

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 2884, S.D. 2, H.D. 1

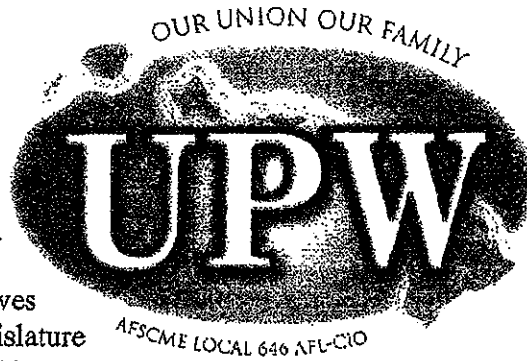
March 29, 2010

MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS

Senate Bill No. 2884, S.D. 2, H.D. 1, provides for the employer to pay contributions of the same dollar amount as Fiscal Year 2009 Employer-Union Trust Fund (EUTF) benefit plans for the employees in collective bargaining units 1 and 10 for Fiscal Years 2009-2010 and 2010-2011. Appropriations of \$0 are provided.

We support the provisions contained in this measure, but it may be premature to include bargaining unit 1. While an agreement has been reached on salary adjustments for the members of bargaining unit 1, no agreement has been reached concerning EUTF contributions. The State's position in bargaining unit 1 negotiations has been to continue to pay contributions of the same dollar amount as Fiscal Year 2008-2009.

For bargaining unit 10, this bill currently generally reflects the State's proposal of no increase in contributions for Fiscal Year 2009-2010 and for Fiscal Year 2010-2011 as were originally contained in legislative proposal BUF-16(10) which was submitted pursuant to Section 89-11(g), HRS.. Given the current budget crisis, no increase in payments can be afforded.



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

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

DATE: Monday, March 29, 2010  
TIME: 5:00 p.m.  
PLACE: Conference Room 309

**TESTIMONY OF THE UNITED PUBLIC WORKERS, LOCAL 646, ON SB 2884,  
SD2, HD1, MAKING AN APPROPRIATION 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 8,800 blue collar nonsupervisory employees in bargaining unit 1 and 2,961 institutional, health, and correctional workers in bargaining unit 10 under chapter 89.

This measure provides employer contribution amounts for Hawaii Employer-Union Health Benefits Trust Fund health benefit plan premiums in plan years 2009-2010 and 2010-2011 for employees of collective bargaining units (1) and (10) and their excluded counterparts. **We are in favor of the intent and purpose of this measure which appropriates funds for health benefit plans for bargaining units 1 and 10 employees. However, we strongly prefer the SD1 which establishes the employer health insurance premium contribution rate at sixty per cent of the premium cost.**

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.

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. 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.