

H.B. NO. 2522

A BILL FOR AN ACT

MAKING APPROPRIATIONS TO RECAPITALIZE STATE FISCAL RESERVES.

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

1 SECTION 1. Ongoing effects of one of the most challenging
2 economic periods in Hawaii's history have necessitated the use
3 of the State's reserve funds, mainly the emergency and budget
4 reserve fund and the Hawaii hurricane relief fund. These funds
5 were used in fiscal year 2010-2011 to maintain essential
6 education, public health, and public welfare programs. As of
7 June 30, 2011, the adjusted balances (adjusted to accommodate
8 all of the transfers authorized by Acts 25 and 62, Session Laws
9 of Hawaii 2011) for the emergency and budget reserve fund and
10 the Hawaii hurricane relief fund were approximately \$5,500,000
11 and \$8,800,000, respectively.

12 Additionally, Act 124, Session Laws of Hawaii 2011,
13 temporarily diverts the tobacco settlement moneys from the
14 emergency and budget reserve fund to the general fund in fiscal
15 years 2011-2012 and 2012-2013. Transfers from the tobacco
16 settlement are the primary source of funds deposited to the
17 emergency and budget reserve fund.

1 Finally, bond rating agencies have expressed concern with
2 the near depletion of reserves (such as the emergency and budget
3 reserve fund and the Hawaii hurricane relief fund) in fiscal
4 year 2010-2011. To respond to the rating agencies' concern, the
5 legislature is proposing to accelerate recapitalization of its
6 reserves.

7 The purpose of this Act is to appropriate general funds to
8 the emergency and budget reserve fund and the Hawaii hurricane
9 relief fund. As the State continues its economic recovery,
10 accelerated recapitalization of these reserve funds is prudent
11 and fiscally sound.

12 SECTION 2. There are appropriated out of the general
13 revenues of the State of Hawaii the sum of \$20,000,000, or so
14 much thereof as may be necessary for fiscal year 2011-2012, and
15 the sum of \$43,700,000, or so much thereof as may be necessary
16 for fiscal year 2012-2013, for the purposes of recapitalizing
17 the emergency and budget reserve fund. The sums appropriated
18 shall be expended by the department of budget and finance for
19 the purposes of this Act.

20 SECTION 3. There are appropriated out of the general
21 revenues of the State of Hawaii the sum of \$55,000,000, or so
22 much thereof as may be necessary for fiscal year 2011-2012, and
23 the sum of \$56,000,000, or so much thereof as may be necessary

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1 for fiscal year 2012-2013, for the purposes of recapitalizing
2 the Hawaii hurricane relief fund. The sums appropriated shall
3 be expended by the department of commerce and consumer affairs
4 for the purposes of this Act.

5 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY:

Calvin K. King

8

BY REQUEST

9

JAN 23 2012

H.B. NO. 2522

Report Title:

Appropriations; Emergency and Budget Reserve Fund; Hawaii Hurricane Relief Fund.

Description:

Makes general fund appropriations of \$20,000,000 for fiscal year 2011-2012 and \$43,700,000 for fiscal year 2012-2013 to recapitalize the Emergency and Budget Reserve Fund and makes general fund appropriations of \$55,000,000 for fiscal year 2011-2012 and \$56,000,000 for fiscal year 2012-2013 to recapitalize the Hawaii Hurricane Relief Fund.

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JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT MAKING APPROPRIATIONS TO RECAPITALIZE STATE FISCAL RESERVES.

PURPOSE: To make appropriations for fiscal years 2011-2012 and 2012-2013 to recapitalize the Emergency and Budget Reserve Fund and the Hawaii Hurricane Relief Fund.

MEANS: Appropriate general funds.

JUSTIFICATION: As of June 30, 2011, the adjusted balances (adjusted to include all of the transfers authorized by Acts 25 and 62, Session Laws of Hawaii 2011) for the Emergency and Budget Reserve Fund and the Hawaii Hurricane Relief Fund were approximately \$5,500,000 and \$8,800,000, respectively. Bond rating agencies have expressed concern over the near depletion of these reserve funds. To respond to the rating agencies' concern, this bill proposes to accelerate recapitalization of the Emergency and Budget Reserve Fund and the Hawaii Hurricane Relief Fund.

Impact on the public: Recapitalizing the Emergency and Budget Reserve Fund and the Hawaii Hurricane Relief Fund will restore the state reserves for times of unforeseen economic downturns and natural disasters.

Impact on the department and other agencies: The general fund appropriations will be made to the departments that administer the Emergency and Budget Reserve Fund (Department of Budget and Finance) and the Hawaii Hurricane Relief Fund (Department of Commerce and Consumer Affairs).

GENERAL FUND: \$75,000,000 in fiscal year 2011-2012 and
\$99,700,000 in fiscal year 2012-2013.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BUF 101, CCA 106.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: Upon approval.