



February 1, 2021

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, February 1, 2020

Time: 3:00 p.m.

Place: Room 225, State Capitol

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

Re: S.B. No. 682 RELATING TO EMPLOYMENT SECURITY

I. OVERVIEW OF PROPOSED LEGISLATION

This measure seeks to temporarily reduce unemployment insurance contribution rates as a method to help contain the economic fallout from COVID-19 by helping expedite the State's economic recovery and protecting employers from facing higher tax rates at a time when they can least afford to pay them.

The proposal sets the contribution rate schedule for calendar years 2021, 2022, and 2023 at schedule C, D, and F respectively. The bill also permits the Director to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022 as well as housekeeping provisions.

The DLIR supports the intent of this measure but prefers the content in SB1159.

II. CURRENT LAW

The Unemployment Compensation Trust Fund (UCTF) had a reserve of \$607.5 million as of November 2019. The UCTF balance was depleted in June 2020 due to the extraordinary unemployment rate caused by the disruptions of the COVID-19 Pandemic. A contributory employer's Hawaii unemployment insurance contribution rate is computed once a year based on the employer's reserve ratio and the tax schedule (one of eight possible schedules, A through H) in effect for the year. The tax rate schedule will be at the highest rate at Schedule H in calendar years 2021, 2022, and 2023 without statutory intervention to reduce the schedule.

Section 383-69, Hawaii Revised Statutes, (HRS), prescribes the procedure the department uses to determine each employer's rate of contributions pursuant to sections 383-63 to 383-69, HRS.

The bill also amends the definitions of benefit year and week and conforms the manner of filing partial claims to the same as total or part-total.

III. COMMENTS ON THE SENATE BILL

The DLIR strongly supports the intent of the measure as it provides relief to contributory employers. The COVID-19 Pandemic created an unprecedented increase in Hawaii's unemployment rate as the seasonally adjusted unemployment rate increased to 23.6% in April from 2.7% in February. This temporary relief will help ensure employees can return to work safely, and employers can rehire their employees once the immediate public health crisis abates. It will also help ensure more businesses will be able to survive this crisis and rehire their employees once they can safely resume operations.

The department prefers setting the tax rate schedules from D, F, and G, which will mean that all contributory employers will share in the replenishment of the UCTF and help re-establish the fund's integrity. If the schedules are set too low the Federal Unemployment Tax Credit (FUTA) in future years will have a deleterious effect on the employers' federal tax rate. The basic FUTA reduction is a .3% increase every year to the .6% FUTA rate until the Title XII advances have been paid off.

For example, in the first year, the credit reduction results in the net federal tax rate increasing from 0.6% to 0.9%. Additionally, the employers would be subject to additional credit reductions beginning in year three of the loan period, including a 2.7 Add-On or a Benefit-Cost Ratio Add-On. Details from the Congressional Research Office are available at: <https://fas.org/sqp/crs/misc/RS22954.pdf>.

The department proposes using Schedule D for 2021 as it is the first schedule that levies all employers at rates from .2% up to 5.8%. Under Schedule F all employers would pay contributions at rates 1.2% up to 6.2%. Under Schedule G all employers would pay contributions at rates from 1.8% to 6.4%. Under Schedule H the contributions would range from 2.4% to 6.6%.

The bill also enables the department to omit the benefits charged in the annual experience rating calculation for contributory employers for years 2021 and 2022 thereby reducing the impact of employers' experience due to the unprecedented challenges caused by COVID-19.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: UNEMPLOYMENT, Tax Rate Schedule Relief

BILL NUMBER: SB 682; HB 470

INTRODUCED BY: SB by TANIGUCHI by request; HB by ONISHI

EXECUTIVE SUMMARY: Amends the definitions of benefit year and week. Conforms the manner of filing claims for partial benefits to the same as for total or part-total benefits. Allows the director of labor and industrial relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022. For calendar years 2021, 2022, and 2023, sets the employer contribution rate at schedule C, D, and E, respectively. Makes amendments to contribution rate schedule and procedure for determination retroactive to 1/1/2021.

SYNOPSIS: Makes definitional changes to sections 383-1, HRS.

Amends section 383-68, HRS, to set the unemployment contribution schedules for calendar years 2021, 2022, and 2023.

Amends section 383-69, HRS, to allow the director to modify for calendar years 2021 and 2022 the annual computation to omit benefits charged for all employers to address the disruptions caused by COVID-19.

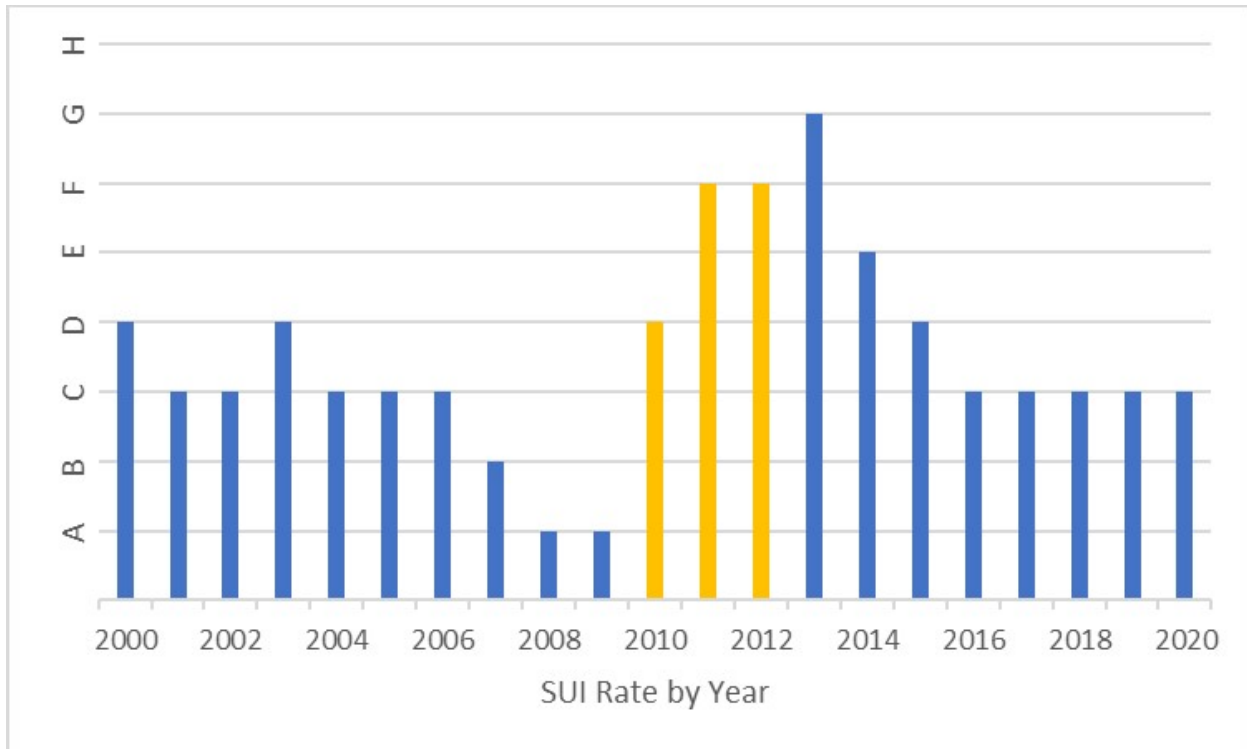
Makes a technical and conforming change to section 383-29.7, HRS.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The purpose of the Foundation's testimony is to provide lawmakers with background on unemployment rate schedules and the consequences of Title XII borrowing.

State unemployment insurance (SUI) is largely funded by employers. Most employers are charged tax that depends on two things: the overall health of the fund into which SUI tax is collected, and the claims history of the employer. So, an employer with a long history of chargeable claims, for example, will pay more than others. Also, if there is lots of money built up in the fund then the tax rate goes down for everyone.

The health of the fund determines the proper tax rate schedule. The schedules are named after a letter of the alphabet, with A the least costly schedule and H the most expensive. The fund health is measured at the end of the year, and that measurement is used to set the rate for the following year. Here is a chart of the SUI rate schedule for the past 20 years:



Source: DLIR Reports compiled by Tax Foundation of Hawaii.

Although the Great Recession of 2008 and related events caused the fund to run out of money and we needed to borrow around \$180 million from Uncle Sam, employers were not subjected to the dreaded Schedule H because our lawmakers passed special legislation to control the SUI rates and override the normal formulas for the years 2010 through 2012 (the orange bars in the diagram). The current bill provides an override of the formulas as well.

Our unemployment system, as of January 8, 2021, has paid out \$3.4 billion in unemployment benefits. About half of it was funded by the federal government through various programs such as the \$300 “plus-up,” but Hawaii employers and/or taxpayers are on the hook for the other half.

At the end of 2019, the unemployment taxes that Hawaii employers had paid were sitting in a trust fund of about \$600 million. It’s now gone, and the State took out a \$700 million loan from the federal government to keep the unemployment trust fund afloat. There are several immediate consequences.

First, because our fund hit the “empty” mark at the end of last year, the unemployment tax on businesses is supposed to go up to Schedule H, the highest statutory rate. The Grassroot Institute of Hawaii has calculated that unemployment tax will triple in 2021 unless lawmakers change the system.

Next, if our State is borrowing money from Uncle Sam, interest may be charged. The interest rate for “Title XII advances,” which is what these borrowings are called, is expected to be 2.2777% in 2021. If we are unable to repay the \$700 million, then, we as Hawaii taxpayers may be on the hook for around \$16 million in annual interest. Our State’s Director of Finance

testified that this debt is “not legally an obligation of the state,” but the law does not seem to support that conclusion. As described in a Congressional Research Service report at <https://crsreports.congress.gov/product/pdf/RS/RS22954>, federal law prohibits passing the interest cost to employers through the state unemployment tax system, which means it will need to be paid for by other funds such as collections of tax revenue. Of course, there is a possibility that Congress could forgo interest because of the pandemic. The Families First Coronavirus Response Act of 2020 did just that, waiving interest for all of last year, so Hawaii didn’t owe any interest to Uncle Sam on the \$700 million as of the end of 2020. Relief under that act ended, and the interest clock started ticking again, on New Year’s Day, at the rate of about \$43,700 per day.

Also, federal unemployment tax will increase for those employers in a State that hasn’t fully repaid its loan by November 10 of the second year in which the loan was outstanding at the beginning of the year. That is, if we can’t repay the \$700 million federal loan by November 10, 2022, federal tax increases will kick in beginning January 1, 2023. The additional tax is 30 basis points on the first \$7,000 of wages to an employee, or roughly \$21 per employee in 2023. The tax ramps up in subsequent years. It would be \$42 per employee in 2024 and gets progressively worse in later years until the debt is repaid. None of these dollars go to or are set aside for the State. Again, Congress could change these consequences if it wants to, but it’s not something over which any one State has control.

Digested 1/30/2021



**Testimony to the Senate Committee on Labor, Culture and the Arts
Monday, February 1, 2021 at 3:00 P.M.
Via Videoconference**

RE: SB 682, RELATING TO EMPLOYMENT SECURITY

Chair Taniguchi, Vice Chair Ihara, Jr., and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports SB 682**, which amends the definitions of benefit year and week, conforms the manner of filing partial claims to the same as total or part-total, allows the director of labor and industrial relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022, and sets, for calendar years 2021, 2022, and 2023, the employer contribution rate at schedule C, D, and E respectively.

The Chamber is Hawaii's leading statewide business advocacy organization, representing 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Businesses and employees are facing difficult challenges and for many of Hawaii's 30,000 businesses that contribute to the fund, unemployment insurance (UI) premium increases several times the current amount will be devastating.

We estimate that on average, an employer paying \$600 per employee per year to the UI trust fund right now, to more than \$2,500 per employee will not only make business survival out of reach but may tip them into the brink of closures. State revenues are not growing, yet businesses are faced with this looming UI premium increase, and will force many employers to dig deeper at further cuts and ultimately, could lead businesses to add to the already exacerbating and struggling economy by cutting jobs.

For instance, a restaurant or retail shop, with 10 employees, are paying \$5,500 to \$6,000 a year for their unemployment tax. The drastic economic consequence is an increase to \$18,000, which is a threefold increase coupled with the UI premium increase, employers are already contributing to workers' compensation, temporary disability, payroll taxes, and other voluntary benefits may be the tipping point.



Chamber of Commerce HAWAII

The Voice of Business

The Legislature and the Governor have until March 2021 to provide the necessary relief that struggling employers and workers are facing or otherwise, businesses will be faced to bear a substantial burden of unemployment tax increase, which is roughly three times what they paid in 2020. The burden of a UI premium increase will not only prolong the recovery for struggling businesses and working families but may be the tipping point for small businesses into either closing their stores or consider cutting jobs.

Chamber appreciates your support and we respectfully urge your Committee to pass SB 682.

Thank you for this opportunity to provide testimony.

SB-682

Submitted on: 1/29/2021 5:55:29 PM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Pamela Tumpap	Testifying for Maui Chamber of Commerce	Support	No

Comments:

We appreciate that lawmakers are coming up with bills to help and it is imperative that we create solutions that work. We support this bill and prefer it over SB1159, given the devastation businesses have faced that we will share more about during the hearing.



**Comments to the Committee on Labor, Culture and the Arts
Monday, February 1, 2021
3:00 p.m. Conference Room 225**

**RE: SENATE BILL 1159 and SENATE BILL 682
RELATING TO EMPLOYMENT SECURITY**

Chair Taniguchi, Vice Chair Ihara, Jr., and Members of the Committee:

We appreciate your efforts to assure there are affordable unemployment insurance taxes, allowing employers to recover from the pandemic. Thank you for the opportunity to submit comments.

BACKGROUND

ProService Hawaii provides employee administration services to over 2,400 small businesses in Hawaii, representing over 35,000 employees in Hawaii. As a professional employer organization (PEO), we ensure that our clients remain compliant with Federal and State employment and labor laws, while allowing them to focus on their core business, providing needed and valuable services to the people and the economy of the State. In addition, we ensure that our clients' employees receive timely payment of; wages, workers' compensation and TDI benefits coverage. We also provide HR training and services, dispute resolution, and safety services to our clients and our clients' employees.

We support the efforts of this legislative body to explore the options to support employers with affordable unemployment insurance taxes as it is in this state's and business' best interests to offer an opportunity to rebound and not penalize employers for bringing employees back into the workforce. We are providing comments to encourage a lower rate unemployment insurance rate schedule for the next several years.

SUMMARY OF COMMENTS and CONCERNS

Unless one of these bills is passed and signed by the Governor before March, the tax rate schedule will increase from Schedule C to Schedule H in 2021 and rates could triple for some employers. Businesses of all sizes, but particularly small businesses, cannot handle a steep SUTA increase. A local business with 5 employees could pay an extra \$7,000 in SUTA taxes if rates are increased to Schedule H. This will create disincentives to hire (or re-hire) employees and slow down business recovery. In their already weakened state, many more businesses will

shut their doors thereby shrinking local employment opportunities for Hawaii workers for good. Our local businesses and workers have suffered enough already.

The government cannot fairly hold employers solely responsible for replenishing the trust fund. Our unemployment system was originally designed to be 100% funded by employers to provide wage benefits to those unemployed who were between jobs as a result of *business* decisions. The pandemic and the ensuing shutdowns were not business decisions. The mass shutdowns were societal decisions responding to an *unforeseen* catastrophe. Moreover, the unemployment system has become a mechanism to deliver economic relief to the population of Hawaii, much like social security, and it is entirely unfair to ask employers alone to foot the bill. Employers who are lucky enough to have weathered 2020 should not be penalized for surviving and subsidizing the businesses who unfortunately did not make it.

Our lawmakers need to look for *other ways* to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible, not just employers.

CONCLUSION

It's our understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively ([HB1005](#) & [SB1159](#)), while the Legislature has proposed Schedule C, D & E for the same years respectively ([HB470](#) & [SB682](#)). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **we fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many businesses to close.

Additionally, though both sets of bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we recommend this to be *mandated* since employers should not be penalized by the pandemic. While the Department of Labor & Industrial Relations is working extremely hard on processing all of the claims for benefits, it is impossible to identify and reclassify all claims attributable to the pandemic/Major Disaster to protect an employer's experience rating.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.



We urge this legislative body to amend these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandate the exclusion of 2020 utilization, and look for *new* ways to replenish the state's depleted unemployment reserves.

Thank you for the opportunity to comment.

Nelson Befitel

Chief Counsel

ProService Hawaii



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Paul Kosasa, ABC Stores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*
Beau Oshiro, C&S Wholesale Grocers, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*

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: February 1, 2021
TIME: 3pm
PLACE: Via Videoconference

RE: SB682 Relating to Employment Security

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.

This measure is necessary in order to prevent abrupt unmanageable increases in the contributions required by employers to the Unemployment Insurance Fund. Under the current schedule the required contributions for many employers would quadruple, for other employers the required contribution would increase more than tenfold.

The economic crisis caused by the COVID-19 pandemic has impacted every aspect of our state's economy and our local businesses are struggling. We have already seen dozens of business closures and unfortunately more are likely before our state recovers. This measure is the kind of support that local companies need from the state as they work to survive. We urge you to pass this measure and we thank you for the opportunity to testify.



Senate Committee on Labor, Culture and the Arts

Senator Brian T. Taniguchi, Chair
Senator Les Ihara, Jr., Vice Chair
Monday, February 1, 2021 at 3:00 P.M.
Via Videoconference

RE: SB 682, RELATING TO EMPLOYMENT SECURITY

Chair Taniguchi, Vice Chair Ihara, Jr., and Members of the Committee:

The Society of Human Resource Management (SHRM) Hawaii is in strong support of SB 682.

SHRM Hawaii serves and represents nearly 800 members and employers' statewide and human resource management is a critical component to the success and survival of the many businesses that make up our local economy. HR professionals are responsible for evaluating and balancing the needs of both the employers and employees and caring for businesses' most valuable asset: the working people of our state.

For most of Hawaii's 30,000 employers that contribute to the state fund, unemployment insurance (UI) premium increases several times the current amount will devastate their ability to keep employees working and keep their businesses alive during the long economic recovery ahead.

Employers currently paying \$600 per employee per year to the UI trust fund are expected to pay more than \$2,500 per employee if a reasonable rate increase plan is not adopted. Such increases will put business survival out of reach for many and cause job losses and business closures. The looming UI premium increases will force many employers who fought to keep people working throughout the pandemic to ultimately exacerbate our struggling economy by cutting more jobs they would otherwise keep.

For instance, a restaurant or retail shop, with 10 employees paying \$5,500 to \$6,000 a year for their unemployment tax will immediately have shoulder increases to \$18,000 in UI tax, a threefold increase coupled with the UI premium increases.

The Legislature and the Governor have until March 2021 to provide relief to struggling employers and workers before employers are forced to bear substantial UI tax burdens that will deepen and prolong the economic recovery for struggling businesses and working families. We implore you to



help Hawaii's employers stave off what will be a catastrophic tipping point for many small businesses and provide much needed relief to help them continue preserving much needed jobs.

SHRM appreciates your support and we respectfully urge your Committee to pass SB 682 in its current form.

Thank you for this opportunity to provide testimony.

Kalani Morse
Legislative Affairs Committee Co-Chair

Dailyn Yanagida
Legislative Affairs Committee Co-Chair



SHRM Hawaii, P. O. Box 3175, Honolulu, Hawaii (808) 447-1840



Greg Maples, Chairman – Polynesian Cultural Center **Tambara Garrick, Incoming Chair** – Pineapple Place
Tyler Roukema, Secretary – Outrigger Canoe Club
Kahili Soon, Treasurer – Hukilau Marketplace **Tom Jones, Past Chair** – Gyotaku

Sheryl Matsuoka, Executive Director **Chivon Garcia**, Executive Assistant **Holly Kessler**, Director of Membership Relations

2020- 21 Board of Directors: **Date:** January 30, 2021
Tonu Apelu
Mariah Brown **To:** Sen. Brian T. Taniguchi, Chair
Michelle Ching Sen. Les Ihara, Jr., Vice Chair
Tammy Fukagawa Members of the Committee on Labor, Culture, and Arts
Keli'i Gouveia
Wade Hashizume
Pat Kashani **From:** Victor Lim, Legislative Lead
Aman Kheiri
Dirk Koeppenkastrop
Don Murphy **Subj:** SB 682 Relating to Employment Security
Sarah Nguyen
Michael Skedeleski
Alison"Bo" Tanaka
Katherine"Katy" Tanaka
Anthony Wong
Paul Yokota

Allied Members:
Naomi Azama
Michael Griffith
Doug Harris
Sidney Higa
Unyong Nakata
Bryan Pearl
Dan Pence
Chassis Spangler
Jason Wong

The Hawaii Restaurant Association representing 3,400 restaurants here in Hawaii supports SB 682 Relating to Employment Security of the two bills being heard this afternoon.

Advisory Board
Jerry Agrusa
Peter Bellisario
Shirley
Victor Lim
John Richards
Lisa Tomihama
Sharon Shigemoto
Biff Graper
Gerda Tom

Most restaurant operators here do not expect business conditions to improve much in the coming years and 43% say it is unlikely their restaurant will still be in business six months from now without additional relief packages from the federal government. To say that many businesses here in Hawaii are in dire straits will be an understatement.

The rise in workers on the Unemployment Insurance during this Covid-19 is not of any business's doing and we need our state to help the businesses come back. We need to bring back economic vitality and jobs for our citizenship.

SB 682 provides a slightly more palatable UI schedule than SB 1159 and that's why we are supporting SB 682 today.

Thank you for allowing us to share our situation and position on this.



TO: Chair Brian T. Taniguchi; Vice Chair Les Ihara, Jr.; and Committee

FROM: Adrian Hong, President of Island Plastic Bags, Inc.

RE: SB 682 Relating to Employment Security

POSITION: STRONGLY SUPPORT

Thank you for the opportunity to submit testimony in strong support of SB 682. My name is Adrian Hong and I am the president of Island Plastic Bags Inc. (IPB), a second-generation, family business in Halawa Valley that manufactures plastic trash liners and food grade bags. This bill is badly needed to avoid crippling payroll tax hikes on already struggling businesses.

At the onset of the pandemic, I told my employees that we would not lay anyone off because of the pandemic. I told them that they would still have all their health and 401K benefits. Almost a year on, we have kept that promise but it has been by no means easy. 2020 was the worst year on record for our company. Our revenues in 2020 were down 36% compared to the previous year.

While a PPP loan and the Small Business Recovery & Relief Fund grant we received helped tremendously, we are still very far away from operating at a sustainable level of revenues. The absolute last thing we need is more taxes on our struggling business. The harder you make it for small businesses, the less of them will survive the pandemic. That will cost the state jobs, tax revenues, and a more vibrant and diverse economy in the future.

I understand that as legislators that you only have difficult decisions ahead of you this session, but I urge you to think of what will happen if more small businesses go under. Thank you for the opportunity to testify in strong support of SB 682. Should you have any questions or comments about my testimony you can contact me by email at ahong@islandplasticbags.com or by phone at 808-484-4046.

Sincerely,

Adrian K. Hong, CPA*

President

Island Plastic Bags, Inc.

www.islandplasticbags.com

Email: ahong@islandplasticbags.com | Phone: 808-484-4046 | Fax: 808-488-8505

*Not in public practice

SB-682

Submitted on: 1/29/2021 6:43:58 PM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Alison Bhattacharyya	Individual	Comments	No

Comments:

Raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.

Businesses should not have to bear the cost of COVID-19. A significant portion of businesses are still recovering from the impacts and will continue to do so for the next several years. There has to be a better way to balance the books.



January 29, 2021

Honorable Brian T. Taniguchi, Chair
Honorable Les Ihara, Jr., Vice Chair
Committee on Labor, Culture and the Arts
The Senate
State Capitol
415 South Beretania Street
Honolulu, Hawai'i 96813

Re: S.B. NO. 682, RELATING TO EMPLOYMENT SECURITY

Dear Chair Taniguchi, Vice Chair Ihara and Committee Members:

On behalf of the Government Affairs Committee of the Honolulu Japanese Chamber of Commerce, we respectfully submit this written testimony in strong support of Senate Bill No. 682. In particular, we strongly support Section 3 of Senate Bill No. 682, which would fix employer contributions at contribution rate schedule C for calendar year 2021, at contribution rate schedule D for calendar year 2022, and at contribution rate schedule E for calendar year 2023.

Without relief through legislative action, Hawai'i's employers, many of whom have suffered and continue to suffer from the severe downturn in Hawai'i's economy as a result of the Covid-19 pandemic, will be faced with potentially ruinous increases in required employer contributions. Such an additional financial burden on businesses already faced with continuing costs, but drastically decreased revenue, may result in the further permanent closure of many local business and increased long term unemployment.

For the foregoing reasons, we strongly support Senate Bill No. 682.

Thank you for your consideration of the foregoing.

Very truly yours,

A handwritten signature in black ink, appearing to read "Peter Hamasaki".

Peter Hamasaki
Chair, Government Affairs Committee

To the Committee on Labor, Culture and the Arts,

My name is Linda Sofa and I'm a business owner of a small private school on the leeward side of the Oahu. Corvid Academy & Performing Arts is located in Kalealoa with 9 employees. The school has been in business since 2012 providing private school education for grades K-12. .

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers. However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively ([HB1005](#) & [SB1159](#)), while the House has proposed Schedule C, D & E for the same years respectively ([HB470](#) & [SB682](#)). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts** on many Hawaiian businesses and definitely mine. It will force many of us to close. As a private school that accepts some students with disabilities, many of my families will have few choices for their special children.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be **mandated**. Members of Hawaii's legislative bodies (senate and house) must put the small businesses at the top priority. If you do not help, many of our small business will end forever with no hope of ever reopening.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves. I am counting on you to make the right decision for the many small struggling businesses in Hawaii.

Thank you for listening to my concerns.

Linda and Faitala Sofa

Owners of Corvid Academy & Performing Arts
91-1021 Shangrila Street, Kapolei, HI 96707

SB-682

Submitted on: 1/30/2021 1:14:03 AM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Carlton Yuen	Testifying for Aloha Vision Consultants	Comments	No

Comments:

To the Committee on Labor, Culture and the Arts,

My name is Carlton Yuen M.D. and I'm a owner a medical practice, Aloha Vision Consultants, for over 13 years. We employ almost 30 people.

Thank you for scheduling a hearing and for your desire to improve tax rate schedule for Hawaii employers.

Please accept my comments regarding my concerns.

The Governor's Administration has proposed Schedule D, F & G for 2021, 22, 23 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D, E respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

While I feel this is a step in the right direction, I'm terrified that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have significant financial impacts on Hawaii's business community. It will force many of us including many doctors' offices to close.

We need to mandate 2020 utilization rates be excluded from calculation 2021 rates.

The mass shutdowns that triggered skyrocketing unemployment were societal decisions not business decisions. In many cases businesses for forced to shut down. Essential businesses that were allowed to remain open such as my business were forced to operate at a tremendous financial deficit.

I urge lawmakers to reconsider these bills and advocate holding rates at schedule C for 2021 and 2022.

Can my business and the almost 30 families we support count on you?

Thank you for your time.

Carlton Yuen

To the Committee on Labor, Culture and the Arts,

My name is Calvin Tamagawa and I'm the business owner of The Fish Express on Kauai. We took over the company on December 1, 2019 and currently have 11 employees. None of my employees have collect any unemployment benefits during our tenor of the business.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D, & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community, especially here on Kauai where tourism has been limited at best.** It will force many of us to close...

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates as Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new way to replenish the state's depleted unemployment reserves.

Can I count on you to keep the businesses who are still open to remain open?

Thank you for listening to my concerns,

A handwritten signature in black ink, appearing to be 'Calvin Tamagawa', written in a cursive style.

Calvin Tamagawa



To the Committee on Labor, Culture and the Arts,

My name is Daniel Sykes and I'm a business owner in Maui. My business, Maui Adventure Group, Inc. dba The Snorkel Store was established in 2010 as a beach rentals and activity sales company. Until March of 2020, we had 17 employees and were on track for our best year yet. Due to the pandemic, we have lost hundreds of thousands of dollars, had to lay off 10 employees, were forced to permanently close one location and have struggled to stay in operation.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers. However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be *mandated*.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for *new* ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns. With aloha,

A handwritten signature in black ink that reads "Daniel L. Sykes II".

Daniel Sykes
Maui Adventure Group, Inc., Owner and CEO
808.269.2669.
daniel@mauiadventuregroup.com

Maui Adventure Group, Inc.

PO Box 13009
Lahaina, HI 96761
www.TheSnorkelStore.com
info@thesnorkelstore.com
808-669-1077

To the Committee on Labor, Culture and the Arts,

My name is Jeremy Haupt and I'm a business owner....

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively ([HB1005](#) & [SB1159](#)), while the House has proposed Schedule C, D & E for the same years respectively ([HB470](#) & [SB682](#)). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be *mandated*.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for *new* ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Jeremy Haupt

SB-682

Submitted on: 1/30/2021 12:36:18 PM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ernest Franklin Jr	Individual	Support	No

Comments:

To the Committee on Labor, Culture, and the Arts,

My name is Ernest James Franklin Jr and I am the owner of a small business in the art and picture framing business. I have been in business here on Oahu for almost 25 years. I employ six people although two of them remain unemployed due to Covid 19.

I know I am small potatoes, but these jobs are important to my employees. We are all struggling to keep the bills paid and food on the table. So far, even with the closings this year, we have all hung on thanks to unemployment benefits and an EIDL to keep the creditors at bay.

Raising my taxes this year (SUTA) will only add to our struggle. It would be unfortunate to have to pay more in taxes to make up for the program that kept us alive during the closures. It's almost like I'm being penalized for insurance i already paid for and depended on.

PLEASE KEEP THE SCHEDULE C FOR 21 & 22!

Sometimes in business we have to get creative to survive. Let's hope our government can be a little bit creative in raising funds without hurting working folks like us.

Aloha!

Ernest Franklin Jr (Jim)



Hawaiian Humane Society

People for animals. Animals for people.

2700 Waiialae Avenue Honolulu, Hawaii 96826
808.356.2200 • HawaiianHumane.org

Date: Jan. 30, 2021

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

Submitted By: Anna Neubauer, President and CEO
Hawaiian Humane Society, 808-356-2242

RE: Testimony with comments on SB 682:
Relating to Employment Security
Monday, Feb. 1, 2021, 3:00 p.m., Via Videoconference

Aloha Chair Taniguchi, Vice Chair Ihara and Committee Members,

On behalf of the Hawaiian Humane Society, thank you for considering comments on Senate Bill 682, which, for calendar years 2021, 2022, and 2023, sets the employer contribution rate at schedule C, D, and E, respectively. Makes amendments to contribution rate schedule and procedure for determination retroactive to 1/1/2021.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers. However, I'd like to respectfully provide comments about my concerns.

While this bill is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community. Additionally, while the bill "allows" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

Hawaiian Humane has worked to secure every bit of funding possible during this challenging time in order to keep our staff employed and provide for the animals in our care. This further burden would place Hawaii jobs in jeopardy. The need for our services commonly increases at times of economic disruption and we have certainly seen that during the pandemic. So far, we have risen to the challenge to provide assistance to the growing number of pets and pet owners in need. We do not want to reduce services to our community or the size of our team as a result of such a dramatic tax increase, but we may not be able to afford to do anything else.

Thank you for considering my concerns. Please let me know if I can answer any questions.

To the Committee on Labor, Culture and the Arts,

My name is Sam and I'm the General Manager of The Fish Hopper Restaurant. We have been in business for 14 years. We have approximately 54 Employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Sam Johnson ~ General Manager



5675 Kawaihau Rd., Suite B2
PO Box 1366
Kapaa, HI 96746
Ph (808) 635-9696
Fax (808) 828-6273

To the Committee on Labor, Culture and the Arts,

My name is Kahala Knopp and I'm a business owner of a glass construction company on Kauai. We have been in business for 20 years and have 11 employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

To be clear, raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community. It will force many of us to close. Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

I have witnessed first-hand the devastation to small businesses on Kauai - close friends have lost jobs and I've talked to owners who have lost their business and had to move to the mainland.

We did not choose to shut down our business - we were forced to temporarily close by the County. Other business did not choose to close - they were forced to close by government mandates and in some cases, barely allowed to re-open.

The depleted unemployment reserves are NOT the fault of bad business - they are the result of government decisions, of which the government should be held accountable and responsible for. If you do not hold the rate at Schedule C, it sets a dangerous precedent to all small-businesses; that we, not the government, will be held liable for government decisions out of our control. If the rates increase, any sensible person can see that business will close, suffer, layoff employees, and limit their hiring - ultimately hurting the people of Hawaii.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Sincerely,
Kahala Knopp

To the Committee on Labor, Culture and the Arts,

My name is Doreen Clanton. I am the Human Resources Director of The Fish Hopper Seafood & Steaks restaurant located on the Big Island of Hawaii at 75-5683 Alii Dr, Kailua-Kona, HI 96740. I represent the owners of The Fish Hopper Sabu Shake JR & Chris Shake. The Fish Hopper opened in 2006 on Alii Drive in downtown Kailua – Kona. The Fish Hopper is a family-owned restaurant serving fresh fish and local specials with Kaimana menu options. We have much local clientele. Many of our employees are residents and have been employed with us since opening.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively ([HB1005](#) & [SB1159](#)), while the House has proposed Schedule C, D & E for the same years respectively ([HB470](#) & [SB682](#)). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be *mandated*.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for *new* ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Doreen Clanton

Human Resources Director

The Fish Hopper Seafood & Steaks

To the Committee on Labor, Culture and the Arts,

My name is Claire and I'm a small, family business owner. We've been in business since 2013. We are a transportation company with a couple of drivers who are independent contractors. We are required by the State to pay unemployment insurance.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers. I'd like to respectfully provide comments about my concerns. It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively ([HB1005](#) & [SB1159](#)), while the House has proposed Schedule C, D & E for the same years respectively ([HB470](#) & [SB682](#)). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates. While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be **mandated**. The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for *new* ways to replenish the state's depleted unemployment reserves.

We have faithfully put into the reserves. We have supported our community and kept our workers going to help them and their families. Overhead costs are hurting us. Please help us so we can sustain our business through these tough times.

Mahalo nui loa





PONO KAI
resort · kauai

January 30, 2021

To the Committee on Labor, Culture and the Arts,

My name is Marilyn Solatre and I'm the General Manager for the Pono Kai Resort Kapaa, Kauai, Hawaii. This is a timeshare resort in Kauai, Hawaii that's been operating since 1980 with 75 employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers. However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates.

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The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for *new* ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Marilyn Solatre
General Manager of Pono Kai Resort

SB-682

Submitted on: 1/31/2021 8:27:54 AM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Lynn Matsushima	Testifying for Premier Title and Escrow Inc.	Comments	No

Comments:

To the Committee on Labor, Culture and the Arts,

My name is Lynn Matsushima and I'm the Controller of Premier Title and Escrow Inc, we have been in business for 8 years, we have 19 employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community. It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Lynn Matsushima

Premier Title and Escrow, Inc.

SB-682

Submitted on: 1/31/2021 9:57:43 AM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Chris Shake	Individual	Oppose	No

Comments:

To the Committee on Labor, Culture and the Arts,

My name is Chris Shake and I own and operate the Fish Hopper restaurant in Kona and employ 75 employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns. It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682).

Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.

It will force many of us to close. Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

Many small businesses like mine will take years and years to recoup the losses we have sustained during the pandemic.

We need your help and support more than ever to keep our doors open and most importantly to keep our employees working so that they can provide for their families.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves. Thank you for listening and for your consideration to my concerns.

Sincerely,

Chris Shake--CEO

To the Committee on Labor, Culture and the Arts,

My name is Ken and I'm the Senior Bartender of The Fish Hopper Restaurant. We have been in business for 14 years. We have approximately 54 Employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

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Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Ken Ford ~ Senior Bartender

To the Committee on Labor, Culture and the Arts, My name is Krista Matto and I'm the Business Manager at Diamond Head Dental Care. We're a growing dental office with 25 staff currently and growing to 30 in a few months' time. Our staff worked throughout the pandemic as essential services and utilized very little to none of state and federal unemployment benefits. We have been in business since 2014. I thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers like us. However, I'd like to respectfully provide comments about my concerns. It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community; a potentially a detrimental impact that will force many of us to close. This is especially true for businesses like mine that are trying to grow during this incredibly challenging economic situation. Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated. The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone. I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves. Can I count on you? Thank you for listening to my concerns. Krista Matto, Business Manager, Diamond Head Dental Care



TO: Chair Taniguchi, Vice Chair Ihara, and Members of the Senate Committee on Labor, Culture, and the Arts.

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

DATE/LOCATION: February 1, 2021; 3:00 p.m., Conference Room 225/Video Conference

RE: TESTIMONY IN SUPPORT OF SB 682 – RELATING TO EMPLOYMENT SECURITY

We are grateful that the legislature is looking at providing unemployment relief for employers. We are supportive of relief in the tax rates, but we also ask for support for employers who are deemed reimbursing employers, typically not-for-profit agencies. **We ask that these bills provide consideration for reimbursing employers who are not part of the unemployment tax system and are burdened with paying the full cost of claims.**

Background Info:

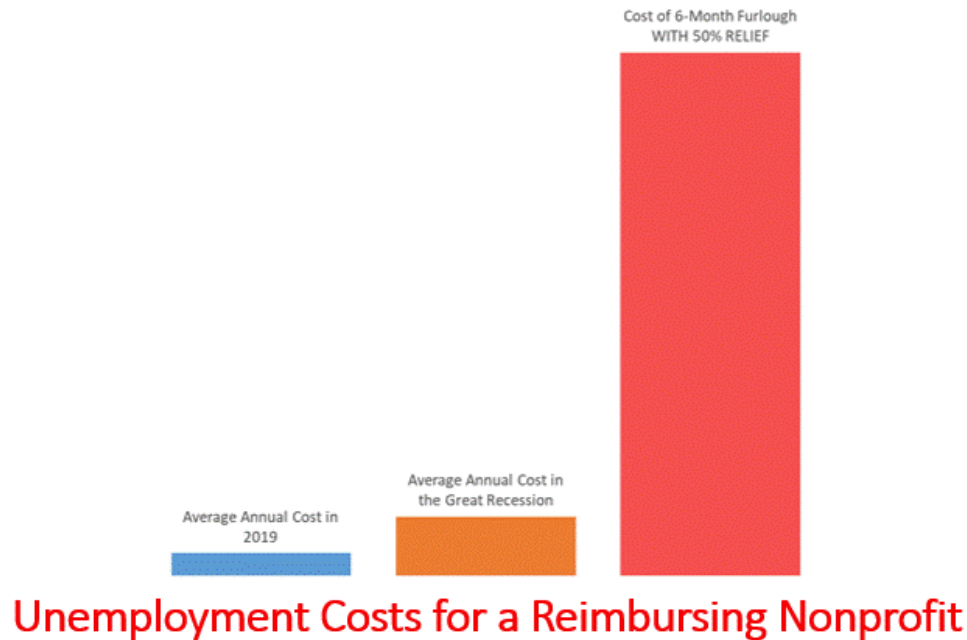
- In 1972, the Social Security Act added nonprofits to the unemployment system. It allowed 501c3 organizations to be a part of the State Tax Systems (**unemployment tax paying employers**) or opt-out (**reimbursing employer**) to reimburse their state for claims they are liable.
- During the pandemic we all have seen claims higher than we ever have in the past.
- During the COVID-19 pandemic, the CARES Act protected employers who pay SUTA (state unemployment – unemployment tax paying employers) taxes from catastrophic financial burden.
- Regrettably, the CARES Act only provides 50% funding to the reimbursing employers – plus some additional supports for extended UE coverage.
- These reimbursing employers include hospitals, medical centers, social service providers, food banks, homeless shelters, private colleges and universities, private and charter schools, museums, arboretums, performing arts organizations, public school systems and universities, counties, cities, towns, townships and villages, libraries, water and utility districts, and Native American tribes and tribal enterprises.

Issue:

- This means that many reimbursing nonprofits will be required to immediately repay 50% of the unemployment compensation paid NOW to their separated workers while private businesses will not. This is an inequitable consequence, likely unintended, **and it may**

have a devastating impact on service providers at the moment they are needed most.

- Reimbursing employers are also charged claims for employees who left our organization and then subsequently faced a layoff from their new employer. These are called **base period claims**. Many reimbursing nonprofits have not had any layoffs or furloughs but still experienced record unemployment charges for this reason (these base period claims).
 - For example, one local nonprofit did not layoff anyone during this pandemic but still had a loss of \$100K in base period claims.
- The cost to these vulnerable employers will be much greater than even the 2008 Great Recession. Even with the current 50% relief, the projected costs related to COVID-19 for a 2-month shutdown will be equal to or surpass the amount paid out over two years during the recession.



Unemployment Costs for a Reimbursing Nonprofit

(Provided by the 501c3 Trust)

- During the COVID-19 Pandemic, UE has risen exponentially. This issue has a greater impact to reimbursing employers. If this does not get resolved, many nonprofits may not be around when things begin to recover. Services like critical human and social solutions may be reduced or be completely eliminated. Museums, community health care centers, educational programs, and many more are at risk.
- This, however, is a double hit to the nonprofits – the first being a loss of revenue and the second by unprecedented unemployment charges.
- Many reimbursing employers are having to pull on lines of credit or leverage assets to fund this cost.

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 2020 for this year's unemployment crisis. The cost of this year's unemployment crisis will be spread out over many years through higher taxes.	Will have to pay for this year's unemployment charges within months. 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.

Statistics:

- Approximately 120 of reimbursing employers in Hawaii ranging from \$1M to \$50M in revenue each.
- In addition, there are 7 super-size nonprofits in Hawaii (revenue greater than \$100 million) and an unknown number of government entities who may be reimbursing employers. We don't know exactly how many are reimbursing, but we believe that the large nonprofits and government employers were often considered essential businesses and were therefore less affected by COVID shutdowns and probably have smaller unemployment bills.
- **Unemployment costs for reimbursing employers in Hawaii have increased by 260% in 2020 from 2019 (data from the 501c Trust).**
 - With data from 59 Reimbursing employers, the average nonprofit paid *40% more than the worst year of the Great Recession.*
 - But averages don't begin to tell the whole tale, because 2020 was a classic year of "haves" vs. "have-nots." In order to really assess the damage to the health of our nonprofit community, we need to pay extra attention to the nonprofits that

suffered most. The hardest hit 10% increased 1600% compared to 2019. Looking back to the Great Recession, only 5% of nonprofits in 2010 had charges as high as this group, so it's fair to say that COVID unemployment hit twice as many nonprofits extremely hard in 2020, compared to 2010.

- As an example, one local organization used to have \$7K/month in UE charges. They now have \$50K/month – which is after the 50% covered by the Federal Government.

Request:

- As you **consider relief to the tax rate for those in the State Unemployment Tax System, we ask that there be some consideration for the reimbursing employers.**
 - Specifically, provide the other 50% to the reimbursing employers (not covered by the Federal Government).
 - About 11 states have already done this, recognizing this issue and its impact (Georgia, Illinois, Iowa, Louisiana, Michigan, Nebraska, New Hampshire, New Jersey, New York, North Carolina, and Wisconsin). This list continues to grow.
 - Note: CARES money went to fund the State UI fund, but we understand that it did not help relieve the reimbursing not-for-profit employers.
 - 100% relief will ease the burden on city and state government. 100% relief will protect the financial health of these shut-down nonprofits, so that when they are allowed to serve the community again, they can come back at full strength and full employment. Every dollar spent preserving the health of a nonprofit both helps the community and prepares the economy for a rebound.
 - State UE administrators are overwhelmed with recent program changes. Nonprofits face a bewildering patchwork of state rules, invoicing errors, government promises, and uncertainty. By contrast, 100% relief is simple to administer, requires few programming changes, and reduces confusion.
- **Estimated cost 100% relief (additional 50%) = \$6M - \$8M (Ballpark)**

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 15,000 people across the state annually, PACT helps families identify, address and successfully resolve challenges through its 18 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, and poverty prevention and community building programs.

Thank you for the opportunity to testify in **support of SB 682**, please contact me at (808) 847-3285 or rkusumoto@pacthawaii.org if you have any questions.

To the Committee on Labor, Culture and the Arts,

Aloha,

My name is Thayne Taylor, co-founder/owner of Kauai Sea Farms LLC that started business effectively in 2018. Kauai Sea Farms is an aquaculture business that currently employs 1 full time and 3 part time employees with hopes to have two part time employees moved over to full time later this year with additional part time employees also being hired at that time.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively ([HB1005](#) & [SB1159](#)), while the House has proposed Schedule C, D & E for the same years respectively ([HB470](#) & [SB682](#)). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be *mandated*.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for *new* ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Thayne Taylor
VP/COO
Kauai Sea Farms, LLC
808-645-0527
thayne@kauaifarm.com

SB-682

Submitted on: 1/31/2021 12:59:50 PM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Lisa Wong	Testifying for Lisa L. Wong MD Inc	Comments	No

Comments:

To the Committee on Labor, Culture and the Arts, My name is Dr. Lisa Wong and I am a business owner. I am a physiciain in solo private practice at Queen's POB I since 2002 and have two employees who have been with me since then.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns. It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community. It will force many of us to close. Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated. The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you? Thank you for listening to my concerns.

Lisa L. Wong M.D.

To the Committee on Labor, Culture and the Arts,

My name is Pedro and I'm the Executive Chef of The Fish Hopper Restaurant. We have been in business for 14 years. We have approximately 54 Employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Pedro Almazan ~ Executive Chef

To the Committee on Labor, Culture and the Arts,

My name is Cheryl and I'm the Restaurant Manager of The Fish Hopper Restaurant. We have been in business for 14 years. We have approximately 54 Employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Cheryl Kennett ~ Restaurant Manager

SB-682

Submitted on: 1/31/2021 2:04:38 PM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Colin Ching	Testifying for 3G Enterprises, LLC dba Pearlridge Texaco	Comments	No

Comments:

To the Committee on Labor, Culture and the Arts,

My name is Colin Ching and I'm a small business owner. I own a Texaco gas station, convenience store and carwash in Aiea. I've been the owner of this business since 2014 and I have 11 employees. During this pandemic we have managed to retain all our employees without reducing their wages or benefits. Our sales have been down because of less people driving and we were forced to shutdown our carwash twice because of the mayor's order for non-essential businesses to close.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employees.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F and G for 2021, 2022 and 2023 respectively (HB 1005 and SB 1159), while the House has proposed Schedule C, D and E for the same years respectively (HB470 and SB682). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be *mandated*.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns,

Colin Ching

Managing Member - Owner

3G Enterprises, LLC dba Pearlridge Texaco

98-121 Kamehameha Hwy. Aiea, HI 96701

To the Committee on Labor, Culture and the Arts,

My name is Jeric and I'm the Sous Chef of The Fish Hopper Restaurant. We have been in business for 14 years. We have approximately 54 Employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

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Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Jeric Genavia ~ Sous Chef

To the Committee on Labor, Culture and the Arts,

My name is Joel and I'm the Assistant General Manager of The Fish Hopper Restaurant. We have been in business for 14 years. We have approximately 54 Employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

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Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Joel Genavia ~ Assistant General Manager

Aloha,

Thank you for hearing my thoughts on the upcoming SB682.

As a small restaurant operating in Manoa that provides vocational training for individuals recovering from Alcohol and Drug abuse, we have, like so many others been significantly impacted over the past year; we have seen the collapse of the visitor count, closed our doors for the first four months of the stay at home orders and have worked diligently to comply with all the requirements to keep our guests as safe as possible. We have managed to build our staff back up to almost pre-Covid numbers but sales and profits are struggling as we strive to keep afloat in these conditions.

We appreciate your efforts to address the change of rate in a fair and equitable manner, as such, we would like to encourage your committee to set the rate to schedule C for the next 2 years. We feel the financial impact would be too great if you were to allow the rate to float above that.

We believe that placing the responsibility of re-funding the unemployment fund on the few remaining business is simply not effective. Efforts may be better spent trying to find ways to restore the visitor industry and getting a larger share of the population back to work and allow the larger volume of tax dollars be collected from a greater number of businesses .

Thank you for taking the time to read our thoughts on the matter

Mahalo

Ross Anderson

Owner

Waioli Kitchen and BakeShop

SB-682

Submitted on: 1/31/2021 2:11:38 PM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Gomes	Testifying for Angels By The Sea Hawaii	Oppose	No

Comments:

I am Respectfully submitting the following on be half of our Owner Nina Thai of Angels By The Sea Hawaii

To the Committee on Labor, Culture and the Arts,

1. name is Nina Thai and I'm the Owner and Designer of Angels By The Sea Hawaii. I have been in business since 2010. At the time that the Covid-19 crises began I employed a minimum of 25 employees at my 4 locations.

I would like to thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community**. A Tax rate increase will force Hawaii employers to cut further back on an already reduced staff. This in turn will increase the unemployment rate and force employers to higher only parttime staff, thus cutting back on insurance and other benefits. In addition, it will force many other small businesses, already struggling, to close. This past month I have seen many businesses closed due to the economic downturn. This next month is likely to show a very similar trend. Increasing the Unemployment Tax increase will do more

harm than good to the economic Stability of the islands. I strenuously urge you to consider only *HB1005* & *SB1159*.

Additionally, though both bills “allow” for 2020 utilization rates to be excluded *in* determining 2021 rates, we need this to be *mandated*.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for *new* ways to replenish the state’s depleted unemployment reserves.

I truly hope that I count on you.

Thank you for listening to my concerns.

Nina Thai

Owner / Designer

Angels By the sea Hawaii

To the Committee on Labor, Culture and the Arts,

My name is Jayson and I'm the Sous Chef of The Fish Hopper Restaurant. We have been in business for 14 years. We have approximately 54 Employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

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I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Jayson Genavia ~ Sous Chef

To the Committee on Labor, Culture and the Arts,

My name is Dale Shimabuku and I'm the CEO of a multi-generational family-owned medical equipment company established in 1986 that services the islands of Maui and Kauai. We, along with our 25 employees, are the definition of a small mom and pop company that has worked through blood, sweat and tears for years to service our community for a dire need. That need has never been more evident than it is now in the middle of a pandemic.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be *mandated*.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for *new* ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Dale Shimabuku



January 31, 2021

RE: SB682 RELATING TO EMPLOYMENT SECURITY

Dear Chair Taniguchi and the Senate Committee on Labor, Culture and the Arts,

In regards to SB682, the Kona-Kohala Chamber of Commerce is very concerned about increases to the employer contribution rate in 2021, 2022 and 2023 from C, D, to E respectively and would ask that this rate not change at this time.

With nearly 500 members, our Chamber represents the business community in the Kona and Kohala districts on the West side of Hawai'i Island where the tourism industry drives the local economy. Our businesses were especially hard hit in 2020 due to COVID-19 impacts that resulted in loss of business. With the Governor's stay-at-home order for non-essential workers and the mandatory 14-day quarantine for travelers, many businesses in our region were unable to operate at no fault of their own.

Although the Safe Travels Hawai'i Program allows for travelers to bypass the now 10-day quarantine with a negative COVID-19 test result, the visitor count continues to be extremely low. According to the Hawai'i Tourism Authority December 2020 Hawai'i Hotel Performance Report, the occupancy for the Kohala Coast, where our major resorts are located, was at 26.8% in 2020 compared to 79.1% in 2019 – a 52.2% difference. This significant decrease is felt throughout our local economy, especially with our small businesses such as retail, restaurants, farmers, fishermen, activities and tours.

Based on the University of Hawai'i Economic Research Organization's Annual Hawai'i Forecast published on December 11, 2020, Hawai'i Island visitor arrivals in 2019 were at 1.7 million, but the 2020 number is 432,300, a change of -73.8%. The forecast projects only 766,100 visitors in 2021. It's evident that it will take several years for the economy to recovery.

COVID-19 economic impacts will continue in 2021 and beyond and our businesses will continue to struggle. This is not the time to increase the cost of doing business. **This is not the time to increase the unemployment insurance rate.**

The Kona-Kohala Chamber of Commerce exists to provide leadership and advocacy for a successful business environment in West Hawai'i.

Sincerely,

A handwritten signature in black ink that reads "Wendy J. Laros". The signature is fluid and cursive, written in a professional style.

Wendy J. Laros
President and CEO
Kona-Kohala Chamber of Commerce

Layout Etc., Inc.
94-425 Maikoiko Street

January 31, 2021

To the Committee on Labor, Culture, and the Arts,

I, Hanan Katz, Owner of Layout Etc. Inc., doing business as millwork and cabinetry manufacture on Oahu since 1998. The company currently employs 11 men and women.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I would like to respectfully provide comments about my concerns.

It is my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed.

Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

I am painfully reminded of a similar economic situation that occurred back in 2008. We were confronted with similar short fall of revenues (as did the entire state of Hawaii). While SUTA rates rose from less than ½% to over 3-1/2% overnight and gross sales plummeted, our liability to unemployment pool rose by 600%. It was a great struggle then, as I am sure it will be now. 2020 was not much different. Right when the pandemic become apparent, many of our scheduled jobs got canceled or indefinitely postponed, thus created a large gaping hole in our projected budget. Without having to borrow from SBA and utilizing PPP loan, we most definitely would have been on the brink of shutting down our doors (at no fault of our own). I expect that if SUTA rate will rise drastically again, our shop and many other business will not be able to balance the budgets and endure additional major expense.

While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community. It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves. I hope I can fully count on your judgment.

Thank you for reading.

Sincerely,
Hanan Katz
Principal

A handwritten signature in black ink that reads "Katz Hanan". The signature is written in a cursive, flowing style.

January 31st, 2021

To the Committee on Labor, Culture and the Arts,

My name is Lari Jarvis and I'm a business owner of massage clinics on Oahu and Maui. We opened our first clinic in 2012 and now provide our massage and wellness services at 5 locations. We currently employ over 170 residents of Hawaii consisting of Licensed Massage Therapists and Estheticians, as well as client service and support staff. Our company consistently recruits and hires residents of Hawaii and continued to do so during the challenges and forced closures during COVID-19. We genuinely believe our success and ability to provide wellness to our clientele comes from maintaining a diverse and talented team of service providers and team members.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.

However, I'd like to respectfully provide comments about my concerns.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community. It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.

The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

Can I count on you?

Thank you for listening to my concerns.

Lari Jarvis

SB-682

Submitted on: 1/31/2021 10:05:05 PM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mufi Hannemann	Testifying for Hawai'i Lodging & Tourism Association	Support	No

Comments:

Testimony of

Mufi Hannemann

President & CEO

Hawai'i Lodging & Tourism Association

Committee on Labor, Culture, & the Arts

Senate Bill 682: Relating to Employment Security

Chair Taniguchi, and members of the Committee, mahalo for the opportunity to submit testimony on behalf of the Hawai'i Lodging & Tourism Association, the state's largest private sector visitor industry organization.

The Hawai'i Lodging & Tourism Association—nearly 700 members strong, representing more than 50,000 hotel rooms and nearly 40,000 lodging workers —advocates on behalf of a tourism industry that has been disproportionately affected by an unprecedented pandemic and an ensuing economic downturn. With travel at a near standstill and strict government mandates in place, businesses across the tourism sector were forced to furlough thousands of employees and in many cases drastically downsize their operations. With the enactment of the Safe Travels program, our hospitality industry slowly began to resume, and businesses are beginning to recover. However, should the State adhere to its current unemployment tax rate schedule increase, many employers would be saddled with an insurmountable tax rate that would prolong bringing workers back to work and would dampen the progress we have made in our economic recovery. **For these reasons, HLTA strongly supports SB 682.**

In December of last year, Hawai'i recorded the highest unemployment rate in the nation as businesses continued to struggle with the absence of tourism. UHERO estimated

that more than 1,400 local businesses had closed their doors permanently due to the COVID-19 pandemic, with another 2,000 suspending their operations. These businesses in their totality represent the appeal of our economy to prospective tourists. Travelers come here not only for our world-class hotels, but to enjoy our local cuisine, take advantage of our services and attractions, and shop at local stores. Any business that is forced to close their doors for good would not only remove jobs from the marketplace, but would harm our overall appeal as a destination, and we need tourism to recover now more than ever.

For these reasons, we urge you to pass this measure and offer local business owners the tax relief they require. Doing so would not only keep businesses open and local residents employed, but also help Hawai'i to retain its status as a premier place to live, work, play, and visit.

Thank you for the opportunity to offer this testimony.

SB-682

Submitted on: 1/31/2021 10:44:39 PM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kathleen Moses Benson	Testifying for Industrial Battery Solutions LLC	Comments	No

Comments:

To the Committee on Labor, Culture and the Arts,
My name is Kathy Moses Benson and I'm the owner of an essential small business that has worked hard to stay open to serve the people of Hawaii without cutting employee pay. My company in Waipahu sells and services forklift batteries and chargers that power our supply chain for essential goods, and employs five people.
Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers.
However, I'd like to respectfully provide comments about my concerns.
It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community. It will force many of us to close. Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated.
The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone.
I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.
Can I count on you?
Thank you for listening to my concerns.
Respectfully submitted,

Kathleen Moses Benson
Industrial Battery Solutions, LLC

SB-682

Submitted on: 2/1/2021 1:42:43 AM

Testimony for LCA on 2/1/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Lisa Gibson	Testifying for Warren & Annabelle's	Oppose	No

Comments:

Our business employs about 20 people. We have been shuttered since March 16, 2020 due to COVID and government mandates. We laid off every employee. WE CAN NOT AFFORD any hike in UI rates. We are close to broke. We want to reopen as soon as possible. PLEASE DO NOT MAKE THIS IMPOSSIBLE FOR US TO DO! Please be compassionate to all us small business owners whose businesses are literally dying here in Hawaii. This is NOT OUR FAULT!

January 31, 2021

Re: Scheduled Increases in State Unemployment Insurance Tax Rate in 2021

To the Committee on Labor, Culture and the Arts,

My name is Michael McMann, and I'm the owner of McMann Eye Institute, we have been in business since 2007, and serve the growing community of West O'ahu. I employ 14 individuals including myself.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers. However, I'd like to respectfully express my concerns.

As you know, in Hawaii, employers are 100% liable for the cost of unemployment insurance. The cost is paid through a payroll tax, and employers' contributions are paid into the state trust. Entering 2020, we had 2.8% unemployment and the trust was healthy.

When the COVID-19 pandemic hit, unemployment rocketed to 23.8% and the trust fund sank into a \$1 billion dollar deficit, and Hawaii, like all other states, took a federal loan to cover the gap.

By state law, Hawaii must now raise its SUTA rate to fund the depleted trust. Unless something is done, rates will automatically increase to schedule H, the highest level, which will be catastrophic for local employers. That is, unless our lawmakers pass a bill to change this law in the upcoming legislative sessions.

Without a legislative change, employers will see a huge increase in tax liability that slows business recovery and creates disincentives to hire employees. Today, employers pay an average of \$1,200 per full time employee. If SUTA rates increase to schedule H, these taxes will increase by more than \$1,400, to an average of almost \$2,600 per full time employee.

This steep increase in taxes, and subsequent financial burden, cannot be placed on our business community after the year we have all suffered. On the contrary, we need assistance! Local businesses don't have the pricing power to push through these costs, and in their weakened state, many more employers will die, further exacerbating our already struggling local economy at the worst possible time.

It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of *all* unemployment claims for 2020 in determining 2021 rates.

While this is a step in the right direction, **I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community.** It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be *mandated*.

The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone.

I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for *new* ways to replenish the state's depleted unemployment reserves.

Thank you for listening to my concerns.

Aloha,

Michael A. McMann, MD
MCMANN EYE INSTITUTE
The Queen's Medical Center - POB West
91-2139 Fort Weaver Rd. Ste. 202
Ewa Beach, Hawaii 96706
O 808.677.2733



John Uekawa, President
Dave Roff, Executive Director

HADA TESTIMONY PROVIDING COMMENTS
ON SB682

RELATING TO EMPLOYMENT SECURITY

Presented to the Senate Committee on Labor, Culture and the Arts

At the Public Hearing, 3 p.m. Monday, February 1, 2021

Conference Room 225, Hawaii State Capitol

Chair Taniguchi, Vice Chair Ihara and Members of the Committee:

Absent a spectacular miracle, like the federal government forgiving Title XII advances of \$700 million, (our Congressional delegation has told us not to hold our breath for something like this to happen), the grim reality of our unemployment taxes is something we can't avoid. We paid a staggering amount of money in unemployment benefits in 2020, borrowing funds in the process. Our state government will need to be accountable for that money somehow, and the 2021 Legislature will be debating whose backs will bear that burden. (Tax Foundation of Hawaii)

The above statement by the Tax Foundation of Hawaii points to the grim reality settling in on business owners during this legislative session amid the additional reality of increased income taxes, additional fees, and new assessments being considered for placement on business owners, which will result in a pulling down of the performance of economy.

To avoid further economic slowdown, HADA's dealerships join you in seeking solutions.

With our participation in the discussion on the bills being introduced today, and others being introduced in this session, we join in the deliberative process that will see a question being thought out, researched and discussed, with the fundamental question being this: "How will this measure improve the economy?"

Robust commerce is what is needed right now to grow the economy, not additional borrowing, or additional tax burdens.

There is a need to change the negative narrative.

A recent Hawaii daily newspaper headline “Unemployment Tax to Triple” is part of that dispiriting narrative. The subhead on that story read: “Hawaii businesses fear the (UI) increases will ruin the road to economic recovery.”

Certainly, to grow back the economy more rapidly from the pent-up demand, there is a need to minimize the burdens on business capital.

One Hawaii dealership owner explains that his accountant said the current UI increase would cost his dealership more than \$1,000 per employee this year.

To visualize what \$1,000 looks like just lay ten \$100 bills on a tabletop, and you’ll say that’s a lot of money.

Multiply that \$1,000 times 20 if you are a small restaurant owner or times 350 if you are owner of several dealerships.

It’s a large amount of money for both businesses, at a time money is in short supply, or when your business is taking losses.

Maintaining the insurance rate at Level C for 2021, instead of its current Level H, the highest level, will allow businesses time to address pent-up demand and get the economy growing again.

HADA dealers appreciate the opportunity to offer our comments on SB 682.

We will be providing data and input as discussions continue on this critically important Unemployment Insurance (UI) rate decision and other important public policy decisions.

Again, the critical and important question on each bill this year is this: “How will this measure improve the economy?”

Respectfully submitted,

David H. Rolf

For the members of The Hawaii Automobile Dealers Association

February 1, 2021

To the Committee on Labor, Culture and the Arts,

My name is Brittany Kennedy and I am the Controller of GM Construction, Inc., a luxury home-builder on the Kona Coast of the Big Island. We have been in business since 2001 and currently have about fifty employees. Since we became an employer on 01/01/2013, we have employed over 472 different employees.

Thank you for scheduling this hearing and for the government's desire to improve the tax rate schedule for Hawaii employers. I would like to respectfully provide comments about my concerns. It's my understanding that the Governor's Administration has proposed Schedule D, F & G for 2021, 2022 and 2023 respectively (HB1005 & SB1159), while the House has proposed Schedule C, D & E for the same years respectively (HB470 & SB682). Both sets of bills also call for the exclusion of all unemployment claims for 2020 in determining 2021 rates. While this is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will have negative and significant financial impacts on Hawaii's business community. It will force many of us to close.

Additionally, though both bills "allow" for 2020 utilization rates to be excluded in determining 2021 rates, we need this to be mandated. The mass shutdowns that triggered unemployment to skyrocket were the result of societal decisions rather than business decisions, of which employers cannot fairly be responsible for footing the bill alone. I urge our lawmakers to reconsider these bills and advocate for holding rates at Schedule C for 2021 and 2022, mandating the exclusion of 2020 utilization, and looking for new ways to replenish the state's depleted unemployment reserves.

During the pandemic, our volume increased. We had several positions open and ads out for those positions but were not able to fill them at-all, or quickly, because although many were unemployed, the UI benefits paid to them (plus the extra \$600.00 per week) was much more than they would take home if they were working.

We had to appeal several fraudulent UI claims made during the pandemic. Some claimants had never worked for us. Some had worked for us on an on-call basis, one or two days a year, and were collecting as if they worked full-time. Funds were issued to those individuals when they should not have been, and I feel it is more appropriate to work on collecting over-distributed funds from individuals than penalize the employer for these errors.

Thank you for listening to my concerns.



Brittany Kennedy

Controller

GM Construction, Inc.



**TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 1, 2021**

Re: SB 682 Relating to Employment Security

Good afternoon Chair Taniguchi and members of the Senate Committee on Labor, Culture & the Arts. 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 have major concerns regarding SB 682 Relating Employment Security. This measure amends the definitions of benefit year and week; conforms the manner of filing claims for partial benefits to the same as for total or part-total benefits; allows the director of labor and industrial relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022; for calendar years 2021, 2022, and 2023, sets the employer contribution rate at schedule C, D, and E, respectively; and makes amendments to contribution rate schedule and procedure for determination retroactive to 1/1/2021

While we understand the need to replenish the Unemployment Insurance fund, retailers like many businesses are not able to afford the increase in these schedules - especially if schedule automatically changes each year to a higher rate. This increase in the cost of doing business may be the decision in a business closing for good. Other businesses have indicated that to pay for this increase, they would once again have to cut their staff - thus adding to the already high number of unemployed in Hawaii. Retailers are unable to absorb the exuberant increase in unemployment insurance. Cost would be passed on to the customers. Retailers realize that if their products are too costly, they will lose the sale. Their customers will seek an alternative retailer who many are not in Hawaii because they offer the item cheaper.

While we favor SB 682 over SB 1159, the rate increase from the current schedule will be detrimental to many local businesses who are already hanging on by a thread to remain open. The retail industry has been one of the hardest hit during the pandemic. Since the pandemic, those retailers who were deemed non-essential were forced to close their businesses for months due to government orders. Those on Oahu were forced to close their businesses a second time with no income from online sales unless they were fulfilling the orders from home. Retailers have also had to endure an almost 50% rate increase in interisland shipping. Many stores who rely directly on the visitors are not opening until the customer base returns - if they can hold on that long. They have also reduced their staff, taken pay-cuts and more to survive. The 3rd Commercial Lease Rent survey from data collected between December 1 and 31, 2020 revealed:

- One in 10 Hawaii businesses permanently closed over the course of the pandemic, and 67 percent were impacted significantly by government restrictions.
- From April through December 2020, 50 percent of businesses did not pay their rent in full.
- Three in 10 businesses expected to miss three full rent payments between October and December 2020, and more than half expected to miss at least one full rent payment between January and June 2021.
- Tourism accounts for at least one-quarter of the overall revenue of 37 percent of Hawaii businesses.
- 86 percent of businesses saw their annual revenue decrease in 2020, and 82 percent expect a decrease in 2021 as well.

Retailers like many businesses are struggling to survive and keep their employees employed. Many can't afford an increase in doing business. We hope that you will hold this bill.

Mahalo again for this opportunity to testify.