

# LATE TESTIMONY *Late*

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February 9, 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: Tuesday, February 09, 2016  
Time: 9:15 a.m.  
Place: Conference Room 016, State Capitol

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

## **Re: S.B. No. 3038 Relating to Unemployment**

### **I. OVERVIEW OF PROPOSED LEGISLATION**

S.B. 3038 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.

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- 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 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.
  - 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."



Chamber of Commerce HAWAII

*The Voice of Business*

LATE TESTIMONY

**Testimony to the Senate Committee on Judiciary and Labor  
Tuesday, February 9, 2016 at 9:15 A.M.  
Conference Room 016, State Capitol**

**RE: SENATE BILL 3038 RELATING TO UNEMPLOYMENT**

Chair Keith-Agaran, Vice Chair Shimabukuro, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") would like to **provide comments** regarding SB 3038, 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.

THE SENATE

Committee on Judiciary and Labor  
Senator Gilbert S.C. Keith-Agaran, Chair  
Senator Maile S.L. Shimabukuro, Vice Chair  
State Capitol, Conference Room 016  
Tuesday, February 9, 2016; 9:15 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 3038  
RELATING TO UNEMPLOYMENT**

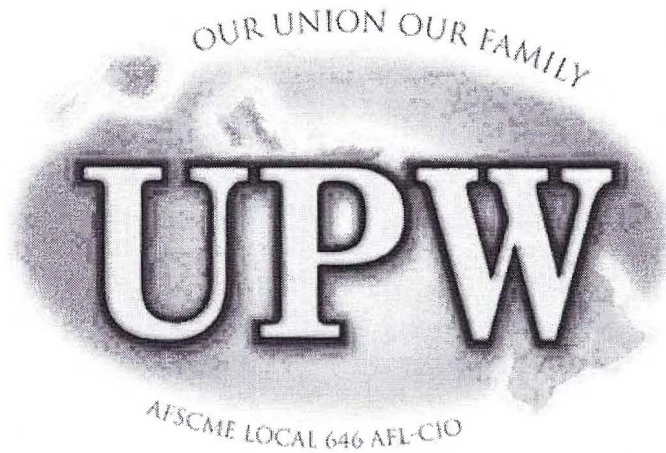
The ILWU Local 142 **supports** S.B. 3038, which creates a temporary program providing additional benefits to unemployed workers by extending their unemployment insurance benefits and makes an appropriation.

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. S.B. 3038 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 S.B. 3038. Thank you for the opportunity to testify on this measure.

**LATE TESTIMONY**



The Hawaii State Senate  
The Twenty-Eighth Legislature  
Regular Session of 2016

COMMITTEE ON JUDICIARY AND LABOR

The Honorable Gilbert S.C. Keith-Agaran, Chair  
The Honorable Maile S.L. Shimabukuro, Vice Chair

DATE OF HEARING: Tuesday, February 9, 2016

TIME OF HEARING: 9:15 a.m.

PLACE OF HEARING: Conference Room 016

**TESTIMONY ON SB3038 RELATING TO UNEMPLOYMENT**

By Dayton M. Nakanelua,  
State Director of the United Public Workers,  
AFSCME, Local 646, AFL-CIO

My name is Dayton M. Nakanelua, state director of the United Public Workers, AFSCME, Local 646, and AFL-CIO (UPW). The UPW is the exclusive representative for approximately 11,000 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.

SB3038 Relating to Unemployment creates a temporary program providing additional benefits to unemployed workers by extending their unemployment insurance benefits. The UPW supports this measure.

Thank you for the opportunity to submit this testimony.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [JDL Testimony](#)  
**Cc:**  
**Subject:** Submitted testimony for SB3038 on Feb 9, 2016 09:15AM  
**Date:** Monday, February 08, 2016 1:43:08 PM  
**Attachments:** [Testimony SB3038 Relating to Unemployment](#)

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**LATE TESTIMONY**

**SB3038**

Submitted on: 2/8/2016

Testimony for JDL on Feb 9, 2016 09:15AM in Conference Room 016

| Submitted By  | Organization          | Testifier Position | Present at Hearing |
|---------------|-----------------------|--------------------|--------------------|
| Al Lardizabal | United Public Workers | Support            | 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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