

TESTIMONY BY WESLEY K. MACHIDA
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STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NOS. 171 AND 172

February 18, 2015

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

House Bill (H.B.) Nos. 171 and 172 propose to make two separate \$50 million general fund appropriations to be deposited into the Emergency and Budget Reserve Fund (EBRF) and the Hurricane Reserve Trust Fund (HRTF), 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 support the general intent to further capitalize the State's reserve funds. A \$50 million appropriation to the EBRF would increase the fund's projected FY 16 balance from \$103.4 million to \$153.4 million. Similarly, a \$50 million appropriation to the HRFT would increase the fund's projected FY 16 balance from \$181.8 million to \$231.8 million.

However, we have concerns that specific appropriations of this magnitude would seriously reduce the general fund balance. Should H.B. No. 171 and H.B. No. 172 pass, the projected general fund ending balances under the Administration's financial plan would be reduced to \$247.7 million for FY 16, \$51.6 million for FY 17, and \$21.5 million for FY 18. Lower ending balances would limit the State's flexibility to deal with any unforeseen emergencies and could also jeopardize the Executive budget request.

For these reasons, we recommend passing out H.B. No. 171 and H.B. No. 172 with an unspecified dollar amount at this time to allow continued discussions on this matter during the legislative session.



February 18, 2015

The Honorable Sylvia Luke, Chair
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 171, 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, 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 fund's borrowed in the HHRF, in which it was used to balance the 2011 State budget. Furthermore, in the unforeseeable future, should a severe hurricane strike Hawai'i, it is beneficial that the HHRF 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.

Mahalo for the opportunity to testify.