (which are subject to collective bargaining agreements), and rents and utilities.

In October of 2014, pursuant to Hawaii Revised Statutes §26-8, former Governor Abercrombie and the Department of Budget and Finance authorized a temporary fee increase of 23%. The temporary increase represented a short-term strategy to obtain initial funding to replace antiquated 1980s database systems. This effort was part of a long-range plan to address not only immediate database needs, but also long-term revenue shortfalls.

As part of that long-range plan, DCCA is currently proposing to increase both PVL license fees and RICO compliance resolution fund (CRF) fees through the Administrative rulemaking process as set forth in Chapter 53 of the Hawaii Administrative Rules. On March 23, 2016, Governor David Ige received a memo from the Director of the Department of Business, Economic Development and Tourism, recommending the DCCA to obtain public input regarding the proposed amendments and fee increases. The information provided here provides an important backdrop for those proposed fee increase amendments.

A link to the proposed rule amendments can be found at:

[http://cca.hawaii.gov/pvl/files/2015/12/HAR53-R\\_0915\\_Proposed.pdf](http://cca.hawaii.gov/pvl/files/2015/12/HAR53-R_0915_Proposed.pdf)

To be clear, the proposed fee increases are not designed to simply "catch up" with outpaced costs. The DCCA believes that increasing fees must be accompanied by improved value and services to both licensees and applicants, and the DCCA is both expecting and anticipating increased timely services and information, increased timely complaint investigations, and increased support for the Boards and Commissions with which it works.



### **When were the fees last increased?**

- Hawaii licensees with the Professional and Vocational Licensing Division have not seen a licensing or CRF fee increase since many were established around 1982.
- The initial average increase per licensee will be about \$45/license renewal period. For most, that equals to an additional \$1.90/month.
- From 1984 to 2015, the number of licensees have grown from 86,000 to 150,500, a 57% increase, while the number of personnel and licensing fees have remained roughly the same.

### **What will the fees be used for?**

- The computer systems used by DCCA's PVL and RICO were established in the early 80s, are no longer being supported by the developer, and are in critical need of replacement.
- DCCA has worked diligently to maintain and continue to operate these decades' old systems, and wants to avoid system failures that would impact licensees, consumers and businesses.
- The new licensing system will allow PVL to process applications and renewals faster, and provide more online functions that will update licensees as the application process progresses.
- The new RICO system will allow consumers to file complaints online and to receive updates as the investigation process continues.
- The new systems will handle more functions, allowing PVL and RICO staff to provide more direct and timely assistance to licensees and the public.
- Both PVL and RICO have seen labor increases. The increased revenue will enable RICO to fill existing vacancies to improve and expand upon its current capabilities and capacity.

A new provision entitled "Fee Increases" is also included in the proposed rule amendments. In an effort to assist licensees with planning and providing for future increases, the DCCA is proposing a new section to allow for an incremental increase of 16% for license (PVL) fees and RICO compliance resolution fund (CRF) fees, to be imposed every seven years. The DCCA believes that scheduled, imposed fee increases will not only meet increasing costs, which include the maintenance of mainframe databases and increases in personnel costs resulting from collective bargaining agreements, but will also allow licensees to calculate and plan for increases on a long-term basis.

It is important to note that the PVL licensing fees and CRF fees collected are for the purpose of supporting the operating costs related to the PVL and RICO divisions. Should the revenue collected over time outpace costs for PVL or RICO, the proposed "fee increases" can be temporarily suspended or fees can be reduced. The DCCA does not intend to collect more revenue than is reasonably required to cover the costs of these divisions. Much needed increases will allow the DCCA to continue to maintain and improve services to licensees and consumers.

Send an email to DCCA by April 22, 2016 at: [pvl@dcca.hawaii.gov](mailto:pvl@dcca.hawaii.gov) with your questions or concerns. PVL and RICO want to understand how the proposed increases can be effective in meeting the needs of consumers and licensees alike.

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