



UNIVERSITY OF HAWAI'I SYSTEM

TESTIMONY

H.B. 2274 RELATING TO STATE RISK MANAGEMENT

Testimony Presented Before the
HOUSE COMMITTEE ON FINANCE

March 1, 2006

By

Kari A. Wilhelm
Director of University Risk Management Office
University of Hawai'i System

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H. B. 2274: RELATING TO STATE RISK MANAGEMENT

Chair Dwight Takamine and Members of the Committee:

Chair Takamine and members of the Committee, on behalf of the University of Hawai'i, thank you for the opportunity to express our support for House Bill 2274.

In October 2004, the University of Hawai'i-Mānoa campus sustained over \$80 million in flood damage. Immediate action was necessary to mitigate damages and re-open the campus to resume classes. The Mānoa campus lost electricity to 34 buildings. There was an immediate need for generators to restore power and for dry ice to preserve research. The University needed pumps to clear out water and mud. Dehumidifiers were needed to prevent the onset of mold. In short, the University began to incur major, ongoing expenses from the evening of the flood.

The University is extremely grateful for the swift response from the State Risk Management Office and the insurers. Within six months, the insurer agreed to pay the full limit of the flood coverage, which was \$25 million. However, this efficient response was of little immediate benefit because the insurance funds could not be transferred to the University. Pursuant to HRS 41D-4(g), the insurance proceeds were deposited into the State Risk Management Revolving Fund. Once deposited, the insurance proceeds could not be transferred to the University until an emergency appropriation was passed. In the meantime, the University used funds from existing appropriations to pay for clean up and repairs. Since the University was required to use existing appropriations for flood recovery, previously planned projects were delayed.

House Bill 2274 would amend HRS section 41D-4(g) to allow agencies that have sustained losses to be reimbursed in a more timely fashion. With this amendment, the comptroller may deposit funds, such as insurance proceeds, into a trust account of the affected agency. The affected agency would then be able to expend these funds in a timely manner.

Thank you again for the opportunity to testify on this matter.