

Honolulu, Hawaii

March 22, 2013

RE: S.B. No. 946  
S.D. 1  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 946, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO RESOLVING THE UNFUNDED LIABILITIES OF THE STATE AND THE COUNTIES,"

begs leave to report as follows:

The purpose of this measure is to manage the unfunded liabilities of the Hawaii Employer-Union Health Benefits Trust Fund by, among other things:

- (1) Requiring the Board of Trustees of the Hawaii Employer-Union Health Benefits Trust Fund to establish a separate trust fund for public employer contributions, with separate accounts for each employer;
- (2) Establishing an annual required contribution that public employers must pay into the separate trust fund;
- (3) Requiring the use of a portion of the general excise tax revenues to supplement deficient state public employer contribution amounts;
- (4) Requiring the use of a portion of the transient accommodations tax revenues to supplement deficient county public employer contributions;



- (5) Authorizing the Director of Finance to supplement deficient public employer contributions from other revenues or funds collected on behalf of the public employer or held by the State; and
- (6) Requiring the Director of Finance to submit an implementation plan to have both the Hawaii Employer-Union Health Benefits Trust Fund and the Employees' Retirement System jointly share investment information and services.

The Department of Budget and Finance and Building Industry Association of Hawaii supported this measure. The Hawaii Employer-Union Health Benefits Trust Fund Board of Trustees and the Employees' Retirement System Board of Trustees supported the intent of this measure. The Department of Budget and Fiscal Services of the City and County of Honolulu and the Finance Department of the County of Hawaii opposed this measure. Tax Foundation of Hawaii provided comments.

Your Committee has amended this measure by deleting its contents and inserting in its place the contents of H.B. No. 546, H.D. 2, and H.B. No. 1459, H.D. 2, which are currently under consideration by the Senate. The contents of these two measures also address the problem of the unfunded liabilities of the Hawaii Employer-Union Health Benefits Trust Fund by, among other things:

- (1) Establishing the Hawaii Employer-Union Health Benefits Trust Fund Task Force to examine the unfunded liability of the Hawaii Employer-Union Health Benefits Trust Fund and requiring the Task Force to report its findings, recommendations, and implementing draft legislation to the 2014 Legislature; and
- (2) Establishing the Hawaii Employer-Union Health Benefits Trust Fund Captive Insurance Company to more effectively manage the administration and financing of the current and potential future employee health benefit obligations of the State and county governments.

In addition, your Committee has further amended this measure by:

- (1) Removing the State's chief negotiator from the Task Force and adding a member to be appointed by the Governor;



- (2) Inserting a severability clause;
- (3) Changing its effective date to July 1, 2113, to promote further discussion; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 946, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 946, S.D. 1, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Labor & Public  
Employment,



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MARK M. NAKASHIMA, Chair



