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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 SENATE COMMITTEE ON LABOR, CULTURE AND THE ARTS
ON
SENATE BILL NO. 3129

January 31, 2022
3:00 p.m.
Room 225 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.B. No. 3129 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 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.

DAVID Y. IGE
GOVERNOR

JOSH GREEN
LIEUTENANT GOVERNOR



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

JOANN A. VIDINHAR
DEPUTY DIRECTOR

January 31, 2022

To: The Honorable Brian T. Taniguchi, Chair,
The Honorable Les Ihara, Jr. Vice Chair, and
Members of the Senate Committee on Labor, Culture and the Arts

Date: Monday, January 31, 2022
Time: 3:00 p.m.
Place: Conference Room 225, State Capitol

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

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

Chair Taniguchi, Vice Chair Ihara, 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 effect the calculation in the second calendar year and subsequently unless the infusion is on the order \$500M or more.



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TO: Committee on Labor, Culture, and the Arts
Senator Brian T. Taniguchi, Chair
Senator Les Ihara, Jr., Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: January 31, 2022
TIME: 3pm
PLACE: Via Videoconference

RE: SB3129 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 and we thank you for the opportunity to testify.