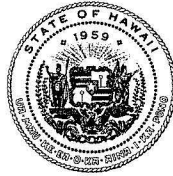


LINDA LINGLE
GOVERNOR



DARWIN L.D. CHING
DIRECTOR

COLLEEN Y. LaCLAIR
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.hawaii.gov/labor
Phone: (808) 586-8842 / Fax: (808) 586-9099
Email: dlir.director@hawaii.gov

February 11, 2008

To: The Honorable Kyle Yamashita, Chair
and Members of the House Committee on Economic Development and Business Concerns

Date: February 12, 2008
Time: 9:00 a.m.
Place: Conference Room 325, State Capitol

From: Darwin L.D. Ching, Director
Department of Labor and Industrial Relations

**Testimony in Support
of
H.B. 3163, H.D. 1 - Relating to the Special Fund for Disability Benefits**

I. OVERVIEW OF PROPOSED LEGISLATION

House Bill 3163, H.D. 1, is an Administration proposal which proposes to amend the purpose of the special fund to allow for the use of \$5 million from currently available funds for technology upgrades for the Department of Labor and Industrial Relations' ("Department") Disability Compensation Division ("DCD") for the Workers' Compensation, Prepaid Health, and Temporary Disability Insurance ("TDI") programs.

II. CURRENT LAW

Currently, the TDI Law limits the administration of the Special Fund for Disability Benefits exclusively for the purposes of Chapter 392, Hawaii Revised Statutes ("HRS").

Employers paid a one-time assessment in 1969 into the fund and the expenses average \$60,000 a year. The revenue to this account is mainly from interest payments which is around \$156,000 a year. There is currently an estimated \$8,600,000 in the Special Fund for Temporary Disability Insurance.

III. HOUSE BILL

The Department supports this bill for the following reasons:

1. The Department's DCD has developed an Information Technology ("IT") Master Plan in 2002, which is designed to continuously improve its service to the public by increasing the efficiency of the division's operations and by providing employers, carriers, employees, and doctors the ability to submit their required forms and reports over the Internet. The major projects that comprise the Master Plan and its estimated related costs include:
 - a. Electronic Data Interchange (EDI) for the Workers' Compensation ("WC") Forms: WC-1 (Report of Injury), WC-2 (Physician's Report), WC-3 (Carrier Report), WC-36 (Proof of Coverage), and Submission of Provider Reimbursement Project (\$1.5 million). Collectively, this project would allow the forms and reports to be electronically submitted to the DCD, thereby reducing the costs to file hard copy reports and to allow the division to efficiently process information in a paperless environment.
 - b. Disability Compensation Information System (DCIS) Application Mainframe Migration Project (\$2.5 million). This project will migrate the mainframe program to a more user-friendly, flexible, responsive, and scalable server environment. This project will greatly enhance the operational efficiency of the division by providing management with more meaningful information and management reports, as well as enabling the division's efforts to allow electronic filing and electronic storage of historical case records.
 - c. Electronic Historical Records Project (\$1.0 million). This project will store the division's historical records in a centralized electronic storage system. The project will decrease the DCD's and the Department of Accounting and General Services' physical storage requirements, and will allow records to be retrieved more quickly and will provide faster services to businesses and the general public.
2. This bill will not have an adverse impact upon the special fund and its ability to provide benefits to employees who need TDI coverage. Authorizing \$5,000,000 for the automation project would leave a sufficient balance to keep the fund operating without assessing another levy.