



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

February 21, 2025

To: The Honorable Kyle T. Yamashita, Chair,
The Honorable Jenna Takenouchi, Vice Chair, and
Members of the House Committee on Finance

Date: Friday, February 21, 2025
Time: 10:00 a.m.
Place: Conference Room 308, State Capitol

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

Re: H.B. 477 HD1 RELATING TO HAWAII EMPLOYMENT SECURITY LAW

I. OVERVIEW OF PROPOSED LEGISLATION

The **DLIR strongly supports** this measure and respectfully requests amendments.

This measure proposes to amend Chapter 383, Hawaii Revised Statutes (HRS) by the following:

- Removing the reference to the definition of “registered for work” in Section 383-29, HRS,
- Clarifying the circumstances in which individuals were required to register for work.
- Allowing for electronic notifications for unemployment claim determinations, appeals, and hearing notices.
- Specifying that the electronic notification date is the equivalent of a mailing date.
- Removing the option that allows for joint experience rating.
- Permitting claimants to change their tax withholdings more than once; and
- Removing and updating various statutory provisions.

II. CURRENT LAW

§383-1 defines “registered for work” and “registration for work.”

§383-12 specifies that an individual is required to post information that would be used for job matching on the Department’s internet job matching system.

§383-29 specifies the circumstances in which individuals are required to register for work on the Department's internet job matching system.

§383-36 requires that unemployment insurance determinations and redeterminations be sent to parties by mail at their last known address.

§383-38 requires that appeals from unemployment insurance determinations or redeterminations be filed within ten days of after the mailing and provides for the option of electronic notification for unemployment insurance appeal documents only.

§383-66(a)(6) allows the Department to prescribe rules for the establishment, maintenance, and dissolution of joint accounts.

§383-163.6 permits an individual to change a previously elected withholding status once during their claim's benefit year.

III. COMMENTS ON THE HOUSE BILL

The Department strongly supports this measure and respectfully requests amendments. First, the DLIR respectfully requests that the definition of "registered for work" or "registration for work" be amended as follows:

"Registered for work" or "registration for work" means that an individual shall provide information to the department to facilitate work search efforts by the individual and increase job referrals by the employment office."

Secondly and if the first amendment is made, the DLIR respectfully requests that the reference to "as defined in section 383-1" be restored on Pg. 1, lines 11 and 12. Thirdly, the DLIR also respectfully requests that the measure's defective date on page 29, line 14 be amended to take effect upon approval.

These proposed amendments and overall bill lay the foundation for transitioning to a modernized unemployment insurance system while improving services for individuals. By streamlining the process for individuals to register for work, the measure addresses existing delays and denials caused by system navigation challenges. This enhanced process not only improves the current system but also facilitates auto-registration for work in the future modernized system. Importantly, it does not eliminate or repeal the requirement to register for work—this requirement remains firmly in place.

Furthermore, enabling the electronic delivery of unemployment insurance documents and appeal notifications ensures secure, faster, and more accessible communication for individuals and reduces dependency on traditional paper and mail processes. By specifying that the electronic notification date will be treated as equivalent to the mailing date, the measure also resolves complications stemming

from a Hawaii Supreme Court ruling requiring certification of mailing dates for notices and decisions. This clarification strengthens the legal and operational framework necessary for a modernized system.

Additionally, allowing individuals to adjust their tax withholding multiple times enhances flexibility and responsiveness to changing financial circumstances and improves user experience.

The DLIR also strongly supports the immediate repeal of §383-66(a)(6) to remove the provision for joint experience rating. The current law allows employers to request a joint experience rating by combining entities they own and control, which allows for unemployment tax rate manipulation. Act 114, SLH 2005, and Act 32, SLH 2009 aim to prevent State Unemployment Tax Act (SUTA) dumping, which is an illegal tax evasion scheme involving the manipulation of an unemployment tax rate.

About less than 1% of registered employers in the state request joint experience ratings. However, the ability to do so undermines the intent of anti-SUTA dumping laws and results in unfair tax burdens on other businesses. The purposes of experience rating are to ensure an equitable distribution of costs of the system among the employers who cause unemployment, to encourage employers to stabilize their workforce, and to encourage employers to participate in the unemployment system as charges to their accounts will directly influence their tax rates. When all employers do not pay their fair share, the burden unfairly shifts and increases costs for everyone.

For these reasons, the Department urges strong support for this measure, which addresses modernizing and strengthening Hawaii's unemployment insurance system, improves efficiency, and promotes fairness for all stakeholders.