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April 4, 2016

To: The Honorable Jill N. Tokuda, Chair
The Honorable Donovan M. Dela Cruz, Vice Chair, and
Members of the Senate Committee on Ways and Means

Date: Monday, April 4, 2016
Time: 2:00 p.m.
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 2722 HD1 SD1 Relating to Unemployment

I. OVERVIEW OF PROPOSED LEGISLATION

HB2722 HD1SD1 proposes a 13-week extension of unemployment insurance (UI) benefits in counties with a population under 200,000 for a temporary period from September 4, 2016 through October 28, 2017 provided that the UI trust fund balance does not fall below the adequate reserve level.

The department supports the intent of the measure and offers comments.

II. CURRENT LAW

Section 383-24, Hawaii Revised Statutes (HRS), provides that jobless individuals may collect a maximum of 26 weeks of regular UI benefits.

III. COMMENTS ON THE HOUSE BILL

The department appreciates the legislative intent to provide supplemental benefits to assist dislocated workers in certain counties who may have limited prospects for securing suitable work even while Hawaii is experiencing favorable economic conditions. However, as the entire cost of the additional benefits will be borne by employers, the department offers the following comments for the Committee's consideration:

- The Department's Research and Statistics Office estimates the potential impact of additional benefits to the trust fund and tax schedules according to several

possible scenarios as indicated below:

- 1) Counties <200,000 population (Hawaii, Maui, Kauai): \$20 million
Schedule C from 2017 thru 2019
 - 2) Maui County only: \$13 million
Schedule C from 2017 thru 2019
 - 3) All Counties (statewide): \$55 million
Schedule C in 2017; Schedule D from 2018; Schedule C in 2019
- While the above projections indicate that the cost of the temporary UI extension will increase by one higher tax schedule in the worst case scenario, the onset of recessions are often sudden and unpredictable, so that the drop-dead clause in this bill may be too late for the trust fund to recover. During our most recent downturn in 2010-12, the UI trust fund was depleted, forcing Hawaii to request about \$183 million in federal loans in order to continue payment of UI benefits. The borrowing incurred an interest payment of \$211,000 from employer assessments.
 - It is highly unusual to institute a jobless compensation extension when the State is at nearly full employment – Hawaii's 3.2% unemployment rate ranks 5th in the nation
 - The limited extension period and the county population requirement applicable for payment of additional UI benefits may raise equity and other legal issues by individuals who are excluded under this proposal.
 - DLIR estimates that \$650,000 in general funds will cover the administrative costs of the proposed program.



**Testimony to the Senate Committee on Ways & Means
Monday, April 4, 2016 at 2:00 P.M.
Conference Room 211, State Capitol**

RE: HOUSE BILL 2722 HD 1 SD 1 RELATING TO UNEMPLOYMENT

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") would like to **provide comments** regarding HB 2722 HD 1 SD 1, which creates a temporary program providing additional benefits to unemployed workers by extending their unemployment insurance benefits.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber understands the need to support unemployed workers and supports the intent of this bill to create a system to provide additional benefits to individuals who have exhausted regular benefits or have had their benefits expire. Our only concern is that it remains a general fund appropriation and is not funded by employers.

Thank you for the opportunity to testify.