

# SB 2784

Measure Title: MAKING APPROPRIATIONS TO RECAPITALIZE STATE FISCAL RESERVES.  
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.  
Companion: HB2522  
Package: Gov  
Current Referral: CPN, WAM  
Introducer(s): TSUTSUI (BR)

<u>Sort by Date</u>		<b>Status Text</b>
1/25/2012	S	Introduced.
1/25/2012	S	Passed First Reading.
1/25/2012	S	Referred to CPN, WAM.
1/27/2012	S	The committee(s) on CPN has scheduled a public hearing on 02-03-12 9:00AM in conference room 229.



NEIL ABERCROMBIE  
GOVERNOR

EXECUTIVE CHAMBERS  
HONOLULU

**SENATE COMMITTEE ON  
COMMERCE AND CONSUMER PROTECTION**

**Senator Rosalyn Baker, Chair  
Senator Brian Taniguchi, Vice Chair**

**February 3, 2012  
9:00 am Room 229**

**Testimony in SUPPORT on SB 2784  
Making Appropriations to Recapitalize State Fiscal Reserves**

Chair Baker, Vice-Chair Taniguchi, members of the Commerce and Consumer Protection Committee:

The Office of the Governor is in strong support of Senate Bill 2784, 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.

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION  
ON  
SENATE BILL NO. 2784

February 3, 2012

MAKING APPROPRIATIONS TO RECAPITALIZE STATE FISCAL RESERVES

Senate Bill No. 2784 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.