

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
HOUSE BILL NO. 2936

February 9, 2010

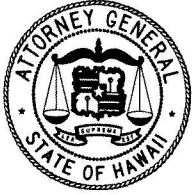
MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS

House Bill No. 2936 provides for the employer to pay 60% of the Hawaii Employer-Union Trust Fund premiums for the employees in collective bargaining unit 10 for Fiscal Years 2009-2010 and 2010-2011. Appropriations are provided, but the amounts are blank.

We have the following concerns with this measure: 1) the measure does not comply with Section 87A-32, Hawaii Revised Statutes, which requires the monthly contributions be a specified dollar amount; 2) the measure does not specify who will pay the administrative fees; and 3) the current fiscal situation of the State does not allow for funding of this measure.

If the State continues to pay 100% of administrative fees, it is estimated this proposal will cost \$1.6 million in Fiscal Year 2009-2010 and \$1.6 million in FY 2010-2011 for unit 10. Extending the provisions of this measure to all State employees would cost an estimated \$26.3 million in Fiscal Year 2009-2010 and \$26.3 million in Fiscal Year 2010-2011.

The State has proposed continuing the pay contributions of the same dollar amount as Fiscal Year 2008-2009. This proposal is reflected in Senate Bill No. 2694 and House Bill No. 2541.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
TWENTY-FIFTH LEGISLATURE, 2010**

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**ON THE FOLLOWING MEASURE:**

H.B. NO. 2936, RELATING TO MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS.

**BEFORE THE:**

HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

**DATE:** Tuesday, February 09, 2010 **TIME:** 9:30 a.m.

**LOCATION:** State Capitol, Room 309

**TESTIFIER(S):** Mark J. Bennett, Attorney General, or  
James E. Halvorson, Deputy Attorney General, or  
Maria C. Cook, Deputy Attorney General

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Chair Rhoads and Members of the Committee:

The Department of the Attorney General opposes this bill because it is contrary to section 87A-32, Hawaii Revised Statutes (HRS).

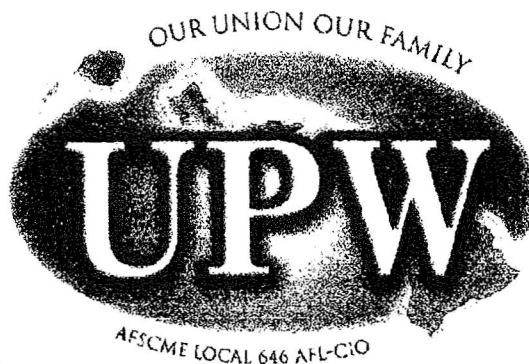
The purpose of this bill is to require the employer to contribute to the Employer-Union Health Benefits Trust Fund (EUTF) sixty percent of the health premiums for the employees in collective bargaining unit (10) for fiscal biennium 2009-2011.

The bill is contrary to the language of section 87A-32(a)(1), HRS, which specifically mandates that the monthly contribution specified in the collective bargaining agreement "shall be a specified dollar amount," and not a percentage amount. On the other hand, we support H.B. No. 2541, which is an administration bill on the same subject. Unlike this bill, H.B. No. 2541 is consistent with the language of section 87A-32(a)(1) because the appropriation is for a specified dollar amount.

Further, the effective date of the bill is problematic. The bill takes effect on July 1, 2010. However, the bill seeks appropriation not only for fiscal year 2010-2011, but also for

fiscal year 2009-2010. Section 7 of the bill states that funds appropriated that are not expended or encumbered by June 30, 2010, and June 30, 2011, of the respective fiscal years, shall lapse as of those dates. Thus, the fiscal year 2009-2010 appropriation will lapse on June 30, 2010, before the bill takes effect.

We respectfully ask the Committee to hold this bill.



LATE

House of Representatives  
The Twenty-Fifth Legislature  
Regular Session of 2010

Committee on Labor & Public Employment

Rep. Karl Rhoads, Chair  
Rep. Kyle Yamashita, Vice Chair

DATE: Tuesday, February 9, 2010  
TIME: 9:30 am  
PLACE: Conference Room 309

**TESTIMONY OF THE UNITED PUBLIC WORKERS, LOCAL 646, ON HB 2936,  
MAKING APPROPRIATIONS FOR COLLECTIVE BARGAINING COST ITEMS**

My name is Dayton M. Nakanelua, state director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW represents approximately 2,961 institutional, health, and correctional workers in bargaining unit 10 under chapter 89. We are in favor of the intent and purpose of this measure which appropriates funds to pay sixty percent (60%) of the final premium rates established by the Hawaii employer union health benefits trust fund (EUTF) for health benefit plans for bargaining unit 10 employees from July 1, 2009 to June 30, 2011.

As you know, on January 14, 2010 an arbitration panel rendered a decision and award for a reduction of wages of 5.45% for state employees, and furloughs for employees of the Hawaii Health Systems Corporation. The union and the employer have been unable, within 10 working days of the award, to resolve the amount of contributions by the State and counties. Section 89-11 (g), Hawaii Revised Statutes (HRS), requires the union and employer to submit their respective recommendations to the legislature for a final determination on the amounts within five days. On February 1, 2010 we submitted our recommendation to the legislature.

Our recommendation is consistent with the intent and purpose of these measures which essentially renew the prior unit 10 agreement as set forth in Section 62 for the next two years by payment of a specific dollar amount equivalent to sixty percent (60%) of the final premium rates for health benefit plans. Since the mid-1970's the State and counties have consistently paid 60% of the premium costs of providing health fund coverage and benefits. Following the formation of the EUTF in 1985 under chapter 87A public employers have continued to pay not less than 60% of premium costs, while employees have paid 40% of premium costs.

**HEADQUARTERS** - 1426 North School Street ♦ Honolulu, Hawaii 96817-1974 ♦ Phone: (808) 847-2631  
**HAWAII** - 362 East Lanikaula Street ♦ Hilo, Hawaii 96720-4336 ♦ Phone: (808) 961-3424  
**KAUAI** - 4211 Rice Street ♦ Lihue, Hawaii 96766-1325 ♦ Phone: (808) 245-2412  
**MAUI** - 841 Kolu Street ♦ Wailuku, Hawaii 96793-1436 ♦ Phone: (808) 244-0815  
1-866-454-4166 (Toll Free, Molokai/Lanai only)

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As a general rule the proportion of health benefit costs assumed by the public sector is the highest in Hawaii. Employees of organized hospitals do not pay more than 10% for health benefit coverage at Queens Medical Center, 10% at Kaiser Permanente Hospital, or 16% at Straub Clinic and Hospital.<sup>1</sup> Employees in the construction industry who are unionized pay no amount for health benefit contributions, their employers pay 100% of the premium cost for health benefits. Employees working for unionized utilities pay at the most 10% of their health benefits and care. Employees of hotels in the state who are represented by ILWU do not pay more than 25% of the health benefit contribution amounts.

Any change in the employer-employee ratio for health care benefits is significant because medical benefit premium increases nationally have been running between 9.5% to 12% annually. On July 1, 2009 the health benefit premiums for unit 10 employees increased by double digits. Although the contribution amounts per month increased for both employer and employee the counties agreed to continue the 60% (employer) 40% (employee) ratio on the entire premium cost, on and after July 1, 2009. For county employees the overall increase still represented a 24% increase in employee costs, effective July 1, 2009. The State unilaterally refused to maintain the 60-40 ratio and insisted that employees pay the entire amount of the increase in premiums on and after July 1, 2009. The net effect of the State's action was to reduce their share of the overall premium costs from 60% to between 42% to 51.3% depending on the medical plan involved, thereby increasing the employee portion from 40% of premium cost to up to as much as 58%. The State's action caused the monthly cost for health benefits for State employees to increase by 60.4% to 62.2%. Uniformity between State and county contribution amounts is vital to employee morale, particularly where there have been cuts in wages.

Accordingly, we urge your favorable action on this measure.

<sup>1</sup> We refer to health care facilities because 1,050 of the 2,961 employees in bargaining unit 10 are employed by the Hawaii Health Systems Corporation.