

EXECUTIVE CHAMBERS

HONOLULU

June 20, 2002

COPY

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 706

Honorable Members
Twenty-First Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 706, entitled "A Bill for an Act Relating to State Government."

The purpose of this bill is to establish a three-year loss mitigation grant pilot program under the auspices of the Insurance Commissioner to provide grants to property owners for the installation of wind resistive devices. The bill appropriates \$2,000,000 in general funds and \$2,000,000 in special funds for fiscal year 2002-2003 to implement the loss mitigation grant program. Also, the bill provides that the interest income earned from the principal in the Hurricane Reserve Trust Fund (HRTF) is to be transferred to the general fund. The bill appropriates \$29,000,000 out of the HRTF for deposit to the general fund. In addition, the bill provides immunity to the State, the Hawaii Hurricane Relief Fund (HHRF), the Insurance Commissioner, or their agents or employees, for actions relating to the loss mitigation grant program or the transfer of moneys to or from the HRTF.

By way of a brief background, the HHRF was created in 1993 to insure against hurricane losses in Hawaii in the aftermath of the devastation caused by Hurricane Iniki and the worldwide insurance crisis. Without hurricane coverage, the orderly growth and development of the State would have been severely impeded. Presently, the homeowners insurance market has stabilized with several insurers offering hurricane coverage again. In light of this, the HHRF stopped writing new policies, stopped renewing existing policies, and as of December 1, 2001,

stopped providing any hurricane insurance coverage.

The loss mitigation grant program proposed by the bill will provide grants to property owners that will reimburse fifty percent of the costs incurred for the installation of wind resistive devices, up to \$2,100 per dwelling. To fund the loss mitigation grant program, the Legislature appropriated \$2,000,000 in general funds for fiscal year 2002-2003 for deposit into the Loss Mitigation Grant Fund. The Legislature then appropriated out of the Loss Mitigation Grant Fund \$2,000,000 for fiscal year 2002-2003 to implement the loss mitigation grant program.

For the first year of the loss mitigation grant program, grants may only be made to former policyholders of the HHRF. I believe that if grants were to be awarded, all property owners should be eligible, because there does not appear to be a logical reason to limit the grants to former HHRF policyholders. The HHRF policyholders have already benefited from paying their HHRF premiums, because they received the coverage they paid for.

In addition, premiums are not the only source of revenue for the HHRF. The HHRF also received moneys from the special mortgage recording fee and from assessments on property and casualty insurers.

Furthermore, this bill is objectionable due to the relatively small number of property owners that would be served by the loss mitigation grant program. From the \$2,000,000 appropriation out of the Loss Mitigation Grant Fund for fiscal year 2002-2003 for the loss mitigation grant program, the Insurance Commissioner must pay for the administrative costs of the program, as well as the grants for the program. Even if I were to assume that no administrative costs would be deducted from the \$2,000,000 appropriation, based on the maximum grant of \$2,100 per property owner, only 952 grants could be made in the first year.

For the reasons set forth above, while the bill as a whole has merit, I object to the following appropriations:

1. The \$2,000,000 general fund appropriation for fiscal year 2002-2003 for deposit into the Loss Mitigation Grant Fund, designated in section 6, on page 11 of the bill. I believe that grants from the Loss Mitigation Grant Fund should not be limited to former policyholders of the HHRF and benefit only a small number of property owners. Consequently, I believe that it is not necessary for the general fund to provide funding to the Loss Mitigation Grant Fund to implement the loss mitigation grant program.

2. The \$2,000,000 special fund appropriation for fiscal year 2002-2003 out of the Loss Mitigation Grant Fund to implement the loss mitigation grant program, designated in section 6, page 12 of the bill. I believe that grants from the Loss Mitigation Grant Fund should not be limited to former policyholders of the HHRF and benefit only a small number of property owners.

Section 16 of Article III of the State Constitution provides that, "[e]xcept for items appropriated to be expended by the judicial and legislative branches, the governor may veto any specific item or items in any bill which appropriates money for specific purposes by striking out or reducing the same." Because of the foregoing objections, I have taken the following actions pursuant to my line item veto authority:

1. Striking out by drawing a line through the \$2,000,000 general fund appropriation for fiscal year 2002-2003 to be deposited into the Loss Mitigation Grant Fund in section 6 (on page 11) and changing it to \$0.

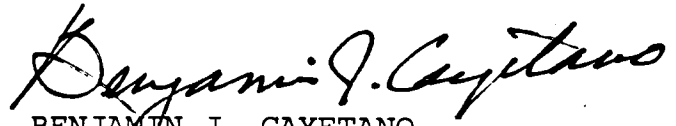
2. Striking out by drawing a line through the \$2,000,000 special fund appropriation out of the Loss Mitigation Grant Fund for fiscal year 2002-2003 to implement the loss

STATEMENT OF OBJECTIONS
SENATE BILL NO. 706
Page 4

mitigation grant program in section 6 (on page 12) and changing it to \$0.

For the foregoing reasons, I am returning Senate Bill No. 706 with the appropriations in section 6 stricken as set forth above totaling \$2,000,000 in general fund appropriations for fiscal year 2002-2003 and totaling \$2,000,000 in special fund appropriations for fiscal year 2002-2003.

Respectfully,



BENJAMIN J. CAYETANO
Governor of Hawaii

P R O C L A M A T I O N

COPY

WHEREAS, under Section 16 of Article III of the Constitution of the State of Hawaii, the Governor is required to give notice, by a proclamation, of the Governor's plan to return with the Governor's objections any bill presented to the Governor less than ten days before adjournment sine die or presented to the Governor after adjournment sine die of the Legislature; and

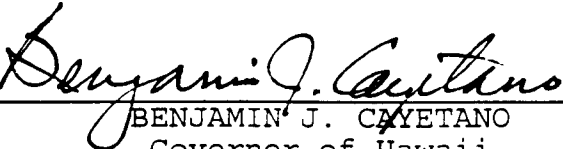
WHEREAS, Senate Bill No. 706, entitled "A Bill for an Act Relating to State Government," passed by the Legislature, was presented to the Governor within the aforementioned period; and

WHEREAS, under Section 16 of Article III, the Governor may veto any specific item or items in any bill that appropriates money for specific purposes by striking out or reducing the same; and

WHEREAS, Senate Bill No. 706 appropriates money for specific purposes and certain appropriation items in that bill are unacceptable to the Governor of the State of Hawaii;

NOW, THEREFORE, I, BENJAMIN J. CAYETANO, Governor of the State of Hawaii, do hereby issue this proclamation, pursuant to the provisions of Section 16 of Article III of the Constitution of the State of Hawaii, giving notice of my plan to return Senate Bill No. 706 with my objections to certain appropriation items contained therein, to the Legislature as provided by said Section 16 of Article III of the Constitution.

DONE at the State Capitol, Honolulu,
State of Hawaii, this 20
day of June, 2002.


BENJAMIN J. CAYETANO
Governor of Hawaii

COPY

1 after ~~any~~ payments by the fund on behalf of
2 licensed property and casualty insurers or the
3 State that are required to be made pursuant to
4 any federal disaster insurance program enacted to
5 provide insurance or reinsurance for hurricane
6 risks [~~— In the event~~] are completed; and

7 (B) If such moneys are paid on behalf of licensed
8 property and casualty insurers, payment shall be
9 made in proportion to the premiums from policies
10 of hurricane property insurance serviced by the
11 insurers in the twelve months prior to
12 dissolution of the fund[-]; or

13 (2) Deposited to the loss mitigation grant fund
14 established under section 431: 102;
15 provided that all interest earned from the principal in the
16 hurricane reserve trust fund shall be transferred and
17 deposited into the general fund each year that the
18 hurricane reserve trust fund remains in existence."

19 SECTION 6. There is appropriated out of the general
20 revenues of the State of Hawaii the sum of ~~\$2,000,000~~ ^{\$0 (BK)} or so
21 much thereof as may be necessary for fiscal year 2002-2003, to
22 be deposited into the loss mitigation grant fund.



COPY

1 There is appropriated out of the loss mitigation grant fund
 2 the sum of ~~\$2,000,000~~ ^{\$0 (PK)}, or so much thereof as may be necessary
 3 for fiscal year 2002-2003, to develop and implement the grant
 4 program established under this Act. The sum appropriated shall
 5 be expended by the insurance commissioner for the purposes of
 6 this Act.

7 SECTION 7. Notwithstanding any other law to the contrary,
 8 there is appropriated out of the hurricane reserve trust fund
 9 the sum of \$29,000,000, or so much thereof as may be necessary
 10 for fiscal year 2002-2003, to be deposited into the general
 11 fund.

12 The sum appropriated shall be expended by the Hawaii
 13 hurricane relief fund.

14 SECTION 8. There shall be no cause of action, claim for
 15 damages or relief, charge, or any other liability of any kind
 16 whatsoever created against the state, the Hawaii hurricane
 17 relief fund, the Hawaii hurricane relief fund's board and its
 18 members, or their respective agents, or employees, by or
 19 relating to the transfer of any moneys from the hurricane
 20 reserve trust fund to the general fund.

21 SECTION 9. Statutory material to be repealed is bracketed
 22 and stricken. New statutory material is underscored.

