

STAND. COM. REP. NO.

2104

Honolulu, Hawaii

FEB 10 2012

RE: S.B. No. 2784
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2784 entitled:

"A BILL FOR AN ACT MAKING APPROPRIATIONS TO RECAPITALIZE STATE FISCAL RESERVES, "

begs leave to report as follows:

The purpose and intent of this measure is to appropriate general funds to recapitalize the emergency and budget reserve fund and the Hawaii hurricane relief fund.

Your Committee received testimony in support of this measure from the Office of the Governor. Your Committee received comments on this measure from the Department of Budget and Finance.

Your Committee finds that the State has recently faced a significant budget shortfall. Last year, the Legislature made the decision to expend reserve funds, including the emergency and budget reserve fund and the Hawaii hurricane relief fund, as a last resort in extraordinary times. Although the effects of the economic downturn caused the Legislature to expend reserve funds, the Legislature made a conscious decision to make up for budget deficits in this manner and was careful to include a repayment plan.

Your Committee understands that the low balances in the State's reserve funds are not fiscally prudent and have caught the attention of state bond investors and bond rating agencies. However, your Committee notes that a successful bond sale in

2012-0900 SSCR SMA.doc



November 2011 will enable recapitalization of those reserves. Based on testimony heard by your Committee, your Committee finds that it is in the State's best interest to begin some level of recapitalization, especially for the Hawaii hurricane relief fund, during the current fiscal biennium.

Your Committee also notes that with the recent three percent revenue decrease in the Council on Revenues' forecast, and the uncertainty in the economy and revenue collections, it may be necessary to amend the amounts of the recapitalization plan and the funding timetable. Your Committee therefore concludes that it would be fiscally prudent to recapitalize the Hawaii hurricane relief fund over a period of three fiscal years beginning with the current fiscal year, making smaller payments during fiscal years 2011-2012 and 2012-2013 and a larger payment during fiscal year 2013-2014.

Your Committee notes that if the monies in this measure are to be appropriated prior to the passage of the supplemental appropriations bill, then a recommendation from the Governor for immediate passage of this measure is required before passage of this measure, as it appropriate funds for the current fiscal year. Your Committee also notes that the appropriation in this measure to recapitalize the emergency and budget reserve fund has been left for review by your Committee on Ways and Means, as this fund is outside the purview of your Committee on Commerce and Consumer Protection.

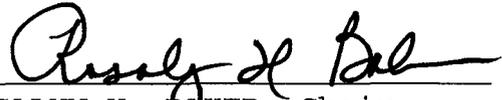
Your Committee has amended this measure by:

- (1) Amending the appropriations for recapitalization of the Hawaii hurricane relief fund as follows:
 - (A) An appropriation of \$27,500,000 for fiscal year 2011-2012;
 - (B) An appropriation of \$27,500,000 for fiscal year 2012-2013; and
 - (C) An appropriation of \$56,000,000 for fiscal year 2013-2014; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.



As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2784, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2784, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair



