

STAND. COM. REP. NO. **648**

Honolulu, Hawaii

MAR 01 2013

RE: S.B. No. 1272
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committees on Judiciary and Labor and Ways and Means, to which was referred S.B. No. 1272 entitled:

"A BILL FOR AN ACT RELATING TO EMPLOYMENT SECURITY,"

beg leave to report as follows:

The purpose and intent of this measure is to set the employer contribution rate to the unemployment insurance trust fund at schedule F for calendar year 2013.

Your Committees received testimony in support of this measure from The Chamber of Commerce of Hawaii; North Shore Chamber of Commerce; Moloka'i Chamber of Commerce; Maui Chamber of Commerce; Kona-Kohala Chamber of Commerce; Hawai'i Island Chamber of Commerce; Kauai Chamber of Commerce; Retail Merchants of Hawaii; Hawai'i Alliance of Nonprofit Organizations; Hawaii Food Industry Association; Island Landscape; Kauai Board of REALTORS; Hawaii Credit Union League; Employers Options; Decision Research Corporation; Hawaii Group, Inc.; Hawaii Automobile Dealers Association; Hawaii Human Resources, Inc.; Hawaii Employment Services, Inc.; Hawaii Association of Professional Employer Organizations; KTA Super Stores; Pizza Bob's; and Big Island Toyota. Testimony in opposition to this measure was submitted by the Department of Labor and Industrial Relations, Hawaii State AFL-CIO, and International Longshore and Warehouse Union, Local 142.

Existing law provides that the unemployment insurance employer contribution rate schedule for each calendar year is

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determined by the ratio of the current reserve fund to the adequate reserve fund. Since calendar year 2008, the statutorily determined rate schedules have been lowered by legislative actions that resulted in a savings of \$350,000,000 for employers. For calendar year 2013, according to the contribute rate schedule set by section 383-68, Hawaii Revised Statutes, the employer contribution rate to the unemployment insurance trust fund is set at schedule G. This measure will mitigate the tax increase of an additional \$150 per employee, on average, under schedule G to help businesses recover during this slow growth period and provide stability and certainty during uncertain times.

Your Committees note the concerns raised in the testimony submitted by the Department of Labor and Industrial Relations. The Department testified that the present balance of the unemployment insurance trust fund to \$125,000,000, which is only one-third of the adequate reserve level of \$384,000,000. The Department noted that Hawaii's unemployment rate is at 5.2 percent, which is one of the lowest in the United States, and at the pre-recession level and that the unemployment reserves should be accumulated during periods of economic expansion. Furthermore, due to events such as the "fiscal cliff" federal sequestration, and the continuing challenges in the European economy, the Department further noted that it is important and prudent to adhere to the intent in establishing the unemployment trust fund, which is to ensure that there are adequate reserves capable of paying benefits to cushion economic downturns and provide income for unemployed individuals. The Department indicated that currently there is only four months' worth of benefits at the highest benefit cost ratio.

Your Committees further note that while the unemployment rates appear to be improving, this improvement is slow and unpredictable. Your Committees are concerned with the pending federal sequestration and the potential impact any sweeping federal budget cuts will have on Hawaii's unemployment rate. In light of this, your Committees find that maintaining the employer contribution rate at schedule F is a cautious approach until the impact of federal sequestration on Hawaii's unemployment rate can be properly assessed.

Accordingly, your Committees have amended this measure by:

- (1) Setting the employer contribution rate to the unemployment insurance trust fund at schedule F for



calendar year 2014, in addition to calendar year 2013;
and

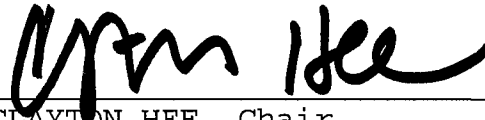
- (2) Applying the employer contribution rate retroactively to January 1, 2013, to align with the beginning of calendar year 2013.

As affirmed by the records of votes of the members of your Committees on Judiciary and Labor and Ways and Means that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1272, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1272, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committees on Judiciary and
Labor and Ways and Means,



DAVID Y. ISE, Chair



CLAYTON HEE, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 1272	Committee Referral: JDL/WAM	Date: 2-27-13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
KAHELE, Gilbert	✓			
KEITH-AGARAN, Gilbert S.C.				✓
KOUCHI, Ronald D.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.		✓		
TOKUDA, Jill N.	✓			
SLOM, Sam	✓			
TOTAL	11	1	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes