

SB2124



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TO THE SENATE COMMITTEES ON
EDUCATION AND HOUSING
AND
COMMERCE AND CONSUMER PROTECTION

TWENTY-FIFTH LEGISLATURE
Regular Session of 2010

Monday, February 01, 2010
1:20 p.m.

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

TO THE HONORABLE NORMAN SAKAMOTO AND ROSALYN H. BAKER, 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 \$50 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 interest¹ 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

¹ 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 the Committees for the opportunity to present testimony on this matter and ask that this bill be held.

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON EDUCATION AND HOUSING AND
COMMERCE AND CONSUMER PROTECTION
ON
SENATE BILL NO. 2124

February 1, 2010

RELATING TO THE HAWAII HURRICANE RELIEF FUND

Senate Bill No. 2124 makes an emergency appropriation of \$50,000,000 from the Hawaii Hurricane Relief Fund to restore all of the instructional days for the 2009-2010 School Year that have been negotiated pursuant to the collective bargaining process. The bill states that the Governor has recommended the bill's immediate passage in accordance with Section 9 of Article VII of the Constitution of the State of Hawaii.

We are opposed to using the Hawaii Hurricane Relief Fund for this purpose. As you are aware, the Administration has made an offer to the Hawaii State Teachers Association to use the Emergency and Budget Reserve Fund to restore all of the instruction days for the 2009-2010 and 2010-2011 School Years. Negotiations on this matter are ongoing.

It should be noted that at this time the Governor has not recommended the immediate passage of Senate Bill No. 2124. Article VII, Section 9 of the State Constitution, provides that only the Governor is authorized to designate appropriation bills for immediate passage.



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TESTIMONY BEFORE THE SENATE COMMITTEES ON
EDUCATION & HOUSING, AND
COMMERCE & CONSUMER PROTECTION

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

February 1, 2010

WIL OKABE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chairs Sakamoto, Baker and Members of the Committees:

The Hawaii State Teachers Association supports SB 2124, which makes an emergency appropriation from the Hawaii Hurricane Relief Fund of \$50,000,000 to restore all remaining lost instructional days for the 2009 – 2010 school year.

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. 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) furlough days per month over two years on every state employee. 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 a 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. We are currently seeing television commercials by parent groups encouraging the governor to end the furloughs. And yet, here we are, more than halfway through the current school year with no relief in sight.

A little over a month ago, on December 28, 2009, the Hawaii State Teachers Association, the Board of Education, and the Department of Education negotiated a workable solution to end Furlough Fridays. This plan called for converting seven (7) of the ten (10) remaining furlough Friday's left in the current school year, to instructional days, and moving the other three days to the end of the school year. But the governor rejected it, even though it was based on her plan to use the Rainy Day Fund to end the furloughs.

We appreciate your committee taking the initiative and leadership to end furlough Fridays during the remainder of the current school year.

Thank you for the opportunity to testify.



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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Education and Housing
Committee on Commerce and Consumer Protection

Testimony by
Hawaii Government Employees Association
February 1, 2010

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

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO opposes S.B. 2124 in its present form. We understand and appreciate the concern raised over restoring lost instructional days for the 2009-10 school year. However, we believe that using the Hawaii Hurricane Relief Fund (HHRF) to pay for the restoration of furlough days only within the DOE is 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. And while no one likes the effects of 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. For example, Oklahoma used \$160 million in state reserves to prevent more drastic cuts in budget allocations. Pennsylvania took its entire rainy day fund of \$755 million to fund its budget. 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.

Thank you for the opportunity to testify in opposition to S.B. 2124.

Respectfully submitted,

Kerri Mallegin

for Nora A. Nomura
Deputy Executive Director

January 29, 2010

The Honorable Norman Sakamoto, Chair
Senate Committee on Education and Housing

The Honorable Rosalyn H. Baker
Senate Committee on Commerce and Consumer Protection
State Capitol, Room 225
Honolulu, Hawaii 96813

RE: S.B. 2124 Relating to Hawaii Hurricane Relief Fund

HEARING: Monday, February 1, 2010 at 1:20 p.m.

Aloha Chair Sakamoto, Chair Baker and Members of the Joint Committees:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,800 members in Hawai'i. HAR **expresses concerns** on S.B. 2124 which makes an emergency appropriation from the Hawai'i Hurricane Relief Fund and the Emergency and Budget Reserve Fund to restore as many instructional days during the 2009-2010 school year as possible provided that negotiations of parties are executed to restore instructional days.

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.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.

sakamoto2 - Erin

From: Joel Fischer [jfischer@hawaii.edu]
Sent: Friday, January 29, 2010 12:55 PM
To: EDH Testimony
Subject: SB2124; CCP; 2/1/10; 1:20PM; Rm 225

Importance: High

PLEASE KILL THIS BILL OR MODIFY AS BELOW.

I oppose this bill because it does not recognize the severe straits in which other State programs find themselves. In particular, DHS programs are beyond bare bones: hundreds of workers are being laid off, while cash benefits have been cut to inhumane levels. Just GA clients alone are being forced to live on some \$300 per month! This is inhumane and intolerable!

My request for amending this bill is to provide that any special fund to be used in this fiscal emergency be reasonably and equitably spread across the three key state programs: DHS, Health and DOE. Also, provision must be made that the funds be used directly to provide services to clients whether it be through cash assistance or other direct services. In that way, it cannot be said that one program was so favored by legislators that the Safety Net was completely eliminated.

Thank you for considering my proposal.

Aloha, joel

Dr. Joel Fischer, ACSW
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"It is reasonable that everyone who asks justice should DO justice."
Thomas Jefferson

"There comes a time when one must take a position that is neither safe, nor politic, nor popular, but one must take it because one's conscience tells one that it is right."
Dr. Martin Luther King, Jr.

"Never, never, never quit."
Winston Churchill