

Honolulu, Hawaii

FEB 17 2016

RE: S.B. No. 2544

S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,  
to which was referred S.B. No. 2544 entitled:

"A BILL FOR AN ACT RELATING TO PROFESSIONAL EMPLOYER  
ORGANIZATIONS,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a sliding scale based upon the average annual count of covered employees for the biennial renewal fees for professional employer organizations.

Your Committee received testimony in support of this measure from ALTRES, Inc. Your Committee received comments on this measure from the Department of Labor and Industrial Relations.

Your Committee finds that the Department of Labor and Industrial Relations, which administers the State's professional employer organization law, has stated that there are forty-nine registered professional employer organizations in Hawaii. However, with the exception of two \$13,000 appropriations in fiscal years 2014 and 2015, the Department receives no funding to administer the professional employer organization program. According to testimony from the Department, the biennial cost to establish and administer this program is conservatively estimated at \$300,322. This measure seeks to set the fees imposed upon professional employer organizations at amounts sufficient to entirely fund the cost to regulate professional employer organizations in the State.



Your Committee has heard the concerns that the Department of Labor and Industrial Relations is unable to set an annual biennial renewal fee for professional employer organizations based on an average annual count of covered employees per professional employer organization, as proposed by this measure. The professional employer organization law does not require, nor does the Department possess, employee counts from professional employer organizations. Your Committee finds that a biennial renewal fee based on a count of covered employees reported to the Department is more appropriate than requiring the Department to estimate the per employee fee charged to a professional employer organization.

Accordingly, your Committee has amended this measure by:

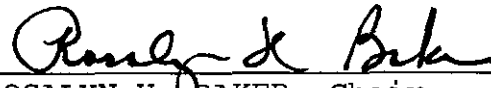
- (1) Requiring every professional employer organization to report to the Department of Labor and Industrial Relations the total number of covered employees who worked any hours during a one year period, no later than June 1 of every year;
- (2) Specifying that the biennial renewal fee shall be based upon the count of covered employees as follows:
  - (A) \$6.00 per employee, for professional employer organizations with less than 50 covered employees;
  - (B) \$7.00 per employee, for professional employer organizations with 50 to 250 covered employees;
  - (C) \$8.00 per employee, for professional employer organizations with 251 to 500 covered employees; and
  - (D) \$9.00 per employee, for professional employer organizations with 501 or more covered employees; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2544, as amended herein, and



recommends that it pass Second Reading in the form attached hereto as S.B. No. 2544, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce, Consumer  
Protection, and Health,



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ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Eighth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce, Consumer Protection, and Health**  
**CPH**

Bill / Resolution No.:* <b>SB 2544</b>	Committee Referral: <b>CPH, WAM</b>	Date: <b>2-10-16</b>
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The Committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:  
 Pass, unamended 2312   
 Pass, with amendments 2311   
 Hold 2310   
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
KIDANI, Michelle N. (VC)	/			
ESPERO, Will	/			
IHARA, Jr., Les				/
NISHIHARA, Clarence K.	/			
RUDERMAN, Russell E.				/
SLOM, Sam				/
<b>TOTAL</b>	<b>4</b>			<b>3</b>

Recommendation:  Adopted     Not Adopted

Chair's or Designee's Signature: *Michelle N. Kidani*

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\*Only one measure per Record of Votes