

LATE



**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813

www.hawaii.gov/labor

Phone: (808) 586-8842 / Fax: (808) 586-9099

Email: dlir.director@hawaii.gov

February 28, 2011

To: The Honorable Marcus R. Oshiro, Chair
and Members of the House Committee on Finance

Date: Monday, February 28, 2011

Time: 3:30 p.m.

Place: Conference Room 308, State Capitol

From: Dwight Takamine, Director
Department of Labor and Industrial Relations

Re: H.B. No. 169 Relating to Employment Security

I. OVERVIEW OF PROPOSED LEGISLATION

H.B. 169 proposes an optional total unemployment rate (TUR) trigger of 6.5% for the extended benefit (EB) provisions under sections 383-168 through 383-176, Hawaii Revised Statutes (HRS) if 100% federal sharing is available under federal law. To determine the EB TUR trigger, the seasonally adjusted TUR, as determined by the Secretary of Labor, for the most recent 3-month period must equal or exceed 6.5% and the average TUR in the state must equal or exceed 110% of the TURs for either or both of the corresponding 3-month periods in the preceding calendar years. The bill also appropriates \$145,000 to develop the system for the EB program.

II. CURRENT LAW

Currently, EB is payable for 13 additional weeks when the insured unemployment rate (IUR) during a 13-week period is at least 120% of the average of such rate for a corresponding 13-week period ending in each of the 2 preceding calendar years and at least 5%. An IUR of 6% by itself may also cause EB to trigger on. While states are required to conform to the Federal-State Extended Unemployment Compensation Act (EUCA) of 1970 by providing the IUR trigger for EB, the TUR trigger is optional.

The federal government pays half the costs of EB for private companies and non-profit

agencies. Claims based on employment with state and local governments and federally-recognized Indian tribes are subject to 100% reimbursement of the EB payments. Under the Assistance for Unemployed Workers and Struggling Families Act, of Public Law No. 111-5, the federal government will pay for the full cost for EB claims filed in 2011, except for government and Indian tribe employers.

III. HOUSE BILL

The Department supports the intent of this measure but has the following concerns:

1. The intent of this measure is to provide payment of EB contingent upon the availability of 100% federal reimbursement. However, the 100% federal sharing is currently applicable only for payment of EB claims filed by January 7, 2012 with a phase out to the week ending June 9, 2012. Considerable resources (staff time and costs) must be expended to develop an EB system which may or may not be utilized this year, depending on the unemployment rates, or at any time in the future because of lack of federal funding.
2. Although 100% federal sharing is available, government and Indian tribe employers would not be reimbursed for EB and would be liable for the full cost of EB payments. The claims based on state and county governments are estimated to account for 2.6% and .4% respectively of the total claims paid, amounting to approximately \$140,000 per month (\$1.7 million per year).
3. The UI trust fund would be liable for roughly \$10,800 per month (about \$130,000 per year) in costs associated with the rounding up of the weekly benefit amount on EB claims, which is also not reimbursable under federal law. Currently, the trust fund is insolvent and \$36 million in outstanding federal loans have been used to pay benefits since December 2010. Borrowing is expected to continue thru April 2012 to meet benefit payment obligations.
4. There are additional eligibility requirements for the EB program, e.g. tangible evidence of search for work efforts each week and acceptance of "suitable work", defined as any work which is within the individual's capabilities, pays the minimum wage and meets the labor standards.