

Honolulu, Hawaii

March 12, 2010

RE: S.B. No. 1062
S.D. 1

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

Sir:

Your Committees on Labor & Public Employment and Economic Revitalization, Business, & Military Affairs, to which was referred S.B. No. 1062, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PROFESSIONAL EMPLOYER ORGANIZATIONS,"

beg leave to report as follows:

The purpose of this bill is to regulate Professional Employer Organizations (PEOs) in Hawaii as business organizations by requiring PEOs, before entering into any agreement with a client company in Hawaii to:

- (1) Register with the Insurance Commissioner and provide information including proof of compliance with Hawaii's employment insurance laws; and
- (2) Post a \$1,000,000 bond to indemnify the PEO's client companies.

ALTRES, Inc. and the National Association of Professional Employer Organizations testified in support of this bill. ProService Hawaii and a concerned individual supported the intent of this measure. The Department of Commerce and Consumer Affairs provided comments.

PEOs provide a valuable service to many employers by acting as the human resources and administrative offices of these



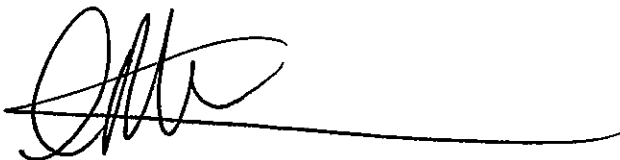
employers and offer services such as payroll preparation, supplying temporary staffing, and providing workers' compensation, health insurance, and enhanced lifestyle benefits. The use of these organizations continues to grow, with over 2,000 Hawaii businesses, encompassing over 20,000 employees, using PEOs to provide various services to their employees.

Although PEOs are currently regulated, certified, or required to be registered in approximately 39 states, Hawaii has no such requirements. Due to the amount of responsibility and finances placed in the hands of PEOs and the negative effects the failure of unscrupulous PEOs would have on local businesses and their employees, your Committees find that these organizations should be regulated.

Recognizing the concern raised that a PEO should also obtain a tax clearance from the Department of Taxation to be registered in Hawaii, your Committees request that this issue be discussed further as the measure makes its way through the legislative process.

As affirmed by the records of votes of the members of your Committees on Labor & Public Employment and Economic Revitalization, Business, & Military Affairs that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1062, S.D. 1, and recommend that it pass Second Reading and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committees on Labor & Public
Employment and Economic
Revitalization, Business, &
Military Affairs,



ANGUS L.K. MCKELVEY, Chair

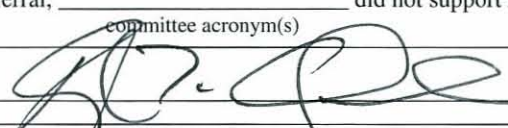


KARL RHOADS, Chair



State of Hawaii
House of Representatives
The Twenty-fifth Legislature

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: SB1062, SD1	Committee Referral: LAB/EBM, CPC, FIN	Date: 3-9-10		
<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 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)	10	-	-	2
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				

