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**HOUSE COMMITTEE ON FINANCE**

**Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair**

**February 14, 2012  
3:00 Room 308**

**Testimony in SUPPORT on HB 2522  
Making Appropriations to Recapitalize State Fiscal Reserves**

Chair Oshiro, Vice-Chair Lee, members of the Finance Committee:

The Office of the Governor is in strong support of House Bill 2522, Making Appropriations to Recapitalize State Fiscal Reserves. This measure appropriates general funds to recapitalize the Emergency and Budget Reserve Fund ("Rainy Day Fund") and the Hawaii Hurricane Relief Fund.

Recapitalizing these reserve funds is fiscally prudent, and should resonate favorably with the bond rating agencies.

The Department of Budget and Finance can answer any technical questions you may have.

Thank you for this opportunity to testify.

comments

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 2522

February 14, 2012

MAKING APPROPRIATIONS TO RECAPITALIZE STATE FISCAL RESERVES

House Bill No. 2522 appropriates general funds to recapitalize the Emergency and Budget Reserve Fund and the Hawaii Hurricane Relief Fund.

Prolonged effects of the economic downturn have led to the near depletion of the State's reserve funds, including the Emergency and Budget Reserve Fund and the Hawaii Hurricane Relief Fund. FY 11 beginning balances were \$62.5 million and \$188.2 million for the Emergency and Budget Reserve Fund and Hawaii Hurricane Relief Fund, respectively. Adjusted FY 11 ending balances (adjusted to accommodate all of the transfers authorized by Acts 25 and 62, SLH 2011) were \$5.5 million and \$8.8 million, respectively. The low fund balances are not fiscally prudent and have caught the attention of State bond investors and bond rating agencies. Both of these funds are identified as State reserves. The low funding balances in both of these funds was a primary reason for downgrade actions by the agencies over the past year and they have cited on-going concern at their current depleted balances. To address those concerns, this bill accelerates the recapitalization of these reserve funds by appropriating a total of \$75 million in FY 12 and \$99.7 million in FY 13. These amounts have been incorporated into the State's financial plan.

However, it should be noted that with the recent 3% drop in the Council on Revenues' forecast and the uncertainty in the economy and revenue collections, the Administration recognizes that it may be necessary to amend the amounts of the recapitalization plan as well as the funding timetable. The Administration desires to work with the Legislature to arrive at a mutually agreeable recapitalization rate and period for both of these reserves; however, we would strongly advise that for the interest of demonstrating credit worthiness and stability that some level of recapitalization begin within this fiscal biennium. We will be monitoring the progress of revenue collections and updates of revenue projections by the Council on Revenues and advise you of any necessary revisions to the recapitalization amounts.



CATHOLIC CHARITIES HAWAII

TO: Senator Marcus R. Oshiro, Chair  
Senator Marilyn B. Lee, Vice Chair  
Committee on Finance

FROM: Stella M.Q. Wong  
Vice President of Programs

DATE of Hearing: Tuesday, February 14, 2012 (3:00 p.m., Rm. 308)

SUBJECT: **SUPPORT of HB 2522, Relating to Making Appropriations to Recapitalize State Fiscal Reserves.**

Chair Oshiro, Vice Chair Lee, and Members of the Committee on Finance, my name is Stella Wong and I am the Vice President of Programs at Catholic Charities Hawai'i. I am testifying in support of **HB 2522, Relating to Making Appropriations to Recapitalize State Fiscal Reserves.**

**Catholic Charities Hawai'i fully supports HB 2522.**

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 60 years. CCH has programs serving elders, children, developmentally disabled, homeless and immigrants. Our mission is to provide services to the most vulnerable of the people in Hawai'i.

Emergency and Budget Reserve funding was approved by the 2010 Legislature and released by Governor Abercrombie to ensure that the safety net of services would be able to serve the growing numbers of people at risk. As of June 30, 2012, these services are at risk of significant reduction or elimination. The negative impact to our community is tremendous.

The economic situation in our state continues to struggle ~ we continue to have more people coming to our doors needing food, shelter, jobs and other basics of life. There is nothing more heartbreaking than to have to turn away families with young children, frail elders and individuals with disabilities.

The legislature had the foresight to set up the Emergency and Budget Reserve Fund as a safety net for social services. The safety net for all social services that affect our most vulnerable in the state still remains thin and we must continue to do what we can to maintain services for at risk populations in the community.

Please help maintain programs to protect the most vulnerable in this State. I strongly urge your committee to pass HB 2522.

Thank you for the opportunity to testify. Please feel free to contact me at 527-4888 or [swong@catholiccharitieshawaii.org](mailto:swong@catholiccharitieshawaii.org) if I can provide any further information.