

JAN 25 2006

**S .B. NO. 2276**

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# A BILL FOR AN ACT

MAKING EMERGENCY APPROPRIATIONS FOR RISK MANAGEMENT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

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2       SECTION 1. This Act is recommended by the governor for  
3 immediate passage in accordance with section 9 of article VII of  
4 the Constitution of the State of Hawaii.

5       SECTION 2. The purposes of this Act are to make an  
6 emergency appropriation and to increase the spending ceiling of  
7 the state risk management revolving fund to provide for  
8 anticipated expenditures resulting from the May 7, 2005 fire at  
9 Kalaheo Elementary School, including the repair and replacement  
10 of damaged or destroyed state facilities, and an increase in the  
11 cost of property insurance premiums.

12       SECTION 3. There is appropriated out of the general  
13 revenues of the State of Hawaii the sum of \$1,500,000, or so  
14 much thereof as may be necessary, for fiscal year 2005-2006 to  
15 be deposited into the state risk management revolving fund. The  
16 sum appropriated shall be expended by the department of  
17 accounting and general services for the purposes of this Act.

18       SECTION 4. There is appropriated out of the state risk



JUSTIFICATION SHEET

DEPARTMENT: Accounting and General Services

TITLE: A BILL FOR AN ACT MAKING EMERGENCY  
APPROPRIATIONS FOR RISK MANAGEMENT

PURPOSE: Make an emergency appropriation of  
\$1,500,000 in general funds for fiscal year  
2005-2006 and an emergency appropriation of  
\$6,500,000 from the State Risk Management  
Fund for fiscal year 2005-2006 to cover  
\$5,000,000 in anticipated expenditures  
relating to the May 7, 2005 Kalaheo  
Elementary School fire and a \$1,500,000  
increase in property insurance premiums.  
The increase in property insurance premiums  
is a direct result of losses incurred by  
insurance carriers from Hurricanes Katrina  
and Rita.

MEANS: Emergency appropriation.

JUSTIFICATION: Due to the anticipated expenditures relating  
to the May 7, 2005 Kalaheo Elementary School  
fire and increases in property insurance  
premiums, the State Risk Management  
Revolving Fund is projected to have  
expenditures in excess of the amounts  
appropriated by the Legislature for the  
State risk management program for fiscal  
year 2005-2006. The emergency  
appropriations of general funds and State  
Risk Management Revolving Fund moneys  
requested by this bill are essential to the  
prudent operation of the State's risk  
management program.

The general fund recommendation included in  
this measure has been made in accordance  
with the statutorily defined appropriation  
ceiling for the Executive Branch pursuant to  
section 37-92, Hawaii Revised Statutes.  
Including appropriations made up to and  
including the regular and special sessions  
of 2005, the Executive Branch appropriation  
ceiling for fiscal year 2005-2006 has  
already been exceeded by \$165,665,981 or  
3.83 percent. Funding requested in this  
measure is for anticipated expenditures

relating to the May 7, 2005 Kalaheo Elementary School fire and increases in property insurance premiums and will result in the appropriation ceiling for the Executive Branch to now be exceeded in fiscal year 2005-2006 by \$1,500,000, or 0.03 percent. This current declaration takes into account additional general fund appropriations authorized in fiscal year 2005-2006 in this measure only, and does not include other general fund appropriations for fiscal year 2005-2006 that may be authorized for the Executive Branch in other legislation submitted to the Legislature during the regular session of 2006.

The projection of expenditures for fiscal year 2005-2006 will be the fourth time in the past ten fiscal years, and the third time in the last three fiscal years, that expenditures have exceeded amounts appropriated by the Legislature for the State Risk Management program.

Impact on the public: Without this bill, the Department of Education will not be reimbursed for the cost of repairing the damage incurred by the Kalaheo Elementary School fire. Additionally, if funding is not received for the property insurance, the current level of \$100 million in property coverage (\$50 million for flood) will either be reduced to levels commensurate with existing funding or the deductibles will be increased. The latter will increase the State's portion of covering losses. It should be noted that the estimated value of the property covered under the policy is \$12 billion.

Impact on department and other agencies: Allows for the expenditure of funds to rebuild Kalaheo Elementary School and allows acquisition of the necessary level of property insurance coverage.

GENERAL FUND: \$1,500,000.

OTHER FUNDS: Revolving Fund.  
PROGRAM ID/TITLE: AGS-203/Risk Management.  
OTHER AFFECTED AGENCIES: Department of Education.  
EFFECTIVE DATE: Upon approval.