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DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
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March 17, 2022

To: The Honorable Richard H.K. Onishi, Chair,
The Honorable Jackson D. Sayama, Vice Chair, and
Members of the House Committee on Labor & Tourism

Date: Thursday, March 17, 2022
Time: 9:30 a.m.
Place: Conference Room 312, 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 Onishi, Vice Chair Sayama, 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 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.

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EMPLOYEES' RETIREMENT SYSTEM
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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 LABOR & TOURISM
ON
SENATE BILL NO. 3129, S.D. 1

March 17, 2022
9:30 a.m.
Room 312 and Videoconference

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.



**TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
MARCH 17, 2022**

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

Good morning, Chairperson Onishi and members of the House Committee on Labor and Tourism. 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.