



TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2829

January 30, 2014

MAKING AN APPROPRIATION TO THE EMERGENCY AND BUDGET RESERVE  
FUND

Senate Bill No. 2829 appropriates \$50 million in general funds in FY 15 to recapitalize the Emergency and Budget Reserve Fund (EBRF).

The Department of Budget and Finance strongly supports this Administration bill. This bill, along with Senate Bill No. 2830, Making an Appropriation to Recapitalize the Hawaii Hurricane Reserve Trust Fund (HHRTF), are the two Administration measures aimed at further rebuilding the State's fiscal reserves.

Since 2008, the State of Hawaii has had to implement a number of extreme fiscal measures in order to keep the State solvent, including: furloughs; temporary salary reductions; reductions-in-force; forced downsizing of programs and services; purchasing and hiring freezes; and enactment of temporary revenue enhancements. Additionally, most of the State's formal fiscal reserves, the EBRF and the HHRTF, were utilized between FY 09 to FY 11 in order to forestall even greater spending reductions and revenue enhancement measures. In May of 2011, the credit rating of the State of Hawaii was downgraded by Moody's Rating specifically citing - among other reasons - the State's low reserve levels.

Subsequently, as required by Act 62, SLH 2011, \$55.5 million of general excise tax revenues were deposited to the HHRTF in FY 14 and another \$55.5 million will be deposited in FY 15.

In addition, Act 266 and Act 267, SLH 2013, appropriated \$50 million each to the EBRF and the HHRTF to accelerate their recapitalization. Recognizing the State's replenishment efforts, Moody's October 2013 Outlook for the State of Hawaii improved, in part, due to the State's increasing reserve levels.

One of the clear lessons learned from this experience is the obvious necessity of having sufficient fiscal reserves to help carry the State through the worst conditions and the importance of having adequate reserve levels to weather economic down cycles. Now that the economy is rebounding and more revenues are available, a concerted effort must be made to recapitalize the State's depleted fiscal reserves as expeditiously as possible. The Administration has set target benchmarks for the State's fiscal reserves that they should get to a level equal to 10% of general fund revenues.

Enactment of Senate Bill Nos. 2829 and 2830 would commit another \$100 million in FY 15 to further capitalize the State's reserves. This would move State reserves over the threshold of 5% of general fund revenues and take us halfway towards the Administration's target reserve goal of 10%, based on current biennium forecasts.



**HPCA**

HAWAII PRIMARY CARE ASSOCIATION

**Senate Committee on Ways and Means**

The Hon. David Y. Ige, Chair

The Hon. Michelle N. Kidani, Vice Chair

**Testimony in Support of SB 2829**

**Relating to Making an Appropriation to the Emergency and Budget Reserve Fund**

**Submitted by Robert Hirokawa, Chief Executive Officer**

**January 30, 2014, 9:00 am, Room 211**

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports Senate Bill 2829, which makes a general fund appropriation to recapitalize the Emergency and Budget Reserve Fund.

Given the instability of the economy, the Emergency and Budget Reserve fund was utilized in recent years to insure that certain vital agencies and functions in Hawaii remained open and operating. Now that the state's economy has become economically viable again, it is imperative that this fund be replenished to help safeguard against any future downturns.

The HPCA urges you to pass S 2829 and thanks you for the opportunity to testify.