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RYKER WADA
DIRECTOR

ANDREW T. GARRETT
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

February 18, 2020

**TESTIMONY TO THE
HOUSE COMMITTEE ON FINANCE**

For Hearing on Wednesday, February 19, 2020
3:00 p.m., Conference Room 308

BY

RYKER WADA
DIRECTOR

House Bill No. 1960, H.D. 1
Relating to Public Employee Compensation

TO CHAIR LUKE, VICE CHAIR CULLEN, AND MEMBERS OF THE COMMITTEE:

The purpose of House Bill No. 1960, H.D. 1 is to establish the public employees' compensation appeals board to hear appeals requesting the repricing of a class.

DHRD **opposes** this measure. Current statutes already provide two processes for the repricing of classes. First, HRS §89-9(f)(1) allows the exclusive representative to request the negotiation of repricing with the employer under the collective bargaining agreement. Second, if repricing has not been negotiated, HRS §89-9(f)(2) requires the employer to periodically review at least once every five years, the repricing of classes.

Act 253, SLH 2000 repealed HRS Chapter 77 and eliminated a similar public employees' compensation appeals board and amended HRS §89-9 to include the repricing of classes within an appropriate bargaining unit. Act 253, SLH 2000 reformed existing public employment laws and provided a comprehensive, responsive body of law

to bring about a more efficient and effective means of providing government services to the people of Hawaii consistent with two Hawaii State Constitutional mandates – that there be a civil service based on merit and that public employees have the right to bargain collectively.

Among the many changes enacted by Act 253, SLH 2000, the existing single statewide public employment system was replaced by nine jurisdictions, giving public employers more flexibility and greater autonomy to provide government services. HRS §76-1 requires each jurisdiction to establish and maintain a separately administered civil service system based on the merit principle, further providing in HRS §76-1(5) that equal pay for equal work shall apply between equal classes in the same bargaining unit among jurisdictions, unless agreed in accordance with Chapter 89 to negotiate the repricing of classes.

H.B. 1960, H.D. 1, by establishing a public employees' compensation appeals board, takes us back in time and appears to undo parts of the civil service reform enacted by Act 253, SLH 2000, and in contrast to the previous board, this new board would give the exclusive representatives votes in repricing. The proposed board is duplicative of the existing processes, will be time-consuming, and will require funds to implement. Given the foregoing, we recommend that H.B. 1960, H.D. 1 be held.

Thank you for the opportunity to provide testimony on this measure.



Corey Rosenlee
President
Osa Tui, Jr.
Vice President
Logan Okita
Secretary-Treasurer
Wilbert Holck
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE

RE: HB 1960, HD1 - RELATING TO PUBLIC EMPLOYEE COMPENSATION

WEDNESDAY, FEBRUARY 19, 2020

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Luke and Members of the Committee:

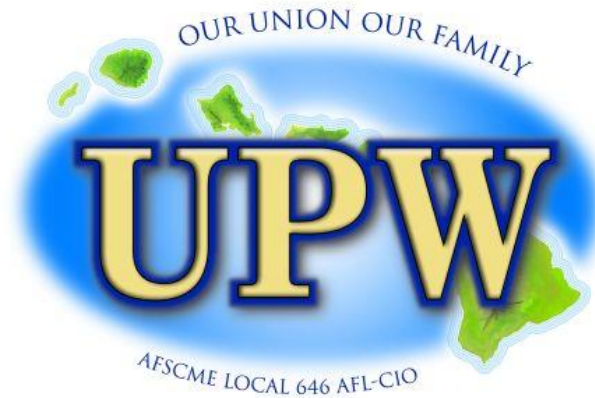
The Hawaii State Teachers Association **supports HB 1960, SD1**, relating to public employee compensation.

This bill would reestablish the Public Employees' Compensation Appeals Board to adjudicate appeals regarding the repricing of classifications of employees.

The Public Employees' Compensation Appeals Board (PECAB) was originally established in 1961 by enactment of the Act 188 with the intent to provide uniform policies and procedures for compensation to assure "equal pay for equal work" for government employees. Along with the sweeping reforms to civil service law in 2000, the statutory authority governing PECAB was repealed, making the reprice of classification a negotiable item between unions and each jurisdiction. In the past twenty years since civil service reform, employees have sought to reprice their classification with limited success. Employers deny repricing requests and claim that upon their review, they have determined that all current positions pricing is appropriate; however, they do not offer the basis of that determination. The current process is clearly lopsided and unfair: it fails to include any appeal mechanism or adjudication via impartial review and empowers the employer to arbitrarily rule against employees without recourse. This imbalance has adversely impacted governmental operations, as the high vacancy rates and use of long-term shortage differentials clearly refutes the employer's claim that all classifications are priced at market rates.

It is our hope, along with other unions, that the reestablishment of PECAB will assist in properly pricing classes of employees and that paying a competitive salary will be one of the many tools utilized in reducing the state's and counties' turnover and vacancy rates. This measure represents the beginning of the conversation and we look forward to working with stakeholders to establish a fair process to reprice employees.

The Hawaii State Teachers Association asks your committee to **support** this bill.



THE HAWAII STATE HOUSE OF REPRESENTATIVES

The Thirtieth Legislature
Regular Session of 2020

COMMITTEE ON FINANCE

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair

Date of Hearing: Wednesday, February 19, 2020
Time of Hearing: 3:00 p.m.
Place of Hearing: Conference Room 308
State Capitol
415 South Beretania Street

**TESTIMONY IN SUPPORT OF HB 1960 HD1 RELATING TO PUBLIC EMPLOYEE
COMPENSATION**

By DAYTON M. NAKANELUA,
State Director of the United Public Workers,
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO. The UPW is the exclusive bargaining representative for approximately 13,000 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 four counties. The UPW also represents about 1,500 members in the private sector.

HB1960 HD1 establishes the public employee compensation appeals board to hear appeals requesting the repricing of a class. The bill also calls for an appropriation. We believe that this process will provide accountability and fairness in the deliberations. The UPW strongly supports this measure.

Thank you for the opportunity to submit this testimony.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirtieth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
February 19, 2020

H.B. 1960, H.D. 1 – RELATING TO
PUBLIC EMPLOYEE COMENSATION

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 1960, H.D. 1 which reestablishes the Public Employees' Compensation Appeals Board to adjudicate appeals regarding the repricing of classifications of employees.

The Public Employees' Compensation Appeals Board (PECAB) was originally established in 1961 by enactment of Act 188 with the intent to provide uniform policies and procedures for compensation to assure "equal pay for equal work" for government employees. Along with the sweeping reforms to civil service law in 2000, the statutory authority governing PECAB was repealed, making the reprice of classifications a negotiable item between unions and each jurisdiction. In the past twenty years since civil service reform, employees have sought to reprice their classifications with very limited success. Employers deny repricing requests and claim that upon their review, they have determined that all current position pricing is appropriate, however they do not proffer the basis of that determination. The current process is clearly lopsided and unfair: it fails to include any appeal mechanism or adjudication via impartial review and empowers the employer to arbitrarily rule against employees without recourse. This unbalance has adversely impacted governmental operations, as the high vacancy rates and use of long-term shortage differentials clearly refutes the employer's claim that all classifications are priced at market rates.

It is our hope that the reestablishment of PECAB will assist in properly pricing classes of employees and that paying a competitive salary will be one of many tools utilized in reducing the state's and counties' turnover and vacancy rates. This measure represents the beginning of the conversation and we look forward to working with all stakeholders to establish a fair process to reprice employees. Thank you for the opportunity to provide testimony in strong support of H.B. 1960, H.D. 1.

Respectfully submitted,

Randy Perreira
Executive Director

DEPARTMENT OF HUMAN RESOURCES
CITY AND COUNTY OF HONOLULU
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KIRK CALDWELL
MAYOR



CAROLEE C. KUBO
DIRECTOR
NOEL T. ONO
ASSISTANT DIRECTOR

February 19, 2020

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

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

Subject: House Bill No. 1960 HD1
Relating to Public Employees Compensation

House Bill No. 1960 proposes the establishment of a Public Employees Compensation Appeals Board (PECAB) to hear appeals on the repricing of classes. The City and County of Honolulu Department of Human Resources (DHR) respectfully submits **concerns** on this measure.

1. The number of employer-nominated members that will sit on PECAB is uncertain as the bill does not specify which jurisdictions will be allowed to nominate a member. Per HRS §89-2, "Jurisdiction" means the State, the City and County of Honolulu, the County of Hawaii, the County of Maui, the County of Kauai, the Judiciary, and the Hawaii Health Systems Corporation." Per this statutory definition, the Employer would have a total of seven (7) members. In contrast, the proposed bill does specifically state that a total of eight (8) union-nominated members will sit on the board. These numbers provide the Unions with an unfair advantage. It is unclear why the HGEA and the UPW will have two members each on the board. Additionally, it is not appropriate for Bargaining Unit 5, who represents teachers, and Bargaining Unit 7, who represents UH faculty, to have representation on a board that will render repricing decisions on civil service classes that utilize a totally different classification and compensation system than the classes in Bargaining Units 5 & 7.
2. The current classification and pricing system is based on well-defined classification factors and pricing criteria that ensure internal alignment and compliance with HRS §76-1(5) which states, "equal pay for equal work shall apply between classes in the same bargaining unit among jurisdictions for those classes determined equal through systematic classification of positions based on objective criteria and adequate job evaluation..."

This bill gives PECAB the authority to define the way pricing and repricing are determined and applied which can potentially upset the entire structure of the current classification and pricing system. As the composition of PECAB is unclear as well as the

criteria/factors they will adopt for the pricing/repricing of classes, the potential cost for the employer group can be significant. **All repricing costs will come out of the Employers pocket and repricing actions could impact entire bargaining units (e.g., Police, Fire). These costs will be in addition to increases negotiated via collective bargaining (i.e., across-the-board increases, step movements, etc.).** It is important to note that an increase of one salary range equates to an increase of approximately four percent (4%) to the base pay of every affected employee. Based on the current classification plan and pricing relationships, most repricing actions would result in at least a two salary range increase amounting to an eight percent (8%) increase.

3. The proposed language for §76-B (b) states “Each appeal shall be filed within thirty days of the ratification, agreement, or issuance of the applicable collective bargaining agreement, supplemental agreement, or agreement reached through an arbitration decision; provided that if a class is not repriced for a period of three years, an appeal may be filed at any time after the three-year period has expired.

§89-9(f)(2) currently states, “If repricing has not been negotiated under paragraph (1), the employer of each jurisdiction shall ensure establishment of procedures to periodically review, at least once in five years, unless otherwise agreed to by the parties, the repricing of classes within the bargaining unit...”

The proposed language raises concerns as it provides numerous opportunities for the Union to file repricing appeals. The Employer will then be continually addressing repricing requests which will consume a considerable amount of staff time in addition to travel expenses and related costs for the Employer.

At present, the Unions already have multiple avenues to appeal or negotiate the pricing or repricing of classes as outlined below:

- Section 76-14(a) and 76-14(a)(3), Hawaii Revised Statutes (HRS) provides for the Merit Appeals Boards of each jurisdiction the authority to hear and decide on appeals for the initial pricing of classes.
- Section 89-9(f)(1), HRS states that at times allowed under collective bargaining, the union and the employer shall negotiate the repricing of classes within the bargaining unit. These costs would come out of the monies allotted for negotiations.
- Section 89-9(f)(2), HRS states provides that if repricing has not been negotiated, the employer of each jurisdiction shall review, at least once every five years, the repricing of classes within the bargaining units and report such to their respective legislative bodies. These costs would come out of the Employer’s pocket.

The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
and Members of the Committee on Finance
February 19, 2020
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4. Written testimony submitted by the Hawaii Government Employees Association to the Labor Committee supports the reestablishment of the PECAB that was repealed in 2000. The testimony points to the current process as creating an unbalance that has adversely impacted governmental operations as demonstrated by high vacancy rates, the use of long-term shortage differentials which refutes the employer's claim that all classifications are priced at market rates.

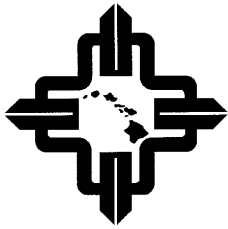
The purpose of the previous PECAB was to ensure internal alignment of all civil service classes within a bargaining unit so that classes performing work of an equivalent level of difficulty and responsibility were assigned to the same salary range(s) so employees would be paid at the same rates. The criteria used by PECAB never took into account the vacancy rates, recruitment difficulties and/or market rates for the appealed classes of work. In accordance with HRS §89-11(f), these are some of the factors that an arbitration panel must take into consideration in reaching a decision in the collective bargaining process.

Based on the concerns stated above, DHR believes there are too many uncertainties in H.B. 1960 HD1. We therefore respectfully ask that H.B. 1960 HD1 be deferred.

Thank you for the opportunity to provide testimony on H.B. 1960 HD1.

Sincerely,


for Carolee C. Kubo
Director



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

LATE

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

February 19, 2020
Conference Room 308
3:00 p.m.
Hawaii State Capitol

**Testimony Opposing House Bill 1960, HD1
Relating to Public Employee Compensation.
Establishes the public employees' compensation appeals board to hear appeals
requesting the repricing of a class. Appropriates funds.**

Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

CHAIR LUKE, VICE CHAIR CULLEN, AND MEMBERS OF THE HOUSE COMMITTEE
ON FINANCE:

House Bill No. 1960, HD1 establishes the public employees' compensation
appeals board to hear appeals requesting the repricing of a class.

Hawaii Health Systems Corporation ("HHSC") **opposes** this bill and joins in the
testimony previously submitted by the State of Hawaii Department of Human Resources
Development ("DHRD") dated February 18, 2020.

Based upon the above, HHSC respectfully requests that this bill be held.

Thank you for the opportunity to testify on this important measure.