

**WRITTEN TESTIMONY ONLY**

**Date:** 03/10/2010

**Committee:** House Education  
House Labor & Public Employment

**Department:** Education

**Person Testifying:** Kathryn Matayoshi, Interim Superintendent of Education

**Title of Bill:** SB 2124,SD2 RELATING TO THE HAWAII HURRICANE RELIEF FUND.

**Purpose of Bill:** Makes an appropriation from the Hawaii hurricane relief fund to restore the remaining public school instructional days for the 2009-2010 and 2010-2011 school years; provided that the moneys shall only be released upon completion of negotiations of parties necessary to execute the restoration of instructional days. Allocates a proportionate amount of the appropriation to charter schools. Requires unexpended funds from each school year to lapse to the Hawaii hurricane relief fund. (SD2) (\$)

**Department's Position:** The Department of Education strongly supports any viable solutions to restore instructional days. Furloughs have focused the spotlight on our public schools and the need to make education in our state a top priority. Thus, the Department encourages the legislature to explore all funding options available. However, the policy decision of where and how funding is obtained to address furloughs should be determined by the legislature. The Department continues to meet with the Hawaii State Teachers Association to discuss solutions to restore some instructional days during this semester as well as next school year.



LINDA LINGLE  
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LT. GOVERNOR

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TO THE HOUSE COMMITTEES ON EDUCATION  
AND  
LABOR & PUBLIC EMPLOYMENT

TWENTY-FIFTH LEGISLATURE  
Regular Session of 2010

Wednesday, March 10, 2010  
2:00 p.m.

**TESTIMONY ON SENATE BILL NO. 2124, S.D. 2 – RELATING TO THE HAWAII  
HURRICANE RELIEF FUND.**

TO THE HONORABLE ROY M. TAKUMI AND KARL RHOADS, CHAIRS, AND  
MEMBERS OF THE COMMITTEES:

My name is J.P. Schmidt, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”) and the Board of the Hawaii Hurricane Relief Fund (“HHRF”). The Department opposes this bill, which removes \$86.1 million dollars from the HHRF to help pay to end the public school teacher furloughs.

According to Hawaii Revised Statutes section 431P-4(a) the HHRF board must redeploy the HHRF if there is another market scarcity in property insurance in Hawaii, which will most likely occur following another severe hurricane event. An intervention by the HHRF can be vitally important because a scarcity in property insurance not only puts individual homeowners at risk of loss, but also may put them in a position where their mortgage lender will force place their insurance in the surplus lines market at very high cost. In addition, for those that are not able to obtain or afford this surplus lines insurance, there may be a negative impact on mortgage lending transactions and the

real estate sales transactions that mortgage lending supports. Thus, the HHRF in the broadest sense can help mitigate an economic downturn that may arise after a severe hurricane. HHRF is more than just hurricane insurance.

Since HHRF closed its doors at the end of 2001, the HHRF Board has consistently opposed any taking of money from the HHRF and I have supported them in this regard. The HHRF Board believes that the annual taking of approximately \$6 million dollars in interest<sup>1</sup> is bad for the future HHRF and its policyholders. The Department recognizes that there is an economic problem and a related government budget problem, but these problems cannot be solved in any lasting way through a one-time raid of the HHRF.

The HHRF will need money to restart and the more money it has the faster it can redeploy in the market. It takes time and money to start an insurance company. As HHRF begins issuing policies there will not be adequate premium revenues to buy sufficient reinsurance for the risk of hurricane that is being written by HHRF. This is why it is important to keep some money in HHRF. The more money HHRF has, the faster it can redeploy. Without significant reserves, HHRF will likely be much slower in redeploying and this will have negative financial and economic consequence for the people of Hawaii.

In addition to the money needed strictly for the restart, we should not forget that the purpose of HHRF is not merely to restart, but to provide credible, solid hurricane insurance coverage to its policyholders. At its peak, HHRF provided hurricane coverage to 160,000 policyholders at a total coverage provided of \$40 billion dollars, \$33 billion of which was concentrated on Oahu alone. It is very easy for HHRF to run out of money if it suffers hurricane losses that exceed its reinsurance program. This is why the HHRF Board has opposed takings from HHRF in the past. HHRF is financing catastrophe risk and this is very serious. If HHRF runs out of money after it has promised valid insurance coverage to Hawaii homeowners, the consequences for the people of Hawaii in general and the Hawaii State government in particular could be a

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<sup>1</sup> This does not include the \$28 million that was taken from the HHRF in 2002.

second catastrophe as we are trying to recover from the first catastrophe. Therefore, the Department asks these Committees to exercise serious caution in regards to any measure that removes money from the HHRF.

We thank these Committees for the opportunity to present testimony on this matter and ask that this bill be held.



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**Wil Okabe**  
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Vice President

**Joan Kamila Lewis**  
Secretary-Treasurer

**Jim Williams**  
Interim Executive Director

**TESTIMONY BEFORE THE HOUSE COMMITTEES ON  
EDUCATION AND LABOR & PUBLIC EMPLOYMENT**

**RE: SB 2124, SD2 – RELATING TO THE HAWAII HURRICANE RELIEF  
FUND.**

Wednesday, March 10, 2010

**WIL OKABE, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION**

Chairs Takumi, Rhoads, and Members of the Committees:

The Hawaii State Teachers Association supports SB 2124, SD 2, that makes an appropriation from the Hawaii Hurricane Relief Fund of \$86,100,000 to restore all remaining lost instructional days for the 2009 – 2010 and the 2010 – 2011 school years that have been negotiated pursuant to the collective bargaining process established under Chapter 89, Hawaii Revised Statutes. And of the \$86,100,000, a proportionate amount will be dedicated on a per-pupil basis to alleviate the impact of reductions in funding to charter schools for the 2009 – 2010 and 2010 – 2011 school years.

HSTA believes that in making this appropriation the legislature resists the temptation to: (1) make a corresponding cut to the DOE budget, and (2) diminish the Association's collective bargaining rights under Chapter 89 by dictating the terms and conditions of negotiations with regard to furloughs.

During negotiations for the 2010 – 2011 teachers' contract, the idea of furloughs was put on the bargaining table as a way to help make up the budget shortfall; as many as thirty-six furlough days per year were proposed by the state. In fact, at one point during contract talks, the governor declared that furloughs were not a subject of bargaining and threatened to impose three (3) days per month over two years on every state employee, including teachers and others essential for maintaining a safe, healthy and productive learning environment. The court intervened and ruled furloughs were, in fact, subject to collective bargaining.

In the end, teachers agreed to accept seventeen (17) days of furloughs per year, over two years. Teachers were hailed by the news media for taking the lead and being the first public employee union to settle their contract.

Editorial writers applauded teachers for making a sacrifice by taking what amounted to a 7.9 percent pay reduction. Many people, including the governor and some of you, praised teachers for setting the example for the public employee unions.

After taking the pay cut, teachers at 184 schools then voted to give up planning and professional development days so they could be converted to instructional days.

Teachers, as well as everyone in this room, want an end to furloughs, and we believe this bill will go a long way toward making that happen.

Thank you for the opportunity to testify.



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The Twenty-Fifth Legislature, State of Hawaii  
Hawaii State House of Representatives  
Committee on Education  
And  
Committee on Labor & Public Employment  
Testimony by  
Hawaii Government Employees Association  
March 10, 2010

S.B. 2124 S.D. 2 – RELATING TO THE HAWAII HURRICANE RELIEF FUND

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO is opposed to S.B. 2124 S.D. 2 in its present form. We understand and appreciate the concern raised over restoring lost instructional days for the 2009-2010 and 2010-2011 school years. However, we believe that using the Hawaii Hurricane Relief Fund (HHRF) to pay for the restoration of furlough days only within the DOE is inherently unfair and much too limited.

Last session, the legislature chose not to use the HHRF to address the budget shortfall. With the governor's determination to realize savings through workers, negotiations resulted in wage cuts, furloughs and layoffs. While no one likes the effects of the furloughs in the DOE and elsewhere, they were part of the agreements negotiated under Chapter 89. It would be irresponsible for the legislature to limit its attention to only the DOE without addressing the loss of services in all vital programs that impact public health and safety throughout the state.

A number of other states have used rainy day and other special funds to mitigate the effects of budget cuts and furloughs on state programs, not just education. There are many other essential state programs handicapped by furloughs and layoffs where services should be restored through the use of the rainy day fund, the HHRF and other means of funding.

We appreciate the opportunity to provide written testify in opposition to S.B. 2124 S.D.2.

Respectfully submitted,

Leiomalama Desha  
Executive Assistant

Linda Lingle  
Governor



Vanelle Maunalei Love  
Executive Director

**Charter School Administrative Office**

1111 Bishop Street, Suite 516  
Honolulu, Hawaii 96813  
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**FOR:** SB 2124, Relating to the Hawaii Hurricane Relief Fund  
**DATE:** Wednesday, March 10, 2010  
**TIME:** 2:00 p.m.  
**COMMITTEE(S):** Education; Higher Education; and Labor & Public  
Employment  
**ROOM:** Conference Room 309  
**FROM:** Maunalei Love, Executive Director

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Comments on S.B. No. 2124, S.D. No. 2

Chairs Takumi, Chang and Rhoads; Vice Chairs Berg, Nakashima, and Yamashita; and all the Members of the Committees:

Aloha, I am Maunalei Love, executive director of the Charter School Administrative Office ("CSAO"). I want to thank the chairs and the all the committees for the time and effort being spent to remedy the issue of adequately funding all public schools. The CSAO supports restoring furlough days and providing every public school student with the educational opportunities that will enable them to succeed.

We appreciate that this bill's language includes restoring the reductions and cuts that were suffered by the public charter schools. The charter schools were impacted by the furlough savings as a reduction to the charter school allocation (as did the Department of Education) - with charter schools either downsizing or taking furloughs. The Governor's restrictions imposed upon the charter schools' allocation amounted to a reduction of \$3,791,952.

While some charter schools have not implemented any furloughs, nearly half of them have been forced to implement some level of furloughs this year. Next year's calendar is still in question. The public charter schools have reduced their spending using varied approaches, including raiding facilities funds, reducing services, and reductions in their staff. Overall, the schools have reported reduction in staff equivalent to 123.75 FTEs and 7 PTEs.

Restoring funding to the charter schools on a pro rata basis with the department is the right thing to do to enable our students to continue in their education. The CSAO is ready, willing, and able to help with any necessary revisions. Thank you for this opportunity to testify.



March 9, 2010

**The Honorable Roy M. Takumi, Chair**  
House Committee on Education

**The Honorable Karl Rhoads, Chair**  
House Committee on Labor & Public Employment  
State Capitol, Room 309  
Honolulu, Hawaii 96813

**RE: S.B. 2124, S.D.2, Relating to Hawaii Hurricane Relief Fund**

**HEARING: Wednesday, March 10, 2010 at 2:00 p.m.**

Aloha Chair Takumi, Chair Rhoads and Members of the Joint Committees:

I am Myoung Oh, Government Affairs Director of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, here to testify on behalf of its 8,800 members in Hawai'i. HAR **opposes** S.B. 2124, S.D.2 which makes an emergency appropriation from the Hawai'i Hurricane Relief Fund ("HHRF") to restore as many instructional days during the 2009-2010 and 2010-2011 school years as possible provided that the moneys shall only be released upon completion of negotiations of parties necessary to execute the restoration of instructional days.

On September 11, 1992, Hurricane Iniki struck Kauai, causing \$1.6 billion in damage. The devastation caused by Iniki left many insurance companies unable to obtain reinsurance which rendered them incapable of providing insurance. Numerous real estate transactions were stalled or fell through as a direct result, leaving prospective homeowners and renters of investor-owned properties in limbo. Many parties, including HAR, worked on the formation of the Hawai'i Hurricane Relief Fund ("HHRF") during the 1993 legislative session.

Three revenue sources built the Fund: (1) premiums from hurricane property insurance policies; (2) assessments from insurance companies; and (3) special mortgage recording fees paid by mortgagees/homeowners unless they paid cash for their property. In July 2001, the special mortgage recording fee stopped being collected by the State.

With the HHRF in place, insurance companies could offer hurricane insurance with the knowledge that they had the backing of the State's HHRF. In the intervening years, more insurance companies returned to Hawai'i and offered hurricane coverage. The cost of reinsurance started dropping, and the insurance industry stabilized enough so that some companies began to exit the HHRF to sell hurricane insurance independently.



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HAR believes that, while education is of great value to the State, we have historically believed the most practical and responsible use of the Hawai'i Hurricane Relief Funds is to use the Fund for the purpose for which it was collected - - to protect and provide for the public in the event of a future hurricane and to meet reinsurance needs.

Mahalo for the opportunity to submit testimony.



**berg1-Matthew**

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**From:** Patrick Walsh [patrick@hawaiiintel.net]  
**Sent:** Monday, March 08, 2010 12:45 PM  
**To:** EDNtestimony  
**Subject:** SB2124

HOUSE OF REPRESENTATIVES

THE TWENTY-FIFTH LEGISLATURE

REGULAR SESSION OF 2010

DATE:

Wednesday, March 10, 2010

TIME:

2:00 p.m.

PLACE:

Conference Room 309

State Capitol

415 South Beretania Street

I respectfully submit the following testimony. I OPPOSE SB 2124 in the current form.

This is the popular notion in our understanding of the Hawaii Hurricane Relief Fund (HR fund) today.

"The fund was created after Hurricane Iniki to provide hurricane insurance for homeowners. Hurricane insurance is required by mortgage holders, but after a hurricane, providers don't always offer it."

Erin Miller : Impact of hurricane relief fund raid questioned WHT030310

As it happens the HR fund is not insurance.

The discussion on establishing the HR fund made that very clear.

Many elected officials voiced concern about the states liability in the event of a storm with property damage and the expectations of homeowners who paid into and built the HR fund. Here is what was many elected officials at that time said while creating the HR fund:

"...I oppose the establishment of the HR fund .....is not insurance..... so what if there is a hurricane and the fund has insufficient monies who gets it and when it is all gone what then?

The HR fund is not insurance.

It has been suggested that there is no accurate accounting of the HR fund.  
Records are incomplete. Leaving the HR fund in SB2124 makes these statement true:  
It is okay "not" to "return" the monies to the homeowners who built the HR fund.  
It is prudent to redirect the HR fund monies.  
It is acceptable to close and raid funds in these difficult economic times for sure.

Lastly I am aware that there are numerous other funds that are earmarked in the pending passage of SB2124 what makes the HR fund monies unique is that it was collected directly from individual homeowners who built the HR fund for a specific reason.

I think the monies the homeowners who paid into HR fund should be returned their cash.\*\*

With Respect,  
Patrick Walsh  
10277  
96721

(Note: I support the goal of getting teachers back to work 100%

Testimony to the House Committee on Education and House Committee on Labor & Public  
Employment  
Wednesday, March 10, 2010

Chair Takumi, Chair Rhodes, members of the Committee on Education and Committee on Labor  
& Public Employment:

My name is Mark Aoki and I am a junior at Roosevelt High School. I strongly support SB2124  
(SD2).

Instructional time is important. The status quo in Hawaii does not value this recognized fact. The  
situation that our state finds itself in with “Furlough Fridays” can be classified using a single  
word: shameful. It is shameful that in a time of economic difficulty—a circumstance created not  
by students, but our adult counterparts—students must pay the ultimate cost, their educations.  
Society must pay the ultimate cost, its future.

Students, since October 23 (the first “Furlough Friday”), have come to recognize the loss of  
these Fridays is more than an seventeen extra days off, but an added burden to keep up with  
standards and the increasing amount of homework. Students are genuinely struggling and are  
asking for help.

The usage of the Hurricane Relief Fund (the fund does not serve a current purpose) is of the  
utmost necessity to bring students, my peers, back to the classroom where they belong.

I also ask that my leaders keep in mind that restoring instruction time is only the beginning of the  
long road that is education reform, please continue this initiative and make education the priority  
of this state.

My warmest aloha for your time.

**berg1-Matthew**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, March 10, 2010 9:22 AM  
**To:** EDNtestimony  
**Cc:** calltheschatz@hawaii.rr.com  
**Subject:** Testimony for SB2124 on 3/10/2010 2:00:00 PM

Testimony for EDN/LAB 3/10/2010 2:00:00 PM SB2124

Conference room: 309  
Testifier position: support  
Testifier will be present: Yes  
Submitted by: Debbie Schatz  
Organization: Individual  
Address: Iliaina Kailua, HI  
Phone: 258-7216  
E-mail: [calltheschatz@hawaii.rr.com](mailto:calltheschatz@hawaii.rr.com)  
Submitted on: 3/10/2010

**Comments:**

I support this bill. Not all remaining days should have to be paid for these funds to be released. Teachers need to be paid for their work, students need to be in class. Whatever number of days this pays for will be an improvement over status quo, and show a Hawaii is making a commitment to education.

**From:** Vernadette Gonzalez [vernadette24@gmail.com]  
**Sent:** Wednesday, March 10, 2010 9:29 AM  
**To:** EDNtestimony  
**Subject:** Testimony for SB2124

As a professor at UH Manoa, and a mother of a child in public schools, I see every day the effects that Hawaii's failure to support quality public education is having on the future of our state. Our students, from kindergarten to graduate school, struggle with shortened school days, bigger classes, pressures to perform to standards while the state itself does not give adequate support to teachers and schools. The message that our students are getting (as well as our teachers) is that they don't matter. That, when push comes to shove, the interests of tourism or the military, or businesses are held above those of the everyday citizen. In fact, the interests of our students are the interests of the state. Without funding for public services like education, our state is disinvesting in the future--it is essentially saying that the people of the state are not worth it.

Stop playing politics with our future: you are the elected leaders of this state, the "grown-ups," if you will. What has happened is that our students, "the kids" are the ones who can see clearly the kind of absurd and harmful political gameplaying that you are doing at the cost of their future. You had the power to make the decisions to cut the budget and cut teacher instruction days: you fix it.

Sincerely,

Vernadette Gonzalez