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STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
www.labor.hawaii.gov

ANNE PERREIRA-EUSTAQUIO
DIRECTOR

JOANN A. VIDINHAR
DEPUTY DIRECTOR

February 23, 2022

To: The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair, and
Members of the Senate Committee on Ways and Means

Date: Wednesday, February 23, 2022
Time: 10:05 a.m.
Place: Conference Room 211, State Capitol and via Videoconference

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

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

Chair Dela Cruz, Vice Chair Keith-Agaran, 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 on the order \$500M or more.

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
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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 WAYS AND MEANS
ON
SENATE BILL NO. 3129

February 23, 2022
10:05 a.m.
Room 211 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 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.



TO: Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate Committee on Ways and Means

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

DATE/LOCATION: February 23, 2022; 10:05 a.m., Conference Room 211/Video Conference

RE: COMMENTS REGARDING SB 3129– 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**, please contact me at (808) 847-3285 or rkusumoto@pacthawaii.org if you have any questions.



Eric W. Gill, Financial Secretary-Treasurer

Gemma G. Weinstein, President

Godfrey Maeshiro, Senior Vice President

February 22, 2022

Committee on Ways and Means
Senator Donovan Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

Testimony in opposition to SB 3129

Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee:

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. SB 3129 would provide additional bailout money to the unemployment fund via appropriation from the General Fund. The amount is currently blank. There are no strings attached, and no requirements for employers to ultimately cover the cost of this cash infusion, as is their responsibility.

Please oppose SB3129.

Thank you for your consideration.



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LATE

TO: Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 23, 2022
TIME: 10:05am
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.

LATE

SB-3129

Submitted on: 2/22/2022 3:20:57 PM

Testimony for WAM on 2/23/2022 10:05:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Stephanie P. Donoho	Testifying for Kohala Coast Resort Association	Support	No

Comments:

The Kohala Coast Resort Association supports this bill, as it would provide important relief to employers who make contributions to the UCTF, and continue to facilitate economic recovery for both businesses and working families. Mahalo for the opportunity to testify.