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TESTIMONY BY KALBERT K. YOUNG
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 167

January 28, 2011

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

House Bill No. 167 makes the following amendments to Chapter 87A, Hawaii Revised Statutes, which governs the Hawaii Employer-Union Health Benefits Trust Fund and Chapter 89, which governs collective bargaining for public employees:

- Creates 13 bargaining unit health benefits trust funds with each fund having oversight by separate seven-member boards with nominees appointed by the Governor from a list of nominees submitted by the exclusive representative organization, and allows two or more funds to work jointly.
- Renames the Hawaii Employer-Union Trust Fund to the Hawaii Public Employee Health Benefits Trust Fund, for active public employees not belonging to a collective bargaining unit, and all retirees; and modifies the board composition to seven members, three appointed by the Governor, two appointed by the President of the Senate, and two appointed by the House of Representatives.
- Adds new sections on fiduciary duties and prohibited transactions and liability for breach of fiduciary duties for board members.
- Allows the bargaining health benefits trust funds to retain an attorney who is independent of the Department of the Attorney General as legal advisor.
- Requires the new non-managerial employees of the Public Employee Health Benefits Trust Fund be subject to Chapter 76 (Civil Service).

- Removes provision that the cost of the benefit plans be affordable.
- Changes the statutory impasse date from February 1 in the year in which an agreement is due to expire to September 1 of the second year of a fiscal biennium.
- Reduces the time required for an arbitration panel to commence hearing from 120 to 60 days.
- Prohibits extending impasse procedure time frames.
- Allows employees in Bargaining Units 1, 5, and 7 to strike over health benefits and allows arbitrators to make awards for health benefit contributions for Units 2, 3, 4, 6, 8, 9, 10, 11, and 12.
- Exempts bargaining health benefits trust funds and Hawaii Public Employee Health Benefits Trust Fund from the procurement code.

We are opposed to this bill. First, the department has serious concerns with the concept of having 13 bargaining unit health benefits trust fund boards as presented. Although the Governor would appoint board members, the list of nominees would be selected exclusively by the unions. This would inhibit the Governor's ability to look out for the State's interests. Given the Governor's overall responsibilities for managing State government and State finances, the Governor should have a stronger say in board composition and continue a board composition that balances the needs of both employer and employee interests.

Second, we believe the creation of multiple boards and funds will create administrative complexities and inefficiencies and result in substantially higher rates for employees who are not members of sub-groups with favorable demographics. We believe a uniform benefit package is fairest and results in a more harmonious workplace.

Third, the impasse schedule would move the impasse date to prior to the completion of the Governor's budget and require arbitration hearings to begin before the legislative session. This would make it difficult for the employer to develop realistic final positions and properly prepare for ability to pay testimony for arbitration.

Fourth, we believe that the Department of the Attorney General is better suited to ensure that long-term State interests are protected rather than an outside attorney. The staff of the Department of the Attorney General can bring a broad background of familiarity with the Hawaii Employer-Union Health Benefits Trust Fund and other State statutes at a lower cost than an outside legal firm. Cost of an outside attorney will have to be borne by the public employers and plan participants.

Fifth, we oppose removing the provision that plans be affordable.

We are not opposed to exempting the Hawaii Employer-Union Health Benefits Trust Fund from Chapter 103D, Hawaii Revised Statutes, and making health benefits contributions subject to right to strike and arbitration provisions.

We defer to the Department of the Attorney General regarding provisions relating to fiduciary duties. We defer to the Department of Human Resources Development regarding provisions relating to Chapter 76.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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The Twenty-Sixth Legislature
House of Representatives
Committee on Labor & Public Employment

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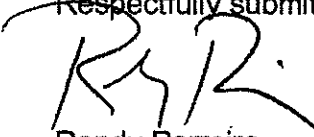
H.B. 167 – RELATING TO THE HAWAII
EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO conceptually supports the changes to the Employer-Union Health Benefits Trust Fund (EUTF) as proposed in H.B. 167.

We support the concepts of establishing separate bargaining unit trust funds and amending the impasse procedures to allow some bargaining units the right to strike, and other units to proceed to arbitration over contributions for health benefits.

In order to increase effectiveness and decrease costs, additional fundamental changes must be made to the EUTF. We strongly support the concepts provided in H.B. 1168, which would change the composition of the EUTF Board, place fiduciary responsibilities on the EUTF Trustees, and appoint legal counsel and plan consultants, and H.B. 1174, which would amend Chapter 89-9 to make both the benefits and contributions of health plans negotiable. Together, these bills will result in cost savings for both the Employer and the employees.

Respectfully submitted,


Randy Perreira
Executive Director

