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**TESTIMONY BY LUIS P. SALAVERIA**  
**DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE**  
**TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION**  
**ON**  
**SENATE BILL NO. 3067**

**February 9, 2024**  
**9:30 A.M.**  
**Room 229 and Videoconference**

**RELATING TO THE HURRICANE RESERVE TRUST FUND**

The Department of Budget and Finance (B&F) strongly supports S.B. 3067, an Administration bill to move the Hurricane Reserve Trust Fund into the State Treasury. This measure also makes a housekeeping amendment to repeal an obsolete portion of section 237-31, HRS, that related to the replenishment of funds transferred from the Hurricane Reserve Trust Fund in 2011.

The state treasury maintains an investment pool consisting of participating state accounts. Funds within the state treasury are prudently managed to achieve the investment objectives of safety, liquidity, and yield, in priority order. The investment pool also enables the achievement of economies of scale for the effective and efficient management of funds and enhances the State's liquidity position.

Presently, under section 431P-16, HRS, the Hurricane Reserve Trust Fund is established outside the state treasury under the direction of a board. Although established outside the state treasury, by statute, interest earned from the principal in the Hurricane Reserve Trust Fund is transferred and deposited into the general fund each year.

The amount of interest earned from the principal in the Hurricane Reserve Trust Fund and deposited to the general fund has fluctuated over the years. For the past several years, the fund has been invested by a bank trust division and operations have been dormant. At this time, it would be in the State's best interest to place the Hurricane Reserve Trust Fund within the state treasury. The transfer will also align investment objectives as the interest on the principal belongs to the general fund.

Following discussions with the Department of Commerce and Consumer Affairs, which administers the Hurricane Reserve Trust Fund, B&F is proposing minor amendments to section 2 of the bill as follows:

Page 2, line 17, through page 3, line 11, should be amended to read as follows:

SECTION 2. Section 431P-16, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) The fund shall establish [~~outside the state treasury~~] a hurricane reserve trust fund and any accounts thereunder and any other trust fund or account necessary to carry out the purposes of this chapter. Moneys deposited in the hurricane reserve trust fund and any accounts thereunder or any other trust fund or account shall be held by the fund, as trustee, in a depository as defined in section 38-1 or according to a similar arrangement [~~at the discretion of the board,~~] including, but not limited to, trust or custodial accounts created for the benefit of the fund's secured parties under contractual claims financing arrangements. [~~These moneys may be invested and reinvested in accordance with the plan of operation.~~] Disbursements

from the trust funds shall not be subject to chapter 103D and shall be made in accordance with procedures adopted by the board."

Thank you for your consideration of our comments.

**JOSH GREEN, M.D.**  
GOVERNOR  
KE KIA'ĀINA



**KENNETH S. HARA**  
DIRECTOR OF EMERGENCY  
MANAGEMENT

**JAMES DS. BARROS**  
ADMINISTRATOR OF  
EMERGENCY MANAGEMENT

STATE OF HAWAII  
KA MOKU'ĀINA O HAWAI'I  
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STATE OF HAWAI'I  
DEPARTMENT OF DEFENSE  
HAWAI'I EMERGENCY MANAGEMENT AGENCY

TESTIMONY ON SENATE BILL 3067,  
RELATING TO EMERGENCY MANAGEMENT

BEFORE THE HOUSE COMMITTEE ON  
**COMMERCE AND CONSUMER PROTECTION**

BY

JAMES DS. BARROS  
ADMINISTRATOR  
HAWAI'I EMERGENCY MANAGEMENT AGENCY

FEBRUARY 9, 2024

Aloha Chair Keohokalole, Vice-Chair Fukunaga, and Members of the Committee:

Thank you for the opportunity to submit testimony to **SUPPORT** SB3067.

The response provided by the State of Hawai'i following the devastating August wildfires on Maui identified immediate challenges presented by an emergency. HI-EMA strongly **SUPPORTS** SB3067 for its guidance concerning establishment of an actionable fund to be used before, during, and after a hurricane. Maintaining a \$5,000,000 buffer from the general excise tax revenues offers emergency managers an immediate source of crucial funding to access when time is critical.

HI-EMA also supports placing this money in investment accounts to assure it is working for the benefit of the state provided that its passage does not replace or adversely impacts priorities indicated in the Executive Budget.

We encourage passage of this measure as another monetary tool available in the event of emergencies.

Thank you for the opportunity to provide testimony on Senate Bill 3067.

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# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

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SUBJECT: GENERAL EXCISE, Earmark to Hurricane Reserve Trust Fund

BILL NUMBER: HB 2378, SB 3067

INTRODUCED BY: HB by SAIKI; SB by KOUCHI (Governor's Package)

EXECUTIVE SUMMARY: Moves the Hurricane Reserve Trust Fund into the State Treasury and deletes the earmark on the General Excise Tax that is meant for the Fund.

SYNOPSIS: Amends section 237-31, HRS, to delete earmarks (2) and (3) from the general excise tax. These earmarks now read as follows:

(2) A sum from all general excise tax revenues realized by the State that is equal to one half of the total amount of funds appropriated or transferred out of the hurricane reserve trust fund under sections 4 and 5 of Act 62, Session Laws of Hawaii 2011, shall be deposited into the hurricane reserve trust fund in fiscal year 2013-2014 and in fiscal year 2014-2015; provided that the deposit required in each fiscal year shall be made by October 1 of that fiscal year; and

(3) Commencing with fiscal year 2018-2019, a sum from all general excise tax revenues realized by the State that represents the difference between the state public employer's annual required contribution for the separate trust fund established under section 87A-42 and the amount of the state public employer's contributions into that trust fund shall be deposited to the credit of the State's annual required contribution into that trust fund in each fiscal year, as provided in section 87A-42.

Amends section 431P-16, HRS, to delete the requirement that the hurricane reserve trust fund be outside the state treasury.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: We are concerned that the deletion of earmark (3) from section 237-31, HRS, is beyond the title of this bill, "Relating to the Hurricane Reserve Trust Fund." The third earmark has nothing to do with the Hurricane Reserve Trust Fund and, instead, has to do with actually required contributions to the state and municipal governments' OPEB post-employment benefits for retired government employees. At a minimum, the bill should be amended to restore present earmark (3).

Digested: 1/30/2024