

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN COMMENTS
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 810, H.D. 1, S.D. 1

March 28, 2017
1:30 p.m.
Room 211

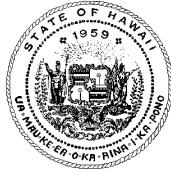
RELATING TO COLLECTIVE BARGAINING

House Bill No. 810, H.D. 1, S.D. 1, amends Chapter 89, HRS, by repealing the prohibition of using arbitration to resolve impasses or disputes relating to Hawaii Employer-Union Health Benefits Trust Fund (EUTF) contributions, allowing arbitration panels to decide on EUTF matters.

The Department of Budget and Finance opposes this bill because it takes away control from the executive branch to determine the State's ability to pay for cost items that are directly linked to the State's overall fiscal condition. Arbitration panels are not often prepared to understand the complexities of the State budget. While difficult fiscal conditions can make it challenging to reach resolutions in collective bargaining negotiations, allowing binding arbitration would take this critical decision out of the hands of elected leadership and put it in the hands of unelected and unaccountable arbitrators.

Further, although the legislature would still have the authority to reject an arbitration award, it appears all cost items would be rejected, not just EUTF contributions. This would seem to give the legislature a choice of fully conceding control of this significant portion of the budget to arbitration panels or risk unending collective bargaining negotiations.

Thank you for your consideration of our comments.



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

March 24, 2017

TESTIMONY TO THE
SENATE COMMITTEE ON WAYS AND MEANS
For Hearing on Tuesday, March 28, 2017
1:30 p.m., Conference Room 211

By

JAMES K. NISHIMOTO
CHIEF NEGOTIATOR, OFFICE OF COLLECTIVE BARGAINING

House Bill No. 810, H.D. 1 S.D. 1
Relating to Collective Bargaining

WRITTEN TESTIMONY ONLY

CHAIRPERSON TOKUDA, VICE CHAIR DELA CRUZ AND MEMBERS OF THE
SENATE COMMITTEE ON WAYS AND MEANS:

House Bill No. 810, H.D. 1 S.D. 1, proposes to allow EUTF to resolve impasses related to contribution disputes through binding arbitration.

The Office of Collective Bargaining **opposes** this measure and provides the following comments for consideration:

- The proposed measure would potentially affect eleven of fourteen bargaining units that are allowed to pursue binding arbitration to resolve an impasse in negotiations. Requiring an Arbitrator to determine the Employer's share of premium contributions to the Employer Union Trust Fund (EUTF) may place the Arbitrator in an untenable position of having to make a reason-based decision without the benefit of information relating to the cost of premiums. Premium costs are determined based on utilization experience, that is, EUTF

independently negotiates the premium rates, but the premium rates would then depend more on the carriers' evaluation of the claims experience and such experienced based premium information may not be available for negotiations or coincide with the duration or terms of the negotiated agreements.

- Currently, when there is no agreement on the Employers' contributions to EUTF, the parties may submit their respective recommendations for such contributions to the legislature for consideration and action as it deems appropriate.
- With the ever-rising cost of health care premiums, allowing an Arbitrator to determine premium contributions could potentially change the landscape of negotiations, make such negotiations even more complex, and obligate the Employer to pay additional unanticipated costs. The Employer strives to negotiate a total compensation package that balances contributions towards wages, health benefits, and other costs items. An Arbitrator could potentially award and require the Employer to pay a share of EUTF premiums, which could result in additional significant unbudgeted costs to the Employer based on future increased premiums costs.

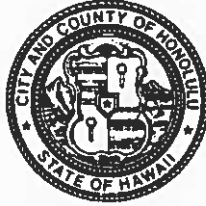
Based upon the above, the Office of Collective Bargaining respectfully recommends that this bill be held.

Thank you for your consideration of these comments.

DEPARTMENT OF HUMAN RESOURCES
CITY AND COUNTY OF HONOLULU

850 SOUTH KING STREET, 10th Floor
HONOLULU, HAWAII 96813

KIRK CALDWELL
MAYOR



CAROLEE C. KUBO
DIRECTOR
NOEL T. ONO
ASSISTANT DIRECTOR

March 28, 2017

The Honorable Jill N. Tokuda, Chair
The Honorable Donovan M. Dela Cruz, Vice Chair
and members of the Committee on Ways and Means
The Senate
State Capitol Room 211
Honolulu, Hawaii 96813

Dear Chair Tokuda, Vice Chair Rhoads, and Members of the Committee:

Subject: House Bill 810, HD1, SD1
Relating to Collective Bargaining

The Department of Human Resources, City & County of Honolulu, would like to share our concerns with this measure. If passed, the legislature would relinquish its decision making authority regarding the amount of employer contributions to the Employer-Union Health Benefit Trust Fund in the event the public employers and various public unions are not able to reach an agreement. Moreover, according to H.B. 810, HD1, SD1, such decision could be made by a third party arbitrator, who may or may not understand the public employers' ability to pay for such benefits.

We thank you for giving us the opportunity to testify on this matter.

Sincerely,

A handwritten signature in black ink that reads "Carolee C. Kubo". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Carolee C. Kubo
Director

cc: Mayor's Office



The Committee on Ways and Means
Tuesday, March 28, 2017
1:30 pm, Room 211

RE: HB 810, HD1, SD1 Relating to Collective Bargaining

Attention: Chair Jill Tokuda, Vice Chair Donovan Dela Cruz and
Members of the Committee

The University of Hawaii Professional Assembly (UHPA) urges the committee to **support the passage of the HB 810, HD1** version of the measure. The Senate Draft 1 version of the measure removed the appropriate remedy for Bargaining Units 01, 05 and 07 for conflict resolution, since these bargaining units are not subject to binding arbitration.

Chapter 89-9, Hawaii Revised Statutes, outlines the scope of negotiations and consultation and Chapter 89-11, Hawaii Revised Statutes, outlines the resolution of disputes and impasse procedures between the exclusive representative and the employer. The amendments to these respective sections outlined in **HB 810 HD1** will provide the appropriate pathway for all bargaining units to resolve disputes between the exclusive representative and the employer regarding contributions to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF).

UHPA urges the committee to **support passage of the HB 810, HD1 version.**

Respectfully Submitted,

Kristeen Hanselman
Executive Director

**University of Hawaii
Professional Assembly**



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808 543 0011 • Fax: 808 528 0922

The Twenty-Ninth Legislature, State of Hawaii
The Senate
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association

March 18, 2017

H.B. 810, H.D. 1, S.D. 1 - RELATING TO
COLLECTIVE BARGAINING

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 810, H.D. 1, S.D. 1 which allows contributions to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) be subject to the impasse procedure as delineated in Ch. 89, Hawaii Revised Statutes, with a request to revert to the original language of the measure whereby bargaining units that have the right to strike shall have the right to strike over this issue.

As currently written, Ch. 89, HRS lacks a dispute resolution mechanism to address the Employee and Employer share of the contributions to medical premiums in the EUTF. If the Employer and the Exclusive Representative cannot agree on the contribution amount, then the pro-rata share shall be determined by the Legislature, while all other negotiable items can proceed to impasse. The amendments contained in the original H.B. 810 allow for the dispute over contributions to be inclusively - similarly to any other negotiable item - resolved via the impasse procedure and subsequently by either interest arbitration or strike, depending upon the bargaining unit. Adoption of this language increases conformity between public-sector and private-sector employee bargaining, as both parties can fully utilize their dispute resolution mechanisms for all negotiable items, and also allows for the consideration of a full benefits and compensation package.

Thank you for the opportunity to testify in strong support of H.B. 810, H.D. 1, S.D. 1 with the request to return to the original H.B. 810 language.

Respectfully submitted,

Randy Perreira
Executive Director