

**STATE OF HAWAII
OFFICE OF COLLECTIVE BARGAINING
EXECUTIVE OFFICE OF THE GOVERNOR**
235 S. BERETANIA STREET, SUITE 1201
HONOLULU, HAWAII 96813-2437

February 29, 2016

TESTIMONY TO THE
HOUSE COMMITTEE ON FINANCE
For Hearing on Tuesday, March 1, 2016
1:00 p.m., Conference Room 308

By

JAMES K. NISHIMOTO
CHIEF NEGOTIATOR, OFFICE OF COLLECTIVE BARGAINING

**House Bill No. 2012, H.D.1
Relating to Collective Bargaining**

CHAIRPERSON LUKE, VICE-CHAIR NISHIMOTO AND MEMBERS OF THE
COMMITTEE ON FINANCE:

H.B. No. 2012, H.D. 1 would amend Chapter 89, HRS to specify that the benefits of the Hawaii employer-union health benefits trust fund are subject to negotiation.

The Office of Collective Bargaining (OCB) **has concerns** regarding this bill as follows:

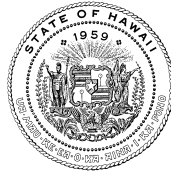
- Currently, contributions toward health benefits premiums, but not benefits, are subject to negotiation, with the benefits determined by the Employer Union Trust Fund (EUTF) whose trustees are representatives of the exclusive representatives and employer. Changes to the existing administration and infrastructure may be required.
- The cost benefits that are derived from negotiating with the Hawaii

Medical Services Association and Kaiser Permanente Foundation on behalf of public employees as a group for current health benefit programs may be diminished if individual bargaining units are allowed to negotiate separately.

- The complexity of having to administer multiple plans based on variations between bargaining units would require a redesign of the administrative and operations infrastructure.
- Allowing the negotiation of health benefit plans and associated benefits may allow for bargaining units to negotiate on a total compensation basis, thereby allowing a bargaining unit to apportion negotiated compensation between base compensation and health benefit cost for its bargaining unit members.
- By allowing active employees to negotiate health benefit plans, there may be unintended consequences with regard to the health benefit plans for other groups such as elected and appointed officials, judges and retirees.
- It is not clear from HD1 whether benefits will be arbitrable. Three (3) bargaining units (i.e., units 1, 5, and 7) do NOT have an impasse procedure ending in a final and binding arbitration.

Thank you for the opportunity to testify on this important measure.

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2012, H.D. 1

March 1, 2016
1:00 p.m.

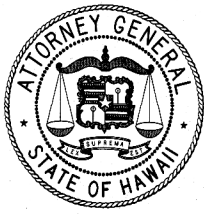
RELATING TO COLLECTIVE BARGAINING

House Bill No. 2012, H.D. 1, amends Chapter 89, HRS, to allow the negotiation of Hawaii Employer-Union Health Benefits Trust Fund (EUTF) benefits.

The Department of Budget and Finance strongly opposes this bill for the following reasons.

First, allowing each bargaining unit to negotiate its own benefits could essentially create 14 different pools of employees, reducing the economies of scale in negotiations with carriers and increasing administrative complexity for EUTF. Each negotiating team would need to be advised or trained in health benefit matters, including compliance with federal requirements.

In addition, the bill does not provide a resolution mechanism if the employer and bargaining unit cannot come to an agreement on EUTF benefits in negotiations.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-EIGHTH LEGISLATURE, 2016**

ON THE FOLLOWING MEASURE:

H.B. NO. 2012, H.D. 1, RELATING TO COLLECTIVE BARGAINING.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Tuesday, March 1, 2016

TIME: 1:00 p.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): Douglas S. Chin, Attorney General, or
Maria C. Cook, Deputy Attorney General

Chair Luke and Members of the Committee:

The Department of the Attorney General has concerns regarding this bill and opposes the bill in its present form.

First, 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.

Second, 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 had 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.

Third, in addition to this bill allowing 14 collective bargaining units to independently negotiate health benefits such as plan designs, structures, and the selection of providers, there is a pending appeal where it is argued that retirees have a constitutional and contractual right to have the same health benefits as those offered to active employees. If this claim succeeds on appeal, by creating multiple active health plans, the State may create a situation where it must offer multiple health plans to retirees.

Finally, for bargaining units subject to interest arbitration, if the parties fail to reach an agreement on health benefits and contributions, these issues would be submitted to arbitration.

Health benefits issues are complex, and amounts of contributions comprise a substantial portion of the State's general fund. Leaving such matters to an arbitration panel without expertise in this area creates uncertain financial exposure to the State.

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



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
March 1, 2016 at 1:00 p.m.

By
Jan Gouveia
Vice President for Administration
University of Hawai'i

HB 2012 HD1 – RELATING TO COLLECTIVE BARGAINING

Chair Luke, Vice Chair Nishimoto, and Members of the House Committee on Finance:

We hereby provide the following testimony regarding House Bill 2012, House Draft 1 – Relating to Collective Bargaining which proposes to amend Chapter 89, HRS, to specify that the benefits of the Hawai'i Employer-Union Health Benefits Trust (EUTF) become a mandatory subject of bargaining.

The University of Hawai'i (UH) continues to have concerns over the impact of these changes to Chapter 89, HRS, if such legislation is adopted and enacted.

The UH's workforce consists of employees in Bargaining Units 1, 2, 3, 4, 7, 8, 9 and 10. For Bargaining Units 7 and 8, the University of Hawai'i is legislatively established as the employer pursuant to HRS, §89-6(d)(4), since we are the only employer who employs Faculty and Administrative, Professional, and Technical (APT) employees. For purposes of negotiating successor agreements to Bargaining Units 7 and 8, the University of Hawai'i takes lead on negotiations with assistance, support, and guidance from the State Office of Collective Bargaining, through its Chief Negotiator.

Considering UH's unique distinction compared to other state units, the UH does not have the technical expertise, knowledge, and experience to engage in negotiations over health **benefits** since we have never been required to bargain over health benefits in the past. We believe we would need to either acquire and/or obtain outside professionals who possess the technical knowledge and understanding in the area of negotiating health benefits and its related costs. Currently, we are not structured or prepared for such a change in practice. Furthermore, while contributions amounts are not subject to arbitration it still remains unclear as to whether benefits will be and whether that is the Legislature's intent.

As noted above, we administer and manage eight (8) of the established fourteen (14) bargaining units under Chapter 89, HRS. If health benefits become subject to negotiations, the state could face situations in which bargaining units may have different benefit plans or the possibility of having the same benefit plan but different contribution rates for each bargaining unit. Such potential differences in bargaining unit plans and contribution rates would reduce any possible economies of scale, as well as, increase administrative requirements to ensure expertise in negotiating and managing such different benefit plans. While employer contributions has been the standard, including the subject of benefits as a mandatory subject will definitely change the scope and application of negotiations in which we have concerns over its intended and unintended impact and scope. Thank you for the opportunity to testify on this matter.



The House Committee on Finance
Tuesday, March 1, 2016
1:00 p.m., Room 308

RE: HB 2012, HD1, Relating to Collective Bargaining

Attention: Chair Sylvia Luke, Vice Chair Scott Nishimoto and
Members of the Committee

The University of Hawaii Professional Assembly (UHPA) urges the committee to **support HB 2012, HD1**, that provides unions the ability to negotiate contributions to the Employer Union Health Benefits Trust Fund (EUTF) and the benefits provided through the health plans.

This Bill reinforces the union's belief that benefits are an integral part of employee compensation and should be negotiated between unions and employers. Negotiating both premiums and benefits provides unions the ability to identify benefit features that meet the needs of their members without the loss of key coverage.

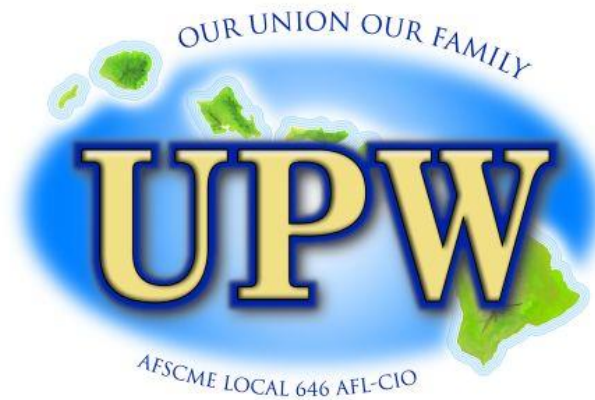
The ability to negotiate will provide greater incentives which can assist in controlling costs over the long-term.

UHPA urges the committee to **support HB 2012, HD1**.

Respectfully submitted,

Kristeen Hanselman
Executive Director

**University of Hawaii
Professional Assembly**



THE HAWAII STATE HOUSE OF REPRESENTATIVES
The Twenty-Eighth Legislature
Regular Session of 2016

COMMITTEE ON FINANCE

The Honorable Silvia Luke, Chair
The Honorable Scott Nishimoto, Chair

DATE OF HEARING: Tuesday, March 1, 2016
TIME OF HEARING: 1:00 p.m.
PLACE OF HEARING: State Capitol, 415 South Beretania Street
Conference Room 308

**TESTIMONY IN OPPOSITION TO HB 2012, HD1 RELATING TO COLLECTIVE
BARGAINING**

By DAYTON M. NAKANELUA,
State Director of the United Public Workers (UPW),
AFSCME Local 646, AFL-CIO

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, and AFL-CIO. The UPW is the exclusive bargaining representative for approximately 12,000 public employees, which include blue collar non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

HB2012, HD1 restores the current statutory language establishing the Legislature's role in resolving impasses related to employer contribution amounts; restores the current statutory proviso that arbitration shall not be available to resolve impasses or disputes regarding State and county contributions to the Hawaii Employer-Union Health Benefits Trust Fund; and the amendments includes a sunset date of June 30, 2017.

The UPW prefers HB 2012 and **opposes** HB2012, HD1.

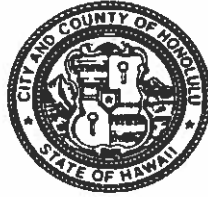
Thank you for the opportunity to submit this testimony.

Thank you for the opportunity to submit this testimony.

DEPARTMENT OF HUMAN RESOURCES
CITY AND COUNTY OF HONOLULU
650 SOUTH KING STREET 10TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-8500 • FAX: (808) 768-5563 • INTERNET: www.honolulu.gov/hr

LATE

KIRK CALDWELL
MAYOR



CAROLEE C. KUBO
DIRECTOR

NOEL T. ONO
ASSISTANT DIRECTOR

March 1, 2016

The Honorable Sylvia Luke, Chair
and Members of the Committee
on Finance
The House of Representatives
State Capitol, Room 308
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Luke and Members of the Committee:

SUBJECT: House Bill No. 2012, HD1
Relating to Collective Bargaining

The Department of Human Resources, City & County of Honolulu, would like to share our comments on H.B. 2012, HD1. H.B. 2012, HD1 would dilute the statutory authority and obligations already vested with the Employer-Union Health Benefits Trust Fund ("EUTF"). Moreover, if passed, the measure would likely have an unforeseen negative financial impact to both the public employer and employees due to fragmentation as health care and administrative costs will likely increase if health care providers are required to craft separate health care plans for the various bargaining units.

We thank you for giving us the opportunity to testify on this matter.

Sincerely,

A handwritten signature in black ink that reads "Carolee C. Kubo". The signature is written in a cursive style.

Carolee C. Kubo
Director

cc: Mayor's Office



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

LATE

The Twenty-Eighth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
March 1, 2016

H.B. 2012, H.D. 1 – RELATING TO
COLLECTIVE BARGAINING

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of H.B. 2012, H.D. 1, 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. However, we respectfully request that the bill revert to its original form.

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. We respectfully request the bill revert to its original form, as it is necessary for an arbitration panel to fully weigh employees' salary and benefit package for dispute resolution purposes.

As presently organized, the EUTF is not providing affordable health care to public employees, especially for employees who need family coverage and who are in a lower pay range. By negotiating both premiums and benefits, unions 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 to implement wellness programs, which can help control plan costs over the long-term.

Thank you for the opportunity to testify in support of H.B. 2012, H.D. 1, with the respectful request to revert to the original language.

Respectfully submitted,

Randy Perreira
Executive Director



LATE

STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 03/01/2016
Time: 01:00 PM
Location: 308
Committee: House Finance

Department: Education
Person Testifying: Kathryn S. Matayoshi, Superintendent of Education
Title of Bill: HB 2012, HD1 RELATING TO COLLECTIVE BARGAINING.
Purpose of Bill: Specifies that the benefits of the Hawaii employer-union health benefits trust fund are subject to negotiation. (HB2012 HD1)

Department's Position:

The Department of Education (Department) has concerns about HB 2012, HD 1, which would make Hawaii Employer-Union Health Benefits Trust Fund (EUTF) benefits a subject of bargaining and repeal the current process whereby health benefits are determined by the EUTF.

The Department's workforce consists of employees in Bargaining Units 1, 2, 3, 4, 5, 6, 8, 9, 10, and 13. For purposes of negotiating successor agreements to Bargaining Units 5 and 6, the Department takes the lead on negotiations with assistance, support, and guidance from the State Office of Collective Bargaining, through its Chief Negotiator.

Bargaining unit 5 (teachers) is a strike unit, and therefore if impasse is declared, the issues are not determined through binding interest arbitration. Bargaining unit 6 (educational officers), however, does have final and binding interest arbitration. HB 2012 does not expressly provide a resolution for unit 5, or other strike units, should the parties not be able to reach a negotiated agreement concerning health benefits. For bargaining unit 6, it appears that benefits are subject to arbitration if agreement is not reached by the parties. The Department is concerned about divisiveness among the educator community to the extent health benefits for educational officers could be determined by an arbitrator but the teachers would be without a comparable statutory remedy.

In addition, the Department's negotiating team has never engaged in negotiations over health benefits and lacks the technical background, training and knowledge that would be required to properly negotiate this complicated subject. The Department also notes the federal Affordable Care Act has imposed new and numerous health benefits requirements, some of which are evolving and subject to change. There are significant penalties for non-compliance with the federal requirements and there may be the need to revise plans under time constraints that cannot be accommodated by collective bargaining. The EUTF, as the subject matter expert, is

the appropriate agency to determine the health benefits that cover a significant portion of the State's population. These critical services should not be the subject of negotiations by non-experts.

For the reasons stated, the Department requests the bill be held.



Submitted testimony for HB2012 on Mar 1, 2016 13:00PM
 mailinglist
 to:
 FINtestimony
 02/29/2016 12:16 PM
 Cc:
 julia_english
 Hide Details
 From: mailinglist@capitol.hawaii.gov
 To: FINtestimony@capitol.hawaii.gov,
 Cc: julia_english@notes.k12.hi.us

LATE

1 Attachment



HB2012,HD1_DOE_03-01-16_FIN.pdf

HB2012

Submitted on: 2/29/2016

Testimony for FIN on Mar 1, 2016 13:00PM in Conference Room 308

| Submitted By | Organization | Testifier Position | Present at Hearing |
|----------------------|--------------|--------------------|--------------------|
| Kathryn S. Matayoshi | DOE | Comments Only | Yes |

Comments: Please see attached testimony.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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