

SB1078
TESTIMONY



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-SIXTH LEGISLATURE, 2011**

ON THE FOLLOWING MEASURE:

S.B. NO. 1078, RELATING TO COLLECTIVE BARGAINING.

BEFORE THE:

SENATE COMMITTEE ON JUDICIARY AND LABOR

DATE: Wednesday, February 2, 2011 **TIME:** 10 a.m.

LOCATION: State Capitol, Room 016

TESTIFIER(S): David M. Louie, Attorney General, or
Maria C. Cook, Deputy Attorney General

Chair Hee and Members of the Committee:

The Department of the Attorney General has several concerns regarding this bill.

First, allowing 13 collective bargaining units to independently negotiate health benefits such as plan designs, structures, and the selection of providers would be unworkable. In addition, there is a pending lawsuit where it is being argued that retirees have a constitutional and contractual right to have the same health benefits as those offered to active employees. If this claim is upheld, by creating multiple active health plans, the State may be creating a situation where it has to offer multiple health plans to retirees.

Second, this bill is inconsistent with the purpose of chapter 87A, Hawaii Revised Statutes, which gives the Employer-Union Health Benefits Trust Fund (EUTF) board broad authority and discretion to design health benefits for active and retired employees and their dependents.

Third, this bill is inconsistent with the purpose of the EUTF - to have a single health benefits delivery system. Act 88, Session Laws of Hawaii 2001, Sen. Stand. Com. Rep. No. 880 (2001). As has been stated in the State's Auditor's Report 99-

20 (May 1999), the presence of multiple union plans has increased costs for both the members and the employers. Hence, the EUTF was created to provide a single health benefits delivery system. Having a single unified system minimizes fragmentation. It allows the employer to spread the risk among many people and provides more bargaining power when negotiating with providers.

Finally, for bargaining units that are subject to interest arbitration, if the parties fail to reach an agreement on health benefits and contributions, these issues would be submitted to arbitration. Per this bill, the decision of the arbitration panel is final and binding. Giving the decision-making authority over health benefits and amounts of contributions to an arbitration panel, and removing legislative oversight and involvement, is imprudent and risky. Health benefits issues are complex, and amounts of contributions comprise a substantial portion of the State's general fund.

We respectfully ask the Committee to hold this bill in its current form.



Senate Committee on Judiciary and Labor
Wednesday, February 2, 2011
10:00 a.m.

SB 1078, Relating to Collective Bargaining

Dear Chair Hee and Committee Members:

The University of Hawaii Professional Assembly supports S.B.1078 which will permit full negotiations on employee benefits. This will ensure that employee compensation can be appropriately balanced between wages and benefits. At the center of wage and benefit negotiations is the allocation of available funds with wage rate increases often lessened to ensure fringe benefits are provided. Moving compensation dollars to fringe benefits has the dual advantage of employers not paying taxes on these funds and the employee having no additional tax consequence for economic gain.

This opportunity provided by the Federal tax code is being lost in Hawaii. The erosion of employer provided premiums is lessening the value of current salaries. Conversely, when non-taxable dollars can be used to provide fringe benefits the greater value attaches to current salaries.

The current collective bargaining law has restricted benefit negotiations resulting in a system that is costly and helps neither the employee to maintain a standard of living or employer in recruitment and retention of employees. When benefits, co-pays, provider, and premium levels can be fully negotiated there is greater stability in providing fringe benefits. There is a clear picture of what constitutes the relation between wages and benefits and the full cost of compensation can be better anticipated for budgetary purposes. It also means that the parties to a contract can more quickly address developing premium and benefit challenges. UHPA does support further amendments which allow bargaining units, not subject to arbitration, to use impasse procedures and the right to strike on employee benefits.

We respectfully ask you to pass S.B.1078. Thank you for your consideration.

Sincerely,

Kristeen Hanselman
Associate Executive Director

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The Twenty-Sixth Legislature, State of Hawaii
Hawaii State Senate
Committee on Judiciary and Labor

Testimony by
Hawaii Government Employees Association
February 2, 2011

S.B. 1078 – RELATING TO
COLLECTIVE BARGAINING

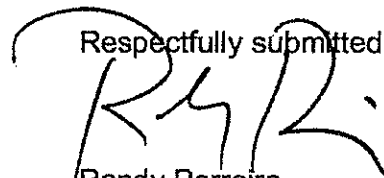
The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO, strongly supports the purpose and intent of S.B. 1078, which will permit unions to negotiate not only the contributions to the Employer Union Health Benefits Trust Fund (EUTF), but also the benefits provided through the health plans.

This bill is part of a larger effort to reform the EUTF by changing the composition of the board and imposing stricter requirements on board members to fulfill their fiduciary responsibilities. We believe that benefits are an integral part of employee compensation and should be negotiated between unions and employers. Other reform efforts through negotiation must include effective mechanisms for controlling costs, requiring information on provider performance and enhancing efficiency.

As presently organized, the EUTF is not providing affordable health care to public employees, especially for employees who need family coverage and who are at a lower pay range. Without change, we fear that costs will continue to escalate beyond the means of both the employers and employees. By negotiating both premiums and benefits, unions and the employers can identify benefit features that can be reduced or restructured without eliminating key coverage areas. Another objective of negotiating benefits is to promote preventive care while discouraging care that is not needed. Through negotiations, there will be greater incentives for both parties to implement wellness programs, which can help control plan costs over the long term.

Thank you for the opportunity to testify in support of S.B. 1078.

Respectfully submitted,



Randy Perreira
Executive Director

