

STAND. COM. REP. NO.

1093

Honolulu, Hawaii

MAR 24 2017

RE: H.B. No. 76  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2017  
State of Hawaii

Sir:

Your Committee on Judiciary and Labor, to which was referred  
H.B. No. 76, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO SEPARATION BENEFITS,"

begs leave to report as follows:

The purpose and intent of this measure is to offer an employee of the Hawaii Health Systems Corporation whose position will be abolished or directly affected by a reduction-in-force, workforce restructuring plan, or privatization, the option of electing to remain in the employee's position until the expiration of the applicable collective bargaining agreement, in addition to the option to exercise reduction-in-force rights and receiving either a voluntary severance benefit or special retirement benefit.

Your Committee received testimony in support of this measure from the Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO. Your Committee received testimony in opposition to this measure from the Employees' Retirement System. Your Committee received comments on this measure from the Department of Budget and Finance; Hawaii Health Systems Corporation; Department of Budget and Fiscal Services, City and County of Honolulu; and Grassroot Institute of Hawaii.



Your Committee finds that Act 103, Session Laws of Hawaii 2015 (Act 103), authorized the Hawaii Health Systems Corporation's Maui regional system to increase cost-effectiveness by discontinuing health care services at one or more of those facilities and transferring the right and responsibility to manage, operate, and provide health care services in those facilities to one or more private entities or their nonprofit management entities. As a result of this enabling legislation, the Maui regional system facilities will be transitioned to management by a Kaiser-Permanente affiliate. Current employees of the system may be displaced as part of the transition.

Your Committee further finds that the Legislature enacted Act 1, Special Session Laws of Hawaii 2016, to authorize the Hawaii Health Systems Corporation to offer a severance or a special retirement benefit to an employee who elects to separate from service when the employee's position is identified for abolishment or when the employee is directly affected by a reduction-in-force or workforce restructuring plan, including privatization. This measure provides an additional option for employees affected by the transition of the Maui regional system to private management.

Your Committee notes that the testimony of the Department of Budget and Finance states that it would cost approximately \$30,000,000 in general funds for all eligible employees affected by Act 103 to receive severance benefits negotiated through collective bargaining supplemental agreements.

While your Committee understands the need to ensure that displaced employees of the Hawaii Health Systems Corporation's Maui regional system can rely on and receive accrued employment and retirement benefits, your Committee also understands that there is serious concern regarding the effects of this measure on the status of the Employees' Retirement System as a tax-qualified plan under the Internal Revenue Code.

Accordingly, your Committee has amended this measure by:

- (1) Deleting its contents and inserting a general fund appropriation in the amount of \$30,000,000 to the Hawaii Health Systems Corporation for severance benefits for separated employees affected by Act 103, as may be



negotiated through collective bargaining supplemental agreements; and

- (2) Inserting an effective date of January 7, 2059, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 76, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 76, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Judiciary and  
Labor,

  
GILBERT S.C. KEITH-AGARAN, Chair



