

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NOS. 171, H.D. 1, AND 172, H.D. 1

March 24, 2015

MAKING AN APPROPRIATION TO THE HURRICANE RESERVE TRUST FUND
MAKING AN APPROPRIATION TO THE EMERGENCY AND BUDGET RESERVE
FUND

House Bill Nos. 171, H.D. 1, and 172, H.D. 1, propose to make two separate unspecified general fund appropriations to be deposited into the Emergency and Budget Reserve Fund and the Hurricane Reserve Trust Fund, respectively. The appropriations are to the departments responsible for administering the funds (the Departments of Budget and Finance and Commerce and Consumer Affairs, respectively).

We strongly support the intent to further capitalize the State's reserve funds and recommend that at least \$25 million be appropriated to each fund.

As an alternative, the Department would also support an additional appropriation to pay the annual required contribution (ARC) for the State's other post-employment benefits (OPEB) plan.

For FY 16, the Administration's budget request includes funding for 40 per cent of the ARC as required by Act 268, SLH 2013. Additional appropriation for the ARC will reduce the State's unfunded liability for OPEB.

March 24, 2015

The Honorable Jill Tokuda, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: H.B. 171, H.D.1 Relating to Appropriation to the Hurricane Reserve Trust Fund

HEARING: Wednesday, February 18, 2015, at 2:00 p.m.

Aloha Chair Luke, Vice Chair Nishimoto, and Members of the Committee.

I am Myoung Oh, Director of Government Affairs, here to testify on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its 8,400 members. HAR **supports** H.B. 171, H.D.1, which appropriates funds for Fiscal Year 2015-2016 to be deposited into the Hurricane Reserve Trust 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 it is prudent for the State to replace the funds borrowed from the HHRF, in which it was used to balance the 2011 State budget, and to capitalize the State's reserve funds.

Mahalo for the opportunity to testify.