

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1092, S.D. 1

February 22, 2013

MAKING AN APPROPRIATION TO RECAPITALIZE THE HURRICANE RESERVE
TRUST FUND

Senate Bill No. 1092, S.D. 1, appropriates an unspecified amount in general funds in Fiscal Year 2014-15 to further recapitalize the Hurricane Reserve Trust Fund.

The Department of Budget and Finance strongly supports this Administration bill. This bill, along with Senate Bill No. 1094, Making an Appropriation to the Emergency and Budget Reserve Fund, are the two Administration measures aimed at further rebuilding the State's fiscal reserves. We respectfully request that the Committee reinstate the original \$25 million in Senate Bill No. 1092.

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 fiscal reserves, the EBRF and the Hawaii Hurricane Relief Fund, were committed to forestalling 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.

One of the clear lessons learned from this experience is the necessity of having sufficient fiscal reserves to help carry the State through the worst conditions. 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.

Act 62, SLH 2011, which authorized use of the Hawaii Hurricane Relief Fund to support the general fund, requires that one-half of the total amount of funds transferred to the general fund (\$111 million) in fiscal year 2010-11 shall be repaid from general excise tax revenues to the Hawaii Hurricane Relief Fund in fiscal years 2013-14 and 2014-15. As such, \$55.5 million will be deposited into the Hawaii Hurricane Trust Fund each year for fiscal years 2013-14 and 2014-15. As is fiscally prudent, this bill proposes to further accelerate recapitalization of fiscal reserves by transferring an additional unspecified amount (\$25 million was requested by the Administration) to the Hawaii Hurricane Relief Fund in fiscal year 2014-15. This will bring the projected fiscal year 2014-15 balance of the Hawaii Hurricane Relief Fund up to at least \$132 million (\$157 million with the \$25 million requested by the Administration).



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TO THE SENATE COMMITTEE ON WAYS AND MEANS
TWENTY-SEVENTH LEGISLATURE
Regular Session of 2013

Friday, February 22, 2013
9 a.m.

WRITTEN TESTIMONY ONLY

**TESTIMONY ON SENATE BILL NO. 1092, S.D. 1 – MAKING AN APPROPRIATION
TO RECAPITALIZE THE HURRICANE RESERVE TRUST FUND.**

TO THE HONORABLE DAVID Y. IGE, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner (“Commissioner”), testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department supports this Administration bill.

The purpose of this bill is to make an unspecified appropriation to recapitalize the Hawaii Hurricane Relief Fund’s (HHRF) hurricane reserve trust fund.

When HHRF ceased operations in 2002, there was approximately \$220 million in the hurricane reserve trust fund. Over the years, the hurricane reserve trust fund was reduced to \$20 million. Recapitalization would allow HHRF to restart more quickly following a hurricane by having monies available to purchase reinsurance. It would also allow HHRF to improve its claims-paying ability in the event HHRF needs to pay out claims under its hurricane insurance policies. The Department believes that the sum of \$25,000,000 would be a good start in recapitalizing the HHRF.

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

HAWAII HURRICANE RELIEF FUND

335 Merchant Street #213

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To The Senate Committee on Ways and Means

Twenty-Seventh Legislature
Regular Session of 2013

Friday, February 22, 2013
9 a.m.

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TESTIMONY ON SENATE BILL NO. 1092, SD 1-MAKING AN
APPOPRIATION TO RECAPITALIZE THE HURRICANE RESERVE TRUST
FUND

TO THE HONORABLE DAVID IGE, 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 SB 1092, SD 1, which recapitalizes HHRF’s trust fund. HHRF now has only about \$20 million in its trust fund. HHRF needs significant moneys to restart quickly, buy reinsurance, and pay claims on its insurance policies when they come due.

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

From: mailinglist@capitol.hawaii.gov
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SB1092

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Testimony for WAM on Feb 22, 2013 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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