

**STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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February 29, 2016

To: The Honorable Sylvia Luke, Chair  
The Honorable Scott Y. Nishimoto, Vice Chair and  
Members of the House Committee on Finance

Date: Tuesday, March 1, 2016  
Time: 1:00 p.m.  
Place: Conference Room 308, State Capitol

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

**Re: H.B. No. 2722 HD 1 Relating to Unemployment**

**I. OVERVIEW OF PROPOSED LEGISLATION**

H.B. 2722 HD1 proposes a maximum 13-week extension of unemployment insurance (UI) benefits for individuals who received a final payment of regular UI benefits between September 4, 2016 and October 21, 2017, provided that the UI trust fund does not fall below the adequate reserve level.

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

DLIR estimates that \$650,000 in general funds will cover the administrative costs of the proposed program. DLIR estimates the proposal would result in an additional \$55 million in payouts from the trust fund and cause the employer tax schedule to possibly rise one level and increase employer taxes by \$20 million in 2018.

**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.

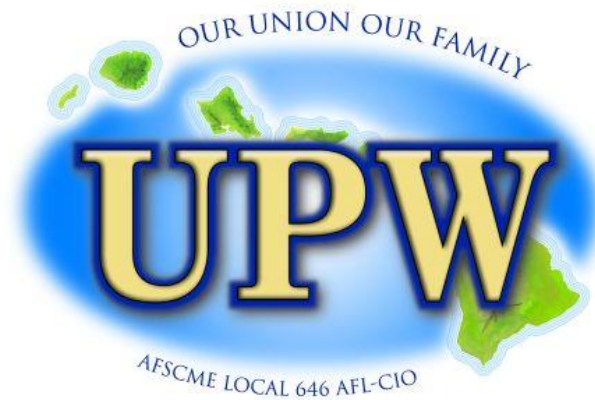
**III. COMMENTS ON THE HOUSE BILL**

The department supports the intent of this measure to provide supplemental benefits to assist dislocated workers who may have limited prospects for securing

suitable work even while Hawaii is experiencing favorable economic conditions. However, as additional benefits will be borne by employer contributions or reimbursements, 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 to 2019
  - 3) All Counties (statewide): \$55 million  
Schedule C in 2017; Schedule D from 2018; Schedule C in 2019.
- The department notes that the onset of recessions is often sudden and unpredictable. Normally, the trust fund is replenished when the work force reaches capacity levels to permit less drastic fluctuations in employer tax rates during recessions when UI benefit outgo increases and business income declines. 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 5<sup>th</sup> lowest in the nation.
- The limited period of time that the additional UI benefits are applicable and the absence of any rationale for the justification of the extension may raise equity and other legal issues by individuals who are excluded from qualifying for the special supplemental compensation.
- Implementation of this measure will require a minimum of \$650,000 in general funds for fiscal year 2016-17 to carry out the purposes of this Act. Additional staff and computer reprogramming will be necessary to administer the benefit extension on a statewide basis.
- The department suggests clarification of the language contained in this measure by:
  - a) Deleting the language contained in Section 4(d) as Section 3(5) of this measure already covers eligibility for additional UI benefits while an individual attends vocational training or retraining approved under section 383-29 (e), HRS; and

- b) Adding “and as consistent with section 383-65, Hawaii Revised Statutes, at the end of section 5 to include all applicable charging and non-charging provisions that may be relevant to claims for additional benefits.



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, Vice 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 SUPPORT OF HB2722, HD1 RELATING TO UNEMPLOYMENT**

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.

HB2722, HD1 creates a temporary program providing additional benefits to unemployed workers by extending their unemployment insurance benefits. The bill also makes an appropriation for the program. UPW **strongly supports** this measure.

Thank you for the opportunity to submit this testimony.



The Twenty-Eighth Legislature  
Regular Session of 2016

HOUSE OF REPRESENTATIVES  
Rep. Sylvia Luke, Chair  
Rep. Scott Y. Nishimoto, Vice Chair  
State Capitol, Conference Room 308  
Tuesday, March 1, 2016; 1:00 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2722, HD1  
RELATING TO EMPLOYMENT SECURITY**

The ILWU Local 142 **supports** H.B. 2722, HD1, which creates a temporary program providing additional benefits to unemployed workers by extending their unemployment insurance benefits and makes an appropriation.

Unemployment Insurance (UI) is provided to eligible workers for a maximum of 26 weeks of full benefits during a benefit year. The unemployment rate in Hawaii may be the lowest in the nation with the assumption that laid-off workers in Hawaii will have an easy time finding new jobs. However, jobs are not all the same.

Although the Unemployment Division expects UI claimants gradually (after about a month) to consider and even accept jobs that are not comparable to those they left, most workers will want to return to similar wage levels and working conditions as they had before they were laid off. H.B. 2722, HD1 will allow UI claimants a little more time (a maximum of 13 weeks) to find suitable gainful employment. They will be required to meet all UI requirements—i.e., be able and available for work, make three job contacts a week, not refuse any work, report in online on a biweekly basis—and accept job training.

Funds for the additional benefits will come from the UI Trust Fund, which was healthy enough to reward employers recently with a “holiday” from contributions. Adequacy of the Trust Fund must be considered when providing additional benefits as H.B. 2722, HD1 is proposing. However, the requirement for job training will limit those qualified for additional benefits.

The ILWU urges passage of H.B. 2722, HD1. Thank you for the opportunity to testify on this measure.



Randy Perreira  
President

# HAWAII STATE AFL-CIO

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

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Testimony by  
Hawaii State AFL-CIO  
March 1, 2016

H.B. 2722, H.D.1 – RELATING TO  
UNEMPLOYMENT

The Hawaii State AFL-CIO supports H.B. 2722, H.D.1, which creates a temporary program providing additional benefits to unemployed workers by extending their unemployment insurance benefits.

When Hawaiian Commercial and Sugar (HC&S) ends their sugar operations on Maui later this year, hundreds of employees will be permanently laid off and will face a very difficult and challenging time as they begin to seek new employment in completely different industries. Creating a temporary program that provides additional unemployment benefits will financially help these workers continue to pay their mortgages, rent, and many other bills while they search for new jobs.

Thank you for the opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Randy Perreira".

Randy Perreira  
President



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Finance  
Tuesday, March 1, 2016 at 1:00 P.M.  
Conference Room 308, State Capitol**

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

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") would like to **provide comments** regarding HB 2722 HD 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.





Testimony to the House Committee on Finance  
March 1, 2016

**LATE**

Testimony in Opposition to HB 2722 HD1, Relating to Unemployment.

To: The Honorable Sylvia Luke, Chair  
The Honorable Scott Nishimoto, Vice-Chair  
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 63 Hawaii credit unions, representing over 800,000 credit union members across the state. We are opposed to HB 2722 HD1, Relating to Unemployment.

HB 2722 HD1 would create a temporary program which would provide additional benefits to unemployed workers after having exhausted regular unemployment benefits. The funds for this program would be withdrawn from the existing unemployment compensation trust fund, and from general funds. Currently, the State's unemployment rate is very low, so creating a new fund which would provide additional benefits is unnecessary. Raising unemployment benefits through this new fund would only serve to hurt Hawaii's business community, which may have an adverse affect on the economy.

Thank you for the opportunity to testify.

# BIA-HAWAII

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THE VOICE OF THE CONSTRUCTION INDUSTRY

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## Testimony to the House Committee on Finance

Tuesday, March 1, 2016

1:00 p.m.

State Capitol - Conference Room 308

**LATE**

### RE: HB 2722 HD1 – Relating to Unemployment.

Dear Chair Luke, Vice-Chair Nishimoto, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

We are in opposition to H.B. 2722 HD1, which would create a temporary program which would provide additional benefits to unemployed workers after having exhausted regular unemployment benefits. The funds for this program would be withdrawn from the existing unemployment compensation trust fund, and from general funds.

Unemployment benefits are more than sufficient today, and currently, the State's unemployment rate is very low. Raising unemployment benefits would only serve to hurt Hawaii's business community, and working people that pay for these benefits.

We are opposed to H.B. 2722 HD1, and appreciate the opportunity to express our views on this matter.