

Honolulu, Hawaii

Feb 2, 2010

RE: H.B. No. 2169
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2169 entitled:

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

begs leave to report as follows:

The purpose of this bill is to assist employers and employees by adjusting the unemployment insurance (UI) contribution rates for employers and the benefit amounts paid to employees from the UI trust fund while maintaining adequate reserves in the UI trust fund. Specifically, this bill:

- (1) Sets, for calendar year 2010, the employer contribution rate at schedule D and the wage base at 90 percent of the average annual wage;
- (2) Sets, for calendar year 2011, the employer contribution rate at schedule G; and
- (3) Makes permanent the provision that sets the maximum weekly benefit rate at 75 percent of the average weekly wage, beginning January 1, 2011.

This measure further authorizes special assessments to be made upon employers to pay the interest costs on loans received from the U.S. Secretary of Labor to pay expected UI benefit claims.



The Hawaii Building and Construction Trades Council, AFL-CIO, and Hawaii Dental Association testified in support of this bill. The Department of Labor and Industrial Relations (DLIR), Hawaii Government Employees Association, Hawaii State AFL-CIO, ProService Hawaii HR Administration, United Public Workers, and Hawaii Credit Union League supported the intent of this measure. The Kauai Chamber of Commerce; Hawaii Alliance of Nonprofit Organizations; Syngenta Hawaii; Japanese Chamber of Commerce and Industry of Hawaii; Hong Kong-China-Hawaii Chamber of Commerce; City Mill Company, Ltd.; Monsanto in Hawaii; StarrEd, LLC; Manga Heart, LLC; The Right Slice, Kaua'i Fresh Pies; Norpac Fisheries Export; HPM Building Supply; Hilo Rite Care Center; Steiner & Associates; Smith's Motor Boat Service, Inc.; Valenti Print Group; Kauai Publishing Company; Grand Hyatt Kauai Resort and Spa; Contract Furnishers of Hawaii, Inc.; Securitas Security Services, USA, Inc.; Hawaiian Telcom; Orchid Isle Auto Center; Tropical Dreams Ice Cream; Midpac Auto Center, Inc.; Guava Express, Inc.; Ryusaki General Repair, Inc.; ITO EN (USA), Inc.; Professional Contractors, Inc.; Aloha Laser Vision; Maui Family Support Services, Inc.; J. Walter Cameron Center; HSC, Inc.; Just In Time Foods Windward, Inc., dba McDonald's of Temple Valley; Hamakua Health Center, Inc.; PuroClean Emergency Restoration Services on Maui; Wine The Experience; Xcel International, Inc.; Senior Options, LLC; Mental Health Association in Hawaii, Maui County Branch; Kauai County Farm Bureau; Horizon Financial, LLC; Pacific Panel Cleaners; Pacific Oasis, Inc, dba Spices Restaurant at the Maui Coast Hotel; Popeyes Chicken and Biscuits; and two individuals supported this bill with amendments. Nori's Saimin & Snacks, Inc., opposed this measure. The Chamber of Commerce of Hawaii; ILWU Local 142; Building Industry Association of Hawaii; Retail Merchants of Hawaii; National Federation of Independent Business; Hawaii Hotel & Lodging Association; Hawaii Crop Investment Association; Honolulu Japanese Chamber of Commerce; Hawaii Island Chamber of Commerce; thelimtiacocompany Communication Consultants; Hawaiian Airlines; RPMS Auto Body & Painting, Inc.; Aiona Car Sales; Kona Metro Parking & Watchman Services, Inc.; Blue Dragon Restaurant; Noho'ana Solar Technologies, Inc.; Kona-Kohala Chamber of Commerce; Hilo Propane Inc.; Grand Wailea; C&T Restaurants, LLC; Dolphin Journeys, LLC; Big Island Jewelers, Ltd.; Pacific Boats & Yachts, LLC; Ocean Sports Waikoloa; Recycling & Cryogenic Technologies, LLC; Trudy's Island Arts; Jackie Rey's Ohana Grill; Cyanotech Corporation; Kailua Bay Charter Company, Inc.; Bolton Inc.; Hinchcliff Drywall Construction & Supply, Inc.; Outrigger Hotels and Resorts; Jack's Diving Locker; Big Island Motorcycle Company; Singha Thai Cuisine; Chai's Island Bistro; Two Skinny Chefs; Kailua Chamber of



Commerce; Maui Chamber of Commerce; Highway Inn; Today's Little People, Inc.; Big City Diner; Communication Center of Hawaii; Engineering Partners, Inc.; Loomis-ISC; Valley Isle Pumping, Inc.; and several concerned individuals provided comments.

In 2007, due to low unemployment rates in Hawaii and a large amount of reserves in the UI trust fund, the Legislature passed Act 110, which reduced rates employers paid into the fund. Given that at the time the UI trust fund had approximately \$500 million in reserves, providing employers with some relief from UI contributions appeared to be a prudent move. However, Act 110 also contained provisions that would trigger the old contribution rates if the reserves in the UI trust fund became inadequate.

Since that time, Hawaii, as well as the rest of the nation, has experienced what is being called "The Great Recession" which has resulted in numerous business closures and massive layoffs causing unemployment rates to skyrocket. Prior to the current recession, Hawaii experienced unemployment rates in the neighborhood of two percent. Presently, Hawaii is experiencing unemployment rates of around seven percent, a five percentage point increase. This increased unemployment has strained the UI trust fund to the point where, according to DLIR, the fund will have a zero balance by October or November of this year.

The rapidly decreasing amount of the UI trust fund initiated the trigger established in Act 110, and will cause the UI contribution rates to increase, which for many businesses will be substantial. On average, the UI contribution rate will increase from \$90 per employee per year to almost \$1070 per employee per year which will be difficult for businesses to bear and may have an enormous impact on the overall economic recovery of the state.

Although your Committee understands the concerns raised about the future adequacy of the UI trust fund and the potential need for financial support for workers who may be affected by continually lagging economic conditions, striking a balance that provides necessary relief for employers from dramatic increases in UI contribution rates against the need to maintain an adequate level of trust fund reserves is one way to work toward improving Hawaii's economy. This measure attempts to do just that.

Further, your Committee notes that current UI contribution rate calculations are performed on an annual basis. Performing these calculations semi-annually rather than annually may help to mitigate these drastic types of rate increases in the future.



Your Committee has amended this bill by:

- (1) Requiring that the UI contribution rate schedules be determined semi-annually rather than annually beginning in 2012;
- (2) Inserting definitions for "adequate reserve fund", "remuneration", and "semi-annual payroll" and deleting the definition of "annual payroll" to reflect the new semi-annual determination of the rate schedules;
- (3) Establishing for recalculation of the adequate reserve fund using a ratio of one and one-quarter rather than one and one-half beginning in 2011; and
- (4) Making technical, nonsubstantive amendments 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 H.B. No. 2169, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2169, H.D. 1, and be referred to the Committee on Finance.

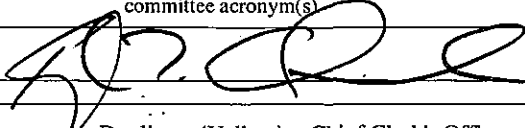
Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,



KARL RHOADS, Chair



Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: HB 2169	Committee Referral: LAB, FIN	Date: 1-26-10		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. RHOADS, Karl (C)	/			
2. YAMASHITA, Kyle T. (VC)	/			
3. AQUINO, Henry J.C.	/			
4. AWANA, Karen Leinani	/			
5. HANOHANO, Faye P.	/			
6. KEITH-AGARAN, Gilbert S.C.	/			
7. LEE, Marilyn B.	/			
8. NAKASHIMA, Mark M.	/			
9. SAIKI, Scott K.	/			
10. SOUKI, Joseph M.	/			
11. TAKUMI, Roy M.	/			
12. PINE, Kymberly Marcos		/		
TOTAL (12)	11	1		
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. _____ committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				