

HB 2096, HD1

Testimony to the Senate Committee on Judiciary and Labor
Thursday, February 23, 2012
10:00 a.m.
State Capitol - Conference Room 016

RE: HOUSE BILL NO. 2096 HD1 RELATING TO EMPLOYMENT SECURITY

Chair Hee, Vice Chair Shimabukuro, and members of the committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). I am here to state The Chamber's general support to House Bill No. 2096 HD1 relating to Employment Security. However, we respectfully ask that the committee extend Schedule F for two years (2012-2013).

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber supports legislation that will mitigate the tax increase of an additional average of \$550 per employee due to take place under the current law (Schedule H). However, the Chamber is urging the Legislature to keep the tax schedule at "F" for two years instead of one, which will help businesses recover during this slow growth period and provide stability and certainty during these uncertain times.

- **Under current law, the schedule jumps to H from F. Taxes will increase to an average of \$1,470 per employee, from \$920 (depends on your experience rating).**
- **Under HB 2096, the taxes would remain relatively the same for only 2012 at Schedule F. In 2013, it jumps to a higher tax bracket.**
- **Under the Chamber's proposal, taxes would remain at Schedule F for 2012 and 2013.**

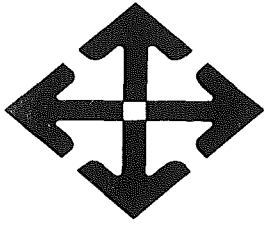
State data supports keeping the unemployment tax rate schedule at the present "F" level for 2012-13. The Unemployment Fund has recovered far quicker than original projections. Risk of insolvency in the fund is limited unless a catastrophic or major event occurs, and the velocity of fund replenishment appears positive.

By slowing the fund replenishment, local businesses can use the funds to hire and grow their businesses. Mitigation of a tax increase will keep more money in the economy, which will then be spent and generate increased tax revenues for the State.

Or, many businesses are at the tipping point and any increases could lead to cut backs, job loss or even closure, which in turn, would affect the unemployment insurance fund.

While the Chamber appreciates the legislature's effort in maintaining the schedules in HB 2096 HD1, we have concerns about the impact that a temporary increase in benefits from 70% to 75%, already the highest in the nation, from April 1st through December 31st, 2012, will have on the unemployment trust fund, as well as on employers and the economy. We want to ensure that a mechanism is in place that will incentivize the unemployed to seek work.

Therefore, we urge the Committee to pass HB 2096 HD1 for further discussion. Thank you very much for the opportunity to testify and for your hard work in coming up with legislation that is important to employers, employees, and the economy, as well as for your efforts in expediting a bill.



The Hawaii Business League

Century Square 1188 Bishop St., Ste 1003 Honolulu, HI 96813-3304
Phone: (808) 533-6819 ♦ Facsimile: (808) 533-2739

February 23, 2012

Testimony To: Senate Committee on Judiciary and Labor
Senator Clayton Hee, Chair

Presented By: Tim Lyons
President

Subject: H.B. 2096, HD 1 – RELATING TO EMPLOYMENT SECURITY

Chair Hee and Members of the Committee:

I am Tim Lyons, President of the Hawaii Business League, a small business service organization.

We appreciate your efforts towards hearing this bill and finding a temporary solution for employer payments to the Unemployment Trust Fund. At the outset, we would like to acknowledge the fact that we realize it is a matter of paying the Trust Fund back in order to help replenish it and it is not a question or whether to do it or not, but when and how much per year.

This is policy call of course, however, we would urge you to try and stretch this replenishment effort out as much as possible. As it has been previously noted, we are in an extremely fragile

economy. Small businesses are in no position to absorb the additional \$200.00 to \$600.00 per employee that Schedule H will cause. Even Schedule F has been quite a burden to pay although we know it must be done.

Our major concern for this bill is when it takes effect as we already know that 2012 will be either no growth or very moderate growth. We do not know what 2013 and 2014 holds for us. Many have said that the economy is recovering and those years are bound to be better. While we do not know that, we do know that this is not a time to provide additional burdens to the business community particularly to the small business community.

We also think it is important to remember that no one seems to have been able to do much towards mitigating the incredible increases in health care insurance and we have already heard "crying" from small businesses that are not able to hire people or have reduced people from full time to part time. An additional 1% or 2% tax on wages is just going to further hold our economy down and to that extent, we would respectfully request this Committee's assistance towards holding down the increase in the repayment and stretching it out further.

Thank you.

MONSANTO COMPANY
94-520 KUNIA ROAD
KUNIA, HAWAII 96759

Testimony before the
Senate Committee on Judiciary and Labor

February 23, 2012

**HOUSE BILL 2096, HD 1
RELATING TO EMPLOYMENT SECURITY**

Chair Hee, Vice Chair Shimabukuro and members of the committee:

My name is Frederick Perlak, Vice President of Research and Business Operations for Monsanto Hawaii. We **support** HB 2096, HD 1, with amendments. This bill addresses the continued concerns over unemployment insurance tax increases.

We respectfully ask that this measure regarding Schedule F be expanded over a two year period to help stabilize Hawaii's businesses and economy overall.

Monsanto Hawaii has farm sites located on the islands of Maui, Molokai, and Oahu and employs about 1,000 employees. We are a seed nursery research farm that primarily grows seed corn and soy beans for U.S. farmers across the nation. This measure will help stabilize the cost of doing business in Hawaii and provides some certainty and predictability as many of the farm businesses develop their business and production plans over a longer period of time. Farm businesses invest a large amount of resources and capital hoping to realize a profit in years to come. Expanding Schedule F over a two year period will help Hawaii's farm businesses to become more viable and sustainable.

Thank you for the opportunity to submit testimony. If you have any questions, please feel free to contact me or Alan Takemoto at 685-8371.

From: kken116@aol.com
To: [JDLTestimony](#)
Subject: Pleas pass the Unemployment Insurance Tax mitigation bill
Date: Tuesday, February 21, 2012 2:56:26 PM

Kraig Kennedy
PO Box 210
Honolulu, HI 96810-0210

February 21, 2012

Chair Hee and Members of the Committee

Dear Chair Hee and Members of the Committee:

Testimony to the Senate Judiciary and Labor Committee
Thursday, February 23, 2012
10:00 a.m.
Conference Room 016, State Capitol

Re: HB 2096 HD1

Please pass HB 2096 HD1.

Keeping the schedule at "F" for two years will provide stability and certainty, which are helpful during these tough economic times.

This measure will help my business during these challenging times. However, I respectfully ask that the schedule be extended for 2 years instead of one.

Any tax savings will help my company to continue to provide and maintain the benefits to employees.

I appreciate the Legislature for taking into consideration a bill that will help businesses during these tough times.

This measure will help save jobs, preserve businesses and spur the economy.

I respectfully request that the committee pass HB 2096 HD1. Thank you for the opportunity to submit testimony.

Sincerely,

Kraig Kennedy
524-3255

From: bob@midashawaii.com
To: [JDLTestimony](#)
Subject: Pleas pass the Unemployment Insurance Tax mitigation bill
Date: Tuesday, February 21, 2012 12:46:09 PM

Robert Pereira
94-709 Farrington Hwy
Waipahu, HI 96797-3163

February 21, 2012

Chair Hee and Members of the Committee

Dear Chair Hee and Members of the Committee:

Testimony to the Senate Judiciary and Labor Committee
Thursday, February 23, 2012
10:00 a.m.
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Re: HB 2096 HD1

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This measure will help my business during these challenging times. However, I respectfully ask that the schedule be extended for 2 years instead of one.

Any tax savings will help my company to continue to provide and maintain the benefits to employees.

With the rising costs of doing business in Hawaii, this measure will mitigate some of the challenges my company is facing during this time.

I appreciate the Legislature for taking into consideration a bill that will help businesses during these tough times.

This measure will help save jobs, preserve businesses and spur the economy.

I respectfully request that the committee pass HB 2096 HD1. Thank you for the opportunity to submit testimony.

Sincerely,

Robert D. Pereira
808-479-7140

From: lillian.sakane@hmshost.com
To: [JDLTestimony](#)
Subject: Please pass HB 2096 HD1
Date: Tuesday, February 21, 2012 2:33:19 PM

Lillian Sakane
Box 30428
Honolulu, HI 96820-0428

February 21, 2012

Chair Hee and Members of the Committee

Dear Chair Hee and Members of the Committee:

Testimony to the Senate Judiciary and Labor Committee
Thursday, February 23, 2012
10:00 a.m.
Conference Room 016, State Capitol

Re: HB 2096 HD1

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With the rising costs of doing business in Hawaii, this measure will mitigate some of the challenges my company is facing during this time.

I appreciate the Legislature for taking into consideration a bill that will help businesses during these tough times.

This measure will help save jobs, preserve businesses and spur the economy.

I respectfully request that the committee pass HB 2096 HD1. Thank you for the opportunity to submit testimony.

Sincerely,

Lillian Sakane
8088362566

From: bwhitney@bristolhospice.com
To: [JDLTestimony](#)
Subject: Please pass HB 2096 HD1
Date: Tuesday, February 21, 2012 12:41:02 PM

Brenda Whitney
500 Ala Moana Blvd., Ste.4-547
Honolulu, HI 96813-4920

February 21, 2012

Chair Hee and Members of the Committee

Dear Chair Hee and Members of the Committee:

Testimony to the Senate Judiciary and Labor Committee
Thursday, February 23, 2012
10:00 a.m.
Conference Room 016, State Capitol

Re: HB 2096 HD1

Please pass HB 2096 HD1.

Keeping the schedule at "F" for two years will provide stability and certainty, which are helpful during these tough economic times.

This measure will help my business during these challenging times. However, I respectfully ask that the schedule be extended for 2 years instead of one.

Any tax savings will help my company to continue to provide and maintain the benefits to employees.

With the rising costs of doing business in Hawaii, this measure will mitigate some of the challenges my company is facing during this time.

I appreciate the Legislature for taking into consideration a bill that will help businesses during these tough times.

This measure will help save jobs, preserve businesses and spur the economy.

I respectfully request that the committee pass HB 2096 HD1. Thank you for the opportunity to submit testimony.

Sincerely,

Brenda Whitney
8085368012



Testimony to the Senate Committee on Judiciary and Labor

Thursday, February 23, 2012

10:00 a.m.

Conference Room 016

SUPPORTS WITH AMENDMENTS

RE: HOUSE BILL 2096 HOUSE DRAFT 1 RELATING TO EMPLOYMENT SECURITY

Chair Hee, Vice Chair Shimabukuro and Members of the Committee:

ProService Hawaii provides employee administration services to over 1,000 small businesses in Hawaii. We support the intent of HB 2096 to provide unemployment insurance (UI) tax relief to our local businesses, and request that you include provisions to keep the tax schedule at Schedule F for both 2012 and 2013, with no increase in benefits beyond the current 70% level.

We appreciate the efforts of this legislative body in mitigating the unemployment insurance tax increase. An increase of over \$550 per employee per year would hinder Hawaii businesses' ability to retain employees and hire staff, and it would put further strain on this state's recovering economy.

Since 1992, when the current unemployment contribution tax schedule was enacted, and until 2011, the tax schedule had never been above Schedule D, even during periods of economic growth. In the past two years, Hawaii businesses have contributed at the highest levels in state history. We believe that a further increase to Schedule H in 2012 would place a burden on Hawaii employers which will likely lead to reductions in their workforce.

ProService has performed an extensive analysis of the current law, and the various bills intended to provide UI tax relief (i.e., HB2096, HB2224, and HB2264). **While all three of the proposals provide tax relief to businesses, ProService believes that fixing the tax schedule to F in 2012 and 2013 sufficiently extends the period of tax relief, while replenishing the Unemployment Trust Fund toward the adequate reserve level.**

- If this measure is not passed, the highest UI tax increase in the State's history will be imposed on our local businesses. Employers will pay an increase of over \$550 per employee, which would hinder our local businesses' ability to retain employees and hire staff. This will jeopardize Hawaii's economic recovery.
- At the current 70% benefits level, Hawaii already has the highest wage replacement percentage in the nation. We understand the high cost of living in Hawaii, but extending the increase in benefits to 75% is unnecessary.
- Keeping the tax schedule at Schedule F for two years will provide a moderate tax increase, which will grow the reserve balance substantially. The Unemployment Trust Fund will grow by \$130 million over the next two years.
- Keeping the tax schedule at Schedule F for two years would result in the Fund reaching adequacy only one year later than under House Bill 2096.
- If tax relief is provided for only one year, Hawaii businesses will face a substantial tax increase in 2013 followed by a decrease in 2014. We can avoid the unnecessary spike in 2013 by keeping the tax schedule at Schedule F for 2 years.
- Holding the tax schedule at Schedule F for two years (2012 and 2013) will provide stability in unemployment tax rates during this time of economic recovery. It will give Hawaii businesses the certainty they need to plan and budget for the near future.

We urge this committee to consider an option that temporarily reduces the Tax Rate Schedule for two years, but does not increase benefit levels to 75%, versus 70% under current law. This hybrid approach will benefit the employers and will therefore provide safeguards against further job losses due to the shock of a dramatic and sudden increase in unemployment taxes, above already historic high levels of taxation.

Thank you for the opportunity to submit testimony.

From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc: tonimariadavis@gmail.com
Subject: Testimony for HB2096 on 2/23/2012 10:00:00 AM
Date: Tuesday, February 21, 2012 10:13:09 AM

Testimony for JDL 2/23/2012 10:00:00 AM HB2096

Conference room: 016
Testifier position: Support
Testifier will be present: No
Submitted by: Antoinette M Davis
Organization: Individual
E-mail: tonimariadavis@gmail.com
Submitted on: 2/21/2012

Comments:

Please keep at schedule F over the next TWO years and benefits at 70%.

The State's lack of UI funds is the results of the recession. It was not planned - no one's direct fault. The employers (those that employee people) should NOT incur increased burden at this fragile time in our economy nor should the unemployed (6.6%) be given a raise. We all need to tighten our belts and continue to move upward & forward slowly but surely.

From: ssofos@sofosrealty.com
To: [JDLTestimony](#)
Subject: Testimony in support of HB 2096 HD1
Date: Tuesday, February 21, 2012 12:38:11 PM

Steven Sofos
600 Kapiolani Blvd., Suite 200
Honolulu, HI 96813

February 21, 2012

Chair Hee and Members of the Committee

Dear Chair Hee and Members of the Committee:

Testimony to the Senate Judiciary and Labor Committee
Thursday, February 23, 2012
10:00 a.m.
Conference Room 016, State Capitol

Re: HB 2096 HD1

Please pass HB 2096 HD1.

I appreciate the Legislature for taking into consideration a bill that will help businesses during these tough times.

Please keep the schedule at "F" for the next two years will provide stability and certainty, which are helpful during these tough economic times. Many small businesses are suffering and Hawaii is not in recovery mode yet.

I respectfully request that the committee pass HB 2096 HD1. Thank you for the opportunity to submit testimony.

Sincerely,

Steven Sofos
(808) 522-5995



Senator Clayton Hee, Chair
Senator Maile Shimabukuro, Vice Chair
Committee on Judiciary & Labor
State Capitol, Honolulu, Hawaii 96813

HEARING Thursday, February 23, 2012
 10:00 am
 Conference Room 016

RE: HB2096, HD1 Relating to Employment Security

Chair Hee, Vice Chair Shimabukuro, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii. The retail industry is one of the largest employers in the state, employing almost 25% of the labor force.

RMH supports and very much appreciates the initiative and the efforts of the Chair and the Legislature to address the impending Unemployment Insurance tax increase in a very timely manner.

While HB2096, HD1 provides welcome and much needed relief, considering the vulnerability of the economy, we believe that **extending the Unemployment Tax Rate at Schedule F for two more years, through calendar years 2012 and 2013** will provide greater stability and certainty for employers. We understand that the Unemployment Fund has recovered far quicker than original projections and the risk of insolvency is now gone.

The retail industry has experienced slow but steady growth over the past year or so, with existing companies opening new locations and new retailers entering the marketplace. New jobs at all levels are being created. But there are still hundreds of small retailers hovering on the edge of survival. This tax relief most assuredly will provide an unexpected and welcome resource at this critical time.

Thank you for your consideration and for the opportunity to submit testimony.

Carol Pregill, President



HAWAII FOOD INDUSTRY ASSOCIATION (HFIA)

1050 Bishop St. Box 235

Honolulu, HI 96813

Fax : 808-791-0702

Telephone : 808-533-1292

COMMITTEE ON JUDICIARY AND LABOR

Senator Clayton Hee, Chair

Senator Maile S.L. Shimabukuro, Vice Chair

DATE: Thursday, February 23, 2012.

TIME: 10:00 a.m.

PLACE: Conference Room 016

RE: HOUSE BILL 2096 HD 1 RELATING TO EMPLOYMENT SECURITY

Dear Chair Hee, Vice Chair Shimabukuro and Members of the Committee:

My name is Lauren Zirbel and I am here on behalf of the Hawaii Food Industry Association. I appreciate the efforts made by the chair and the committee in addressing the unemployment insurance tax increase.

I support HB 2096, however, due to the tough economic times, maintaining the same tax level for two years is preferable. The HFIA would like to promote the legislature maintaining UI rates for two years at Schedule F.

Many of our members are struggling to survive these tough economic times and an increase in UI insurance would be devastating.

Thank you for the opportunity to submit testimony.

Testimony to the Senate Committee on Judiciary and Labor
Thursday, February 23, 2012
10:00 a.m.
Conference Room 016

SUPPORTS WITH AMENDMENTS

RE: HOUSE BILL 2096 HOUSE DRAFT 1 RELATING TO EMPLOYMENT
SECURITY

Chair Hee, Vice Chair Shimabukuro and Members of the Committee:

My name is Scott Gamble and I represent LH Gamble Co. Ltd. We support the intent of HB 2096 HD1 to provide unemployment insurance (UI) tax relief to our local businesses, and request that you include provisions to keep the tax schedule at Schedule F for both 2012 and 2013, with no increase in benefits beyond the current 70% level.

1. If this measure is not passed, the highest UI tax increase in the State's history will be imposed on our local business. Employers will pay an increase of over \$550 per employee, which would hinder our local businesses' ability to retain employees and hire staff. This will jeopardize Hawaii's economic recovery.
2. Keeping the tax schedule at Schedule F for two years will provide a moderate tax increase, which will grow the reserve balance substantially. The Unemployment trust fund will grow by \$130 million over the next two years.
3. If tax relief is provided for only one year, our business will face a substantial tax increase in 2013 followed by a decrease in 2014. We can avoid the unnecessary spike in 2013 by keeping the tax schedule at Schedule F for 2 years.

We appreciate the efforts of this legislative body in mitigating the unemployment insurance tax increase.

If the tax level is kept at current levels I will be able to support the growth in our business with new hires. If an increase occurs at \$550 per employee, I will be forced to carefully examine my overhead and make adjustments to protect the overall health of our company. A \$550 increase would equate to a \$30,000 expense to my bottom line.

Thank you for the opportunity to submit testimony.

Scott Gamble
LH Gamble Co.
3615 Harding Ave. #502
Honolulu, HI 96816
808-349-4352