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TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON LABOR AND TECHNOLOGY
ON
SENATE BILL NO. 3299

February 2, 2024
3:10 p.m.
Room 224 and Videoconference

RELATING TO COLLECTIVE BARGAINING

The Department of Budget and Finance (B&F) opposes this bill.

Senate Bill (S.B.) No. 3299 amends Chapter 89, HRS, to allow the negotiation of Hawai'i Employer-Union Health Benefits Trust Fund (EUTF) benefits and to repeal the prohibition of using arbitration to resolve impasses or disputes relating to EUTF contributions/benefits, allowing arbitration panels to decide on EUTF matters. The bill also removes the prohibition of striking over the issue of employer EUTF contributions.

B&F strongly opposes this bill for the following reasons.

First, allowing each bargaining unit to negotiate its own benefits could essentially create 15 different pools of employees, reducing the economies of scale in negotiations with carriers and increasing administrative complexity for EUTF. Each negotiating team would need to be advised or trained in health benefit matters, including compliance with federal requirements.

Second, allowing arbitration panels to decide matters relating to EUTF is fraught with uncertainty. Arbitration panels are tasked to consider the employer's ability to pay and overall economic conditions. Panels often fail to grasp the complexities of the State

budget and under the provisions of this measure, they would also need to become experts in health benefit plan design. While difficult fiscal conditions can make it challenging to reach resolutions in collective bargaining (CB) negotiations, altering the current process by allowing binding arbitration would take this critical decision out of the hands of elected leaders and put it in the hands of unelected and unaccountable arbitrators. While the Legislature would still have the authority to reject an arbitration award, it appears all cost items would be rejected, not just EUTF contributions. The end result of this bill could result in giving the Legislature a choice of fully conceding control of this significant portion of the budget to arbitration panels or risk unending CB negotiations.

Thank you for your consideration of our comments.



UNITED PUBLIC WORKERS

AFSCME Local 646, AFL-CIO

THE SENATE
KA 'AHA KENEKOA
THE THIRTY-SECOND LEGISLATURE
REGULAR SESSION OF 2024

COMMITTEE ON LABOR AND TECHNOLOGY

Senator Henry J.C. Aquino, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Friday, February 2, 2024, 3:10 PM
Conference Room 224 & Videoconference

Re: Testimony on SB3299 – RELATING TO COLLECTIVE BARGAINING

Chair Aquino, Vice Chair Moriwaki, and Members of the Committee:

The United Public Workers, AFSCME Local 646, AFL-CIO (“UPW”) is the exclusive bargaining representative for approximately 14,000 public employees, which includes blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health, and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties.

UPW **supports** SB3299, which allows the public employer and exclusive representative to negotiate benefits of the Hawaii Employer-Union Health Benefits Trust Fund (“EUTF”). This measure also allows the exclusive representative to fully utilize dispute resolution and impasse provisions under state law when negotiating the benefits and contributions to the EUTF.

Chapter 89, Hawaii Revised Statutes (“HRS”) currently lacks a dispute resolution mechanism to address the employee-employer share of monthly contributions to medical premiums for EUTF plans. Although last year’s negotiations with the employers resulted in some cost savings for some public employees, the cost burden of health insurance remains for many of our members on the lower end of the pay scale.

Faced with non-competitive pay, rising healthcare premiums, and shrinking retirement benefits, being a public employee is becoming increasingly unaffordable. If the employers should refuse to pay an equitable and fair percentage of medical premiums, UPW strongly believes that we should be able to negotiate benefits offered by EUTF, and the use of arbitration should be available to resolve disputes related to the benefits of, and employer contributions to, the EUTF.

Mahalo for the opportunity to testify on this measure.

Sincerely,

A handwritten signature in blue ink that reads 'Kalani Werner'.

Kalani Werner
State Director

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HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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The Thirty-Second Legislature, State of Hawaii
The Senate
Committee on Labor and Technology

Testimony by
Hawaii Government Employees Association

February 2, 2024

S.B. 3299 — RELATING TO COLLECTIVE BARGAINING

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 3299 which allows the exclusive representative to negotiate benefits of the Hawai'i Employer-Union Health Benefits Trust Fund and allows disputes relating to benefits of, and amounts of contributions to, the Hawai'i Employer-Union Health Benefits Trust Fund to be resolved by arbitration.

Our organization has been an outspoken and strong proponent of reforming the EUTF to be more cost effective for both the employees and the employers and pursued a variety of options for the legislature's consideration. As currently written, Hawaii Revised Statutes, Chapter 89, lacks a dispute resolution mechanism to address the employee and employer share of the contributions to medical premiums in the EUTF. In past negotiating periods, we made strong attempts with the employers to 'pay their fair share' by increasing the percentage of employer contributions. However, to no avail, the employers have refused to pay an equitable and fair percentage and has continued to shift the cost burden of health insurance onto its employees. Improving employer contributions to the medical premiums will significantly improve recruitment and retention of employees.

All employees deserve affordable health care options, but this is especially necessary for employees who need family coverage and who are in a lower salary range. Employees who participate in the EUTF often pay 40% of the total cost of their medical premiums regardless of how much they earn, which depending on the plan and type of enrollment, can be as high as \$1,500 per month for family coverage. This is simply unaffordable for too many.

Thank you for the opportunity to provide testimony in strong support of S.B. 3299.

Respectfully submitted,

Randy Perreira
Executive Director