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STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
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ANNE PERREIRA-EUSTAQUIO
DIRECTOR

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DEPUTY DIRECTOR

February 16, 2022

To: The Honorable Aaron Ling Johanson, Chair,
The Honorable Lisa Kitagawa, Vice Chair, and
Members of the House Committee on Consumer Protection & Commerce

Date: Wednesday, February 16, 2022

Time: 2:00 p.m.

Place: Conference Room 329, State Capitol and via Videoconference

From: Anne Perreira-Eustaquio, Director
Department of Labor and Industrial Relations (DLIR)

**Re: H.B. 1852 HD1 RELATING TO THE UNEMPLOYMENT
COMPENSATION TRUST FUND**

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee:

My name is Anne Perreira-Eustaquio, and I am the Director of the Department of Labor and Industrial Relations (DLIR). I am testifying to provide comments on HB1852 HD1, which provides an unspecified appropriation to the Unemployment Compensation Trust Fund (UCTF).

The COVID-19 Pandemic created an unprecedented period of unemployment in Hawaii and resulted in the rapid depletion of funds from the UCTF. The department estimates that for every \$100M added to the fund that the statutory schedule of employer taxes will likely drop one level in the following calendar year.

However, the department notes that the infusion of funds into the UCTF does not create an ongoing effect of reducing employers' tax rates beyond one year. The ratio of the Current Reserve to the Adequate Reserve, used to determine the Unemployment Insurance (UI) tax schedule for employers, is calculated annually on November 30. Therefore, infusion of funds into the UCTF does not affect the calculation in the second calendar year and subsequently unless the infusion is on the order of \$500M or more.

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

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
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FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
ON
HOUSE BILL NO. 1852, H.D. 1

February 16, 2022
2:00 p.m.
Room 329 and Videoconference

RELATING TO THE UNEMPLOYMENT COMPENSATION TRUST FUND

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 1852, H.D. 1.

H.B. No. 1852, H.D. 1, appropriates an unspecified amount of general funds in FY 23 to the Department of Labor and Industrial Relations to be used as a cash infusion to the Unemployment Compensation Trust Fund.

B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.



Eric W. Gill, Financial Secretary-Treasurer

Gemma G. Weinstein, President

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February 15, 2022

Committee on Consumer Protection & Commerce
Representative Aaron Ling Johanson, Chair
Representative Lisa Kitagawa, Vice Chair

Testimony in opposition to HB1852, HB2469 and HB2471

Chair Johanson, Vice Chair Kitagawa and members of the Committee,

Thank you for the opportunity to testify **in opposition to HB 1852, HB 2469 and HB 2471**. UNITE HERE Local 5 represents over 11,500 people working in the hotel, food service and health care industries throughout Hawaii. The COVID pandemic has been difficult for our members – many have had to suffer through illness, unemployment, and financial struggle. The unemployment system, overwhelmed, understaffed, and using ancient technology, left many of our members without financial help for months during the time they needed it most. Supplemental unemployment benefits were, however, an important lifeline until they ended last year.

Last year, the Legislature provided \$700 million in federal COVID relief funds to the unemployment system, to which was added another \$100 million appropriated by the Governor. This use of COVID funds to bail out employers (who would have otherwise faced a tax increase to replenish the fund) was a little incongruous with the Legislature's choice not to pass a bill that would have exempted unemployment benefits from state income tax.

This year, the Legislature is contemplating more bills that would bail out employers from their unemployment fund contribution responsibilities:

- HB1852 – would provide additional bailout money to the unemployment fund via appropriation from the General Fund. The amount is currently blank.
- HB2469 – creates a fund for future bailouts of employers' responsibilities to the unemployment fund. Of course the fund needs money so it doesn't run out; but this again would be paid for through appropriations.
- HB2471 – revises the formula for "adequate reserves" for the unemployment fund. Considering that the fund, under the previous definition, still ended up far short at the time when it was most needed, adopting a lower standard seems like something we should perhaps not do. It will, however, act as yet another sort of bailout for employers by deferring their responsibility while allowing the fund to remain underfunded for longer.

We are opposed to these measures.

Thank you for your consideration.



TO: Chair Johanson, Vice Chair Kitagawa, and Members of the House Committee on Consumer Protection and Commerce

FROM: Ryan Kusumoto, President & CEO of Parents And Children Together (PACT)

DATE/LOCATION: February 16, 2022; 2:00 p.m., Conference Room 329/Video Conference

RE: COMMENTS REGARDING HB 1852 HD 1– RELATING TO THE UNEMPLOYMENT COMPENSATION TRUST FUND

We would like to provide comments related to HB 1852 which appropriates funds for the unemployment compensation trust fund.

We ask that you consider support of “reimbursing employers” while appropriating funds to the State Unemployment Trust Fund. As you consider appropriations for the unemployment compensation trust fund, we urge the State and the Department of Labor and Industrial Relations to also use these funds to **support “reimbursing employers” who are not currently part of the State Tax Systems** and who currently are required to reimburse the State for the cost of unemployment claims they are liable for (including claims where an employee has previously left and then has been laid off by a new employer).

During the COVID-19 Pandemic, unemployment has risen exponentially. Unemployment costs for reimbursing employers in Hawaii have increased by 260% in 2020 from 2019 (data from the 501c Trust). With data from 59 Hawaii “reimbursing employers” in 2020, the average nonprofit paid *40% more than the worst year of the Great Recession*. The hardest hit 10% of employers saw an increase of 1600% compared to 2019. This is a detrimental consequence, primarily for nonprofits, **and it will have a devastating impact on service providers at the moment where services in our community are needed most.** “Reimbursing employers” had to scramble by pulling on lines of credit or leveraging assets to fund unemployment costs. Services like critical human and social solutions could continue to be deeply impacted, reduced or, in some cases, be completely eliminated due to the tremendous additional cost burden. Museums, community health care centers, educational programs, and many more are at risk.

Taxpaying Nonprofits	Reimbursing Nonprofits
Pay taxes based on a state tax schedule, which is based only in part on their historical charges.	Pay for 100% of the unemployment benefits received by their former employees -- never less.
Have received 100% relief from COVID-related claims in many states.	Have received 50% assistance from the federal government. A small number of states have provided extra assistance.
Do not have to pay for unemployment claims made by employees who quit to work for another employer before COVID-19.	Must pay for unemployment claims made by former employees who went to work for a different employer before COVID-19. For example, an employee who voluntarily quit to take another job could still end up costing the reimbursing nonprofit thousands of dollars in unemployment claims. This is called a base period claim.
Will pay nothing in the unemployment crisis. The cost of the unemployment crisis will be spread out over many years through higher taxes.	Will have to pay for the COVID-19 unemployment charges immediately. These expenses are occurring even if the nonprofit does not have any income with which to pay the bills.
Are not in danger of being forced out of business by the cost of unemployment charges in current year.	Are in imminent danger of being forced out of business due to prolonged unemployment charges.

Founded in 1968, Parents And Children Together (PACT) is one of Hawaii’s not-for-profit organizations providing a wide array of innovative and educational social services to families in need. Assisting more than 17,000 people across the state annually, PACT helps families identify, address and successfully resolve challenges through its 20 programs. Among its services are: early education programs, domestic violence prevention and intervention programs, child abuse prevention and intervention programs, childhood sexual abuse supportive group services, child and adolescent behavioral health programs, sex trafficking intervention, poverty prevention and community building programs.

Thank you for the opportunity to provide comments regarding **HB 1852 HD 1**, please contact me at (808) 847-3285 or rkusumoto@pacthawaii.org if you have any questions.



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TO: Committee on Consumer Protection and Commerce
Rep. Aaron Ling Johanson, Chair
Rep. Lisa Kitagawa, Vice Chair



FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 16, 2022
TIME: 2pm
PLACE: Via Videoconference

RE: HB1852 HD1 Relating to the Unemployment Compensation Fund

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

HFIA is in support of this measure to appropriate funds into the unemployment compensation trust fund. The last two years have presented our local workers, businesses, and economy with unprecedented challenges. The Unemployment Compensation Trust Fund was not originally created or structured to handle the type economic turmoil we have seen. An appropriation is necessary in order to help stabilize the fund. We encourage the Committee to pass this measure and we thank you for the opportunity to testify.