

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

LEONARD HOSHIJO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.labor.hawaii.gov
Phone: (808) 586-8844 / Fax: (808) 586-9099
Email: dllr.director@hawaii.gov

February 14, 2017

To: The Honorable Gilbert S.C. Keith-Agaran, Chair,
The Honorable Karl Rhoads, Vice Chair, and
Members of the Senate Committee on Judiciary & Labor

Date: Tuesday, February 14, 2017
Time: 9:00 a.m.
Place: Conference Room 016, State Capitol

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

Re: S.B. No. 1115 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 are complying with the WC, TDI, and PHC compliance requirements.

The division has had great difficulty meeting this requirement after losing six of 13 positions or 47% of staffing since FY 2009 because of the state's financial

difficulties. In 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 be contributing 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 SENATE BILL

The Department supports this measure to increase its enforcement staff that in turn 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) 768-5583 • INTERNET: www.honolulu.gov/hr

KIRK CALDWELL
MAYOR



CAROLEE C. KUBO
DIRECTOR

NOEL T. ONO
ASSISTANT DIRECTOR

February 14, 2017

The Honorable Gilbert S.C. Keith-Agaran, Chair
The Honorable Karl Rhoads, Vice Chair
and Members of the Committee
on Judiciary and Labor
The Senate
State Capitol, Room 016
415 South Beretania Street
Honolulu, Hawaii 96813

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

**SUBJECT: Senate Bill No. 1115
Relating to the Department of Labor and Industrial Relations**

S.B. 1115 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 S.B. 1115 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 to the Senate Committee on Judiciary and Labor
Tuesday, February 14, 2017 at 9:00 A.M.
Conference Room 016, State Capitol**

**RE: SENATE BILL 1115 RELATING TO THE DEPARTMENT OF LABOR AND
INDUSTRIAL RELATIONS**

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

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 1115, 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 11, 2017

The Honorable Gilbert S.C. Keith-Agaran, Chair
The Honorable Karl Rhoads, Vice Chair
and members
Senate Committee on Judiciary and Labor
415 South Beretania Street
Honolulu, Hawai'i 96813

RE: Strong Support for SB1115, Relating to the Department of Labor and Industrial Relations

Dear Chair Keith-Agaran, Vice Chair Rhoads, 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 SB1115, 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 SB1115.

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@hawaiiconstructionalliance.org

TESTIMONY OF ALISON UEOKA

COMMITTEE ON JUDICIARY AND LABOR
Senator Gilbert S.C. Keith-Agaran, Chair
Senator Karl Rhoads, Vice Chair

Tuesday, February 14, 2017
9:00 a.m.

SB 1115

Chair Keith-Agaran, Vice Chair Rhoads, and members of the Committee on Judiciary and Labor, 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.

The Twenty-Ninth Legislature
Regular Session of 2017

THE SENATE

Committee on Judiciary and Labor
Senator Gilbert S. C. Keith-Agaran, Chair
Senator Karl Rhoads, Vice Chair
State Capitol, Room 016
Tuesday, February 14, 2017; 9:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 1115
RELATING TO THE DEPARTMENT OF LABOR
AND INDUSTRIAL RELATIONS**

The ILWU Local 142 supports S.B. 1115, 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. S.B. 1115 will help directly address this concern and support compliance with the law for all Hawaii employers.

The ILWU urges passage of S.B. 1115. Thank you for the opportunity to provide testimony on this matter.