

STAND. COM. REP. NO. 310

Honolulu, Hawaii

Feb 12, 2007

RE: H.B. No. 1746

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 1746 entitled:

"A BILL FOR AN ACT RELATING TO VOLUNTARY EMPLOYEES'  
BENEFICIARY ASSOCIATION TRUSTS,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Extend the sunset date of the Voluntary Employees' Beneficiary Association (VEBA) Trust pilot program for a period of five years to allow for a complete and thorough analysis of the benefits and drawbacks of the program to determine whether the program should be continued; and
- (2) Require any employee organization that establishes a VEBA Trust to submit a report to the Legislature on the status of the VEBA Trust after two full years of implementation and annually thereafter.

The Hawaii State Teachers Association (HSTA), Hawaii State Teachers Association-Retired Oahu District, Hawaii State Teachers Association - Retired, and numerous individuals testified in support of this bill. The Attorney General opposed this measure. The Department of Budget and Finance did not support this bill. The Hawaii Government Employees Association Retirees Unit commented on this measure.

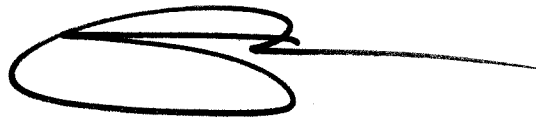


Escalating cost of medical coverage requires that alternate methods for the provision of health benefits to public employees be explored and analyzed. Act 245, Session Laws of Hawaii 2005 (Act 245) authorized the establishment of a pilot program for the establishment of VEBA trusts with the hopes that this would provide valuable insight to the viability of VEBA trusts as a cost-savings mechanism for the State. Difficulties faced by HSTA in starting up their VEBA Trust pilot program caused unforeseen delays in implementation of the program. Although Act 245 became effective on July 25, 2005, the program did not become effective until March 1, 2006. Your Committee finds that two years is insufficient time to complete a thorough cost benefit analysis of this program.

Your Committee understands the concerns raised by B&F and the Attorney General and finds that it may be prudent for an independent agency to conduct a study of whether VEBA Trusts are cost beneficial to the State in addition to the report covered under this Act. It is the intent of your Committee to request a resolution requiring such a study to be drafted for introduction.

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 H.B. No. 1746 and recommends that it pass Second Reading and be referred to the Committee on Finance.

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



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ALEX M. SONSON, Chair



# HSCR 310

State of Hawaii  
House of Representatives  
The Twenty-fourth Legislature

### Record of Votes of the Committee on Labor & Public Employment

<b>Bill/Resolution No.:</b> HB 1746		<b>Date:</b> 2-6-07		
<b>Committee Referral:</b> LAB,FTN		<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.		
<b>The recommendation is to:</b> <input checked="" type="checkbox"/> Pass, unamended <input type="checkbox"/> Hold		<input type="checkbox"/> Pass, with amendments <input type="checkbox"/> Pass, with amendments, for recommittal for further consideration		
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. SONSON, Alex M. (C)	✓			
2. NAKASONE, Bob (VC)	✓			
3. EVANS, Cindy	✓			
4. HAR, Sharon E.	✓			
5. LEE, Marilyn B.	✓			
6. LUKE, Sylvia	✓			
7. McKELVEY, Angus L.K.	✓			
8. NISHIMOTO, Scott Y.	✓			
9. SOUKI, Joseph M.	✓			
10. TAKAMINE, Dwight Y.	✓			
11. TAKUMI, Roy M.	✓			
12. MEYER, Colleen Rose				✓
13. PINE, Kymberly Marcos				✓
<b>TOTAL</b>	<b>11</b>			<b>2</b>
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
<b>Vice Chair's or designee's signature:</b> 				
<b>Distribution:</b> Original (White) – Committee Duplicate (Yellow) – Clerk's Office				