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

JOANN A. VIDINHAR
DEPUTY DIRECTOR

March 22, 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: Tuesday, March 22, 2022
Time: 2:00 p.m.
Place: Conference Room 329, State Capitol

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

**Re: S.B. 3129 SD1 RELATING TO THE UNEMPLOYMENT
COMPENSATION TRUST FUND**

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

My name is Anne Perreira-Eustaquio, Director of Labor and Industrial Relations (DLIR). I am testifying in support of SB3129, which provides an appropriation to the Unemployment Compensation Trust Fund (UCTF) and allows the DLIR to expend it to infuse cash into the fund.

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 in the order \$500M or more.



**TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
MARCH 22, 2022**

Re: SB 3129 SD1 RELATING TO THE UNEMPLOYMENT COMPENSATION TRUST FUND

Good afternoon, Chairperson Johanson and members of the House Committee on Consumer Protection and Commerce. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains, and everyone in between.

We are in STRONG support of SB 3129 SD1 Relating to the Unemployment Compensation Trust Fund. This measure appropriates funds into the unemployment compensation trust fund. Effective 7/1/2050

Over the past couple of years, the retail industry has been one of the hardest hit sectors during this pandemic. Many businesses have not recovered from the pandemic with soft sales, huge debt and the high spending international visitor has not returned. In addition, retailers are also currently continually being hit with supply chain disruption, higher cost in materials and products, shipping delays and shipping costs being raised from 300% - 1000%, and a recession in which inflation rose 7.9% in the last 12 months (the largest gain since 1982 according to the US Labor Department) and we are expected to see it continue to raise in the months to come. In addition, the war between the Soviet Union and the Ukraine is also having an impact on not only the raising prices but the limited supply of various goods.

Measures like this would especially help our small local businesses survive. Retailers are doing everything possible to keep their doors open and their employees employed. Measures like this one would be a huge help in their recovery.

Mahalo again for this opportunity to testify.



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

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

DATE/LOCATION: March 22, 2022; 2:00 p.m., Conference Room 329/Video Conference

RE: COMMENTS REGARDING SB 3129 SD 1– RELATING TO THE UNEMPLOYMENT COMPENSATION TRUST FUND

We would like to provide comments related to SB 3129 which appropriates funds into 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 **SB 3129 SD 1**, please contact me at (808) 847-3285 or rkusumoto@pacthawaii.org if you have any questions.

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

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
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
SENATE BILL NO. 3129, S.D. 1

March 22, 2022
2:00 p.m.
Room 329 and Videoconference

LATE

RELATING TO THE UNEMPLOYMENT COMPENSATION TRUST FUND

The Department of Budget and Finance (B&F) offers comments on Senate Bill (S.B.) No. 3129, S.D. 1.

S.B. No. 3129, S.D. 1, appropriates unspecified 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 if general funds are appropriated 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.

B&F notes that if general funds are appropriated for this measure, the ESSER MOE requirements will apply.

Thank you for your consideration of our comments.



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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: March 22, 2022
TIME: 2pm
PLACE: Via Videoconference

RE: SB3129 SD1 Relating to the Unemployment Compensation Trust 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.

The Hawaii Food Industry Association also supports the SB3128 SD2 (relating to the Adequate Reserve Fund) and companion bill HB2471 HD1 (relating to the Adequate Reserve Fund).

Thank you for the opportunity to testify.