

STAND. COM. REP. NO. 3385

Honolulu, Hawaii

MAR 24 2022

RE: H.B. No. 2240  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2022  
State of Hawaii

Sir:

Your Committee on Labor, Culture and the Arts, to which was referred H.B. No. 2240, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO OTHER POST-EMPLOYMENT BENEFITS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Authorize the issuance of general obligation bonds to pay or prepay the State's Other Post-Employment Benefits liability under certain conditions; and
- (2) Require that the outstanding balance of general obligation bonds issued to pay or prepay the Other Post-Employment Benefits liability to be considered in the calculation of public employers' annual required contribution to the Other Post-Employment Benefits Trust Fund, beginning July 1, 2023.

Your Committee received testimony in support of this measure from the Department of Budget and Finance; Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO; and one individual.



Your Committee finds that the Hawaii Employer-Union Health Benefits Trust Fund is a state agency administratively attached to the Department of Budget and Finance that provides eligible state and county employees and retirees and their eligible dependents with health and life insurance benefits. In 2013, to reduce the Hawaii Employer-Union Health Benefits Trust Fund's substantial amount of unfunded liability, the Legislature passed Act 268, Sessions Laws of Hawaii 2013, which required the Hawaii Employer-Union Health Benefits Trust Fund to establish a separate trust fund entitled the Other Post-Employment Benefits Trust Fund, into which public employers must pay annual required contributions to pre-fund the Other Post-Employment Benefits costs for existing employees, as well as pay down the Hawaii Employer-Union Health Benefits Trust Fund's existing unfunded liability.

In July 2020, to address the \$2.3 billion budget shortfall caused by the coronavirus disease 2019 (COVID-19) pandemic, the Governor suspended the State's required payment of the annual contributions to the Other Post-Employment Benefits Trust Fund for the fiscal year ending June 30, 2021. Act 229, Session Laws of Hawaii 2021, extended this suspension for two fiscal years, through fiscal year 2022-2023. According to the Department of Budget and Finance, as of July 1, 2021, the Other Post-Employment Benefits Trust Fund's unfunded actuarial accrued liability stood at \$8,125,000,000, and is projected to be paid down through the year 2044. This measure seeks to provide a viable financing option besides annual required contributions, with appropriate safeguards, to address and manage the Other Post-Employment Benefits Trust Fund's unfunded liability, thereby reducing the future financial strain on the State, counties, and taxpayers.

Your Committee acknowledges that Act 229, Session Laws of Hawaii 2021, suspended certain provisions in section 87A-42, Hawaii Revised Statutes, which governs the Other Post-Employment Benefits Trust Fund, until June 30, 2023. Therefore, section 2 of this measure which amends section 87A-42(f), Hawaii Revised Statutes, to require that Other Post-Employment Benefits bond debt be considered in the calculation of the annual required contribution by public employers, will take effect on July 1, 2023.

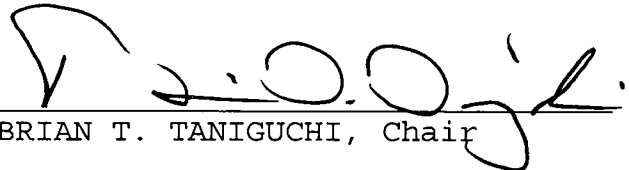


Your Committee has amended this measure by:

- (1) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Labor, Culture and the Arts that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2240, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2240, 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 Labor, Culture and  
the Arts,

  
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:		
HB 2240 HD1	LCA, WAM	3-21-22		
<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 type="checkbox"/> Pass, unamended 2312 <input checked="" 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	✓			
KEOHOKALOPE, Jarrett	✓			
FEVELLA, Kurt	✓			
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

\*Only one measure per Record of Votes