

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

---

**ON THE FOLLOWING MEASURE:**

S.B. NO. 2393, S.D. 2, MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS.

**BEFORE THE:**

HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

**DATE:** Friday, March 12, 2010                      **TIME:** 10:00 a.m.

**LOCATION:** State Capitol, Room 309

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

---

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), and the agreement between the HGEA and the State of Hawaii.

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 units (2), (3), (4), (6), (8), (9), and (13) for fiscal biennium 2009-2011.

The bill has two legal problems. First, requiring the employer to pay sixty percent of the health premiums is contrary to the language of section 87A-32(a)(1), HRS. Section 87A-32(a)(1), HRS, specifically mandates that the monthly contribution specified in the collective bargaining agreement "shall be a specified dollar amount," and not a percentage amount. If this bill is passed, it should be amended to reflect a specific dollar amount in order to comply with the statute. In the alternative, the bill should be amended to state that the Employer shall pay a "specific dollar amount" equivalent to a

certain percentage of the premium rate for the specified plan years.

Second, the effective date and time period covered (fiscal year 2009-2010), are contrary to the agreement entered into between the employer and the union. For plan year 2009-2010, it was agreed through a letter of understanding between the HGEA and the employer that the employer shall continue to pay the same dollar amount indicated for plan year 2008-2009 (effective July 1, 2008 - June 30, 2009), as contained in the 2007-2009 HGEA collective bargaining agreement. (See Attachment A). The parties agreed that for plan year 2010-2011 only, the parties shall request the legislature to decide the amount of contributions. Id.

**LETTER OF UNDERSTANDING**

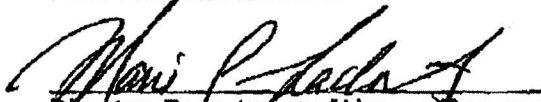
This Letter of Understanding is entered into this 14<sup>th</sup> day of October, 2009, by and between the Hawaii Government Employees Association, hereinafter called the Union, and the State of Hawai'i, the City and County of Honolulu, the County of Hawai'i, the County of Maui, the County of Kaua'i, the Hawai'i Health Systems Corporation, and the Judiciary, hereinafter called the Employer.

The purpose of this letter is to establish the terms and conditions of Employer contributions to the Hawaii Employer-Union Health Benefits Trust (EUTF) for the contract period July 1, 2009 – June 30, 2011. The following constitutes the understanding between the Union and the Employer:

1. For the plan year 2009-2010, the Employer shall continue to pay the same dollar amount indicated for plan year 2008-2009, (effective July 1, 2008 – June 30, 2009) as contained in the 2007-09 HGEA Collective Bargaining Agreements.
2. For the plan year 2010-2011, the parties shall submit their respective recommendations for such contributions to the 2010 Legislature. The legislature shall be requested to decide the amount of contributions and the parties shall abide by their determination.

This Letter of Understanding constitutes the full agreement between the Union and the Employer and may not be modified without the mutual consent of both parties.


FOR THE EMPLOYER:

  
\_\_\_\_\_  
Director, Department of Human Resources  
Development and  
Chief Negotiator, Office of Collective  
Bargaining  
For the State of Hawaii

FOR THE UNION:

  
\_\_\_\_\_  
Executive Director  
Hawaii Government Employees  
Association

APPROVAL AS TO FORM:

  
\_\_\_\_\_  
Deputy Attorney General

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
SENATE BILL NO. 2393, S.D. 2

March 12, 2010

MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS

Senate Bill No. 2393, S.D. 2, provides for the employer to pay 60% of the Hawaii Employer-Union Trust Fund (EUTF) premiums, except for \$4.16 for 100% of the premiums and administrative fees for group life insurance for the employees in collective bargaining units 2, 3, 4, 6, 8, 9, and 13 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; 3) the State and the Hawaii Government Employees Association already reached an agreement to maintain the same dollar amount as Fiscal Year 2008-2009 for Fiscal Year 2009-2010; and 4) the current fiscal situation of the State cannot sustain funding of this measure.

If the State continues to pay 100% of administrative fees, it is estimated this proposal will cost \$11.1 million in Fiscal Year 2009-2010 and \$11.1 million in Fiscal Year 2010-2011 (without any rate increases for Fiscal Year 2010-2011) for the specified units. Extending the provisions of this measure to all State employees (this extension would

be automatic for bargaining unit 7, due to contract provisions) would cost an estimated \$25.3 million in Fiscal Year 2009-2010 and \$25.3 million in Fiscal Year 2010-2011 (without any rate increases for Fiscal Year 2010-2011).

The State's position has been to continue to pay contributions of the same dollar amount as Fiscal Year 2008-2009. A letter reflecting this position, including current contribution amounts, has been submitted to President Hanabusa. Currently, the State is paying between 44% (HMSA HMO) and 65% (HMSA HDHP) (see attached) of the medical plan costs. The State pays approximately 50% of the cost of a bundle of the most popular medical, drug, vision, dental, and life benefits.

Attachment

**EUTF Employer Share FY 10 Final - Based on FY 09 Employer Contribution Amounts - Unbundled Drug All Except Units 7, 11, and 12**

Benefit Plan		Total			Employer			Employer Total Odd Cent Adj.	% Prem Employer	% Total Employer	Employee	% Total Employee	% Total Employee
		Premium	Admin	Total	Premium	Admin Fee	Total Employer						
<b><u>EUTF HMA PPO (90/10)</u></b> (Medical/Chiro)	Self	281.22	2.14	283.36	134.65	2.14	136.79	136.80	47.9%	48.3%	146.56	52.1%	51.7%
	2-Party	683.21	4.49	687.70	327.11	4.49	331.60	331.60	47.9%	48.2%	356.10	52.1%	51.8%
	Family	870.48	6.56	877.04	416.80	6.56	423.36	423.36	47.9%	48.3%	453.68	52.1%	51.7%
<b><u>EUTF HMSA PPO (80/20)</u></b> (Medical/Chiro)	Self	272.02	2.14	274.16	134.65	2.14	136.79	136.80	49.5%	49.9%	137.36	50.5%	50.1%
	2-Party	660.84	4.50	665.34	327.11	4.50	331.60	331.60	49.5%	49.8%	333.74	50.5%	50.2%
	Family	841.96	6.56	848.52	416.80	6.56	423.36	423.36	49.5%	49.9%	425.16	50.5%	50.1%
<b><u>Kaiser HMO Comprehensive</u></b> (Medical/Drug/Chiro)	Self	309.19	2.75	311.94	166.47	2.75	169.22	169.22	53.8%	54.2%	142.72	46.2%	45.8%
	2-Party	750.67	5.77	756.44	404.43	5.77	410.21	410.20	53.9%	54.2%	346.24	46.1%	45.8%
	Family	957.00	8.44	965.44	515.29	8.44	523.72	523.72	53.8%	54.2%	441.72	46.2%	45.8%
<b><u>Kaiser HMO Basic</u></b> (Medical/Drug/Chiro)	Self	273.51	2.75	276.26	166.47	2.75	169.22	169.22	60.9%	61.3%	107.04	39.1%	38.7%
	2-Party	664.03	5.77	669.80	404.43	5.77	410.21	410.20	60.9%	61.2%	259.60	39.1%	38.8%
	Family	846.48	8.44	854.92	515.29	8.44	523.72	523.72	60.9%	61.3%	331.20	39.1%	38.7%
<b><u>EUTF HMSA HMO</u></b> (Medical/Drug/Chiro)	Self	381.57	2.75	384.32	166.47	2.75	169.22	169.22	43.6%	44.0%	215.10	56.4%	56.0%
	2-Party	927.06	5.78	932.84	404.43	5.78	410.21	410.20	43.6%	44.0%	522.64	56.4%	56.0%
	Family	1,181.47	8.43	1,189.90	515.29	8.43	523.72	523.72	43.6%	44.0%	666.18	56.4%	56.0%
<b><u>EUTF HMSA HDHP</u></b> (Medical/Drug)	Self	257.57	2.75	260.32	166.47	2.75	169.22	169.22	64.6%	65.0%	91.10	35.4%	35.0%
	2-Party	626.79	5.77	632.56	404.43	5.77	410.21	410.20	64.5%	64.8%	222.36	35.5%	35.2%
	Family	798.99	8.43	807.42	515.29	8.43	523.72	523.72	64.5%	64.9%	283.70	35.5%	35.1%
<b><u>Royal Supplemental</u></b> (Medical/Drug/Chiro)	Self	53.87	2.75	56.62	32.32	2.75	35.07	35.06	60.0%	61.9%	21.56	40.0%	38.1%
	2-Party	133.97	5.77	139.74	80.38	5.77	86.15	86.14	60.0%	61.6%	53.60	40.0%	38.4%
	Family	148.96	8.44	157.40	89.38	8.44	97.82	97.82	60.0%	62.1%	59.58	40.0%	37.9%
<b><u>EUTF HMSA Supplemental</u></b> (Medical/Drug/Chiro)	Self	200.26	2.74	203.00	98.55	2.75	101.30	101.30	49.2%	49.9%	101.70	50.8%	50.1%
	2-Party	487.03	5.77	492.80	239.62	5.77	245.39	245.38	49.2%	49.8%	247.42	50.8%	50.2%
	Family	620.14	8.42	628.56	305.05	8.43	313.48	313.48	49.2%	49.9%	315.08	50.8%	50.1%
<b><u>EUTF NMHC Drug Only</u></b>	Self	63.25	0.61	63.86	31.82	0.61	32.43	32.42	50.3%	50.8%	31.44	49.7%	49.2%
	2-Party	153.77	1.29	155.06	77.32	1.29	78.61	78.60	50.3%	50.7%	76.46	49.7%	49.3%
	Family	196.09	1.87	197.96	98.49	1.87	100.36	100.36	50.2%	50.7%	97.60	49.8%	49.3%
<b><u>HDS Dental <sup>2</sup></u></b>	Self	30.48	0.30	30.78	16.76	0.30	17.06	17.06	55.0%	55.4%	13.72	45.0%	44.6%
	2-Party	60.92	0.66	61.58	33.53	0.66	34.19	34.18	55.0%	55.5%	27.40	45.0%	44.5%
	Family	100.40	0.94	101.34	69.73	0.94	70.67	70.66	69.5%	69.7%	30.68	30.6%	30.3%
<b><u>VSP Vision Plan</u></b>	Self	5.98	0.06	6.04	3.59	0.06	3.65	3.64	60.0%	60.3%	2.40	40.1%	39.7%
	2-Party	11.06	0.12	11.18	6.64	0.12	6.76	6.76	60.0%	60.5%	4.42	40.0%	39.5%
	Family	14.45	0.17	14.62	8.67	0.17	8.84	8.84	60.0%	60.5%	5.78	40.0%	39.5%
<b><u>Life, All Units <sup>2</sup></u></b>		4.12	0.04	4.16	4.12	0.04	4.16	4.16	100.0%	100.0%	-	0.0%	0.0%



## 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 Labor & Public Employment

Testimony by  
Hawaii Government Employees Association  
March 12, 2010

S.B. 2393, S.D. 2 – MAKING AN  
APPROPRIATION FOR  
COLLECTIVE BARGAINING  
COST ITEMS

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 2393, S.D. 2, which allows the legislature to resolve the differences between the HGEA and the administration over the amount of employer contributions to the Employer-Union Health Benefits Trust Fund (EUTF). The state and the union are not permitted to use the binding arbitration process to resolve their differences over EUTF contributions. It was agreed through a letter of understanding that the legislature would make the final decision in this matter.

Historically, the employer paid 60% of the premium and the employee the remaining 40%. However, since the beginning of the current fiscal year, employees have been forced to pay a higher percentage of the health insurance premiums. A recent increase of almost 24% came entirely from state employees, making it difficult for some to afford health insurance.

According to the National Conference of State Legislatures, in 2009, states paid an average of 89% of the health insurance premium. 14 states paid 100% of the monthly premium costs for a basic or standard plan for some or all of individual employees. Seven states paid 100% of the "defined standard" monthly premium costs for at least some families of state employees.

In comparison, many Hawaii state employees are now paying more than 50% of their premiums at the same time their pay is being reduced by approximately 8% through furloughs. The state lacked awareness about limits on employees' ability to absorb radical cost increases in years without pay increases. Under these circumstances, premium cost increases should be shared proportionally or paid entirely by the employer. Therefore, it is extremely important that employee (individual) and family health care premiums remain affordable. S.B. 2393, S.D. 2 would return the sharing of health care premium costs to traditional levels where the employer paid 60%.

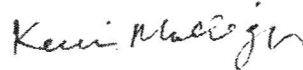
Hawaii State House of Representatives - Committee on Labor & Public Employment  
Re: S.B. 2393, S.D. 2 – Making An Appropriation for Collective Bargaining Cost Items  
March 12, 2010  
Page 2

We are also supporting legislation (H.B. 2937, H.D. 2, S.D. 1) that will modernize public employee health insurance through the negotiation of employer contributions and benefits, similar to the private sector. Benefits such as health insurance are an integral part of total compensation and should be negotiated.

We suggest one amendment to S.B. 2393, S.D. 2, which would change the effective date to July 1, 2010.

Thank you for the opportunity to testify in support of S.B. 2393, S.D. 2.

Respectfully submitted,



for  
Nora A. Nomura  
Deputy Executive Director