



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

GOV. MSG. NO. 337

July 11, 2006

The Honorable Robert Bunda, President
and Members of the Senate
Twenty-Third State Legislature
State Capitol, Room 003
Honolulu, Hawaii 96813

Dear Mr. President and Members of the Senate:

I am transmitting herewith SB2190 SD1 HD2 CD1, without my approval, and with the statement of objections relating to the measure.

SB2190 SD1 HD2 CD1

A BILL FOR AN ACT RELATING TO
EMPLOYMENT SECURITY.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle".

LINDA LINGLE

VETO

THE SENATE
TWENTY-THIRD LEGISLATURE, 2006
STATE OF HAWAII

S.B. NO. 2190
S.D. 1
H.D. 2
C.D. 1

A BILL FOR AN ACT

RELATING TO EMPLOYMENT SECURITY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the current balance
2 in the unemployment compensation fund allows for adjustments to
3 contributions and benefits. The current balance was created
4 over the past few years by an upswing in the economy, the
5 contributions paid by employers, and the limited changes to
6 statutory language for benefits paid to the unemployed.

7 The legislature further finds that since both employees and
8 employers have contributed to the present balance of the fund,
9 adjustments that will benefit both the employer and employee are
10 appropriate and equitable.

11 One purpose of this Act is to provide an adjustment in 2007
12 and 2008 to the calculation of contributions paid for by
13 employers. The adjustment should provide some relief to
14 employers without unnecessarily depleting the fund.

15 The other purpose of this Act is to adjust certain areas of
16 benefits paid to the unemployed who have gone without
17 substantial changes to the statutory language on benefits for
18 many years. This Act also clarifies that the ineligibility for



1 against which credit may be taken for contributions required to
2 be paid into a state unemployment fund.

3 ~~(g)~~ (f) In accordance with section 303(a)(5) of the
4 Social Security Act, as amended, and section 3304(a)(4) of the
5 Internal Revenue Code of 1986, as amended, any contributions
6 overpaid due to a retroactive reduction in the taxable wage base
7 may be credited against the employer's future contributions upon
8 request by the employer; provided that no employer shall be
9 given a cash refund."

10 SECTION 7. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 8. This Act shall take effect upon its approval.




THE SENATE OF THE STATE OF HAWAII

Date: May 2, 2006
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Twenty-third Legislature of the State of Hawaii, Regular Session of 2006.



President of the Senate



Clerk of the Senate

**THE HOUSE OF REPRESENTATIVES
OF THE STATE OF HAWAII**

Date: May 2, 2006
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the House of Representatives of the Twenty-third Legislature of the State of Hawaii, Regular Session of 2006.



Speaker, House of Representatives



Clerk, House of Representatives

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

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. 2190, entitled "A bill for an Act Relating to Employment Security," passed by the Legislature, was presented to the Governor within the aforementioned period; and

WHEREAS, Senate Bill No. 2190 is unacceptable to the Governor of the State of Hawaii;

NOW, THEREFORE, I, LINDA LINGLE, 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. 2190 with my objections thereon 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 26th
day of June, 2006



LINDA LINGLE
Governor of Hawaii

EXECUTIVE CHAMBERS

HONOLULU

July 10, 2006

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 2190

Honorable Members
Twenty-Third 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. 2190, entitled "A Bill for an Act Relating to Employment Security."

The purposes of this bill are to provide temporary tax relief to employers by lowering the maximum taxable wage base for calendar years 2007 and 2008, to increase unemployment benefits for eligible individuals, to increase the amount an individual may earn while collecting his full unemployment benefit amount, and to exclude the payment of benefits to individuals who are terminated for willful or wanton misconduct.

This bill is objectionable because the increases in benefits to unemployment insurance claimants provided by this bill will have an adverse impact on the unemployment insurance trust fund and are projected to increase unemployment compensation benefits by approximately 18 percent per year.

This bill amends section 383-22, HRS, to increase the maximum weekly benefit amount an eligible individual may collect from seventy percent of the average weekly wage to eighty percent of the average weekly wage for benefits years beginning January 1, 2007. This permanent increase in the benefit amount will affect the balance of the unemployment trust fund.

In addition to the higher benefits amount, this bill also amends section 383-24, HRS, to increase the number of weeks that an eligible individual may obtain unemployment benefits from twenty-six weeks to thirty weeks. This section is effective for

claims filed on or after January 1, 2006.

This bill also amends section 383-23, HRS, to increase the amount of wages an employee may earn from \$50 to \$150 while collecting the full unemployment benefit amount.

As a consequence, the amount of taxes employers will pay in the future will permanently increase.

The bill's proponents failed to provide convincing data that these changes are merited given the current unemployment climate in Hawaii. Our State has benefitted from the lowest national unemployment rates. There is no demonstrable basis that indicates employees who are temporarily out of work need extended unemployment insurance benefits nor higher payments. The job climate is such that those out of work should be encouraged to seek new employment in a timely fashion. This bill would tend to discourage timely re-entry into the workforce.

This bill will increase the cost of doing business in Hawaii, perpetuating Hawaii's reputation as anti-business, which my administration has worked hard to reform. Had this bill provided for temporary tax relief for employers only, the cost of doing business would have been reduced and the trust fund would have remained healthy.

Finally, this bill amends section 383-30(2), Hawaii Revised Statutes, to disqualify individuals terminated from employment for willful or wanton misconduct connected with work, and defines "willful or wanton misconduct." Currently, section 383-30(2), HRS, disqualifies individuals who are discharged for misconduct connected with work.

As defined by this bill, "mere inefficiency, unsatisfactory conduct, poor performance, isolated instances, or good faith errors in judgment or discretion shall not constitute

STATEMENT OF OBJECTIONS
SENATE BILL NO. 2190
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willful or wanton misconduct." Given this language, a single act, no matter how egregious, would not constitute misconduct.

My administration believes it would be bad public policy to allow employees to collect unemployment insurance benefits who are terminated for acts that endanger the safety of others in the workplace as well as misconduct and failure to follow proper company rules.

For the foregoing reasons, I am returning Senate Bill No. 2190 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read "L. Lingle", is written over the printed name.

LINDA LINGLE
Governor of Hawaii