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The Twenty-Sixth Legislature, State of Hawaii
House of Representatives
Committee on Labor and Public Employment
&
Committee on Economic Revitalization and Business

Testimony by
Hawaii State AFL-CIO
February 1, 2011

H.B. 169 – RELATING TO EMPLOYMENT SECURITY

The Hawaii State AFL-CIO supports H.B. 169 which enacts the optional total unemployment rate trigger.

Currently, Hawaii's unemployment rate stands at 6.4%. We hope that this number continues to decline, but must accept that predicting what the unemployment rate will be in the months ahead is nearly impossible. As a result, it is critical that Hawaii pass H.B. 169 which would extend the benefit period an additional thirteen weeks or twenty weeks if the unemployment rate reaches 6.5% or 8% respectively.

Thank you for the opportunity to testify.

Respectfully submitted,

Randy Ferreira
President

The Twenty-Sixth Legislature
Regular Session of 2011

HOUSE OF REPRESENTATIVES

Committee on Labor and Public Employment

Rep. Karl Rhoads, Chair

Rep. Kyle T. Yamashita, Vice Chair

Committee on Economic Revitalization and Business

Rep. Angus L.K. McKelvey, Chair

Rep. Isaac W. Choy, Vice Chair

State Capitol, Conference Room 309

Tuesday, February 1, 2011; 9:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 169
RELATING TO EMPLOYMENT SECURITY**

The ILWU Local 142 supports H.B. 169, which enacts the optional total unemployment rate trigger.

For many years, Hawaii's unemployment rate had been the lowest in the country. However, during the recent economic downturn (i.e., "recession"), our unemployment rate had crept up to more than 6%, resulting in the Unemployment Insurance Trust Fund going broke and necessitating a loan from the federal government.

Today, Hawaii's economy is improving and prospects look hopeful. However, the unemployment rate is at 6.4%, a far cry from the 2% and 3% of the past. As fragile as the economy is, we cannot rely on the unemployment rate continuing to improve. While we are hopeful that the rate will not increase, we cannot be certain that a new economic crisis will not hit, leaving more people requiring unemployment benefits.

H.B. 169 is intended as a hedge against that dire possibility. With this measure, if the unemployment rate exceeds 6.5%, the State can access federal extended benefits to allow unemployed workers to receive benefits beyond the 26 weeks provided by the State. This measure may not be needed if Hawaii's economy continues to improve and the unemployment rate goes down. However, it would be foolish not to act now in the event that unemployment goes up.

The ILWU urges passage of H.B. 169. Thank you for the opportunity to testify.



LATE

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

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January 31, 2011

To: The Honorable Karl Rhoads, Chair
and Members of the House Committee on Labor & Public Employment

The Honorable Angus L.K. McKelvey, Chair
and Members of the House Committee on Economic Revitalization & Business

Date: Tuesday, February 1, 2011
Time: 9:00 a.m.
Place: Conference Room 309, 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.

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. Major modifications to the existing UI automated benefit system, internet filing system and telephone claims (IVR) system would be necessary to include the addition of EB processing. A minimum of four months would be needed to develop a duplicate UI benefit system housed in a second computer production region that ICSD must create, test, and maintain as well as complete and test modifications to the IVR system. Staff resources would include 4 ICSD programmers, 3 UI technical analysts, and the services of contractors for the on-line and IVR system.

The short time frame, cost, additional staff resources, and availability of support from ICSD to complete this project are major concerns if immediate implementation in 2011 is intended. The estimated cost of creating an automated EB claims system is \$145,000 and ongoing maintenance costs of \$20,000 per month. These resources would have to be expended in preparation for EB payments, even if EB is not triggered in 2011 due to low total unemployment rates.

2. 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.
3. 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).

4. 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.
5. 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.

Based on major implementation issues, the department recommends that this measure be implemented beginning 2012.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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The Twenty-Sixth Legislature, State of Hawaii
Hawaii State House of Representatives
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And
Committee on Economic Revitalization & Business

Testimony by
Hawaii Government Employees Association

February 1, 2011

H.B. 169 – RELATING TO
EMPLOYMENT SECURITY

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 169. The measure enacts the optional total unemployment rate trigger under federal law, which could provide additional support for unemployed workers, their families and our community.

Thank you for the opportunity to testify in support of H.B. 169.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director

