

The Twenty-Sixth Legislature  
Regular Session of 2011

THE SENATE  
Committee on Judiciary and Labor  
Senator Clayton Hee, Chair  
Senator Maile S.L. Shimabukuro, Vice Chair

**LATE TESTIMONY**

State Capitol, Conference Room 016  
Thursday, February 3, 2011; 11:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 1038  
RELATING TO EMPLOYMENT SECURITY**

The ILWU Local 142 supports S.B. 1038, 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.

S.B.1038 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 S.B. 1038. Thank you for the opportunity to testify.



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

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**LATE TESTIMONY**

February 1, 2011

To: The Honorable Clayton Hee, Chair  
and Members of the Senate Committee on Judiciary and Labor

Date: Thursday, February 3, 2011

Time: 11:00 a.m.

Place: Conference Room 016, State Capitol

*Support w/ comments*

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

**Re: S.B. No. 1038 Relating to Employment Security**

**I. OVERVIEW OF PROPOSED LEGISLATION**

S.B. 1038 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. SENATE 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.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 02, 2011 12:02 PM  
**To:** JDLTestimony  
**Cc:** william.g.kunstman@hawaii.gov  
**Subject:** Testimony for SB1038 on 2/3/2011 11:00:00 AM  
**Attachments:** SB1038 DLIR JDL 20110203.doc

Testimony for JDL 2/3/2011 11:00:00 AM SB1038

Conference room: 016  
Testifier position: support  
Testifier will be present: No  
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Submitted on: 2/2/2011

Comments:

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