

Honolulu, Hawaii

FEB 19 2021

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

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committees on Labor, Culture and the Arts and Ways and Means, to which was referred H.B. No. 1278, H.D. 1, entitled:

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

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Amend the definitions of "benefit year" and "week" for the purposes of unemployment insurance;
- (2) Conform the method of filing claims for partial unemployment benefits to those for total or part-total unemployment benefits;
- (3) Provide relief to certain reimbursable employers with regard to unemployment benefit reimbursement payments;
- (4) Set the employer contribution rate schedules at schedule D for the purposes of determining the amount of employer contributions to the State Unemployment Compensation Trust Fund (UCTF) for calendar years 2021 and 2022; and
- (5) Require the Director of Labor and Industrial Relations to modify the annual contribution rate computation for all employers for calendar years 2021 and 2022, by



omitting from the calculation, benefits charged against their accounts to address the disruptions caused by the coronavirus disease 2019 (COVID-19) pandemic.

Your Committees received testimony in support of this measure from the Department of Labor and Industrial Relations; Accor Management US Inc. dba Fairmont Orchid, Hawai'i; Castaway Construction & Restoration LLC; Chamber of Commerce of Hawaii; Contract Furnishers of Hawaii, Inc. dba Office Pavillion; Engineering & Inspections Hawaii, Inc.; Fun Factory, Inc.; Gray, Hong, Nojima & Associates, Inc.; Hawai'i Farm Bureau; Hawaii Food Industry Association; Hawai'i Primary Care Association; Hawai'i Restaurant Association; Hawai'i Lodging & Tourism Association; Hawaiian Humane Society; Island Plastic Bags, Inc.; Healthy's, Inc. dba Down to Earth Organic and Natural; Kohala Coast Resort Association; Kona-Kohala Chamber of Commerce; Lanikai Brewing Company, LLC; Maui Adventure Group, Inc. dba The Snorkel Store; Maui Distributors, Inc.; NAIOP Hawaii; Pacific Mirror and Glass LLC; Parents And Children Together; Retail Merchants of Hawaii, Inc.; Society for Human Resource Management (Hawaii Chapter) and three individuals. Your Committees received testimony in opposition to this measure from the Building Industry Association of Hawaii and Envisions Entertainment & Productions, Inc. Your Committees received comments on this measure from the Tax Foundation of Hawaii; Altres, Inc.; Ho'ala Salon and Spa; Maui Chamber of Commerce; Pono Kai Resort; ProService Pacific, LLC dba ProService Hawaii; Woo's Electrical LLC; and one individual.

Your Committees find that the COVID-19 pandemic created an unprecedented disruption in Hawaii's economy and increase in Hawaii's unemployment rate. Consequently, the UCTF, which had a reserve of \$607,500,000 as of November 2019, was depleted in June 2020. The State, to keep the UCTF afloat and continue payment of unemployment benefits, received a \$700,000,000 loan from the federal government as federal unemployment insurance advances under Title XII of the Social Security Act.

Your Committees find that each year, the Department of Labor and Industrial Relations calculates the UCTF contribution rate for employers based on the employer's actual experience – history pertaining to the employer's contributions into the UCTF and benefits paid out to former employees therefrom – and one of eight statutory contribution rate schedules (A through H) that is in

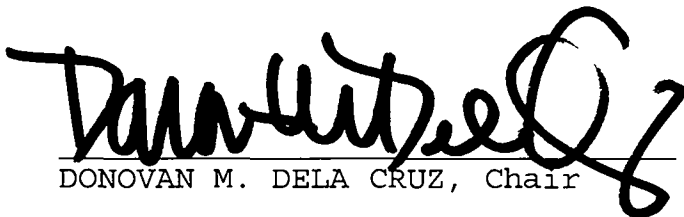


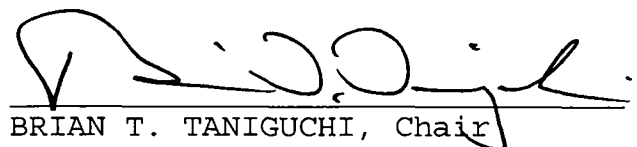
effect for the year determined by the overall health of UCTF. Under existing law, depletion of the UTCF prompts the application of Schedule H, which is the highest statutory rate, to the computation for 2021, at a time when employers can least afford the increase.

Therefore, your Committees find that timely relief is necessary to support Hawaii's struggling employers and expedite the State's economic recovery from the disruptions caused by COVID-19. This measure, by reducing the applicable employer contribution rate to Schedule D and requiring the Department of Labor and Industrial Relations to omit certain COVID-19 pandemic-related benefits charged to employer accounts when calculating their annual experience rating for calendar years 2021 and 2022, will significantly reduce Hawaii employers' annual contribution into the UTCF. This measure will also provide relief to certain reimbursable employers. Your Committees believe this measure provides the necessary relief to Hawaii employers while minimizing the long-term impact on the health of the UCTF.

As affirmed by the records of votes of the members of your Committees on Labor, Culture and the Arts and Ways and Means that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1278, H.D. 1, and recommend that it pass Second Reading and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committees on Labor, Culture
and the Arts and Ways and
Means,


DONOVAN M. DELA CRUZ, Chair


BRIAN T. TANIGUCHI, Chair



The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Labor, Culture and the Arts
LCA

Bill / Resolution No.:*	Committee Referral:	Date:			
<i>HB 1278, HD1</i>	<i>LCA/WAM</i>	<i>2/17/21</i>			
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____					
The Recommendation is:					
<input checked="" type="checkbox"/> Pass, unamended 2312	<input type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310			
<input type="checkbox"/> Recommit 2313					
Members	Aye	Aye (WR)	Nay	Excused	
TANIGUCHI, Brian T. (C)	✓				
IHARA, Jr., Les (VC)	✓				
CHANG, Stanley	✓				
KEOHOKALOLE, Jarrett	✓				
FEVELLA, Kurt	✓				
TOTAL	<i>5</i>	<i>0</i>	<i>0</i>	<i>0</i>	
Recommendation:					
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					
Chair's or Designee's Signature:					
<i>Stanley Chang</i>					
Distribution:					
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy		

*Only one measure per Record of Votes

