

Honolulu, Hawaii

Feb 15, 2012

RE: H.B. No. 1801
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 1801 entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND,"

begs leave to report as follows:

The purpose of this measure is to address the unfunded actuarial accrued liability of the Hawaii Employer-Union Health Benefits Trust Fund by annually depositing \$500,000,000 of general excise tax revenues into the Hawaii Employer-Union Health Benefits Trust Fund to amortize the unfunded actuarial accrued liability.

The Department of Budget and Finance and United Public Workers, AFSCME, Local 646, AFL-CIO testified in support of the intent of this measure. The Department of Taxation and Tax Foundation of Hawaii provided comments.

The State of Hawaii and the counties provide healthcare benefits to public employees, retirees, and their dependents through the Hawaii Employer-Union Health Benefits Trust Fund. As an agency of the State, the Trust Fund contracts with providers of medical, dental, vision, and life insurance plans to provide these benefits to public employees and retirees.



Currently, the unfunded liability of the Trust Fund stands at approximately \$14,000,000,000. Paying down this unfunded liability would be a worthwhile endeavor. While your Committee understands the concerns raised regarding the impacts the setting aside of general excise tax revenues for a specific purpose may have on general fund revenues, this measure deserves further consideration.

Your Committee notes that depositing \$500,000,000 each year into the Trust Fund over a period of thirty years will result in \$15,000,000,000 being deposited into the Trust Fund. However, money placed in the Trust Fund also gains interest and it may not be necessary to deposit \$500,000,000 per year into the Trust Fund for the entire thirty-year period. As such, your Committee has amended this measure by specifying that the annual deposit of \$500,000,000 into the Trust Fund shall continue until such time that the actuarial accrued unfunded liability is fully amortized.

Technical, nonsubstantive amendments were also made for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1801, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1801, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,



KARL RHOADS, Chair



