

TESTIMONY BY KALBERT K. YOUNG
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STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2758, S.D. 1

February 13, 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.