

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

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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

**TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2707, S.D. 1, H.D. 1**

**March 31, 2022
1:30 p.m.
Room 308 and Videoconference**

RELATING TO COLLECTIVE BARGAINING

The Department of Budget and Finance (B&F) offers comments on this bill.

This measure amends Chapter 89, HRS, to require the employer to negotiate repricing within 30 days of receipt of a written request from unions. In addition, the measure implements impasse procedures if the employer fails to timely initiate a negotiation in compliance with paragraph (1) or the parties cannot reach an agreement within 90 days after the exclusive representative's written request to negotiate or by January 31 of a year in which the agreement is due to expire, whichever is earlier.

B&F has serious operational concerns with this measure. Under the terms of this measure, soon after a collective bargaining agreement is reached or arbitration award is issued, unions could request repricing negotiations with impasse following 90 days after that. In addition to the direct costs of repricing arbitration awards, there are concerns with the increasing administrative costs and complexities of a potential endless cycle of contract negotiations and arbitrations.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR



RYKER WADA
DIRECTOR

ANDREW T. GARRETT
DEPUTY DIRECTOR

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

TESTIMONY TO THE
HOUSE COMMITTEE ON FINANCE

For Hearing on Thursday, March 31, 2022
1:30 p.m., Conference Room 308 Via Videoconference

BY

RYKER WADA
DIRECTOR

Senate Bill No. 2707 SD1 HD1
Relating to Collective Bargaining

CHAIR LUKE, VICE CHAIR YAMASHITA, AND MEMBERS OF THE COMMITTEE:

Senate Bill No. 2707, SD1, HD1 amends sections of the collective bargaining law to require the employer to initiate negotiations on repricing of classes within thirty days of a written request by the exclusive representative to negotiate. In addition, if an agreement is not reached within 90 days of the written request to negotiate, the impasse procedures in HRS §89-11 will apply.

The Department of Human Resources Development (DHRD) respectfully **opposes** this measure.

S.B. 2707, SD1, HD1 requires that if an agreement on the repricing request is not reached by the parties within 90 days, it will follow the resolution of disputes process in HRS §89-11. This is a concern since repricing is a very technical matter and this bill may result in an arbitration panel rendering a decision without proper training and understanding of the factors that go into a repricing decision. In addition, knowledge of the subject class, as well as other classes of work in the bargaining unit is also imperative in making a sound decision.

Although a binding decision by the arbitration panel is not appropriate, the existing negotiated repricing process already provides the union with the opportunity to submit negotiated repricing requests and they can also choose to submit these requests to arbitration in accordance with HRS §89-11.

Repricing is the reassignment of an existing class to another pay range without changes in duties. It occurs when the class is not in proper alignment with other classes in the same bargaining unit.

A class of work is “priced” or assigned to a pay grade based on a careful and systematic analysis of factors such as knowledge, skills, complexity, supervision received, contacts, etc. The goal is to create a pay structure and pay relationships that are equitable for all classes of work by evaluating jobs based on a consistent set of criteria.

DHRD’s failure to maintain appropriate internal pay relationships resulting from an incorrect or uninformed decision by an arbitration panel exposes the employer to serious claims of unequal pay or discrimination. An objective, consistent system of pricing and repricing classes of work protects the employer who is required to comply with federal and state laws that prohibit discrimination in compensation.

Further exacerbating the concern is the potential to have multiple bargaining units proceeding to interest arbitration resulting in multiple independent arbitration decisions.

The State is open to having a conversation with the unions to discuss ways to resolve this matter. The DHRD believes that mandating unresolved repricing requests to the impasse procedures in HRS §89-11 would jeopardize the employer’s ability to maintain an equitable pay system. Therefore, we respectfully request that this bill be **held**.

Thank you for the opportunity to provide comments in **opposition** to this measure.

DEPARTMENT OF HUMAN RESOURCES
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 10TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-8500 • FAX: (808) 768-5563 • INTERNET: www.honolulu.gov/hr

RICK BLANGIARDI
MAYOR



NOLA N. MIYASAKI
DIRECTOR DESIGNATE
FLORENCIO C. BAGUIO, JR.
ASSISTANT DIRECTOR

March 29, 2022

The Honorable Sylvia Luke, Chair
The Honorable Kyle T. Yamashita, Vice Chair
and Members of the Committee on Finance
House of Representatives, Conference Room 308
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

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

Subject: Senate Bill No. 2707 SD1, HD1
Relating to Collective Bargaining

Senate Bill 2707 SD1, HD1 requires the employer to initiate negotiations on repricing of classes within a bargaining unit within thirty days of its receipt of the exclusive representative's written request to negotiate; and establishes that the employer's failure to initiate the negotiation within such time frame and the parties' failure to reach an agreement within ninety days of the exclusive representative's written request to negotiate or by January 31 of a year in which the collective bargaining agreement is due to expire, whichever is earlier, constitute an impasse to which the impasse procedures in section 89-11, HRS, shall apply.

The City and County of Honolulu, Department of Human Resources (DHR), respectfully opposes this measure.

Pricing is the initial process of assigning classes of work to a salary range based on the application of well-defined and objective factors such as the nature, scope, and complexity of work performed. Pricing is used by the Employer to ensure that classes within a jurisdiction are in alignment, meaning that similarly functioning classes have the same salary range assignment and are compensated fairly in comparison to one another. Essentially it is an employer tool to determine the hierarchy of classes/positions within an organization. Repricing is the process of determining whether the initial pricing of a class was incorrect. While nothing has changed with regards to the work performed, there may have been an incorrect factor or

The Honorable Sylvia Luke, Chair
The Honorable Kyle T. Yamashita, Vice Chair
and Members of the House Committee on Finance
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consideration used in the initial determination such that the pricing of the class should be changed.

The pricing and repricing of classes was established to address internal fairness and equity. It was not intended to take into consideration external factors, such as recruitment difficulties, vacancy rates, employee retention, high cost of living, or salaries paid in the private sector. Those factors are already considered in the collectively-bargained negotiation of the salary schedules to which classes are assigned. Thus, it would be inappropriate to give consideration to those factors again when determining pricing.

In addition to being able to negotiate the salaries paid to employees via collective bargaining, the Unions have other avenues to appeal or negotiate the pricing or repricing of classes:

- Section 76-14(a) and 76-14(a)(3), Hawaii Revised Statutes (HRS) provides for the Merit Appeals Board of each jurisdiction the authority to hear and decide on appeals for the initial pricing of classes.
- Section 89(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 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.

With ample opportunity for the Unions to participate in the determination of pricing, repricing, and the negotiation of salaries, the proposed changes are unnecessary. Additionally, allowing an arbitration panel to render decisions on such a technical matter would negatively affect the City's ability to maintain pay structures and pay relationships that are based on an equitable and uniformly applied set of criteria for all classes of work.

Given how pricing/repricing is presently determined and utilized to ensure internal fairness and equal pay between similarly functioning classes of work, decisions rendered by multiple independent arbitration panels will significantly impact and disrupt the alignment and related pricing of all classes within a jurisdiction. These changes will

The Honorable Sylvia Luke, Chair
The Honorable Kyle T. Yamashita, Vice Chair
and Members of the House Committee on Finance
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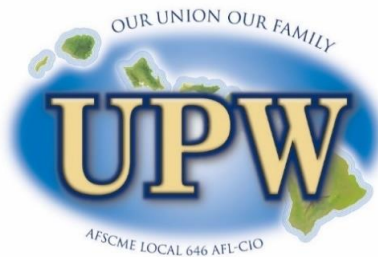
also impact the City's ability to comply with federal and state laws that prohibit discrimination in compensation as no longer will the pricing of classes be based on a consistent application of well-defined criteria or a fair and impartial evaluation of jobs.

Based on the concerns stated above, DHR respectfully asks that S.B. 2707 SD1, HD1 be deferred.

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

Sincerely,

Nola N. Miyasaki
Director Designate



**HOUSE OF REPRESENTATIVES
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2022**

Committee on Finance
Representative Sylvia Luke, Chair
Representative Kyle T. Yamashita, Vice Chair

Thursday, March 31, 2022, 1:30PM
Conference Room 308 and via Videoconference

Re: Testimony in SUPPORT of SB2707, SD1, HD1 – RELATING TO COLLECTIVE BARGAINING

Chair Luke, Vice Chair Yamashita, and Members of the Committee:

The United Public Workers, AFSCME Local 646, AFL-CIO (“UPW”) is the exclusive bargaining representative for approximately 14,000 public employees, which includes blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health, and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents 1,500 members in the private sector.

UPW **supports** SB2707, SD1, HD1, which requires the employer to initiate negotiations on repricing of classes within a bargaining unit within thirty days of its receipt of the exclusive representative’s written request to negotiate. The bill would also establish that the employer’s failure to initiate the negotiation within such time frame and the parties’ failure to reach an agreement within ninety days of the exclusive representative’s written request to negotiate or by January 31 of a year in which the collective bargaining agreement is due to expire, whichever is earlier, constitutes an impasse to which impasse procedures under HRS, Chapter 89-11 shall apply.

Having a reasonable timetable to negotiate repricing of classes within a bargaining unit will help to ensure that public employees are being paid competitive and fair wages. By promoting access to fair and competitive wages, the State and Counties would be able to recruit and retain workers to help to address any outstanding vacancies and prevent high turnover for these positions.

Thank you for the opportunity to provide testimony.

Sincerely,

Kalani Werner
State Director