

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
ON
SENATE BILL NO. 2758, S.D. 1

March 17, 2014

RELATING TO THE HURRICANE RESERVE TRUST FUND

Senate Bill No. 2758, S.D. 1, requires the interest and other moneys earned on the principal of the Hurricane Reserve Trust Fund be deposited into the trust fund instead of the current requirement of diverting the moneys to the general fund.

The Department of Budget and Finance supports this approach as part of a forward-looking long-term strategy to support the Administration's objective and approach to build State reserves. The Administration has set a targeted objective that the State should have formal reserves equal to, at least, 10% of general fund revenues. Granted, this is a considerable objective to have as a goal. Considering that general fund revenues are currently anticipated to be just in excess of \$6 billion for FY 2014, and the current level of reserves (Hurricane Relief Fund plus Emergency Budget Relief Fund) are anticipated to grow to about \$207 million before the end of FY 2014 - or, about 3.4% of general fund revenues - building reserves to the targeted objective will take time. The significance of the strategy is the pro-active progress to get to the target.

Committing interest that is earned on funds already held in the reserves is a prudent and rational approach that should help reach the target sooner. It will also help contribute to keeping the reserves funded at a level equal to the target once the objective is achieved. Incorporating a sunset date of June 30, 2019 will ensure that this measure is revisited.

STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON SENATE BILL 2758 SD1
A BILL RELATING TO THE HURRICANE RESERVE TRUST FUND

PRESENTATION TO
THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

BY

MAJOR GENERAL DARRYLL D. M. WONG
ADJUTANT GENERAL AND DIRECTOR OF STATE CIVIL DEFENSE
March 17, 2014

Chair McKelvey, Vice Chair Kawakami, and Members of the House Committee on Consumer Protection & Commerce:

I am Major General Darryll D. M. Wong, State Adjutant General and the Director of State Civil Defense. I am testifying in **SUPPORT** of Senate Bill 2758 SD1.

The Hurricane Reserve Trust Fund supports the state's recovery efforts after a major disaster. Currently, the state's General Fund receives any interest and other moneys made from Hurricane Reserve Trust Fund investments. Senate Bill 2758 SD1 will require the deposit of investment returns into the Hurricane Reserve Trust Fund.

Any increase in funding today will reduce the state's expenditures in the future. This funding increase is an important investment in Hawaii's future.

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

Thank you for the opportunity to testify in **SUPPORT** of Senate Bill 2758 SD1.

STATE OF HAWAII
DEPARTMENT OF DEFENSE
CIVIL DEFENSE DIVISION

TESTIMONY ON SENATE BILL 2758 SD1
A BILL RELATING TO THE HURRICANE RESERVE TRUST FUND

PRESENTATION TO
THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

BY

DOUG MAYNE
VICE DIRECTOR OF STATE CIVIL DEFENSE
March 17, 2014

Chair McKelvey, Vice Chair Kawakami, and Members of the House Committee on Consumer Protection and Commerce.

I am Doug Mayne, Vice Director of State Civil Defense. I am testifying in **SUPPORT** of Senate Bill 2758 SD1.

Senate Bill 2758 SD1 will require the return of any interest and other moneys made from Hurricane Reserve Trust Fund investments. Current law requires the return of interest and other moneys to the General Fund. Any increase to the Hurricane Reserve Trust Fund now will boost the money available after major hurricane.

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

Thank you for the opportunity to provide testimony in **SUPPORT** of Senate Bill 2758 SD1.

March 17, 2014

The Honorable Angus L.K. McKelvey, Chair

House Committee on Consumer Protection and Commerce
State Capitol, Room 325
Honolulu, Hawaii 96813

RE: S.B. 2758, S.D.1, Relating to the Hurricane Reserve Trust Fund

HEARING: Monday, March 17, 2014 at 2:10 p.m.

Aloha Chair McKelvey, Vice Chair Kawakami, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,300 members. HAR **supports** S.B. 2758, S.D.1, which requires the interest and other moneys earned on the principal of the hurricane reserve trust fund to be deposited into the trust fund instead of being diverted to the general fund.

On September 11, 1992, Hurricane Iniki struck Kaua'i, causing \$1.6 billion in damage. The devastation caused by Iniki left many insurance companies unable to obtain reinsurance, which rendered them incapable of providing insurance to the people of Kaua'i. Numerous real estate transactions were stalled or fell through as a direct result, leaving prospective homeowners and renters of investor-owned properties in limbo. Many parties, including HAR, worked on the formation of the HHRF during the 1993 legislative session.

HAR believes that in the unforeseeable future, should a severe hurricane strike Hawai'i, the HHRF should have appropriate funds in order to restart the HHRF. These funds will allow the HHRF to provide hurricane insurance, in a timely fashion, to Hawaii's homeowners for reinsurance.

Mahalo for the opportunity to testify.