

Honolulu, Hawaii

Feb 8 , 2012

RE: H.B. No. 2096

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. 2096 entitled:

"A BILL FOR AN ACT RELATING TO EMPLOYMENT SECURITY,"

begs leave to report as follows:

The purpose of this measure is to adjust the benefit amounts paid to employees from the unemployment insurance trust fund and the contribution rates for employers. Specifically, this measure:

- (1) Maintains the maximum weekly benefit amount for unemployment insurance benefits at 75 percent of the average weekly wage from January 1, 2011, until December 31, 2012;
- (2) Returns the maximum weekly benefit amount for unemployment insurance benefits to 70 percent of the average weekly wage beginning January 1, 2013;
- (3) Maintains the employer contribution rate amount at schedule F for calendar year 2012;
- (4) Makes available, a \$20,000,000 general revenue line of credit for the unemployment compensation fund between March 1, 2012, and June 1, 2013; and



- (5) Requires the repayment of all outstanding general revenue loans made to the unemployment compensation fund by June 29, 2013.

The Hawaii Alliance of Nonprofit Organizations, Hawaii Island Chamber of Commerce, Pacific Paws, Hawaii Coffee Company, Monsanto Hawaii, HMAA, Paia Family Dental, Est8Planning Counsel LLC, Aloha Petroleum, Ltd., Hawaiian Telcom, Ko'olau Women's Healthcare, Inc., Lou's Quality Home Health Care Services, Hawaii Business League, and several concerned individuals testified in support of this measure. The Retail Merchants of Hawaii, Hawaii Credit Union League, Cunningham's Air Systems Cleaning Specialists, LLC, Volcano Art Center, Environ Control, Inc., ProService Hawaii, ALTRES, Inc., Paradise Beverages, Inc., Kona-Kohala Chamber of Commerce, Hawaii Food Industry Association, Dasher Corporation dba Home Instead Senior Care #727, Alii Health Center, Hawaii Forest & Trail Ltd., Kohala Zipline LLC, West Hawaii Electric, Tropical Smiles Dental, Lepika Sportfishing, Lisa L. Wong, M.D., Inc., Ala Moana Dental Care, Kihei Rent A Car, R & M Painting LLC, Martin Steel Design Company, Pacific American Lumber, Inc., No Ka Oi Guard Services, LLC, Edney and Sellers, Limited dba Tropical Dreams Ice Cream, Stoneworks, LLC, Toddler Program, Discount Hotels Hawaii, MW Group, Ltd., T&T Tinting Specialists, Inc., Peake & Levoy, LLC, Cornerstone Building Maintenance, Inc., Professional Contractors Inc., Quintal Farms, Inc., Douglas R. Dauterman Co., Inc., BlackSand Capital LLC, Red Sand Productions, Inc., Kohala Coffee Mill, Houseproud Inc., Kona Kwik Lube, LLC, Turf & Shrub Care Hawaii, Inc., Waiahole Botanicals, Hawaii Vision Clinic, Pacific Western LLC, Chamber of Commerce of Hawaii, Big Island Toyota, Orchid Isle Auto Center, Syngenta Hawaii, LLC, Karen Kline Home Loans, LLC, At Home Animal Hospital And Mobile Veterinary Services, Hawaii Automobile Dealers Association, Resort Management Company LLC, American Savings Bank, Hawaii Restaurant Association, Aloha Glass Recycling, Hawaii Petroleum, Inc., Molokai Chamber of Commerce, and Quindembo Bamboo Nursery testified in support of the intent of this measure. Wailea Golf LLC testified in opposition to this measure. The Department of Labor and Industrial Relations, Department of the Attorney General, and a concerned individual provided comments.

When Hawaii was experiencing low unemployment rates in the mid-2000s, the level of reserves in the Unemployment Trust Fund was high. At that time, the Legislature sought to provide relief for employers from unemployment insurance contribution rates while also increasing benefits for employees. Thus, the Legislature attempted to balance relief for employers and increased benefits



for employees against the need to maintain an adequate level of unemployment trust fund reserves. It was believed that this balanced approach would continue economic growth without placing unemployment trust fund reserves in jeopardy.

Unfortunately, the economic downturn that occurred over the past several years resulted in increasing unemployment and, concomitantly, a dwindling reserve in the unemployment trust fund. As such, the insolvency of the unemployment trust fund in December 2010 required the State to borrow money from the federal government under Title XII, Section 1202(b) of the Social Security Act, as amended. However, stabilizing unemployment rates as well as efforts by the Department of Labor and Industrial Relations allowed for the loan to be repaid and the unemployment trust fund to realize a positive balance, although the situation is still precarious.

Although economic growth appears to be improving and Hawaii appears to be heading towards an economic recovery, the process is a slow one. Under current law, the rate schedule for unemployment insurance contributions is scheduled to increase. Your Committee finds that maintaining the schedule at its current rate for an additional year will help mitigate the effect of this increase on businesses and provide stability and certainty during this economic recovery period. However, your Committee notes that several concerns were raised by the Department of Labor and Industrial Relations and Department of the Attorney General regarding this measure and has amended this measure by:

- (1) Replacing the language regarding a \$20,000,000 general revenue line of credit with language authorizing the Director of the Department of Labor and Industrial Relations to accept loans from the State Director of Finance or from the federal government under Title XII of the Social Security Act to cover the insolvency of the unemployment compensation fund;
- (2) Specifying that loan monies received under (1) above can only be used for the payment of unemployment insurance benefits and cannot be used for other expenses such as administrative expenses;
- (3) Specifying that the maximum weekly benefit amount shall be 75 percent of the average weekly wage from April 1, 2012, until December 31, 2012, and shall be 70 percent of the average weekly wage from January 1, 2013, onward;



- (4) Inserting language from H.B. No. 2585 authorizing the Director of the Department of Labor and Industrial Relations, for one year, to increase Employment and Training Fund assessments to pay interest due on any loans received from the federal government under Title XII, Section 1202(b) of the Social Security Act;
- (5) Making the measure apply retroactively to January 1, 2012; and
- (6) Making technical, nonsubstantive amendments 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. 2096, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2096, 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



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: #B 2096	Committee Referral: LAB & FIN	Date: 1-31-12		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. RHOADS, Karl (C)	/			
2. YAMASHITA, Kyle T. (VC)	/			
3. AQUINO, Henry J.C.	/			
4. CULLEN, Ty	/			
5. ICHIYAMA, Linda	/			
6. LEE, Marilyn B.	/			
7. LUKE, Sylvia	/			
8. OKAMURA, Tom				-
9. SAIKI, Scott K.	/			
10. SOUKI, Joseph M.	/			
11. TAKUMI, Roy M.	/			
12. FONTAINE, George R.	/			
13. JOHANSON, Aaron Ling	/			
TOTAL (13)	12	-	-	1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small style="margin-left: 100px;">committee acronym(s)</small>				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				