

Honolulu, Hawaii

March 24, 2006

RE: S.B. No. 2190
S.D. 1
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 2190, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO EMPLOYMENT SECURITY,"

begs leave to report as follows:

The purpose of this bill is to provide relief to employers by providing adjustments to the calculation of unemployment insurance contributions paid for by employers for a period of one year. Among other things, this measure also:

- (1) Increases the maximum potential benefits paid to an eligible individual in a benefit year to 30 times the individual's weekly benefit amount;
- (2) Increases the cap on the maximum weekly benefit amount to 80 percent of the individual's average weekly wage beginning in 2007 and to 90 percent in 2012;
- (3) Increases the threshold for deducting wages earned in a benefit week to \$150; and
- (4) Specifies that the exclusion from benefits to employees terminated for misconduct shall be based upon willful and wanton misconduct.



Hawaii State AFL-CIO, Hawaii State Teachers Association, and Star Protection Agency testified in support of this bill. The Department of Labor and Industrial Relations testified in support of this bill in part and opposition to this bill in part. The Associated Builders and Contractors Inc., Hawaii Chapter, supported the tax break provision of this measure. The Building Industry Association-Hawaii, The Hawaii Business League, National Federation of Independent Business-Hawaii, Bowen Hunsaker Hirai Certified Public Accountants, HSI Mechanical Inc., Society for Human Resource Managers-Hawaii Chapter, Outrigger Hotels, and The Chamber of Commerce of Hawaii opposed this bill. The Department of the Attorney General, ILWU Local 142, General Contractors Association of Hawaii, Retail Merchants of Hawaii, and a concerned individual submitted comments.

Currently, the unemployment trust fund contains approximately \$457 million. Your Committee notes that with a surging economy and one of the lowest unemployment rates in the nation, payment of unemployment claims has had a minimal impact upon the current balance of the unemployment trust fund. By lowering the maximum taxable wage base for contributions to the unemployment insurance fund, your Committee believes that businesses, especially small businesses, will receive tax relief that will allow further stimulation of the economy as these businesses use their cost savings for expanded growth without jeopardizing the stability of the fund.

However, your Committee understands the concerns raised regarding the additional unemployment benefits and that the reserves of the Unemployment Compensation Fund may be depleted should Hawaii face a serious and lengthy economic downturn such as was experienced during the first Gulf War in the early 1990s.

Additionally, your Committee finds that many children, particularly those working in family-owned businesses, continue to work in the employ of their parents after reaching the age of 21. Removing the maximum age restriction on the unemployment insurance contribution exemption for children who are employed by a parent will further assist these businesses.

Taking all these factors into consideration, your Committee has amended this measure by deleting its contents and replacing it with language that:

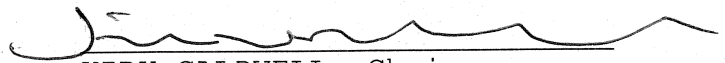


- (1) Removes the maximum age restriction on the unemployment insurance contribution exemption for children who are employed by a parent;
- (2) Lowers the maximum taxable wage base for contributions to the unemployment insurance fund to the federal minimum of \$7,000 for the 2006 and 2007 calendar years; and
- (3) Provides for an automatic repeal of the tax relief provided for in this bill should the economy take a significant downturn.

Technical, nonsubstantive amendments were also made for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2190, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2190, S.D. 1, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,


KIRK CALDWELL, Chair



