



STATE OF HAWAII
KA MOKU'ĀINA O HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
KA 'OIHANA PONO LIMAHANA

March 18, 2023

To: The Honorable Scott Z. Matayoshi, Chair,
The Honorable Andrew Takuya Garrett, Vice Chair, and
Members of the Labor & Government Operations Committee

Date: Tuesday, March 21, 2023

Time: 09:30 a.m.

Place: Via Videoconference & Room 309, State Capitol

From: Jade T. Butay, Director
Department of Labor and Industrial Relations (DLIR)

Re: S.B. 1383 SD1 RELATING TO HAWAII EMPLOYMENT SECURITY LAW

I. OVERVIEW OF PROPOSED LEGISLATION

The **DLIR strongly supports** this Governor's Package measure that proposes to amend Chapter 383, Hawaii Revised Statutes (HRS), by adding two new sections to institute a permanent 0.1% assessment beginning January 1, 2024, on all contributory employers. The collections will fund the unemployment insurance technology special fund to finance the operating expenses to maintain the department's information technology infrastructure used to pay unemployment benefits and manage contributions by employers.

II. COMMENTS ON THE HOUSE BILL

The DLIR supports this measure as there is a need for a permanent funding mechanism to support the ongoing maintenance and operational costs associated with the Unemployment Insurance (UI) Division's information technology infrastructure. The DLIR estimates collecting \$2,000,000 annually under the proposed assessment beginning calendar year 2024. As the UI program is 100% federally funded, the federal funds received are used to cover costs associated with administering the program.

As noted in UIPL No. 22-17, states' spending on IT infrastructure, "...cuts into their ability to fund staff to carry out mission critical functions."¹ Supplemental funds are needed to support the UI program's IT costs and support the existing maintenance costs of the mainframe application as well as the future maintenance costs of the Hawaii Unemployment Insurance Modernization (HUI Mod) program.

1 https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2017/UIPL_22-17.pdf

SB-1383-SD-1

Submitted on: 3/20/2023 11:43:54 AM

Testimony for LGO on 3/21/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
John M Kevan	Maui Paradise Properties	Oppose	Written Testimony Only

Comments:

We oppose this bill for many reasons.

- Maintaining a state department's technology should be the state's responsibility, not businesses.
- Routine maintenance and upgrades were not kept up with over the years resulting in significant hardship for employees during the pandemic. We had many phone calls from employers during that time who were distraught that their payments into the UI system could not be accessed by their employees.
- There is a known surplus in the state's budget and we strongly believe that should be used to fund maintenance and upgrades for the state's UI technology.
- Businesses are already dealing with workforce shortages, supply chain issues, rising costs, inflation, and high interest rates while still recovering from debt and loss incurred over the pandemic and should not be expected to foot this state expense.
- The state needs to make itself more efficient and cost effective instead of always asking for more money

John



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

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**HEARING BEFORE THE HOUSE COMMITTEE ON
LABOR & GOVERNMENT OPERATIONS
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 309
TUESDAY, MARCH 21, 2023 AT 9:30AM**

To The Honorable Representative Scot Z. Matayoshi, Chair
The Honorable Representative Andrew Takuya Garrett, Vice Chair
Members of the Committee on Labor & Government Operations,

**OPPOSITION OF SB1383 SD1 RELATING TO THE
HAWAII EMPLOYMENT SECURITY LAW**

The Maui Chamber of Commerce **opposes SB1383 SD1** to create the Unemployment Insurance Technology Special Fund that will be funded by an additional assessment of .01 per cent to Unemployment Compensation Trust Fund contributions to support the information technology operating and maintenance expenses for the payment of benefits and contributions under Hawaii's Employment Security Law.

During the height of the COVID-19 pandemic and resulting lockdown, we heard from many of our business members who were devastated and upset that the money they paid into the unemployment insurance (UI) system to protect their employees was not being distributed and their employees were struggling to stay afloat. We understand that much of the delay was linked to the state's UI technology not being updated and maintained properly. We strongly believe technology systems maintenance and upgrades are the responsibility of the state agency, not their clients.

At a time when there is a significant surplus in the state budget, we encourage the legislature to use these funds to support this effort now and look at incorporating these expenses into the Department of Labor and Industrial Relations budget in the future.

Businesses are still facing an uphill battle in their economic recovery. Not only are they in the process of paying off debts and losses incurred during the pandemic, but are also getting hit with workforce shortages, supply chain issues, rising costs, inflation, and high interest rates, all at a time when we are expecting a recession in the state and across the nation. Additionally, businesses are already planning for the increase in their UI costs as we move from Schedule D to Schedule F.

This is not the time to hit businesses with an additional expense and, therefore, we ask the Legislature to look at other options. Mahalo for the opportunity to provide testimony.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

SB-1383-SD-1

Submitted on: 3/20/2023 12:06:41 PM

Testimony for LGO on 3/21/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Bob Hansen	Individual	Oppose	Written Testimony Only

Comments:

Please NO MORE TAXES. It is hard enough to run a business as it is. It is also hard as an individual to pay all the taxes. Use the surplus and tighten your belt and stop spending so much money.