HAWAII SMALL BUSINESS REGULATORY REVIEW BOARD

ANNUAL REPORT SUMMARY

Results for Calendar Year 2020

Recommendations and Review of Hawaii Administrative Rules, Legislation and
Requests from Small Business Owners for Review of Any Rule Adopted by a State Agency

In Compliance with
Chapter 201M, Hawaii Revised Statutes
HAWAII SMALL BUSINESS REGULATORY REVIEW BOARD
ANNUAL REPORT SUMMARY 2020

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SECTION I
MESSAGE FROM THE CHAIR

Robert Cundiff, Chair, 2020

To say the least, 2020 has been a highly unusual year due to the COVID-19 pandemic. In our efforts to ensure that the regulatory review process continues and to not lose momentum in driving a strong small business friendly regulatory environment, we have successfully adjusted to virtual monthly meetings that are open to the public.

While in-person meetings are preferred, we have persevered and continue to have an outstanding team of volunteer members who work toward our mission of enabling a regulatory environment that encourages and supports the vitality of small business in Hawaii.

During 2020, we welcomed one new member on our team, Ms. Taryn Rodighiero, from Kauai County. In addition, members Nancy Atmospera-Walch, Mary Albitz, and myself were re-appointed for another four-year term.

On behalf of all the board members, I extend a big Mahalo to Governor David Ige, DBEDT’s Director Mike McCartney and Deputy Director Chung Chan for their continued support of this Board. Mahalo also goes out to the State Legislature for its support, and to all the State and County agencies that come before us each year discussing both proposed and amended regulations that have a potential to negatively impact small business.
OVERVIEW

The Small Business Regulatory Review Board is pleased to provide the Annual Report Summary for the period covering January through December 2020. Pursuant to the Hawaii Small Business Regulatory Flexibility Act, Chapter 201M, Hawaii Revised Statutes, the annual summary is based on the following:

201M-5 Small business regulatory review board; powers.

(f) The board shall submit an annual report to the legislature twenty days prior to each regular session detailing any requests from small business owners for review of any rule adopted by a state agency, and any recommendations made by the board to an agency or the legislature regarding the need for a rule change or legislation. The report shall also contain a summary of the comments made by the board to agencies or the legislature regarding its review of any proposed new or amended rules.
ANNUAL SUMMARY

SMALL BUSINESS REGULATORY FLEXIBILITY ACT

The Small Business Regulatory Review Board was established on July 1, 1998, with the passage of the Small Business Regulatory Flexibility Act, pursuant to Act 168; subsequently the role of the Board was codified in Chapter 201M, Hawaii Revised Statutes (HRS), as amended. (Appendix 1)

Statutorily, the Board is comprised of eleven members, ten current or former owners or officers of businesses from across the State, and the Director of Business, Economic Development, and Tourism (DBEDT), or the Director’s designated representative who serves as an “ex officio” voting member. The Board is administratively attached to DBEDT and has responsibility for providing recommendations to State agencies on new and amended administrative rules that directly impact small business. The Board may also consider any request from small business owners for review of any rule proposed, amended, or adopted by a state agency and to make recommendations to the agency or the legislature regarding the need for a rule change or legislation. For requests regarding county rules, the board may make recommendations to the county council or the mayor for appropriate action.

Members volunteer their time performing outreach activities to small business organizations, such as the local Chambers of Commerce, and testifying on legislation. Statutorily, the Board may also solicit testimony from the public regarding any reports submitted to the Board by State departments.
As an effective means of administrative rule review, each board member is assigned to one or more State departments as a “discussion leader” and each neighbor island member is assigned to his or her own respective island. Members are responsible for the initial review of the administrative rules of these departments and counties prior to consideration by the full Board.

As of December 2020, the Board was operating with ten (10) members.

**ADMINISTRATIVE RULE REVIEW**

During 2020 the Board reviewed a lower than usual number of Hawaii Administrative Rules (HAR) due to cancelling the April and May board meetings as a result of COVID-19. From January through December, a total of 29 rules, before and after public hearing, were reviewed from State and County Agencies.

Since its inception, the Board reviewed a total of 939 sets of proposed new and amended HAR. (Appendix 2)

<table>
<thead>
<tr>
<th>Department / County</th>
<th>Chapter / Section Number</th>
<th>Title</th>
<th>Proceed to Public Hearing (Pre-Public Hearing)</th>
<th>Proceed to Adoption (Post Public Hearing)</th>
<th>Other Recommendation(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Business, Economic Development &amp; Tourism – Title 15</td>
<td>120</td>
<td>Community-Based Economic Development Loan and Grants Program</td>
<td></td>
<td></td>
<td>X</td>
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<td></td>
<td>126</td>
<td>Community-Based Development Grants Program</td>
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<td>X</td>
<td></td>
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<tr>
<td>Department of Commerce and</td>
<td>71</td>
<td>Certified Public Accountants and Public Accountants</td>
<td></td>
<td>X</td>
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<td><strong>Consumer Affairs</strong>&lt;br&gt;– <strong>Title 16</strong></td>
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<tr>
<td><strong>Department of Hawaiian Home Lands – Title 10</strong></td>
<td>4.1</td>
<td>Management of Water Systems</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Department of Health – Title 11** | 53, Section 401 | Water Quality Certifications | X |
| 54 | Water Quality Standards | X |
| 55 | Water Pollution Control | X |
| 56 | Nonpoint Source Pollution Control | X |

| **Department of Human Services – Title 17** | Chapters 798.2 & 798.3 | Child Care Services & Child Care Payments | X |
| Chapter 800 | Listing of Exempt Center-Based Providers | X |
| Chapter 801 | Background Checks | X |

| **Department of Labor & Industrial Relations – Title 12** | Chapter 45.4 | State Fire Code | X |
| Subtitle 8, Part 11 Elevators and Related Systems Chapter 229 | General, Administrative, and Legal Provisions | X / X | X |

Prior to public hearing, the Board deferred recommendation on the proposed changes until DLIR and the stakeholders met to discuss unresolved concerns and
suggestions for resolution. Subsequently, the Board re-reviewed the changes and commended DLIR for understanding the value with engaging small business stakeholders and including their input in the rule-making process. After public hearing, the Board unanimously agreed to pass the proposal to the Governor for adoption provided that the voluntary commitment made by HIOSH to work with affected stakeholders in conjunction with process improvements are implemented through measurable outcomes discussed as follows:

- Addressing and conducting needed elevator inspections;
- Creating an action plan to include conducting continued dialogue with the small business stakeholders to include recommendations from small businesses in prior stakeholder meetings to ensure there are viable solutions and ongoing improvements, to engage with them on an ongoing basis, and to collectively look to viable solutions that may not entail union impact or other difficulties.

<table>
<thead>
<tr>
<th>Department of Land &amp; Natural Resources – Title 13</th>
<th>Chapter 146</th>
<th>Chapter 251</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 6, Fees Commercial Activities on State Ocean Waters, Navigable Streams, and Beaches</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Chapter 104</td>
<td>Subchapter 1, Catamaran Captain, Canoe Captain, Canoe Second Captain, Surfboard Instructor, Sailboard Subchapter 2, Suspension or Revocation of Operator Permits Subchapter 3, Violation of Operator Permit Provisions Subchapter 7, Special Operating Restrictions Rules Regulating Activities Within Forest Reservations</td>
<td>X</td>
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<tr>
<td>Chapter 241</td>
<td>Numbering of Vessels</td>
<td>X</td>
</tr>
<tr>
<td><strong>Department of Transportation – Title 19</strong></td>
<td>Chapter 108</td>
<td>High Occupancy Vehicle Lanes Periodic Inspection of Vehicles Fine, Suspension or Revocation of an Official Inspection Station or Inspector’s Certification</td>
</tr>
<tr>
<td>Chapter 133.2</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Chapter 133.5</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>County of Kaua‘i</strong></td>
<td>Part 5</td>
<td>Reserve Charge, Section III Applicability e. The Facilities Reserve Charge of a Guest House</td>
</tr>
</tbody>
</table>
Rule 1 - 13

f. The Facilities Reserve Charge of an Additional Rental Unit

Rules & Regulations of the Liquor Control Commission of the County of Kauai

City and County of Honolulu Chapter 17 Rules and Regulations Governing Recreational Stops

LEGISLATIVE ACTIVITY

Since its inception, the Board has supported legislation by submitting testimony on bills of interest to small business. See “Legislative Review” at the end of the report for legislation the Board followed in 2020.

SMALL BUSINESS IMPACT STATEMENT and GOVERNOR’S ADMINISTRATIVE DIRECTIVE (AD) NO. 18-02

AD 18-02 was issued in 2018 to update the policy and procedures by which State departments and agencies request Governor’s approval for a public hearing of any proposed adoption, amendment, or repeal of administrative rules developed under Chapter 91, HRS. (Appendix 3).

Under Section 201M-2, HRS, State agencies wanting to adopt new or modified administrative rules that have an impact on small business are required to submit to the Board a small business impact statement showing the economic impact on those businesses.

CHAIRPERSON / BOARD MEMBERS
During 2020, the Board welcomed new member, Ms. Taryn Rodighiero who reigns from the County of Kauai. In addition, the following members were re-appointed for another four-year term, Ms. Mary Albitz from Maui, Mr. Robert Cundiff and Ms. Nancy Atmospera-Walch both from Oahu.

Under Section 201M-5 (c), “a majority of the board shall elect the chairperson. The chairperson shall serve a term of not more than one year, unless removed earlier by a two-thirds vote of all members to which the board is entitled.” The following elections were held at the June meeting:

- Chair – Robert Cundiff
- Vice Chair – Mary Albitz
- Second Vice Chair – Garth Yamanaka

The Board member nomination process, under Section 201M-5, HRS, states, “the Board shall consist of eleven members, who shall be appointed by the governor pursuant to section 26-34; provided that:

(1) Three members shall be appointed from a list of nominees submitted by the president of the senate;

(2) Three members shall be appointed from a list of nominees submitted by the speaker of the house of representatives;

(3) Two members shall be appointed from a list of nominees submitted by the board;

(4) Two members shall be appointed by the governor;

(5) The director of business, economic development, and tourism, or the director’s designated representative, shall serve as an ex officio voting member of the board;
(6) The appointments shall reflect representation of a variety of businesses in the State;
(7) No more than two members shall be representatives from the same type of business; and

(8) There shall be at least one representative from each county.”

In addition, nominations shall be solicited from small business organizations, state and county chambers of commerce and other interested business and trade organizations. Except for the ex officio member, all members are either a current or former owner or officer of a business and shall not be an officer or employee of the federal, state, or county government.”

At the end of December 2020, the Board was comprised of the following ten (10) members:

1) Mary Albitz, Island Art Party, County of Maui
2) Dr. Nancy Atmospera-Walch, Advantage Health Care Provider, Inc., and AIM Health Institute, City and County of Honolulu
3) Robert Cundiff, Business/Management Consultant with Lokama Group, City and County of Honolulu
4) James (Kimo) Lee, W. H. Shipman, Ltd., Hawaii County
5) William Lydgate, Steelgrass Farm, County of Kauai
6) Harris Nakamoto, Health and Community Advocate, City and County of Honolulu
7) Taryn Rodighiero, KaiKini Bikinis, County of Kauai
8) Jonathan Shick, Pono Consulting Group, LLD., City and County of Honolulu
9) Garth Yamanaka, Yamanaka Enterprises, Inc., Hawaii County
10) Mark Ritchie, Business Support Program Manager, Business Development & Support Division, DBEDT, Voting Ex Officio Member
ACTIVITIES AND PROJECTS

The following activities and projects were accomplished in 2020:

• **Strategic Plan** – In June, the Board began a strategic plan for the upcoming fiscal 2020 – 2021 year. The plan entailed discussing and reviewing the Board’s current and projected outreach activities, collateral material, and identified small business organizations to explore potential cooperative outreach;

• **e-Newsletter** – The Board continues to send out monthly e-Newsletters to small business organizations, chambers of commerce, trade organizations and State Legislators;

• **Facebook, Twitter, Instagram** – In 2020, an Instagram account was created where, in addition to regularly sending out notices on Facebook and Twitter, board photographs and notices are sent out to enhance its outreach efforts. As of the end of 2020, the Board can proudly boast 19 Friends on Facebook, has 87 followings on Twitter; and 22 followings on Instagram.

• **Articles, Press Releases, and Other Promotional**

  1) On January 23, 2020, ThinkTech Hawaii, live-streamed a great interview with Chair Robert Cundiff and Board Member Mary Albitz – go to:  

     [https://www.youtube.com/watch?v=Hog_89kDzjk](https://www.youtube.com/watch?v=Hog_89kDzjk)

  2) On June 24, 2020, DBEDT submitted a press release that announced the election of the new board officers and the newly appointment of board members.

  3) On June 30, 2020, *The Garden Island* published the following article, “Residents elected to Small Business Regulatory Review Board.”
REQUESTS FROM SMALL BUSINESS FOR REVIEW
OF ANY RULE ADOPTED BY A STATE AGENCY
“REGULATION FOR REVIEW”

Under Section 201M-5, HRS, 2020 had no requests from small business owners for review of any rule adopted by a state agency and recommendations made by the Board to an agency. It is believed that the COVID-19 pandemic had much to do with small businesses approaching the Board on any regulations for review.

During 2020, there were no requests from small business owners for review of state or county rules.
SECTION II
LEGISLATIVE REVIEW

The Board submitted testimony on the following measures during the 2020 legislative session.

1. Senate Bill 2078 – Relating to the Small Business Regulatory Flexibility Act - This measure entitles the small business regulatory review board to a separate line item within the budget of the department of business, economic development, and tourism.

**Background:** The measure passed the first reading and was referred to the Senate Committee on Government Operations.

**Recommendation:** The Board strongly supported the measure.

**Result:** The measure was deferred.

2. Governor’s Message 672 – Submitting for Consideration for the Gubernatorial Nomination of Ms. Mary Albitz to the Small Business Regulatory Review Board for a term to expire June 30, 2024.

**Background:** The measure was submitted to the Senate Committee on Energy, Economic Development and Tourism.

**Recommendation:** The Board strongly supported the measure.

**Result:** On May 21, 2020, Ms. Albitz’s nomination was confirmed.


**Background:** The measure was submitted to the Senate Committee on Energy, Economic Development and Tourism.

**Recommendation:** The Board strongly supported the measure.

**Result:** On May 21, 2020, Ms. Atmospera-Walch’s nomination was confirmed.

4. **Governor’s Message 674 – Submitting for Consideration for the Gubernatorial Nomination of Mr. Robert Cundiff to the Small Business Regulatory Review Board for a term to expire June 30, 2024.**

**Background:** The measure was submitted to the Senate Committee on Energy, Economic Development and Tourism.

**Recommendation:** The Board strongly supported the measure.

**Result:** On May 21, 2020, Mr. Cundiff’s nomination was confirmed.

5. **Governor’s Message 675 – Submitting for Consideration for the Gubernatorial Nomination of Ms. Taryn Rodighiero to the Small Business Regulatory Review Board for a term to expire June 30, 2023.**

**Background:** The measure was submitted to the Senate Committee on Energy, Economic Development and Tourism.

**Recommendation:** The Board strongly supported this measure.

**Result:** On May 21, 2020, Ms. Rodighiero’s nomination was confirmed.
Appendix

1. Chapter 201M, Hawaii Revised Statutes
2. Administrative Rules Reviewed Matrix
3. Administrative Directive No. 18-02
1. Chapter 201M, Hawaii Revised Statutes
CHAPTER 201M
SMALL BUSINESS REGULATORY FLEXIBILITY ACT

Section
201M-1 Definitions
201M-2 Determination of small business impact; small business impact statement
201M-3 Small business statement after public hearing
201M-4 Advisory committee on small business; consultation process for proposed rules
201M-5 Small business regulatory review board; powers
201M-6 Petition for regulatory review
201M-7 Periodic review; evaluation report
201M-8 Waiver or reduction of penalties
201M-9 Executive order

§201M-1 Definitions. As used in this chapter, unless the context clearly requires otherwise:
"Advisory committee" means an advisory committee on small business as established in section 201M-4.
"Affected small businesses" or "affects small business" means any potential or actual requirement imposed upon a small business through an agency's proposed or adopted rule that will cause a direct and significant economic burden upon a small business, or is directly related to the formation, operation, or expansion of a small business.
"Agency" means each state or county board, commission, department, or officer authorized by law to make rules, except those in the legislative or judicial branches.
"Board" means the small business regulatory review board.
"Rule" shall have the same meaning as in section 91-1.
"Small business" means a for-profit corporation, limited liability company, partnership, limited partnership, sole proprietorship, or other legal entity that:
(1) Is domiciled and authorized to do business in Hawaii;
(2) Is independently owned and operated; and
(3) Employs fewer than one hundred full-time or part-time employees in Hawaii. [L 1998, c 168, pt of §2, §5; am L 2002, c 202, §§2, 5; am L 2007, c 217, §2]

§201M-2 Determination of small business impact; small business impact statement. (a) Prior to submitting proposed rules for adoption, amendment, or repeal under section 91-3, the agency shall determine whether the proposed rules affect small
business, and if so, the availability and practicability of less restrictive alternatives that could be implemented. This section shall not apply to emergency rulemaking.

(b) If the proposed rules affect small business, the agency shall consider creative, innovative, or flexible methods of compliance for small businesses and prepare a small business impact statement to be submitted with the proposed rules to the departmental advisory committee on small business and the board when the rules are essentially complete and before the rules are submitted to the governor for approval for public hearing. The statement shall provide a reasonable determination of the following:

(1) The businesses that will be directly affected by, bear the costs of, or directly benefit from the proposed rules;

(2) Description of the small businesses that will be required to comply with the proposed rules and how they may be adversely affected;

(3) In dollar amounts, the increase in the level of direct costs such as fees or fines, and indirect costs such as reporting, recordkeeping, equipment, construction, labor, professional services, revenue loss, or other costs associated with compliance;

(4) The probable monetary costs and benefits to the implementing agency and other agencies directly affected, including the estimated total amount the agency expects to collect from any additionally imposed fees and the manner in which the moneys will be used;

(5) The methods the agency considered or used to reduce the impact on small business such as consolidation, simplification, differing compliance or reporting requirements, less stringent deadlines, modification of the fines schedule, performance rather than design standards, exemption, or any other mitigating techniques;

(6) How the agency involved small business in the development of the proposed rules; and

(7) Whether the proposed rules include provisions that are more stringent than those mandated by any comparable or related federal, state, or county standards, with an explanation of the reason for imposing the more stringent standard.

(c) When a proposed rule includes provisions that are more stringent than those mandated by any comparable or related
federal, state, or county standards, the agency shall, in addition to the information required by subsection (b), include in the small business impact statement information comparing the costs and benefits of the standard set by the proposed rule to the costs and benefits of the standard under the comparable or related federal, state or county law. The agency shall also include an explanation of its decision to impose the higher standard. The agency’s comparison and justification shall include:

(1) A description of the public purposes to be served by imposing the standard under the proposed rule;

(2) The text of the related federal, state, or county law, including information about the purposes and applicability of the law;

(3) A comparison between the proposed rule and the related federal, state, or county law, including a comparison of their purposes and of the standards and their application and administration;

(4) A comparison of the monetary costs and benefits to the implementing agency and other agencies directly affected, of imposing the proposed standard, with the costs and benefits of imposing or deferring to the related federal, state or county standard, as well as a description of the manner in which any additional fees derived from imposition of the proposed standard are to be used; and

(5) A comparison of the adverse effects on small businesses of the standard imposed by the proposed rule, with the adverse effects on small business of the related federal, state, or county standard.

(d) This chapter shall not apply to proposed rules adopted by an agency to implement a statute or ordinance that does not require an agency to interpret or describe the requirements of the statute or ordinance, such as federally-mandated regulations that afford the agency no discretion to consider less restrictive alternatives. [L 1998, c 168, pt of §2, §5; am L 2002, c 202, §5; am L 2007, c 217, §3; am L 2008, c230, §3]

§201M-3 Small business statement after public hearing. (a) For any proposed rule that affects small business, the agency shall also submit a small business statement to the small business regulatory review board and the departmental advisory committee on small business after the public hearing is held. This section shall not apply to emergency rules. The small business statement required by this section shall provide the following information:
(1) A description of how opinions or comments from affected small business were solicited, a summary of the public and small business comments, and a summary of the agency’s response to those comments;

(2) The number of persons who:
   (A) Attended the public hearing;
   (B) Testified at the hearing; and
   (C) Submitted written comments; and

(3) If there was a request to change the proposed rule at the hearing in a way that affected small business, a statement of the reasons for adopting the proposed rule, the reason why a requested change was not made, and the problems or negative result the change would provide if adopted.

(b) If the small business regulatory review board finds that a statement provided pursuant to subsection (a) (3):
(1) Indicates inconsistency with any of the agency’s determinations under section 201M-2(b); or
(2) Does not address the concerns of public input, the board with good cause may request a written response from the agency explaining the rationale used to deny the public concerns within ten working days of receipt of the small business statement after public hearing. The agency shall respond in writing to the board’s concerns within ten working days.

(c) The written response from an agency required in subsection (b), at a minimum, shall:
(1) Specifically address each issue and concern raised in the board’s request for a written response; and
(2) Affirmatively state that the agency has considered all written and oral testimony received at the agency’s public hearing and has addressed all issues or concerns raised in the written or oral testimony. [L 1998, c 168, pt of §2, §5; am L 2002, c 202, §5; am L 2012, c 241, §2]

[§201M-4] Advisory committee on small business; consultation process for proposed rules. (a) There may be established within and administratively attached to every department of the State or county whose rules affect small business activities, an advisory committee on small business. The advisory committee shall consist of three or more odd number of members appointed by the department and may advise more than one department. The department shall have the authority to appoint members to the advisory committee and to fill any vacancies. The members shall serve on a volunteer basis and have experience or knowledge of the effect of
regulation by those departments on the formation, operation, or expansion of a small business. No person shall serve on the small business regulatory review board and an advisory committee on small business concurrently. The advisory committees shall not be subject to the requirements of chapter 91.

(b) When the agency is proposing rules that affect small business, the agency may consult with the administratively attached departmental advisory committee on small business regarding any matter related to the proposed rules prior to complying with the rulemaking requirements provided in chapter 91. Each agency shall develop its own internal management procedures for soliciting comments during the drafting of proposed rules from affected small businesses. The agency may develop creative procedures for the solicitation of comments from affected small businesses during the drafting or development of proposed rules.

(c) If necessary, any group or members of affected small businesses may also be consulted by the agency to formulate the relevant language, develop criteria, and provide any other expertise to ensure that the proposed rules will be drafted in a manner that will protect the public health, welfare, and safety without placing an undue and significant burden upon small business. [L 1998, c 168, pt of §2, §5; am L 2002, c 202, §5]

§201M-5 Small business regulatory review board; powers. (a) There shall be established within the department of business, economic development, and tourism, for administrative purposes, a small business regulatory review board to review any proposed new or amended rule. If the board determines that a proposed rule will not have a significant economic impact on a substantial number of small businesses, the board shall submit a statement to that effect to the agency that sets forth the reason for the board’s decision. If the board determines that the proposed rule will have a significant economic impact on a substantial number of small businesses, the board may submit to the agency suggested changes in the proposed rule to minimize the economic impact of the proposed rule, or may recommend the withdrawal of the proposed rule. The board may also consider any request from small business owners for review of any rule proposed, amended or adopted by a state agency and to make recommendations to the agency or the legislature regarding the need for a rule change or legislation. For requests regarding county rules, the board may make recommendations to the county council or the mayor for appropriate action.
(b) The board shall consist of eleven members, who shall be appointed by the governor pursuant to section 26-34; provided that:

(1) Three members shall be appointed from a list of nominees submitted by the president of the senate;
(2) Three members shall be appointed from a list of nominees submitted by the speaker of the house of representatives;
(3) Two members shall be appointed from a list of nominees submitted by the board;
(4) Two members shall be appointed by the governor;
(5) The director of business, economic development, and tourism, or the director’s designated representative, shall serve as an ex officio voting members of the board;
(6) The appointments shall reflect representation of a variety of businesses in the State;
(6) No more than two members shall be representative from the same type of business; and
(8) There shall be at least one representative from each county. For purposes of paragraphs (1) and (2), nominations shall be solicited from small business organizations, state and county chambers of commerce, and other interested business organizations.

(c) Except for the ex officio member, all members of the board shall be either a current or former owner or officer of a business and shall not be an officer or employee of the federal, state, or county government. A majority of the board shall elect the chairperson. The chairperson shall serve a term of not more than one year, unless removed earlier by a two-thirds vote of all members to which the board is entitled.

(d) A majority of all the members to which the board is entitled shall constitute a quorum to do business, and the concurrence of a majority of all the members to which the board is entitled shall be necessary to make any action of the board valid.

(e) In addition to any other powers provided by this chapter, the board may:

(1) Adopt any rules necessary to implement this chapter;
(2) Organize and hold conferences on problems affecting small business; and
(3) Do any and all things necessary to effectuate the purposes of this chapter.

(f) The board shall submit an annual report to the legislature twenty days prior to each regular session detailing any requests from small business owners for review of any rule
adopted by a state agency, and any recommendations made by the board to an agency or the legislature regarding the need for a rule change or legislation. The report shall also contain a summary of the comments made by the board to agencies regarding its review of proposed new or amended rules. [L 1998, c 168, pt of §2, §5; am L 2002, c 202, §§3, 5; am L 2007, c 217, §4; am L 2012, c 241, §3]

§201M-6 Petition for regulatory review. (a) In addition to the basis for filing a petition provided in section 91-6, any affected small business may file a written petition with the agency that has adopted the rules objecting to all or part of any rule affecting small business on any of the following grounds:

(1) The actual effect on small business was not reflected in, or significantly exceeded, the small business impact statement submitted prior to the adoption of the rules;

(2) The small business impact statement did not consider new or significant economic information that reveals an undue impact on small business;

(3) These impacts were not previously considered at the public hearing on the rules;

(4) The rules create an undue barrier to the formation, operation, and expansion of small businesses in a manner that significantly outweighs its benefit to the public;

(5) The rules duplicate, overlap, or conflict with rules adopted by another agency or violate the substantive authority under which the rules were adopted; or

(6) The technology, economic conditions, or other relevant factors justifying the purpose for the rules have changed or no longer exist.

(b) Upon submission of the petition, the agency shall forward a copy of the petition to the board, as notification of a petition filed under this chapter. The agency shall promptly consider the petition and may seek advice and counsel regarding the petition from the appropriate departmental advisory committee on small business. Within sixty days after the submission of the petition, the agency shall determine whether the impact statement or the public hearing addressed the actual and significant impact on small business. The agency shall submit a written response of the agency's determination to the small business review board within sixty days after receipt of the petition. If the agency determines that the petition merits
the adoption, amendment, or repeal of a rule, it may initiate proceedings in accordance with section 91-3.

(c) If the agency determines that the petition does not merit the adoption, amendment, or repeal of any rule, any affected small business may seek a review of the decision by the board. The board shall promptly convene a meeting pursuant to chapter 92 for the purpose of soliciting testimony that will assist in its determination whether to recommend that the agency initiate proceedings in accordance with section 91-3. The board may base its recommendation on any of the following reasons:

1. The actual effect on small business was not reflected in, or significantly exceeded, the impact statement submitted prior to the adoption of the rules;
2. The impact statement did not consider new or significant economic information that reveals an undue impact on small business;
3. These impacts were not previously considered at the public hearing on the rules;
4. The rules create an undue barrier to the formation, operation, and expansion of small businesses in the State in a manner that significantly outweighs its benefit to the public;
5. The rules duplicate, overlap, or conflict with rules adopted by another agency or violate the substantive authority under which the rules were adopted; or
6. The technology, economic conditions, or other relevant factors justifying the purpose for the rules have changed or no longer exist.

(d) If the board recommends that an agency initiate rulemaking proceedings for any reason provided in subsection (c), it shall submit to the legislature an evaluation report and the agency's response as provided in subsection (b). The legislature may subsequently take any action in response to the evaluation report and the agency's response as it finds appropriate.

(e) If the board does not recommend that an agency initiate rulemaking proceedings, the board shall notify the small business of its decision and inform the small business that the small business may submit a complaint to the ombudsman pursuant to chapter 96 regarding the decision of the agency or board.

(f) Nothing in this section shall entitle an affected small business to a contested case hearing under chapter 91. [L 1998, c 168, pt of §2, §5; am L 2002, c 202, §5; am L 2007, c 217, §5]
§201M-7 Periodic review; evaluation report. (a) Each agency having rules that affect small business shall submit to the board by June 30 of each odd-numbered year, a list of those rules and a report describing the specific public purpose or interest for adopting the respective rules that affect small business and any other reasons to justify continue implementation of the rules; provided that, by June 30 of each year, each agency shall submit to the board a list of any rules to be amended or repealed, based upon any new, amended, or repealed statute that impacts small business.

(b) The board shall provide to the head of each agency a list of any rules adopted by the agency that affect small business and have generated complaints or concerns, including any rules that the board determines may duplicate, overlap, or conflict with other rules, or exceed statutory authority. Within forty-five days after being notified by the board of the list, the agency shall submit a written report to the board in response to the complaints or concerns. The agency shall also state whether the agency has considered the continued need for the rules and the degree to which technology, economic conditions, and other relevant factors may have diminished or eliminated the need for maintaining the rules.

(c) The board may solicit testimony from the public regarding any report submitted by the agency under this section at a public meeting held pursuant to chapter 92. Upon consideration of any report submitted by an agency under this section and any public testimony, the board shall submit an evaluation report to the legislature each even-numbered year. The evaluation report shall include an assessment as to whether the public interest significantly outweighs a rule’s effect on small business and any legislative proposal to eliminate or reduce the effect on small business. The legislature may take any action in response to the report as it finds appropriate. [L 1998, c 168, pt of §2, §5; am L 2002, c 202, §5; am L 2007, c 217, §6; am L 2012, c 241, §4]

§201M-8 Waiver or reduction of penalties. (a) Except where a penalty or fine is assessed pursuant to a program approved, authorized, or delegated under a federal law, any agency authorized to assess civil penalties or fines upon a small business shall waive or reduce any penalty or fine as allowed by federal or state law for a violation of any statute, ordinance, or rules by a small business under the following conditions:
(1) The small business corrects the violation within a minimum of thirty days after receipt of a notice of violation or citation; and
(2) The violation was unintentional or the result of excusable neglect; or
(3) The violation was the result of an excusable misunderstanding of an agency's interpretation of a rule.
(b) Subsection (a) shall not apply:
(1) When a small business fails to exercise good faith in complying with the statute or rules;
(2) When a violation involves willful or criminal conduct;
(3) When a violation results in serious health and safety impacts;
(5) To violations of sections 200-9(b) and (c), 200-24(4), 200-37, and 200-38; or
(6) To violations of administrative rules promulgated pursuant to section 200-4(6); except for rules pertaining to matters listed in section 200-4(6)(A), (B), (C), and (D).
(c) An agency may adopt rules to implement the requirements of this section. [L 1998, c 168, pt of §2, §5; am L 2002, c 202, §5; am L 2004, c 206, §1]

[§201M-9] Executive order. The governor may execute any executive order, memorandum, or directive necessary to implement any provision of this chapter. [L 1998, c 168, pt of §2, §5; am L 2002, c 202, §5]
2. Administrative Rule Review
### 2020 Administrative Rule Review

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3. Administrative Directive No. 18-02
To: Department Directors

Subject: Policy and Procedure for the Adoption, Amendment, or Repeal of Hawaii Administrative Rules

This administrative directive updates the policy and procedure by which departments or agencies shall request executive approval of any proposed adoption, amendment, or repeal of administrative rules. It replaces Administrative Directive No. 09-01, Policy and Procedure for the Adoption, Amendment, or Repeal of Administrative Rules, dated October 29, 2009.

Legal References:

1. Hawaii Revised Statutes Chapter 91
2. Hawaii Revised Statutes Chapter 201M, the "Hawaii Small Business Regulatory Flexibility Act," requires that if a proposed rule "affects small business," the department or agency shall submit a "small business impact statement" and a "small business statement" to the Small Business Regulatory Review Board. Chapter 201M does not apply to emergency rulemaking or rules adopted to comply with a federal requirement.

Policy:

1. All requests regarding Hawaii Administrative Rules must be submitted through Hawaii Administrative Rules Processing Site (HARPS).
   https://hawaiiioimt.sharepoint.com/sites/gov/adminrules/

Prior to all submittals, the department must obtain the Attorney General’s approval “as to form”.

2. Small Business Regulatory Flexibility Act

In accordance with Chapter 201M, the department must complete the following steps before submitting a request to conduct public hearing if the proposed rule affects small business:
a. Complete Small Business Impact Statement
   i. See HRS Section 201M-2

b. Submit Small Business Impact Statement and proposed rules to the Small Business Regulatory Review Board

3. Public Hearing Approval

In the request to conduct public hearing, the department will provide response to the following:

a. Summary of changes
   i. Why is this section of Hawaii Administrative Rules being amended?
   ii. What problem is the rule change meant to solve?
   iii. List all changes that are being made.

b. Impact of changes
   i. How does this rule change address the problem?
   ii. Who are the stakeholders? Positive and negative.
   iii. What are the potential problems with the rule change?
   iv. What is the fiscal impact?
   v. What is the economic impact to the State?

c. Consequences if changes are not made
   i. What are the consequences if the rule change does not get adopted, amended or repealed?

4. Public Hearings

Upon approval of public hearing request, the department must enter all public hearing dates, times, and locations into HARPS.

a. The department must be considerate of all parties being affected and schedule public hearings to allow for adequate feedback.

b. The department must accept written testimony from all parties who are unable to attend the public hearing.

c. The department will be responsible for transcribing the testimony from the public hearing into a public hearing summary document that will be required upon submittal of Final Rule.
5. **Final Rule**

In the request for approval of Final Rule, the department will provide response to the following:

a. Changes in Final Rule
   
   i. What changes were made in the Final Rule?
   
   ii. Why were these changes made?

b. Other

   i. Describe how the department has worked with stakeholders to gain support for the rule?

   ii. Have potential problems been addressed? Do the same problems exist with the Final Rule?

   iii. Does the Office of the Governor staff need to meet with any people/organizations before the Governor signs this Final Rule?

6. **Filing of Final Rule**

Upon approval of Final Rule through HARPS, the Department will send 3 hard copies to Office of the Governor. When approved, these copies will be filed with the Office of the Lieutenant Governor. Rule will take effect 10 days after filing.

7. **Department of Budget and Finance (BUF) and Department of Business, Economic Development and Tourism (BED)**

BUF and BED will receive electronic notification upon submittal of public hearing request. Both departments will have the ability to submit comments and concerns through HARPS. Response will be due 10 business days after Final Rule is submitted. Comments will be optional unless the following applies:

a. BUF will be required to provide response if the proposed rule has fees or other fiscal impacts.

b. BED will be required to provide response if the proposed rule has economic impact or affects small business.
No. 1 Capitol District Building
250 South Hotel Street, 5th Floor
Honolulu, Hawaii 96813

Telephone: (808) 586-2419

Website: sbrrb.hawaii.gov
Email: DBEDT.sbrrb.info@hawaii.gov