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Testimony in **support** of HB2280
Making an Appropriation to the Hurricane Reserve Trust Fund

Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair

February 19, 2014
2:00 pm Room 308

Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and members of the Finance Committee:

The Office of the Governor submits **written** testimony in **support** of House Bill 2280, Making an Appropriation to the Hurricane Reserve Trust Fund. This measure appropriates general funds to shore up Hawaii's fiscal reserves.

As Hawaii emerges from one of the most challenging economic periods in its history, it is clear that having sufficient fiscal reserves can help carry the State through difficult economic times. Now that the economy is rebounding and more resources are available, a concerted effort must be made to recapitalize the State's depleted fiscal reserves.

Thank you for the opportunity to submit testimony.



TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2280

February 19, 2014

MAKING AN APPROPRIATION TO THE HURRICANE RESERVE TRUST FUND

House Bill No. 2280 appropriates \$50 million in general funds in FY 15 to recapitalize the Hurricane Reserve Trust Fund (HRTF).

The Department of Budget and Finance strongly supports this Administration bill. This bill, along with House Bill No. 2279, Making an Appropriation to Recapitalize the Emergency and Budget Reserve Fund (EBRF), are the two Administration measures aimed at further rebuilding the State's fiscal reserves.

Since 2008, the State of Hawaii has had to implement a number of extreme fiscal measures in order to keep the State solvent, including: furloughs; temporary salary reductions; reductions-in-force; forced downsizing of programs and services; purchasing and hiring freezes; and enactment of temporary revenue enhancements. Additionally, most of the State's formal fiscal reserves, the EBRF and the HRTF, were utilized between FY 09 to FY 11 in order to forestall even greater spending reductions and revenue enhancement measures. In May of 2011, the credit rating of the State of Hawaii was downgraded by Moody's Rating specifically citing - among other reasons - the State's low reserve levels.



Subsequently, as required by Act 62, SLH 2011, \$55.5 million of general excise tax revenues were deposited to the HHRTF in FY 14 and another \$55.5 million will be deposited in FY 15.

In addition, Act 266 and Act 267, SLH 2013, appropriated \$50 million each to the EBRF and the HRTF to accelerate their recapitalization. Recognizing the State's replenishment efforts, Moody's October 2013 Outlook for the State of Hawaii improved, in part, due to the State's increasing reserve levels.

One of the clear lessons learned from this experience is the obvious necessity of having sufficient fiscal reserves to help carry the State through the worst conditions and the importance of having adequate reserve levels to weather economic down cycles. Now that the economy is rebounding and more revenues are available, a concerted effort must be made to recapitalize the State's depleted fiscal reserves as expeditiously as possible. The Administration has set target benchmarks for the State's fiscal reserves that they should get to a level equal to 10% of general fund revenues.

Enactment of House Bill Nos. 2279 and 2280 would commit another \$100 million in FY 15 to further capitalize the State's reserves. This would move State reserves over the threshold of 5% of general fund revenues and take us halfway towards the Administration's target reserve goal of 10%, based on current biennium forecasts.



HAWAII HURRICANE RELIEF FUND

335 Merchant Street #213
Honolulu, HI 96813 (Phone: 586-2804)

To The House Committee on Finance

Twenty-Seventh Legislature
Regular Session of 2014

Wednesday, February 19, 2014
2:00 p.m.

WRITTEN TESTIMONY ONLY

TESTIMONY ON HOUSE BILL NO. 2280-MAKING AN APPROPRIATION TO
THE HURRICANE RESERVE TRUST FUND

TO THE HONORABLE SYLVIA LUKE, CHAIR, AND MEMBERS OF THE
COMMITTEE

My name is Lloyd Lim, acting executive director of the Hawaii Hurricane Relief
Fund ("HHRF"). I am testifying on behalf of the HHRF Board of Directors.

HHRF supports HB 2280.

HHRF is currently operationally dormant. HHRF has a reserve of about \$120 million
and a \$55 million dollar receivable that is due. That said, the risk exposure faced by
the HHRF when it is operational is very large. Moneys in the hurricane reserve trust
fund can be used for the restart of HHRF, future claims payments or the purchase of
reinsurance.

We thank the Committee for the opportunity to present testimony on this matter.



STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON HOUSE BILL 2280
A BILL RELATING TO MAKING AN APPROPRIATION
TO THE HURRICANE RESERVE TRUST FUND

PRESENTATION TO
THE HOUSE COMMITTEE ON FINANCE

BY

MAJOR GENERAL DARRYLL D. M. WONG
ADJUTANT GENERAL AND DIRECTOR OF STATE CIVIL DEFENSE
February 19, 2014

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the House Committee on Finance.

I am Major General Darryll D. M. Wong, State Adjutant General and the Director of State Civil Defense. I am testifying in **SUPPORT** of House Bill 2280.

The Hurricane Reserve Trust Fund supports the state's recovery efforts after a major disaster. This recapitalization of the fund is important to insure Hawaii has funding available when a disaster occurs. This appropriation is an important investment in Hawaii's future.

I ask the committee for your support of this appropriation of the Hurricane Reserve Trust Fund.

Thank you for the opportunity to testify in **SUPPORT** of House Bill 2280.



STATE OF HAWAII
DEPARTMENT OF DEFENSE
CIVIL DEFENSE DIVISION

TESTIMONY ON HOUSE BILL 2280
A BILL RELATING TO MAKING AN APPROPRIATION
TO THE HURRICANE RESERVE TRUST FUND

PRESENTATION TO
THE HOUSE COMMITTEE ON FINANCE

BY

DOUG MAYNE
VICE DIRECTOR OF STATE CIVIL DEFENSE
February 19, 2014

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the House Committee on Finance.

I am Doug Mayne, Vice Director of State Civil Defense. I am testifying in **SUPPORT** of House Bill 2280.

Hawaii has been fortunate that we have not had a major hurricane since Hurricane Iniki in 1992. We all remember the devastation Hurricane Iniki caused on Kauai and some parts of Oahu.

The Hurricane Reserve Trust Fund provides funding for the state's recovery efforts after a major hurricane. This appropriation will recapitalize the fund so Hawaii has money readily available to initiate recovery efforts when the next hurricane strikes.

I ask the committee for your support of this appropriation of the Hurricane Reserve Trust Fund.

Thank you for the opportunity to testify in **SUPPORT** of House Bill 2280.