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GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

LEONARD HOSHIJO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
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February 22, 2017

To: The Honorable Sylvia Luke, Chair,
The Honorable Ty J.K. Cullen, Vice Chair, and
Members of the House Committee on Finance

Date: Wednesday, February 22, 2017
Time: 3:00 p.m.
Place: Conference Room 308, State Capitol

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

Re: H.B. No. 1208 HD1
Relating to the Department of Labor and Industrial Relations

I. OVERVIEW OF PROPOSED LEGISLATION

This proposal seeks to appropriate funds for two full-time equivalent enforcement specialist IV positions to be primarily responsible for the enforcement of Hawaii's Workers' Compensation (WC), Temporary Disability Insurance (TDI), and Prepaid Health Care (PHC) laws.

The Department supports this measure that will help restore the enforcement capability to the division as long as its passage does not adversely impact the priorities identified in the Governor's Executive Budget Request.

II. CURRENT LAW

DLIR's Disability Compensation Division (DCD) is responsible for providing economic security and stability for Hawaii's workforce through education, enforcement, and adjudication of the WC, TDI, and PHC laws. To this end, the division's statewide enforcement section of eight enforcement specialists (five in Honolulu, one in Kauai, one in Hilo, and one in Maui) is tasked with ensuring the 32,000 employers across the state in compliance with the WC, TDI, and PHC requirements.

The division has had great difficulty meeting this requirement after losing six of 13

positions, 47% of staffing, since FY 2009 because of the state's financial difficulties. For FY 2017, the legislature authorized one enforcement specialist for Kauai with funding beginning on January 1, 2017. That position was filled on January 1, 2017, and the specialist is being trained and will soon contribute to the decline in employer non-compliance on Kauai. Unfortunately, the Kona district remains without an enforcement specialist since the incumbent retired and the position was abolished in FY 2012.

III. COMMENTS ON THE HOUSE BILL

The Department supports this measure to increase its enforcement staff that will improve the division's quality and timeliness of services to the public as long as its passage does not adversely impact the priorities identified in the Governor's Executive Budget Request.

If this bill is enacted, the division will establish one enforcement specialist position in Kona and one position in Honolulu.

The estimated cost to fund the two positions is \$112,078. The cost breakdown is as follows:

- | | |
|----------------------|-----------|
| • Salary 2x \$50,772 | \$101,544 |
| • Current Expenses | \$1,034 |
| • Equipment | \$9,500 |

DEPARTMENT OF HUMAN RESOURCES
CITY AND COUNTY OF HONOLULU
650 SOUTH KING STREET, 10TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-8500 • FAX: (808) 768-5563 • INTERNET: www.honolulu.gov/hr

KIRK CALDWELL
MAYOR



CAROLEE C. KUBO
DIRECTOR

NOEL T. ONO
ASSISTANT DIRECTOR

February 22, 2017

The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
and Members of the Committee
on Finance
The House of Representatives
State Capitol, Room 308
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Luke, Vice-Chair Cullen and Members of the Committee:

**SUBJECT: House Bill No. 1208, HD1
Relating to the Department of Labor and Industrial Relations**

H.B. 1208, HD1 appropriates funds for the hiring of two full-time enforcement positions within the State of Hawaii, Department of Labor and Industrial Relations, Disability Compensation Division (DCD).

The funding provided by H.B. 1208, HD1 will enable the DCD to better enforce Hawaii's workers' compensation, temporary disability insurance and prepaid health care laws, thereby benefitting employees and employers alike. The City and County of Honolulu, Department of Human Resources, fully supports the measure.

Thank you for the opportunity to testify.

Sincerely,


Carolee C. Kubo
Director

cc: Mayor's Office

TESTIMONY OF ALISON UEOKA

COMMITTEE ON FINANCE
Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair

Wednesday, February 22, 2017
3:00 p.m.

HB 1208, HD1

Chair Luke, Vice Chair Cullen, and members of the Committee on Finance, my name is Alison Ueoka, President of the Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

The Hawaii Insurers Council **supports** this bill as we believe the Department of Labor and Industrial Relations has broad duties and cuts to their staffing has affected their ability to adequately enforce what is in their purview.

We believe an appropriation for two Enforcement Specialist IV positions is appropriate and we urge this committee to pass this bill.

Thank you for the opportunity to testify.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Wednesday, February 22, 2017 at 3:00 P.M.
Conference Room 308, State Capitol**

**RE: HOUSE BILL 1208 HD1 RELATING TO THE DEPARTMENT OF LABOR AND
INDUSTRIAL RELATIONS**

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

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 1208 HD1, which appropriates funds for two full-time equivalent (2.00 FTE) enforcement specialist IV positions to be primarily responsible for the enforcement of Hawaii's workers' compensation, temporary disability insurance, and prepaid health care laws.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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.

We support these resources being added to the department to provide equal and fair enforcement of existing laws and regulations. These additional resources will ensure a fair playing field for all business.

Thank you for the opportunity to testify.

Hawai'i Construction Alliance

P.O. Box 179441
Honolulu, HI 96817
(808) 348-8885

February 18, 2017

The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
and members
House Committee on Finance
Hawai'i State Legislature
Honolulu, Hawai'i 96813

RE: Strong Support for HB1208 HD1, Relating to the Department of Labor and Industrial Relations

Dear Chair Luke, Vice Chair Cullen, and members:

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Laborers' International Union of North America, Local 368; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawai'i Construction Alliance represent 15,000 working men and women in the basic crafts of Hawai'i's construction industry.

We strongly support HB1208 HD1, which would appropriate funds for two full-time equivalent (2.00 FTE) enforcement specialist IV positions to be primarily responsible for the enforcement of Hawaii's workers' compensation, temporary disability insurance, and prepaid health care laws.

The Hawai'i Construction Alliance has been extremely concerned by the increasing problem of unscrupulous employers not following laws designed to protect the health and safety of Hawai'i workers.

As you know, it is far too common for employers in Hawai'i — particularly in the construction industry — to not provide employees with temporary disability insurance, workers' compensation coverage, or prepaid healthcare. Often, this is due to employers fraudulently misclassifying workers as "independent contractors" or willfully neglecting to provide such coverage in an attempt to cut costs and retain profits. This sort of behavior is unacceptable and actively harms Hawai'i workers and families.

Additional enforcement specialist positions would help DLIR to more efficiently process claims; to ensure timely provision of medical services and payment of benefits to injured workers; employer compliance with workers' compensation, temporary disability insurance, and prepaid health care insurance coverage requirements; and to monitor health plans to ensure employees are provided with the benefits that are required under the prepaid health care law.

Therefore, we strongly ask for your committee's favorable action on HB1208 HD1.

Mahalo,

A handwritten signature in black ink that reads "Tyler Dos Santos-Tam". The signature is written in a cursive, flowing style.

Tyler Dos Santos-Tam
Executive Director
Hawai'i Construction Alliance
execdir@hawaiiiconstructionalliance.org

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
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Website: www.gcahawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 22, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR, COMMITTEE ON FINANCE

SUBJECT: **COMMENTS REGARDING H.B. 1208, HD1 RELATING TO DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS.** Appropriates funds for two full-time equivalent (2.00 FTE) enforcement specialist IV positions to be primarily responsible for the enforcement of Hawaii's workers' compensation, temporary disability insurance, and prepaid health care laws. (HB1208 HD1)

HEARING

DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

The General Contractors Association of Hawaii (GCA) is an organization comprised of over five hundred general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. The GCA's mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

H.B. 1208, HD1, Relating to the Department of Labor and Industrial Relations proposes to fund two positions for enforcement specialist IV positions to provide permanent positions in the department of labor and industrial relations, disability compensation division, to assist with the enforcement of Hawaii's workers' compensation, temporary disability insurance, and prepaid health care laws. This measure is a much better solution than H.B. 377, HD1, Relating to Workers Compensation, which proposes a mechanism through the building permit application process.

The proposed funding of these positions, particularly for labor law enforcement specialists would be to restore the pre-2009 positions that were subject to cuts under the Reduction in Force procedures. These positions would allow DLIR the proper resources to speed up investigations to enforce compliance with workers compensation, temporary disability insurance and prepaid health care laws. Furthermore, the restoration of these positions coupled with the increased penalties and fines for non-compliance for Temporary Disability Insurance or Workers Compensation coverage passed last year pursuant to Act 187 (2016) would further curtail non-compliant employers who may not be meeting the needs of their employees.

Thank you for the opportunity to share our comments regarding H.B. 1208, HD1.

Testimony of
Christopher Delaunay
Pacific Resource Partnership

House Committee on Finance
Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair

HB 1208, HD1 – Relating to the Department of Labor and Industrial Relations
Wednesday, February 22, 2017
3:00 P.M.
State Capitol – Room 308

Aloha Chair Luke, Vice Chair Cullen, and Members of the Committee:

Pacific Resource Partnership (PRP) **strongly supports** HB 1208, HD1, Relating to the Department of Labor and Industrial Relations (DLIR), which appropriates funds for two full-time equivalent (2.00 FTE) enforcement specialist IV positions to be primarily responsible for the enforcement of Hawaii's workers' compensation, temporary disability insurance, and prepaid health care laws for the following reasons.

Pacific Resource Partnership has been extremely concerned by the increasing problem of unscrupulous employers not following laws designed to protect the health and safety of Hawaii's workers. PRP supports this effort to strengthen the DLIR's enforcement capabilities to ensure that the department is fully equipped to punish bad actors who ignore these laws.

According to the State of Hawaii DLIR's Annual Report 2012, the division lost thirty-two percent of its staff between 2009 and 2012. The cut in positions adversely affected the division's ability to effectively protect the economic and medical security of the working public for whom workers' compensation, temporary disability insurance, and prepaid health care laws were intended to provide. Reinstating a couple of the positions would help curb the work of unscrupulous employers who are in violation of Hawaii's workers' compensation, temporary disability insurance, and prepaid health care laws and who are profiting at the expense of employers and employees who follow the law.

Thank you for allowing us to share our views and we respectfully request your support in moving HB 1208, HD1 forward.



(Continued From Page 1)

About PRP

Pacific Resource Partnership (PRP) is a not-for-profit organization that represents the Hawaii Regional Council of Carpenters, the largest construction union in the state, and more than 240 of Hawaii's top contractors. Through this unique partnership, PRP has become an influential voice for responsible construction and an advocate for creating a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs and enhances the quality of life for all residents.

TO: Members of the Committee on Finance

FROM: Natalie Iwasa, CPA, CFE
Honolulu, HI 96825
808-395-3233

HEARING: 3 p.m. Wednesday, February 22, 2017

SUBJECT: HB 1208, HD1, Department of Labor (Funding for Two Positions) - **Comments**

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on HB1208, HD1, which would provide funding for two full-time equivalent positions for the Department of Labor.

Applications for the state's health insurance premium supplementation program have had a backlog of up to two years for the past several years. In addition, it is my understanding that the fund for supplementation has been or is nearly depleted, and applications are currently not being processed, adding to the backlog. Small businesses who count on this fund to help cover the cost of providing medical insurance may therefore be struggling with cash flow issues, as the supplementation can run into the thousands of dollars.

Please include funding for the supplementation fund as well as staffing to process these applications.

The Twenty-Ninth Legislature
Regular Session or 2017



THE HOUSE

Committee on Finance

Representative Sylvia Luke, Chair

Representative Ty J.K. Cullen, Vice Chair

State Capitol, Conference Room 308

Wednesday, February 22, 2017; 3:00 p.m.

STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1208 HD 1
RELATING TO THE DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

The ILWU Local 142 supports H.B. 1208 HD 1, which appropriates funds for two full time equivalent (2.00 FTE) enforcement specialists IV positions to be primarily responsible for the enforcement of Hawaii's workers' compensation, temporary disability insurance, and prepaid health care laws.

The Disability Compensation Division has been short-staffed for several years. The Division's primary objectives include ensuring the efficient processing of claims, the timely provision of medical services, payment of benefits to injured workers, and employer compliance with workers' compensation, temporary disability insurance, and prepaid healthcare laws.

The Department of Labor and Industrial Relations has lost up to 32% of its staff in the past several years, and has been attempting to rebuild its staff. The reinstatement and funding for two investigator positions in the division is essential to investigate the large number of delinquent employers failing to secure and provide workers' compensation, temporary disability insurance, and prepaid health care protections to their employees.

These delinquent employers expose the workers' compensation special compensation fund, the temporary disability insurance special fund, and the prepaid health care premium supplementation fund to greater risks of having to pay benefits to workers of these delinquent employers. This in turn, increases the costs of these three statutory programs. H.B. 1208 HD 1 will help directly address this concern and support compliance with the law for all Hawaii employers.

The ILWU urges passage of H.B. 1208 HD 1. Thank you for the opportunity to provide testimony on this matter.