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DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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February 11, 2016

To: The Honorable Mark M. Nakashima, Chair,
The Honorable Jarrett Keohokalole, Vice Chair, and
Members of the House Committee on Labor & Public Employment

Date: Friday, February 12, 2016
Time: 10:00 a.m.
Place: Conference Room 309, State Capitol

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

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

I. OVERVIEW OF PROPOSED LEGISLATION

HB 2722 proposes a 13-week extension of unemployment insurance (UI) benefits to eligible individuals who receive a final payment of regular UI benefits between September 4, 2016 and October 21, 2017.

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 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 the entire cost of the additional benefits will be paid by employer contributions or reimbursements, the department offers the following comments for the Committee's consideration.

- If the benefits are approved statewide, then the department's projections suggest that there is a chance that in 2018 the tax schedule triggered would be increased by one level than if the additional benefits were not paid.
- 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 \$193 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.
- Considering the unpredictability of economic trends that may affect the UI trust fund reserves, the Legislature may consider options to ensure that the additional benefits will target individuals and re-employment strategies that are cost-effective, including but not limited to:
 - a) Availability of additional benefits for claimants to complete approved training under section 383-29 (e), HRS; initial assessments and counseling will be provided to the claimants under DLIR's Rapid Response program.
 - b) Limiting extended UI compensation to a specific county or geographic area in Hawaii that is experiencing a disparately high number of business closures (partial or total) in comparison with the rest of the State, and to workers who are laid off due to lack of work. Maintaining purchasing power through payment of additional UI benefits will stabilize the impacted regional economy to mitigate any adverse effect on the greater State's economy.
 - c) Inserting a drop-dead clause that will terminate the payment of state-funded extended benefits when the trust fund level is threatened with insolvency: "The provisions contained in this Act shall only apply where the balance of the unemployment trust fund does not fall below the adequate reserve level as specified by section 383-63, HRS."



Randy Perreira
President

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The Twenty-Eighth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Labor and Public Employment

Testimony by
Hawaii State AFL-CIO
February 12, 2016

H.B. 2722 – RELATING TO
UNEMPLOYMENT

The Hawaii State AFL-CIO supports H.B. 2722 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 Labor & Public Employment and
Committee on Public Safety
Friday, February 12, 2016 at 10:00 A.M.
Conference Room 309, State Capitol**

RE: HOUSE BILL 2722 RELATING TO UNEMPLOYMENT

Chairs Nakashima and Takayama, Vice Chairs Keohokalole and Yamashita, and Members of the Committees:

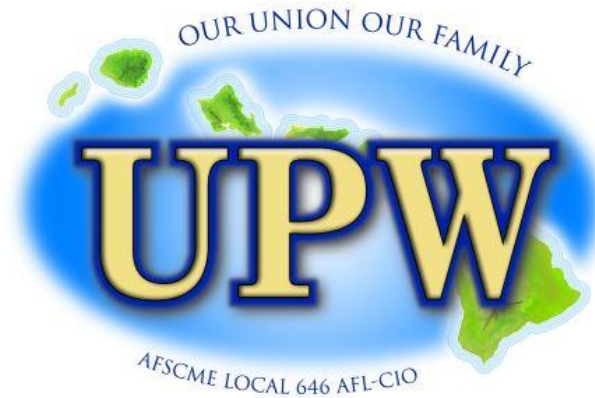
The Chamber of Commerce Hawaii ("The Chamber") would like to **provide comments** regarding HB 2722, which creates a temporary program providing additional benefits to unemployed workers by extending their unemployment insurance benefits.

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.

LATE



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

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT (LAB)/
COMMITTEE ON PUBLIC SAFETY (PBS)

The Honorable Mark M. Nakashima, Chair (LAB)
The Honorable Gregg Takaya, Chair (PBS)
The Honorable Jarrett K. Keohokalole, Vice Chair (LAB)
The Honorable Kyle Yamashita, Vice Chair (PBS)

DATE OF HEARING: Friday, February 12, 2016
TIME OF HEARING: 10:00 a.m.
PLACE OF HEARING: State Capitol
415 South Beretania Street
Conference Room 309

TESTIMONY ON HOUSE BILL 2722 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 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

LATE

HOUSE OF REPRESENTATIVES
Rep. Mark M. Nakashima, Chair
Rep. Jarrett Keohokalole, Vice Chair
State Capitol, Conference Room 309
Friday, February 12, 2016; 10:00 a.m.

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

The ILWU Local 142 **supports** H.B. 2722, 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 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. 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.

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

BIA-HAWAII

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THE VOICE OF THE CONSTRUCTION INDUSTRY

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Testimony to the House Committee on Labor & Public Employment

Friday, February 12, 2016

10:00 a.m.

State Capitol - Conference Room 309

LATE

RE: HB 2722 – Relating to Unemployment.

Dear Chair Nakashima, Vice-Chair Keohokalole, 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, 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, and appreciate the opportunity to express our views on this matter.