

STAND. COM. REP. NO.

29

Honolulu, Hawaii

, 2021

FEB 05

RE: H.B. No. 1278
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committees on Labor & Tourism and Finance, to which was referred H.B. No. 1278 entitled:

"A BILL FOR AN ACT RELATING TO EMPLOYMENT SECURITY,"

beg leave to report as follows:

The purpose of this measure is to:

- (1) Amend the definitions of "benefit year" and "week" for purposes of unemployment insurance;
- (2) Conform the manner of filing claims for partial benefits to the manner of filing claims for total or part-total benefits;
- (3) Set the employer contribution rate at schedule C and D for calendar years 2021 and 2022, respectively;
- (4) Require the Director of Labor and Industrial Relations to omit benefits charged for experience ratings for employers due to COVID-19 in calendar years 2021 and 2022; and
- (5) Amend the contribution rate schedule and procedure for determination retroactive to January 1, 2021.

2021-1321 HB1278 HD1 HSCR HMSO



Your Committees received testimony in support of this measure from Island Plastic Bags, Inc.; Maui Brewing Co; Napili Kai Beach Resort; Hawaii Restaurant Association; Hawaii Automobile Dealers' Association; Kohala Coast Resort Association; Honolulu Japanese Chamber of Commerce; Aloha Business Bitz, Inc. dba Island Art Party; Envisions Entertainment & Productions, Inc.; Hawaii Transportation Association; Hawaii Food Industry Association; Maui Chamber of Commerce; Chamber of Commerce Hawaii; Society for Human Resource Management (Hawaii Chapter); NAIOP Hawaii; Retail Merchants of Hawaii; Hawaii Lodging & Tourism Association; and three individuals. Your Committees received testimony in opposition to this measure from Maka'ala Hawai'i, Inc., dba Hilo Coffee Mill; Hawaiian Coffee Cafe, Inc.; and one individual. Your Committees received comments on this measure from the Department of Labor and Industrial Relations; Tax Foundation of Hawaii; Parents and Children Together; ProService Hawaii; Grassroot Institute of Hawaii; ALTRES, Inc.; Bergeman Group; AVS Audio Visual Services; 3G Enterprises, LLC, dba PearlrIDGE Texaco; Woo's Electrical & Appliance; Angels by the Sea Hawaii; Pono Kai Resort; Pearl City Medical Associates, Inc.; and three individuals.

Your Committees find that the COVID-19 pandemic has created unprecedented financial hardships for employers statewide and caused many businesses to fold. Skyrocketing unemployment has led to the State's depletion of the unemployment compensation trust fund to pay out on claims and required a loan of \$700,000,000 to keep the fund afloat. Since employer tax contributions to the State Unemployment Compensation Trust Fund are ordinarily calculated based on the overall health of the fund and the claims history of the employer, under the existing schedule, the depleted fund would prompt the highest statutory rate of H to apply, at a time when employers can least afford the increase.

Your Committees further find that timely relief is needed to mitigate these effects and support the State's struggling employers. This measure will require that benefits charged for experience ratings be omitted for calendar years 2021 and 2022. This measure will also override the preset formulas for calculating employer tax contributions to the state unemployment compensation trust fund. By legislatively forcing the schedule downward for 2021 and 2022, the amounts employers will have to pay will be significantly lowered.



Your Committees note that the Department of Labor and Industrial Relations requested that schedule D be used for 2021 and 2022. The Department also requested that section 383-62(a), Hawaii Revised Statutes, be amended to provide relief to certain reimbursable employers.

Accordingly, your Committees have amended this measure by:

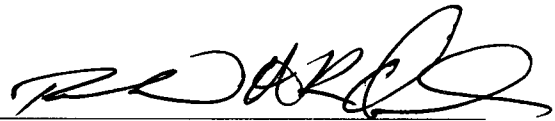
- (1) Changing the employer contribution rate for calendar year 2021 from schedule C to schedule D;
- (2) Authorizing the Department of Labor and Industrial Relations to provide relief for certain reimbursable employers; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Labor & Tourism and Finance that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1278, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1278, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committees on Labor & Tourism
and Finance,



SYLVIA LUKE, Chair



RICHARD H.K. ONISHI, Chair



