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

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February 5, 2010

To: The Honorable Karl Rhoads, Chair
and Members of the House Committee on Labor and Public Employment

Date: Friday, February 5, 2010
Time: 9:30 a.m.
Place: Conference Room 309, State Capitol

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

Testimony in OPPOSITION
to
H.B. 2711 – Relating to Employment Security

The Department opposes this bill because it seeks to appropriate Reed Act funds from the Unemployment Insurance Trust Fund at a time when the fund is strained by high unemployment benefit payouts. It would not be fiscally prudent to make any additional withdrawals from the UI trust fund at this time as any expenditure from the fund not used to pay benefits would further jeopardize the solvency of the fund.

Reed Act funds were derived from excess FUTA tax collections paid by employers. The Department believes the Reed Act served as a vehicle to indirectly return these excess funds to employers. Because the UI trust fund is funded solely by employers, the Department believes these Reed Act funds should be used to bolster the UI trust fund balance and pay UI benefits as any monies removed from the fund will have to be paid back by employers.