



LINDA LINGLE  
GOVERNOR

MARIE C LADERTA  
CHIEF NEGOTIATOR

STATE OF HAWAII  
OFFICE OF COLLECTIVE BARGAINING  
EXECUTIVE OFFICE OF THE GOVERNOR  
235 S. BERETANIA STREET, SUITE 1201  
HONOLULU, HAWAII 96813

February 24, 2010

TESTIMONY to the  
HOUSE COMMITTEE ON FINANCE  
For Hearing on Thursday, February 25, 2010  
11:00 a.m., Conference Room 308

By

MARIE C. LADERTA  
CHIEF NEGOTIATOR

**House Bill No. 2937, H.D. 1  
Relating to Collective Bargaining**

**WRITTEN TESTIMONY ONLY**

CHAIRPERSON OSHIRO AND MEMBERS OF THE COMMITTEE:

While H.B. No. 2937, H.D. 1, reiterates the current law that EUTF contributions are a topic of negotiation in collective bargaining, it amends the statute to allow the arbitration panel to render a final and binding decision on contributions to the EUTF.

The Office of Collective Bargaining is **strongly opposed** to the proposed amendments to Chapter 89, HRS, which flies in the face of having to collectively bargain EUTF contributions.

First, this bill irresponsibly leaves the arbitration panel, headed by a relatively uninformed neutral arbitrator, as the ultimate and final arbiter of one of the primary cost items in collective bargaining—the public employers' contribution amount to the EUTF and VEBA. Unless the factors which arbitrators must consider in rendering their awards are amended, as proposed in HB2570, the arbitration panel is not required to consider the public employers' legal obligation under applicable laws to balance their respective

budgets by keeping expenditures below projected revenues. For the State Executive Branch, this obligation is found in Article VII of the State Constitution and Chapter 37, HRS. The arbitration panel is also not required to consider the impact of its putative award on the employer's ability to fund the EUTF, VEBA, and other cost items of other bargaining units. As presently constituted, this bill will virtually assure that different bargaining units will receive disproportionately favorable or unfavorable EUTF and VEBA contribution rates in comparison to other units.

Second, this bill essentially allows the Legislature to abdicate its responsibility to the ultimate employers—the taxpayers of Hawaii—to help control labor costs by establishing a fiscally-responsible EUTF/VEBA contribution amount if the parties are unable to agree to same. While the Legislature must still appropriate funds for any arbitrated award under Section 89-11(g), HRS, this is an ineffective and inefficient fiscal safeguard with respect to the EUTF/VEBA contribution because the statute only allows the Legislature to reject the cost items in their entirety and send the parties back to the bargaining table.

Thank you for the opportunity to testify in strong opposition to this measure.

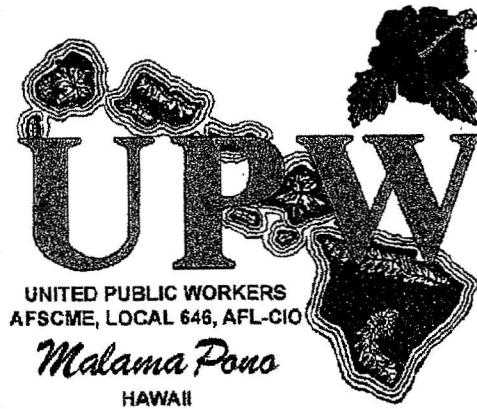
TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 2937, H.D. 1

February 25, 2010

RELATING TO COLLECTIVE BARGAINING

The purpose of House Bill No. 2937, H.D. 1, is to allow the parties to submit recommendations for the Hawaii Employer-Union Health Benefits Trust Fund contribution amounts to the arbitration panel for bargaining units subject to arbitration and to specify that arbitration panels have authority to render a final and binding decision with respect to the amounts of contributions by the State and counties to the Hawaii Employer-Union Health Benefits Trust Fund.

We oppose this bill. Removing the Legislature's ability to establish contribution rates for arbitrated units unable to reach an agreement with the employer and allowing an arbitrator to make such determinations takes away a valuable health benefit cost control tool.



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

Committee on Finance  
Rep. Marcus Oshiro, Chair  
Rep. Marilyn Lee, Vice Chair

DATE: Thursday, February 25, 2010  
TIME: 12:30 p.m.  
PLACE: Conference Room 308

**TESTIMONY OF THE UNITED PUBLIC WORKERS, LOCAL 646, ON HB 2937,  
HD1, RELATING TO COLLECTIVE BARGAINING**

HB 2937, HD1 clarifies that EUTF contributions are a subject of negotiation in collective bargaining and stipulates that the arbitration panel shall render a final and binding decision on contributions to the EUTF.

**The United Public Workers supports this measure. However our preference is for the original bill that includes the negotiation of health plan benefits as part of the collective bargaining process.**

Under current law, health plan benefits are excluded from negotiations. As insurance premiums continue to rise, (national increases have been running between 9.5% to 12% annually), health care is becoming less affordable especially for our blue collar government workers and their families. Health benefits are part of an employee's compensation and it is not unreasonable for this item to be negotiated.

This measure works in tandem with a larger effort (SB 2849) to reform the current EUTF. We ask for your committee's favorable passage of this bill.



## HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

**RANDY PERREIRA**  
*Executive Director*  
Tel: 808.543.0011  
Fax: 808.528.0922

**NORA A. NOMURA**  
*Deputy Executive Director*  
Tel: 808.543.0003  
Fax: 808.528.0922

**DEREK M. MIZUNO**  
*Deputy Executive Director*  
Tel: 808.543.0055  
Fax: 808.523.6879

The Twenty-Fifth Legislature, State of Hawaii  
Hawaii State House of Representatives  
Committee on Finance

Testimony by  
Hawaii Government Employees Association  
February 25, 2010

H.B. 2937, H.D. 1 – RELATING  
TO COLLECTIVE BARGAINING

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 2937, H.D. 1, which will permit Employer Union Health Benefits Trust Fund (EUTF) contributions to be presented to the arbitration panel if the parties cannot reach agreement. Currently, EUTF contributions cannot be decided upon by the arbitration panel.

While H.B. 2937, H.D. 1 represents a meaningful change to Chapter 89, HRS, we prefer H.B. 2937 in its original form. It permitted unions to negotiate not only the EUTF contributions, but also the benefits provided through the health plans. This bill is part of a larger effort to reform the EUTF by changing the composition of the board and imposing stricter requirements on board members to fulfill their fiduciary responsibilities.

We believe that benefits are an integral part of employee compensation and should be negotiated between unions and employers as in the private sector. Other reform efforts through negotiation must include effective mechanisms for controlling costs, requiring information on provider performance and enhancing efficiency.

As presently organized, the EUTF is not providing affordable health care to public employees. Premiums are unaffordable for employees who need family coverage and those who are at lower pay range. By negotiating both premiums and benefits, unions can identify benefit features that may be reduced or restructured without eliminating key coverage areas. Another objective of negotiating benefits is to promote preventive care while discouraging features that are not needed.

Through negotiations, there will be greater incentives to implement wellness programs, which can help hold plan costs down over the long term. Specific diseases with the greatest potential to reduce plan costs should be targeted by helping employees to stay on appropriate therapies to avoid future complications and increased premiums.

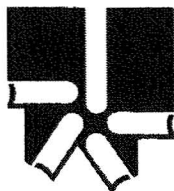
Hawaii State House of Representatives - Committee on Finance  
Re: H.B. 2937, H.D 1 – Relating to Collective Bargaining  
February 25, 2010  
Page 2

Thank you for the opportunity to testify in support of H.B. 2937, H.D. 1 with amendment back to its original form.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Nora A. Nomura", with a long horizontal flourish extending to the right.

Nora A. Nomura  
Deputy Executive Director



House Committee on Finance  
Thursday, February 25, 2010  
11:00 a.m.

**HB 2937, HD1, Relating to Collective Bargaining**

Dear Chairman Oshiro and Committee Members:

The University of Hawaii Professional Assembly does not support HB 2937, HD1 as fundamentally undermining the original intent and purpose of the proposed legislation.

UHPA has strenuously advocated for the ability to fully negotiate fringe benefits to best advance the interests of the employee and employer to provide a balanced approach to total compensation. Health care negotiations allow for obtaining Federal tax advantages for employees while ensuring that the parties to a contract can nimbly address rate and benefit challenges as they arise.

HB 2937, HD1 fails to recognize the extent to which the current EUTF system has failed both employees and employers. Limiting bargaining to only employer contributions while asserting that broader rights "may bog down" negotiations, and become "cumbersome and difficult" is without basis of fact. The narrow scope of bargaining indicates support for a health benefit system that no longer addresses public employee needs. UHPA rejects the implication that unions and employers lack the knowledge and skill to address complex issues such as health care benefits and total compensation.

HB2937, HD1 has too narrowly defined health care as a subject of bargaining. It also fails to recognize that such matters should be subject to impasse. While granting submission of contribution levels to binding arbitration for some unions, it fails to recognize the impasse process afforded other unions.

This legislation is deeply flawed and UHPA respectfully requests that your committee return to the original proposal on benefit negotiations while appropriately recognizing impasse procedures and submission to binding arbitration of these matters.

Respectfully submitted,

Kristeen Hanselman  
Associate Executive Director

**UNIVERSITY OF HAWAII  
PROFESSIONAL ASSEMBLY**

1017 Palm Drive · Honolulu, Hawaii 96814-1928  
Telephone: (808) 593-2157 · Facsimile: (808) 593-2160  
Web Page: <http://www.uhpa.org>