

DAVID Y. IGE
GOVERNOR



JAMES K. NISHIMOTO
CHIEF NEGOTIATOR

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

February 2, 2015

**TESTIMONY TO THE
SENATE COMMITTEE ON JUDICIARY AND LABOR
For Hearing on Tuesday, February 3, 2015
9:00 a.m., Conference Room 016**

By

**JAMES K. NISHIMOTO
CHIEF NEGOTIATOR**

**Senate Bill No. 1011
Relating to Collective Bargaining**

WRITTEN TESTIMONY ONLY

**CHAIRPERSON KEITH-AGARAN, VICE CHAIR SHIMABUKURO AND MEMBERS OF
THE SENATE COMMITTEE ON JUDICIARY AND LABOR:**

S.B. No. 1011 would amend Chapter 89, HRS to repeal the statutory language providing that arbitration shall not be available to resolve disputes regarding the EUTF contributions to be made by the State and Counties.

The Office of Collective Bargaining has concerns regarding this bill.

Allowing an arbitration panel to determine the amount of the employers' contribution toward employees' EUTF premiums through binding arbitration would be a major change in the negotiations impasse resolution process. There may be significant unintended negative consequences, given that the panel may not be in a position to consider the public employers' legal obligation under applicable laws to balance their respective budgets. It is strongly recommended that the Legislature study the implications of making this change in the resolution of negotiations impasse, as it relates to the EUTF.

Thank you for the opportunity to testify on this measure.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
SENATE BILL NO. 1011

February 3, 2015

RELATING TO COLLECTIVE BARGAINING

Senate Bill No. 1011, repeals the prohibition of using arbitration to resolve impasses or disputes relating to State and county Hawaii Employer-Union Health Benefits Trust Fund (EUTF) contributions and authorizes arbitration panels to decide on EUTF contributions. The bill also repeals the prohibition on the right to strike over EUTF contributions.

The Department of Budget and Finance (B&F) strongly opposes this bill. B&F believes the best way to maintain control of EUTF costs is to leave the final decision for EUTF contributions in the hands of the Legislature if the parties are unable to reach an agreement. While arbitration panels are tasked to consider the employer's ability to pay and overall economic conditions, panels often fail to grasp the complexities of the State budget.

While recent fiscal conditions have made it challenging to reach resolution in collective bargaining negotiations, altering the current process by allowing binding arbitration would take this critical decision out of the hands of elected leaders and put it in the hands of unelected and unaccountable arbitrators. While the Legislature would still have the authority to reject an arbitration award, it appears all cost items would be rejected, not just EUTF contributions. The end result of this bill could result in giving the Legislature a choice of fully conceding control of this significant portion of the budget to arbitration panels or risk unending collective bargaining negotiations.