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LATE TESTIMONY

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March 15, 2016

To: The Honorable Gilbert S.C. Keith-Agaran, Chair
The Honorable Maile S. L. Shimabukuro, Vice Chair and
Members of the Senate Committee on Judiciary and Labor

Date: Wednesday, March 16, 2016
Time: 9:00 a.m.
Place: Conference Room 016, 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

HB2722 HD1 proposes a maximum thirteen (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, if the UI trust fund does not fall below the adequate reserve level.

The department supports the intent of the measure and offers comments. However, DLIR is communicating with our federal partners about the potential federal monies that could serve this purpose under the Trade Adjustment Assistance (TAA). The committee may want to consider deferring for a short time while we continue the discussion with our federal partners.

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.

II. CURRENT LAW

Section 383-24, Hawaii Revised Statutes (HRS), provides that jobless individuals may collect a maximum of twenty-six (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 5th 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 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.

LATE TESTIMONY

From: mailinglist@capitol.hawaii.gov
To: [JDL Testimony](#)
Cc:
Subject: *Submitted testimony for HB2722 on Mar 16, 2016 09:00AM*
Date: Wednesday, March 16, 2016 12:37:22 PM

HB2722

Submitted on: 3/16/2016

Testimony for JDL on Mar 16, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Victor K. Ramos	Individual	Oppose	No

Comments:

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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