

TESTIMONY

HB2169 HD2



**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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February 24, 2010

To: The Honorable Dwight Y. Takamine, Chair
and Members of the Senate Committee on Labor

The Honorable Donna Mercado Kim, Chair
and Members of the Senate Committee on Ways and Means

Date: February 26, 2010
Time: 10:00 a.m.
Place: Conference Room 211, State Capitol

From: Darwin L.D. Ching, Director
Department of Labor and Industrial Relations

H.B. 2169 H.D. 2- Relating to Employment Security

I. THE DEPARTMENT SUPPORTS THE INTENT OF THIS MEASURE TO MODERATE UNEMPLOYMENT INSURANCE (UI) TAXES, BUT BELIEVES THE ADMINISTRATION'S PROPOSAL PROVIDES BETTER TAX MODERATION.

1. H.B. 2169 H.D.2 vs. Administration Bill (DLIR believes that consensus can be reached in order to meet the March 12, 2010 administrative deadline.¹)

The DLIR projects that H.B. 2169 H.D. 2 will only provide two years' worth of tax savings for Hawaii businesses. Under the DLIR's projections, employers will save ¹\$99 million in 2010 and \$142 million in 2011; then have to pay \$32 million more in 2012, and \$132 million more in 2013. H.B. 2169 H.D. 2, if enacted, would only

¹ March 12, 2010 the DLIR sends out the first quarter UI tax assessments to employers. If legislation is not passed before this deadline it would require a manual edit of UI tax assessments that is estimated to take 11,000 man hours.

provide a net tax savings of \$77 million dollars of over the next 4 years. Under H.B. 2169 H.D. 2, employers will pay an average of \$630 per employee in annual UI taxes in 2010, \$970 in 2011, \$1560 in 2012, and \$1,600 in 2013.

The administration's proposal (H.B. 2579) provides greater tax moderation at a time when Hawaii's economy needs it most. The DLIR projects H.B. 2579 will provide tax savings of \$95 million in 2010, \$221 million in 2011, \$131 million in 2012, and \$50 million in 2013. The administration's proposal will provide total tax savings of \$497 million over the next 4 years. The costs of this to the businesses, who pay for all the trust funds costs, will be a possible special assessment (Congress is considering extending the waiver of interest to two years) of \$22 million for a net tax savings of \$475 million. The administration believes this \$475 million is better left in the economy rather than in a fund in Washington, DC. Under H.B. 2579, employers will pay an average of \$600 per employee in annual UI taxes in 2010, \$690 in 2011, \$880 in 2012, and \$900 in 2013.

2. Comments on the Language of HB 2169, HD2

a. Section 1

DLIR does not oppose the additional section to allow for an assessment on employers to pay interest on federal loans but recommends that "principal and" be deleted from line 9 on page 1. The assessment is only used to pay the interest. The principal is repaid from the UI trust fund monies. The department's proposal to collect the interest due is attached.

b. Section 4

The second paragraph under the definition of "adequate reserve fund" is incorrect. For calendar years 1992 to 2007, the adequate reserve fund was one and one half times the amount derived by multiplying the benefit cost rate by the total remuneration paid by all employers. For all other years and beginning 2011 and thereafter, the adequate reserve fund definition (which is "equal to that amount derived") will be used. As such, the first sentence of the second paragraph should read as follows: "Effective for the calendar years 1992 through 2007, "adequate reserve fund" means an amount that is equal to one and one-half times the amount derived by multiplying"

Under the definition of "benefit cost rate", the language should remain the same under "remuneration" as it is applicable to the paragraph and not just the definition.

3. Draft Language Recommended by DLIR (see attached)

a. Section 6

Amend section 383-128 to allow use of the E&T Fund to repay the interest due on Title XII (federal) loans. The E&T fund provides an existing mechanism to collect employer surtaxes based on UI employer contributions. This system is fair and equitable as the additional loan repayment surtax is calculated according to the UI tax rate assigned to employers based on their individual experience with unemployment (experience rating).

b. Section 7

Amend 383-129 to provide that the Director will establish the E&T assessment rate to repay the interest due on Title XII loans and that any monies left over will remain in the E&T fund. The Director will also reduce the E&T assessment rate if there is excess money left after interest is paid. This will directly benefit the employers as their taxes would go down if we do not need to collect more money.

4. For more information on this issue, go to http://hawaii.gov/labor/reports/ui_tax_2-24-10.pdf (see specifically, pages 1, 4 – 7a, 11 – 15, 27 and 30).

II. OVERVIEW OF PROPOSED LEGISLATION

H.B. 2169 H.D. 2 proposes to do the following:

- Add new section to assess employers in order to repay the interest on outstanding loan balances received under Title XII of the Social Security Act.
- Amend section 383-22, Hawaii Revised Statutes (HRS), to retain the maximum weekly benefit amount (MWBA) at 75% of the average weekly wage (AWW) until 12/31/2011 and return the MWBA to 70% of the AWW on 1/1/2012. Although the description of the bill indicates that the 75% would be in effect through 2012, the language in Section 2 of the bill states that the 75% would be in effect only through December 31, 2011.
- Amend section 383-61, HRS, to set the taxable wage base at 90% of the average annual wage for calendar years 2010 and 2011 only.
- Amends the definitions under section 383-63, HRS for:
 - “Adequate reserve fund”, beginning with calendar year 2011, to the highest benefit cost rate during the 10-year period ending November 30.
 - “Benefit cost rate” to make a technical change to the reference to “remuneration”.
 - “Current reserve fund” to make a technical change to the definition.

- Amend section 383-68, HRS, to set the employer contribution rate at schedule D and schedule G for calendar years 2010 and 2011 respectively.

III. CURRENT LAW

Section 383-22(b), HRS, was last amended in 2007 by Act 110 to temporarily increase the MWBA from 70% to 75% of the state's average weekly wage (AWW) from January 1, 2008 to December 31, 2010. Effective 1/1/2011, the MWBA will be 70% of the state AWW.

Section 383-61, HRS, was also last amended by Act 110 to set the taxable wage base at \$13,000 for calendar years 2008, 2009, and 2010 provided the trust fund did not fall below the adequate reserve fund. Effective 1/1/2010, the taxable wage base is \$38,800 based on a lower than adequate reserve fund level.

Section 383-63, HRS, was last amended by Act 110 to temporarily change the definition of the adequate reserve fund as the highest 12-month benefit cost rate occurring in the last ten years. The adequate reserve fund is the amount needed to ensure trust fund solvency based on the highest level of unemployment experienced in the last ten years. Effective 1/1/2011, the adequate reserve fund will be 1.5 times the benefit cost rate.

Section 383-68, HRS, provides that the contribution rate schedule shall be determined by the ratio of the current reserve fund to the adequate reserve fund. Under current law, schedule F is applicable for calendar year 2010.

It is noteworthy that critics of Act 110 have argued that the current situation could have been avoided if Act 100 had not been enacted. The DLIR's computations have shown that Act 110 (versus no Act 110) would have resulted in only a savings of \$128 million to the 2009 year end balance, (or having about a 4 months extra reserve). See http://hawaii.gov/labor/reports/ui_tax_2-24-10.pdf, Alternative to UI Tax Increase PowerPoint Slide 10a.

A BILL FOR AN ACT

RELATING TO EMPLOYMENT SECURITY LAW.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 383, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§383- Special assessments on employers to pay interest on
5 loans from Secretary of Labor. Whenever the State requests a
6 loan from the Secretary of Labor in accordance with Title XII of
7 the Social Security Act to pay expected benefit claims during a
8 specified period of time, the director may assess all employers
9 the amounts that are sufficient to pay the interest costs on the
10 loan in accordance with section 383-129(f)."

11 SECTION 2. Section 383-22, Hawaii Revised Statutes, is
12 amended by amending subsection (b) to read as follows:

13 "(b) In the case of an individual whose benefit year begins
14 prior to January 5, 1992, the individual's weekly benefit amount
15 shall be, except as otherwise provided in this section, an amount
16 equal to one twenty-fifth of the individual's total wages for
17 insured work paid during the calendar quarter of the
18 individual's base period in which such total wages were highest.
19 In the case of an individual whose benefit year begins after

1 January 4, 1992, the individual's weekly benefit amount shall be,
2 except as otherwise provided in this section, an amount equal to
3 one twenty-first of the individual's total wages for insured
4 work paid during the calendar quarter of the individual's base
5 period in which such total wages were highest. The weekly
6 benefit amount, if not a multiple of \$1, shall be computed to
7 the next higher multiple of \$1. If an individual's weekly
8 benefit amount is less than \$5, it shall be \$5. The maximum
9 weekly benefit amount shall be determined annually as follows:
10 On or before November 30 of each year the total remuneration
11 paid by employers, as reported on contribution reports submitted
12 on or before such date, with respect to all employment during
13 the four consecutive calendar quarters ending on June 30 of the
14 year shall be divided by the average monthly number of
15 individuals performing services in the employment during the
16 same four calendar quarters as reported on the contribution
17 reports. The amount thus obtained shall be divided by fifty-two
18 and the average weekly wage (rounded to the nearest cent) thus
19 determined. For benefit years beginning prior to January 1,
20 1992, two-thirds of the average weekly wage shall constitute the
21 maximum weekly benefit amount and shall apply to all claims for
22 benefits filed by an individual qualifying for payment at the

1 maximum weekly benefit amount in the benefit year commencing on
2 or after the first day of the calendar year immediately
3 following the determination of the maximum weekly benefit
4 amount. For benefit years beginning January 1, 1992, but prior
5 to January 1, 2008, and beginning again on January 1, [~~2011,~~
6 2012, seventy per cent of the average weekly wage shall
7 constitute the maximum weekly benefit amount and shall apply to
8 all claims for benefits filed by an individual qualifying for
9 payment at the maximum weekly benefit amount in the benefit year
10 commencing on or after the first day of the calendar year
11 immediately following the determination of the maximum weekly
12 benefit amount. For benefit years beginning January 1, 2008,
13 and ending December 31, [~~2010,~~ 2011, seventy-five per cent of
14 the average weekly wage shall constitute the maximum weekly
15 benefit amount and shall apply to all claims for benefits filed
16 by an individual qualifying for payment at the maximum weekly
17 benefit amount in the benefit year commencing on or after the
18 first day of the calendar year immediately following the
19 determination of the maximum weekly benefit amount. The maximum
20 weekly benefit amount, if not a multiple of \$1, shall be
21 computed to the next higher multiple of \$1.

(Column A)

(Column B)

(Column C)

(Column D)

High

Basic

Minimum

Maximum

	Quarter	Weekly	Qualifying	Total Benefits
	Wages	Benefit	Wages	in Benefit Year
1				
2				
3	\$ 37.50 - 125.00	\$ 5.00	\$ 150.00	\$ 130.00
4	125.01 - 150.00	6.00	180.00	156.00
5	150.01 - 175.00	7.00	210.00	182.00
6	175.01 - 200.00	8.00	240.00	208.00
7	200.01 - 225.00	9.00	270.00	234.00
8	225.01 - 250.00	10.00	300.00	260.00
9	250.01 - 275.00	11.00	330.00	286.00
10	275.01 - 300.00	12.00	360.00	312.00
11	300.01 - 325.00	13.00	390.00	338.00
12	325.01 - 350.00	14.00	420.00	364.00
13	350.01 - 375.00	15.00	450.00	390.00
14	375.01 - 400.00	16.00	480.00	416.00
15	400.01 - 425.00	17.00	510.00	442.00
16	425.01 - 450.00	18.00	540.00	468.00
17	450.01 - 475.00	19.00	570.00	494.00
18	475.01 - 500.00	20.00	600.00	520.00
19	500.01 - 525.00	21.00	630.00	546.00
20	525.01 - 550.00	22.00	660.00	572.00
21	550.01 - 575.00	23.00	690.00	598.00
22	575.01 - 600.00	24.00	720.00	624.00
23	600.01 - 625.00	25.00	750.00	650.00
24	625.01 - 650.00	26.00	780.00	676.00
25	650.01 - 675.00	27.00	810.00	702.00
26	675.01 - 700.00	28.00	840.00	728.00
27	700.01 - 725.00	29.00	870.00	754.00
28	725.01 - 750.00	30.00	900.00	780.00
29	750.01 - 775.00	31.00	930.00	806.00
30	775.01 - 800.00	32.00	960.00	832.00
31	800.01 - 825.00	33.00	990.00	858.00
32	825.01 - 850.00	34.00	1020.00	884.00
33	850.01 - 875.00	35.00	1050.00	910.00
34	875.01 - 900.00	36.00	1080.00	936.00
35	900.01 - 925.00	37.00	1110.00	962.00
36	925.01 - 950.00	38.00	1140.00	988.00
37	950.01 - 975.00	39.00	1170.00	1014.00
38	975.01 -1000.00	40.00	1200.00	1040.00
39	1000.01 -1025.00	41.00	1230.00	1066.00
40	1025.01 -1050.00	42.00	1260.00	1092.00
41	1050.01 -1075.00	43.00	1290.00	1118.00
42	1075.01 -1100.00	44.00	1320.00	1144.00
43	1100.01 -1125.00	45.00	1350.00	1170.00
44	1125.01 -1150.00	46.00	1380.00	1196.00

1	1150.01	-1175.00	47.00	1410.00	1222.00
2	1175.01	-1200.00	48.00	1440.00	1248.00
3	1200.01	-1225.00	49.00	1470.00	1274.00
4	1225.01	-1250.00	50.00	1500.00	1300.00
5	1250.01	-1275.00	51.00	1530.00	1326.00
6	1275.01	-1300.00	52.00	1560.00	1352.00
7	1300.01	-1325.00	53.00	1590.00	1378.00
8	1325.01	-1350.00	54.00	1620.00	1404.00
9	1350.01	and over	55.00	1650.00	1430.00."

10 SECTION 3. Section 383-61, Hawaii Revised Statutes, is
 11 amended as follows by amending subsection (c) to read as
 12 follows:

13 "(c) For the calendar year 1991 only, the term "wages"
 14 does not include remuneration in excess of \$7,000 paid with
 15 respect to employment to an individual by an employer. For
 16 calendar years 2008[7] and 2009, [and 2010] only, the term
 17 "wages" as used in this part does not include remuneration in
 18 excess of \$13,000 paid with respect to employment to an
 19 individual by an employer so long as the balance of the
 20 unemployment trust fund does not fall below the adequate reserve
 21 fund as specified by section 383-63. For calendar years 2010
 22 and 2011 only, the term "wages" as used in this part does not
 23 include remuneration in excess of the wages paid with respect to
 24 employment to an individual by an employer during the calendar
 25 year that exceeds ninety per cent of the average annual wage."

26 SECTION 4. Section 383-63, Hawaii Revised Statutes, is

1 amended to read as follows:

2 **"§383-63 Definitions for experience rating provisions.** As
3 used in sections 383-63 to 383-69:

4 "Adequate reserve fund" means an amount that is equal to
5 the amount derived by multiplying the benefit cost rate that is
6 the highest during the ten-year period ending on November 30 of
7 each year by the total remuneration paid by all employers, with
8 respect to all employment for which contributions are payable
9 during the last four calendar quarters ending on June 30 of the
10 same year, as reported on contribution reports filed on or
11 before October 31 of the same year. "Remuneration", as used in
12 this definition, means wages as defined in section 383-10. For
13 the purpose of determining the highest benefit cost rate, the
14 benefit cost rate for the first twelve-consecutive-calendar-
15 month period beginning with the first day of the first month of
16 the ten-year period and for each succeeding twelve-consecutive-
17 calendar-month period beginning with the first day of each
18 subsequent month shall be computed.

19 Effective for the calendar years 1992 through 2007[~~and~~
20 ~~from calendar year 2011 and thereafter~~], "adequate reserve fund"
21 means an amount that is equal to one and one-half times the
22 amount derived by multiplying the benefit cost rate that is the

1 highest during the ten-year period ending on November 30 of each
2 year by the total remuneration paid by all employers, with
3 respect to all employment for which contributions are payable
4 during the last four calendar quarters ending on June 30 of the
5 same year, as reported on contribution reports filed on or
6 before October 31 of the same year.

7 "Annual payroll" means the total amount of wages for
8 employment paid by an employer during a calendar year; and
9 "average annual payroll" means the average of the annual
10 payrolls of an employer for a period consisting of the three
11 consecutive calendar years immediately preceding the calendar
12 year for which rates are computed, except that, for an employer
13 whose account has been chargeable with benefits throughout at
14 least one year but less than three years ending on December 31,
15 1955, and each December 31 thereafter, "average annual payroll"
16 means one-third of the sum of the employer's cumulative payrolls
17 for the period in which the employer has been subject to this
18 chapter, but not more than the three calendar years ending on
19 such December 31. Whenever there was or is a change in the
20 definition of "employment" or in the definition of "wages",
21 effective for the purposes of this chapter generally or of this
22 part at the commencement of or at a date within the three-year

1 period of any average annual payroll, "employment" and "wages"
2 for the purpose of determining each annual payroll within such
3 period and the average annual payroll for such period, shall
4 have the meaning prior to the effective date of such change
5 which they had in accordance with this chapter then in effect
6 and shall have the meaning after the effective date of such
7 change assigned to them by the amendment to this chapter
8 providing for such change.

9 "Base period employers" means employers by whom an
10 individual was paid the individual's base period wages.

11 "Base period wages" means the wages paid to an individual
12 during the individual's base period for insured work.

13 "Benefit cost rate" means the rate derived by dividing the
14 total net benefits paid to all individuals during a twelve-
15 consecutive-calendar-month period by the total remuneration paid
16 by all employers with respect to employment for which
17 contributions are payable during the last four completed
18 calendar quarters ending at least five months before the end of
19 the twelve-consecutive-month period. "Remuneration", as used in
20 this paragraph, means wages as defined in section 383-10.

21 "Contributions" includes the money payments required by
22 this chapter to be made into the fund by any employing unit on

1 account of having individuals in its employ. "Contributions"
2 does not include penalties or interest for delinquency in
3 payments.

4 "Current reserve fund" means the total assets of the fund
5 available for the payment of benefits on November 30 of each
6 year (exclusive of all moneys credited under section 903 of the
7 Social Security Act to the account of this State in the
8 unemployment trust fund [~~which~~] that have been appropriated for
9 expenses of administration whether or not withdrawn from the
10 trust fund).

11 "Reserve balance" means the difference between all
12 contributions paid by an employer and credited to the employer's
13 account for all periods before January 1 (including those paid
14 before February 1 of the same year with respect to wages paid by
15 the employer before January 1 of the same year) and the total
16 benefits chargeable to the employer's account for all periods
17 before January 1 of the same year."

18 SECTION 5. Section 383-68, Hawaii Revised Statutes, is
19 amended by amending subsection (c) to read as follows:

20 "(c) Effective with calendar year 1992 and thereafter,
21 before December 31 of the previous year the contribution rate
22 schedule for the following calendar year shall be determined on

1 the basis of the relationship between the most recent current
2 reserve fund and the most recent adequate reserve fund, in
3 accordance with this subsection and subsection (d).

4 (1) Whenever the ratio of the current reserve fund to the
5 adequate reserve fund is greater than 1.69,
6 contribution rate schedule A shall apply.

7 (2) Whenever the ratio of the current reserve fund to the
8 adequate reserve fund is 1.3 to 1.69, contribution
9 rate schedule B shall apply.

10 (3) Whenever the ratio of the current reserve fund to the
11 adequate reserve fund is 1.0 to 1.29, contribution
12 rate schedule C shall apply.

13 (4) Whenever the ratio of the current reserve fund to the
14 adequate reserve fund is .80 to .99, contribution rate
15 schedule D shall apply.

16 (5) Whenever the ratio of the current reserve fund to the
17 adequate reserve fund is .60 to .79, contribution rate
18 schedule E shall apply.

19 (6) Whenever the ratio of the current reserve fund to the
20 adequate reserve fund is .40 to .59, contribution rate
21 schedule F shall apply.

1 (7) Whenever the ratio of the current reserve fund to the
2 adequate reserve fund is .20 to .39, contribution rate
3 schedule G shall apply.

4 (8) Whenever the ratio of the current reserve fund to the
5 adequate reserve fund is less than .20, contribution
6 rate schedule H shall apply.

7 Notwithstanding the ratio of the current reserve fund to
8 the adequate reserve fund, contribution rate schedule D shall
9 apply for calendar year 2010 and contribution rate schedule F
10 shall apply for calendar year 2011."

11 SECTION 6. Section 383-128, Hawaii Revised Statutes, is
12 amended by amending subsection (b) to read as follows:

13 "(b) The moneys in the employment and training fund may be
14 used for funding:

15 (1) The operation of the state employment service for
16 which no federal funds have been allocated;

17 (2) Business-specific training programs to create a more
18 diversified job base and to carry out the purposes of
19 the new industry training program pursuant to section
20 394-8;

1 (3) Industry or employer-specific training programs where
2 there are critical skill shortages in high growth
3 occupational or industry areas;

4 (4) Training and retraining programs to assist workers who
5 have become recently unemployed or likely to be
6 unemployed;

7 (5) Programs to assist residents who do not otherwise
8 qualify for federal or state job training programs to
9 overcome employment barriers; ~~[and]~~

10 (6) Training programs to provide job-specific skills for
11 individuals in need of assistance to improve career
12 employment prospects~~[.]; and~~

13 (7) The payment of interest due under the provisions of
14 section 1202(b) of the Social Security Act, as
15 amended, for advances made to the unemployment
16 compensation fund."

17 SECTION 7. Section 383-129, Hawaii Revised Statutes, is
18 amended by amending subsection (a) and adding new subsection (f)
19 to read as follows:

20 "(a) In addition to contributions determined by section
21 383-68, every employer, except an employer who has selected an
22 alternative method of financing liability for unemployment

1 compensation benefits pursuant to section 383-62, or an employer
2 who has been assigned a minimum rate of zero per cent [~~or the~~
3 ~~maximum rate of five and four tenths per cent in accordance with~~
4 ~~section 383-68~~], shall be subject to an employment and training
5 fund assessment at a rate of .01 per cent of taxable wages as
6 specified in section 383-61.

7 (f) Notwithstanding any provisions of this section to the
8 contrary, whenever interest may be due on a Title XII advance
9 under the provisions of section 1202(b) of the Social Security
10 Act, the employment and training fund assessment shall be
11 increased to pay the interest due.

12 (1) The director shall have the discretion to increase the
13 the employment and training fund assessment rate to pay
14 the interest that may be due.

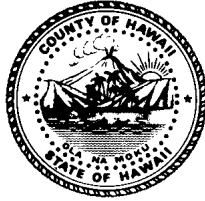
15 (2) The director shall reduce the employment and training
16 fund assessment rate if excess moneys have been
17 collected to pay the interest due."

18 SECTION 8. This Act does not affect rights and duties that
19 matured, penalties that were incurred, and proceedings that were
20 begun before its effective date.

21 SECTION 9. Statutory material to be repealed is bracketed
22 and stricken. New statutory material is underscored.

1 SECTION 10. This Act shall take effect upon its approval
2 and shall apply retroactively to January 1, 2010, for
3 determinations of the employer's contribution rate and wage
4 base.

William P. Kenoi
Mayor



Randall M. Kurohara
Director

Laverne R. Omori
Deputy Director

County of Hawai`i

DEPARTMENT OF RESEARCH AND DEVELOPMENT

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February 25, 2010

Chair Dwight Y. Takamine, Vice Chair Brian T. Taniguchi
and Members of the Senate Committee on Labor
Chair Donna Mercado Kim, Vice Chair Shan S. Tsutsui,
and Members of the Senate Committee on Ways and Means
State Capitol, Conference Room 211
State of Hawaii, Senate

RE: HB 2169, HD2 Relating to Employment Security

Dear Chairpersons Takamine and Mercado Kim and Members:

My name is Randall M. Kurohara, Director of the Department of Research and Development of the County of Hawai`i. As a director of a department that pursues economic development in Hawai`i County and in the State of Hawai`i, I appreciate the efforts made by the Chair and the Committee in addressing the unemployment insurance tax increase. I support HB 2169, HD2 in its current form.

House Bill 2169, HD2 will help businesses during these challenging times by reducing the increase of the unemployment insurance tax rate and will help to save jobs and preserve businesses. Hawai`i County enjoys a high percentage of small business owners who provide sustainable economic development for our island and State. Without HB 2169, HD2 the current economic struggles here in the State of Hawai`i could deepen and potentially shutter small business. The end result would be more residents in the unemployment line, more poverty and more homelessness. Not only are the business owners at risk, but the livelihood of our people of the State of Hawai`i.

To help reduce the "tax shock" burden and safeguard the statewide unemployment rate, I support HB 2169, HD2 that changes the increase in benefits of 75% from permanent to temporary until 2012, changes the adequate reserve multiplier from 1.25 to 1.0, changes the 2011 schedule to F @ 90%, and emphasize equitable and fair distribution of interest payments on amount borrowed and principle of amount borrowed.

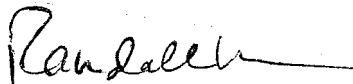
Chair Takamine and Mercado Kim and Members
Senate Committee on Labor and Committee on Ways and Means
February 25, 2010
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Extending the tax assistance beyond 2010 will not only save jobs, it will preserve businesses and spur the economy by keeping more dollars flowing into our local economy through wages and purchases. This will most definitely help businesses plan expenses over a longer period of time.

As we look toward the economic future of the State of Hawai'i, I believe that serious considerations need to be made that benefit both the economic drivers of our State, as well as the State government as a whole.

Thank you for the opportunity to provide testimony on this crucial matter. Should you have any questions, please feel free to contact me at 808-961-8366 or by email at chresdev@co.hawaii.hi.us.

Very truly yours,

A handwritten signature in black ink, appearing to read "Randall", followed by a long horizontal flourish.

RANDALL M. KUROHARA
DIRECTOR
Dept. of Research and Development
County of Hawai'i

THE SENATE

Committee on Labor

Senator Dwight Y. Takamine, Chair

Senator Brian T. Taniguchi, Vice Chair

Committee on Ways and Means

Senator Donna Mercado Kim, Chair

Senator Shan S. Tsutsui, Vice Chair

State Capitol, Conference Room 211

Friday, February 26, 2010; 10:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2169, HD2
RELATING TO EMPLOYMENT SECURITY**

H.B. 2169, HD2 is an attempt to address the concerns raised by employers who are fearful of huge contribution increases that may be coming as a result of the rapidly diminishing Unemployment Insurance Trust Fund.

HD2 provides for the wage base at 90% of the average annual wage and sets the employer contribution rate at Schedule D in 2010 and Schedule F in 2011. The maximum weekly benefit rate will remain at 75% of the average weekly wage until December 31, 2012 when it returns to 70% on January 1, 2013. HD2 also authorizes special assessments upon employers to pay principal and interest costs on any federal loans and requires the Director of DLIR to establish a fair and equitable manner of collecting these payments. Finally, HD2 establishes a mechanism to recalculate the adequate reserve fund beginning in 2011.

The ILWU is not unsympathetic to the concerns of employers that a hefty increase in the UI contribution this year could pose a substantial financial burden and possibly affect jobs. However, we are equally concerned about the future adequacy of the UI Fund and the potential need for financial support to thousands of workers who may be affected by a continually lagging economy. Without these unemployment benefits, workers could find themselves unable to support themselves and their families, unable to pay for their housing, and unable to contribute to restoring the economy.

Two years ago, employers received a tax break when the Legislature authorized reducing contributions into the Fund. No one expected the drastic downturn in the economy that swiftly drained the Fund, now requiring a huge increase in contributions this year. Some may say the reduction itself was not prudent, but we would be compounding our problems going forward if we do not exercise prudence now and refrain from tax relief without knowing its full impact.

We understand that some adjustments may need to be considered. Our members work for employers who are feeling the economic pinch and may not be able to afford the increased contributions.

However, we are gravely concerned about the adequacy of the UI Fund to meet future unemployment needs, especially given the unstable nature of our economy. No one has a crystal ball to know what the unemployment picture will be in the next few years. Therefore, the UI Fund must eventually retain adequate reserves to cover any contingency. We recommend that the "adequate reserve fund" be at **one and one half times** the amount derived by multiplying the benefit cost rate that is the highest during the ten-year period ending on November 30 of each year by the total remuneration paid by all employers."

Further, we strongly support maintaining the maximum weekly benefit at 75% of the average weekly wage. Workers who have been laid off in the past couple of years have been higher wage earners who could benefit from a higher weekly maximum. Additional income to claimants will be spent and circulated in the economy.

Finally, we are concerned that applying the Act retroactively to January 1, 2010 may create a flaw that those opposed to the bill may exploit.

Thank you for the opportunity to share our views and concerns on H.B. 2169, HD2 and we appreciate your consideration of our amendments.



**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010
10:00 a.m.
Conference Room 211**

**SUBJECT: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT
SECURITY**

Chairs Takamine and Mercado Kim, Vice Chairs Taniguchi and Tsutsui, and Members of the Committees:

My name is **Jim Tollefson** and I am the **President and CEO of The Chamber of Commerce of Hawaii** ("The Chamber"). The Chamber fully supports the efforts of this Legislative body in preserving jobs and work for our community. **We support HB 2169 HD2.**

The Chamber is the largest business organization in Hawaii, representing more than 1,000 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 its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern

The pending legislation, HB 2169 HD 2 is a prudent and appropriate measure to replenish the Unemployment Trust Fund without endangering Hawaii jobs and businesses. Without such relief, more than 5,000 more employees could be put out of work.

Unless every effort is made to mitigate the impact on jobs, a dramatic tax increase over the next few years, the largest ever in Hawaii or in the United States, will likely lead to more loss of jobs, more business failures, a weakening of any recovery and a further depletion of the unemployment trust fund. The non-profit and non-partisan organization, Urban Institute, has noted in review of our situation that the high tax rate schedules in store for the next few years have not been operative for more than 30 years and that increased taxes will increase unemployment.

Three years ago this body could not foresee the worldwide recession that was coming in the last quarter of 2008. That recession has depleted an unusually rich trust fund and triggered the repeal of legislation that reduced the taxable wage base that provided nearly \$100 million in stimulus monies into the state economy and arguably provided a small cushion to what could have been a much worse economic impact on Hawaii. Even if Act 110 had not been enacted, employers would still be facing a tax increase to Schedule F as over \$570 million in benefits were paid out in the past two years.

The result is that our Unemployment Trust Fund will be replenished with employer dollars that takes needed wages and purchasing power out of the economy. Some of these payments must be used to fund current benefits and some used to replenish the Fund. The issue for the business community is how can we replenish the Fund and avoid the negative impact on jobs?

The Chamber believes HB 2169, HD 2 reduces the tax shock and helps preserve and create jobs. At 90% of the Average Annual Wage, it is estimated employers will still pay tax on the first \$34,900 of wages per employee rather than \$38,800.

The Chamber and its members support legislation that would authorize the Director of the Department of Labor and Industrial Relations to assess employers to pay any interest incurred to maintain benefits to unemployed workers in the state by borrowing from the federal government. It is critical to our employees, workers and business owners to mitigate the impact of an unprecedented tax increase by gradually bringing the Trust Fund back to adequate reserve levels without imperiling a fragile economy, causing greater job losses and possible business failures.

We further believe that the Legislature and the business community continue a dialogue to determine what long term adjustments could and should be made to benefit levels and the size of the adequate reserve fund. However, these are issues that require more thought and analysis and are not necessary to be addressed at this time. It is critical to move this legislation now so the Department of Labor and Industrial Relations can recalculate the tax bills that will be due from Hawaii employers on April 1. Delaying this legislation past March 12 could impair or fragile economic recovery and cost thousands of jobs.

We urge the Committee to pass HB 2169, HD 2. Thank you very much for the opportunity to testify and for your hard work in coming up with legislation that is important to employers, employees, and the economy, as well as for your efforts in expediting a bill.



Randy Perreira
President

HAWAII STATE AFL-CIO

320 Ward Avenue, Suite 209 • Honolulu, Hawaii 96814

The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Labor &
Committee on Ways and Means

Telephone: (808) 597-1441

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Testimony by
Hawaii State AFL-CIO
February 26, 2010

H.B. 2169, HD2 – RELATING TO EMPLOYMENT SECURITY


The Hawaii State AFL-CIO generally supports the intent and purpose of H.B. 2169, HD2 which proposes to phase in increases to employer contributions to the state's unemployment insurance fund. We certainly agree that the business community, particularly small businesses, would not be able to sustain themselves if faced with steep increases in their unemployment contributions. A phased in approach offers relief to allow businesses to retain workers and stay afloat in this tough economy.

We further support retaining the maximum weekly benefit rate at 75% of the average weekly wage until December 31, 2012. Displaced workers and their families are facing the same hardships as those in the business community, and we propose that these individuals get relief for the same period it is provided to our local businesses.

Finally, while we are facing what some may believe to be unprecedented economic distress, we cannot lose sight of a long-term approach to ensuring the continued adequacy and solvency of the fund. The relief effort makes it necessary to limit the reserve fund to one times the product of the benefit cost rate multiplied by the total remuneration paid. For future years beyond the two-year relief window, steps must be taken to address fund adequacy to avoid the problem we are facing today. For this reason we propose that the fund in future years be maintained at a 1.5 ratio, effective January 2013.

Thank you for the opportunity to testify on this measure.

Respectfully submitted,



Randy Perreira
President



Senator Dwight Takamine, Chair
Senator Brian Taniguchi, Vice Chair
Committee on Labor

Senator Donna Mercado Kim, Chair
Senator Shan Tsutsui, Vice Chair
Committee on Ways and Means

HEARING Friday, February 26, 2010
10:00 am
Conference Room 211
State Capitol, Honolulu, Hawaii 96813

RE: HB2169, HD2, Relating to Employment Security

Chairs Takamine and Kim, Vice Chairs Taniguchi and Tsutsui, and Members of the Committees:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii. The retail industry is one of the largest employers in the state, employing almost 23% of the labor force.

RMH strongly supports HB2169, HD2 and very much appreciates the initiative and the efforts of the Legislature to address the impending Unemployment Insurance tax increase in a very timely manner.

We recognize that the unemployment safety net is critical to our labor force; we are committed to maintaining benefits and restoring the health of the UI Insurance Program. **HB 2169, HD2**, which mitigates the initial impact of the pending UI increase and strikes a balance between relief and restoration of the fund, most certainly will help stabilize our businesses, maintain our labor force, budget accordingly, and hasten economic recovery.

Since the economic downturn, retailers have made serious efforts to contain employment costs through across-the-board wage and salary reductions, while keeping benefits intact. Marketing, advertising and travel budgets have been cut; basic operating expenses remain fixed or have increased.

Sales revenues are down. GET reports for Fiscal Year 2009 from the Department of Taxation indicate an almost \$2 billion decline in retail sales from the previous year. Sales for the first four months of this current fiscal are already one billion dollars lower than last year. Holiday figures are not available; early reports ranged from flat to double-digit decreases.

The members of Retail Merchants of Hawaii urge you to pass HD2169, HD2. Thank you for your consideration and for the opportunity to submit testimony.

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII
1240 Ala Moana Boulevard, Suite 215
Honolulu, HI 96814
ph: 808-592-4200 / fax: 808-592-4202



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA
Executive Director
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NORA A. NOMURA
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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate

Committee on Labor
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association
February 26, 2010

H.B. 2169, H.D. 2 – RELATING
TO EMPLOYMENT SECURITY

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO conceptually supports the proposal to mitigate increased unemployment tax rates for private employers in the current economic downturn. We are certainly sympathetic to the difficulties faced by many employers in today's economy.

However, we urge a cautious and thoughtful approach when considering the phasing in of increased unemployment rates, with an eye to the long-term impacts on future unemployment benefits. Rebuilding and strengthening fund reserves in the future are important considerations in adjusting employer contribution rates. Making short-term decisions regarding employer contribution rates, without understanding the consequences of those actions, may require further fixes to address the adequacy of the reserves and the burden to employers.

The important safety net provided by benefits to unemployed workers must not be jeopardized in the pursuit of short-term relief for employers. In this light, we oppose the proposed reduction on January 1, 2013, of the current maximum weekly benefit rate from 75% to 70% of the average weekly wage.

Thank you for the opportunity to testify on the consideration of H.B. 2169, H.D. 2.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director



**HCIA 2008-2009
Board of Directors**

President
Adolph Helm

Vice President
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Alike Napier

Directors At Large
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Ray Foster
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Cindy Goldstein
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Martha Smith
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Jill Suga

Past President
Sarah Styon

Executive Director
Alicia Maluafiti

Hawaii Crop Improvement Association

Growing the Future of Worldwide Agriculture in Hawaii

Testimony **By: Alicia Maluafiti**

HB 2169 HD2, Relating to Employment Security

The Senate Committees on Labor and Ways and Means

Friday, February 26, 2010

Room 211, 10:00 am

Position: Strongly Support

Aloha Chairs Takamine and Kim, Vice Chairs Taniguchi and Tsutsui, and members of the Committees:

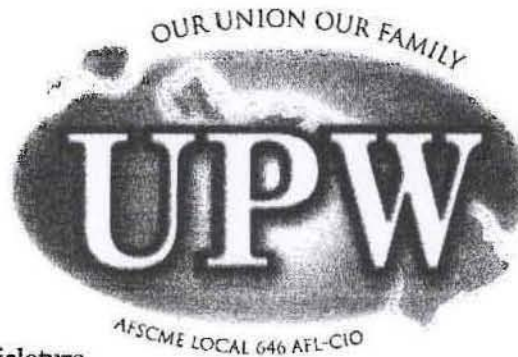
My name is Alicia Maluafiti, Executive Director of the Hawaii Crop Improvement Association. HCIA is a nonprofit trade association representing the agricultural seed industry in Hawaii. Now the state's largest agricultural commodity, the seed industry contributes to the economic health and diversity of the islands by providing high quality jobs in rural communities, keeping important agricultural lands in agricultural use, and serving as responsible stewards of Hawaii's natural resources.

HCIA appreciates the efforts made by the House in collaboration with business and labor to address the unemployment insurance tax increase. But clearly – our work is not done and we need the kokua of the Senate, as well.

We believe it serves the entire state's interest to fast-track this legislative solution. Therefore, we urge the Senate to accept HB 2169 in its current House Draft 2 form. This bill will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases.

We understand that the Senate may have interest in amending the bill which is likely to lead to conference committee and further delay the ability of the state to implement timely changes to a pending catastrophic and costly policy. We urge the Senate: "don't let great be the evil of good." We believe HB 2169 HD 2 is a good bill and worthy of passage in its present form.

Mahalo for the opportunity to comment.



The Senate
The Twenty-Fifth Legislature
Regular Session of 2010

Committee on Labor
Senator Dwight Takamine
Senator Brian Taniguchi

Committee on Ways and Means
Senator Donna Mercado Kim, Chair
Senator Shan Tsutsui, Vice Chair

DATE: Friday, February 26, 2010
TIME: 10:00 a.m.
PLACE: Conference Room 211

**TESTIMONY OF THE UNITED PUBLIC WORKERS, LOCAL, 646, ON HB
2169, HD2, RELATING TO EMPLOYMENT SECURITY**

UPW supports the general intent and purpose of this measure: the replenishment and protection of the unemployment compensation fund. However, we feel that HB 2169 HD1 is a better vehicle to achieve this end.

Although we empathize with employers who face an increase in their unemployment tax rates, we have concerns that extending the wage base at 90% for another year, setting the employer contribution rate at schedule F for calendar year 2011, and recalculating the adequate reserve fund using a ratio of one, as amended in HD2, may delay the adequate replenishment of the trust fund's balance.

Most importantly, we do not support lowering the maximum weekly benefit rate from 75% to 70%. It is our position that unemployed workers should receive the maximum weekly benefit rate under law. Whatever benefits they receive will be pumped back in to the economy. As stated by the DLIR in their program goals: "...each \$1 spent on UI benefits generates \$2.15 in gross domestic product through the multiplier...without the UI program, GDP would decline an additional 15 percent..."

Thank you for the opportunity to offer comments.

HEADQUARTERS - 1426 North School Street ♦ Honolulu, Hawaii 96817-1914 ♦ Phone: (808) 847-2631
HAWAII - 362 East Lanikaula Street ♦ Hilo, Hawaii 96720-4336 ♦ Phone: (808) 961-3424
KAUAI - 4211 Rice Street ♦ Lihue, Hawaii 96766-1325 ♦ Phone: (808) 245-2412
MAUI - 841 Kolu Street ♦ Wailuku, Hawaii 96793-1436 ♦ Phone: (808) 244-0815
1-866-454-4166 (Toll Free, Molokai/Lanai only)



**Testimony to the Senate Committees on
Labor and Ways and Means
Friday, February 26, 2010
10:00 a.m.
Conference Room 211**

SUPPORTS THE INTENT

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

Chairs, Vice Chairs, and Members of the Committees:

ProService Hawaii provides employee administration services to over 900 small businesses in Hawaii. We appreciate the efforts of this legislative body in mitigating the unemployment insurance tax increase. An increase of over 1000% could result in an estimated 5,000 additional lost jobs and would put further strain on this state's recovering economy.

ProService supports the intent of HB 2169 HD2 to provide unemployment tax relief to our local businesses, and requests the Committees to pass this bill without amendments.

ProService has performed an extensive analysis of the current law, and the various bills intended to provide UI Tax relief (e.g., HB2169 HD2, HB2201, and HB2579, see attached). **While all three of the proposals provide tax relief to businesses, ProService believes that reducing the TWB to 90%, combined with fixing the tax schedule to D in 2010 and F in 2011 will sufficiently extend the period of tax relief, without impacting unemployment benefits to claimants.**

Reducing both the TWB and the Schedule provides relief to the broadest cross-section of the state's economy. Reducing the TWB alone will provide relief to those employers who have been hardest hit by the economic recession, but only to the extent that their employees' wages exceed the TWB. Reducing the Schedule alone will provide relief to employers with average reserve balances, but not those employers hardest hit by the recession. These employers in construction,

retail and hospitality (hotel) industries are central to Hawaii's future economic growth. Many employers paying the maximum tax rate of 5.4% will continue to pay the maximum rate.

We understand concerns that the relief afforded the employers paying the maximum tax rate of 5.4% may unfairly shift the tax burden to lower-utilizing employers. However, based on our analysis, all employers will benefit from an approach that combines a change in Schedule with a change in TWB (see table below).

2011 Schedule	2011 TWB	Annual Tax Savings per Employee	
		@ Average Rate	@ Maximum Rate
G	100%	\$230	\$0
G	90%	\$360	\$210
F	100%	\$440	\$0
F	90%	\$550	\$210

We urge this committee to consider this option that temporarily reduces the Tax Rate Schedule and reduces the TWB to 90% of the AWW. This hybrid approach will benefit the greatest number of employers and will therefore provide the greatest safeguards against further job losses due to the shock of a dramatic and sudden increase in unemployment taxes.

Thank you for the opportunity to submit testimony.

ALTERNATIVES TO UI TAX INCREASE 5-Year Projections (2010 - 2014)

	Specific Adjustments	CY	Projected Total Unemployment Rate (Note 1)	Benefits to be Paid (in millions)	End of Year Fund Balance (in millions) (Note 2)	Interest on Federal Loans (in millions) (Note 3)	Adequate Reserve Amount (in millions) (Note 4)	Taxes to be Collected (in millions)	Total Tax Savings (in millions) (Note 5)	Adj. to Tax Schedule	AWW% (Note 7)	Taxable Wage Base	Tax Rate per Schedule (Note 8)			Annual Taxes per Employee (Note 9)			Annual Tax Reduction per Employee (Note 10)		
													Min	Avg	Max	Min	Avg	Max	Min	Avg	Max
	Current Law	2009	7.0%	\$380	\$128	\$0	\$257	\$42	\$0	A		\$13,000	0.00%	0.70%	5.40%	\$0	\$90	\$700	\$0	\$0	\$0
		2010	7.3%	\$382	\$24	\$0	\$383	\$276	\$0	F	100%	\$38,800	1.20%	2.75%	5.40%	\$180	\$1,070	\$2,100	\$0	\$0	\$0
		2011	6.7%	\$350	\$128	\$0	\$581	\$453	\$0	H	100%	\$39,100	2.40%	3.90%	5.40%	\$360	\$1,520	\$2,110	\$0	\$0	\$0
		2012	5.9%	\$308	\$262	\$0	\$611	\$433	\$0	G	100%	\$40,100	1.80%	3.30%	5.40%	\$270	\$1,320	\$2,170	\$0	\$0	\$0
		2013	5.4%	\$292	\$358	\$0	\$638	\$374	\$0	F	100%	\$41,000	1.20%	2.75%	5.40%	\$180	\$1,130	\$2,210	\$0	\$0	\$0
		2014	4.9%	\$270	\$488	\$0	\$667	\$381	\$0	F	100%	\$42,000	1.20%	2.75%	5.40%	\$180	\$1,160	\$2,270	\$0	\$0	\$0
		SUM			\$1,982		\$0		\$1,959	\$0											
Alt #	B	CY	D	E	F	G	H	I	J	K		L	M	N	O	P	Q	R	S	T	U
HB2169 HD2	2010: TW8 90%; D; 2011: TW8 90%; F; AR = 1.0; Ben at 75%, 70% 2013-	2009	7.0%	\$380	\$128	\$0	\$257	\$42	\$0	A		\$13,000	0.00%	0.70%	5.40%	\$0	\$90	\$700	\$0	\$0	\$0
		2010	7.3%	\$382	-\$70	\$0	\$383	\$177	\$99	D	90%	\$34,900	0.20%	1.80%	5.40%	\$30	\$630	\$1,880	\$150	\$440	\$220
		2011	6.7%	\$350	-\$118	\$5	\$377	\$311	\$142	F	90%	\$35,200	1.20%	2.75%	5.40%	\$180	\$970	\$1,900	\$180	\$550	\$210
		2012	5.9%	\$308	\$39	\$0	\$397	\$465	-\$32	H	100%	\$40,100	2.40%	3.90%	5.40%	\$360	\$1,560	\$2,170	-\$90	-\$240	\$0
		2013	5.4%	\$292	\$258	\$0	\$414	\$506	-\$132	H	100%	\$41,000	2.40%	3.90%	5.40%	\$360	\$1,600	\$2,210	-\$180	-\$470	\$0
		2014	4.9%	\$270	\$334	\$0	\$433	\$432	-\$51	E	100%	\$42,000	0.60%	2.20%	5.40%	\$90	\$920	\$2,270	\$90	\$240	\$0
		SUM		\$1,982		\$5		\$1,933	\$26												
HB2579 Governor	AR = 1.0; EEFF; TW8 = 70%, then 80%	2009	7.0%	\$380	\$128	\$0	\$257	\$42	\$0	A		\$13,000	0.00%	0.70%	5.40%	\$0	\$90	\$700	\$0	\$0	\$0
		2010	7.3%	\$382	-\$66	\$0	\$383	\$181	\$95	E	70%	\$27,200	0.60%	2.20%	5.40%	\$90	\$600	\$1,470	\$90	\$470	\$630
		2011	6.7%	\$350	-\$184	\$7	\$377	\$232	\$221	E	70%	\$27,400	0.60%	2.20%	5.40%	\$90	\$600	\$1,480	\$270	\$920	\$630
		2012	5.9%	\$308	-\$190	\$8	\$397	\$302	\$131	F	80%	\$32,100	1.20%	2.75%	5.40%	\$180	\$880	\$1,730	\$90	\$440	\$440
		2013	5.4%	\$292	-\$158	\$7	\$414	\$324	\$50	F	80%	\$32,800	1.20%	2.75%	5.40%	\$180	\$900	\$1,770	\$0	\$230	\$440
		2014	4.9%	\$270	\$29	\$0	\$433	\$457	-\$76	H	80%	\$33,600	2.40%	3.90%	5.40%	\$360	\$1,310	\$1,810	-\$180	-\$150	\$460
		SUM		\$1,982		\$22		\$1,538	\$421												
HB2201 Chamber	AR = 1.0; DFHH; TW8 = 90%	2009	7.0%	\$380	\$128	\$0	\$257	\$42	\$0	A		\$13,000	0.00%	0.70%	5.40%	\$0	\$90	\$700	\$0	\$0	\$0
		2010	7.3%	\$382	-\$76	\$0	\$383	\$177	\$99	D	90%	\$34,900	0.20%	1.80%	5.40%	\$30	\$630	\$1,880	\$150	\$440	\$220
		2011	6.7%	\$350	-\$115	\$5	\$377	\$311	\$142	F	90%	\$35,200	1.20%	2.75%	5.40%	\$180	\$970	\$1,900	\$180	\$550	\$210
		2012	5.9%	\$308	\$41	\$0	\$397	\$431	\$2	H	90%	\$36,100	2.40%	3.90%	5.40%	\$360	\$1,410	\$1,950	-\$90	-\$90	\$220
		2013	5.4%	\$292	\$260	\$0	\$414	\$460	-\$86	H	90%	\$36,900	2.40%	3.90%	5.40%	\$360	\$1,440	\$1,990	-\$180	-\$310	\$220
		2014	4.9%	\$270	\$337	\$0	\$433	\$417	-\$36	E	90%	\$37,800	1.80%	3.30%	5.40%	\$90	\$830	\$2,040	\$90	\$330	\$230
		SUM		\$1,982		\$5		\$1,838	\$121												

NOTES:

1. Projections assume UHERO projected unemployment rates (2010 = 7.3%; 2011 = 6.7%; 2012 = 5.9%; 2013 = 5.4; 2014 = 4.9%).
2. Text is **bolded** in the first year in which the UI Trust Fund End of Year Balance returns to a positive balance.
3. Interest must be paid by special assessment and/or general funds; cannot be paid from UI trust fund balance
4. In Current Law, Adequate Reserve multiplier is 1.5 from 2011
5. Total Tax Savings reflects the tax savings or cost per employee as compared with the same year in the Current Law model, at the Average taxes described in Note 8.
6. Year-Over-Year Tax Change = Net change in tax from prior year, in the same model.
7. Taxable Wage Base is a percentage of the projected Annual Average Wage (2010 = \$38,800; 2011 = \$39,100; 2012 = \$40,100; 2013 = \$41,000; 2014 = \$42,000; 2015 = \$43,100)
8. Average Tax Rate per Current Law model takes the reserve balances on 12/31/08 and applies them to all years.
9. Annual Taxes per Employee: Minimum = lowest tax rate per schedule times wages for minimum wage worker at 2,000 hours per year; Average = average tax rate (see Note 8) times taxable wage base; Maximum = highest tax per schedule times taxable wage base.
10. Annual Tax Cut per Employee reflects the tax savings or cost per employee as compared with the same year in the Current Law model, at the Minimum, Average, and Maximum taxes described in Note 8.



Before the Senate Committee on Labor & Senate Committee on Ways and Means

DATE: February 26, 2010

TIME: 10:00 a.m.

PLACE: Conference Room 211

Re: HB2169 HD2 Relating to Employment Security

Testimony of Melissa Pavlicek for NFIB Hawaii

We are testifying on behalf of the National Federation of Independent Business (NFIB) regarding unemployment insurance rate relief.

NFIB supports the intent of the measures intended to minimize the impact of the unemployment insurance tax increase. We appreciate the efforts of legislators to address the costs to small businesses and the recognition that those costs impact employers, employees and the economy. In the interest of expediting rate relief, NFIB Hawaii supports this measure.

NFIB is the largest advocacy organization representing small and independent businesses in Washington, D.C. and all 50 state capitols, with more than 1,000 members in Hawaii and 600,000 members nationally. NFIB members are a diverse group consisting of high-tech manufacturers, retailers, farmers, professional service providers and many more.

We welcome the opportunity to engage with legislators on this and other issues during this session.

841 Bishop Street, Suite 2100, Honolulu, Hawaii 96813 (808) 447-1840

Testimony before the Senate Committee on Labor and
the Senate Committee on Ways and Means

H.B. No. 2169, HD2, Relating to Employment Security

**February 26, 2010
10:00 a.m.
Conference Room 211, State Capitol**

**By Faye Chiogioji, Manager
Hawaiian Electric Company, Inc.**

Chair Takamine, Chair Mercado Kim, Vice Chair Taniguchi, Vice Chair Tsutsui, and
Members of the Committees:

I am Faye Chiogioji, Manager, Workforce Staffing and Development at
Hawaiian Electric Company, Inc. I represent Hawaiian Electric Company, Inc. and its
subsidiaries, Hawaii Electric Light Company, Inc. and Maui Electric Company, Limited
consisting of 2300 employees.

We support House Bill 2169, HD2.

We appreciate the efforts of the legislature and these committees to
address the unemployment tax increase issue. The proposed measures provide
employers some tax relief by dispersing the tax rate increases over multiple years,
securing federal government loans to maintain the Unemployment Insurance fund, and
maintaining an adequate reserve ratio at 1.0. These measures will help our island
economy recover faster, keep more dollars circulating in our economy, and help
businesses plan out these increased expenses over a longer period of time.

While the impact of the unemployment tax increase will undoubtedly have
a tremendous effect on small business, it affects all employers, including large ones
such as Hawaiian Electric Company. The increase places additional financial pressures
on our company at a time when we are trying to grow and develop our workforce to
provide for the State's current and future energy needs. House Bill 2169, HD2 will help
mitigate some of this financial impact.

Thank you for the opportunity to share our testimony with you.

BIA-HAWAII
BUILDING INDUSTRY ASSOCIATION

94-487 Akoki Street
Waipahu, Hawaii 96797
February 26, 2010

Senator Dwight Takamine, Chair
Committee on Labor
and
Senator Donna Mercado Kim, Chair
Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: HB2169, HD2 "Relating to Employment Security"

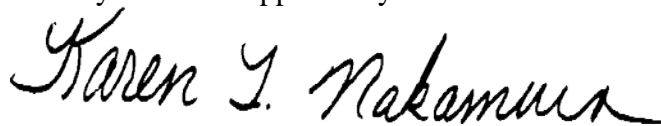
Dear Chairs Takamine and Kim and Members of the Committees on Labor and on Ways and Means:

I am **Karen Nakamura**, Chief Executive Officer of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii supports HB2169, HD2, "Relating to Employment Security".

The Building Industry Association of Hawaii's (BIA-Hawaii) members appreciate the Legislature's efforts to provide some relief from the high unemployment insurance rates anticipated if nothing is done immediately. Although we would like to see a greater taxable wage base reduction and **extension of the reduced tax rate schedule beyond 2011**, we support HD2 as reasonable and prudent. This measure will help business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to share our views with you.



Chief Executive Officer
BIA-Hawaii

February 24, 2010

The Honorable Dwight Takamine, Chair – Committee on Labor
The Honorable Donna M. Kim, Chair – Committee on Ways and
Means
Hawaii State Senate

Testimony in **Strong Support of HB 2169, HD2** (Relating to
Employment Security) – February 26 hearing

Dear Senator Takamine, Senator Kim and Committee Members:

I am **Gary Fujitani, Executive Director of the Hawaii Bankers Association (HBA)**. HBA is the trade association representing all of the FDIC insured depository institutions operating in Hawaii. HBA strongly supports this measure as drafted and requests that it be passed unamended.

As lenders to Hawaii's businesses, we see first hand how this economic downturn has affected companies both large and small in almost every industry. If UI relief is not granted, we envision a number of businesses not being able to sustain their present workforce levels. In turn this would have the negative effect of increasing the number of unemployed persons in our community.

HB 2169, HD2 retains the maximum weekly benefit rate at 75% of the average weekly wage until December 31, 2012, and returns the benefit rate to 70% thereafter. We believe this approach to be fair and reasonable.

We thank the Senate for its consideration of UI relief for businesses, and for this opportunity to testify.

Aloha,

Gary Fujitani

**Testimony to the Senate Committees on Labor and Ways & Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

**RE: HOUSE BILL 2169, HD 2 RELATING TO EMPLOYMENT SECURITY
IN STRONG SUPPORT**

Dear Chairs Takamine and Kim and Members of the Committees:

My name is **Wayne Ishihara**, President of the **Honolulu Japanese Chamber of Commerce** (HJCC), a business organization comprised of over 600 members representing a wide range of businesses and professionals. Thank you for the opportunity to share our thoughts on House Bill 2169, HD 2. We appreciate the efforts made by both chairs and your respective committees in addressing the unemployment insurance tax increase and offer **our support for the bill as drafted**.

Annually, HJCC conducts a survey to determine member's opinions on key legislative issues. Responses strongly suggest that moderating the announced increase in the unemployment insurance tax from the current average of \$90 per employee to about \$1,040 per employee annually is important to our members. A total of 83% believes this to be a priority action (63% strongly agreed, 20% somewhat agreed).

The bill retains the maximum weekly benefit rate to 75% of the average weekly benefit rate until December 31, 2012 and returns the benefit rate to 70% on January 1, 2013. We support this **temporary** increase in benefits but would oppose a measure that makes this permanent. At 70%, Hawaii would, along with Washington, still have the highest percentage.

Accordingly, we urge you to pass this measure unamended. Thank you for the opportunity to testify.

Aloha,



Sidney Hamada
Chairman of the Board
Honolulu Japanese Chamber of Commerce
2454 South Beretania Street, Suite 201
Honolulu, Hawaii 96826



Wayne Ishihara
President
Honolulu Japanese Chamber of Commerce

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Mitch Sipiala

Organization:

Submitted on: 2/24/2010

Comments:

Testimony to the House Committee on Finance Friday, February 26, 2010; 10:00 a.m.
Conference Room 211

RE: HOUSE BILL 2169 HD1 RELATING TO EMPLOYMENT SECURITY

Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is Mitch Sipiala and my company is Four Seasons Resort Hualala which employs over 600 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD1 with amendments.

We have never faced the dilemma of a hiring decision in consideration of tax implications. An increase of this nature will most certainly affect our hiring behavior going forward. The financial burden is substantial, and could have far reaching implications to our business success, as we risk delivering basic services to our guests and employees if we struggle with all of the associated costs to hire..

Although the current draft of the bill provides some tax assistance, I feel that lowering the schedule to another level in 2011 will alleviate some of the hardships and help businesses plan expenses over a larger period of time as well as minimize the impact on jobs, wage or benefits reductions.

To help reduce the "tax shock" and safeguard the statewide unemployment rate, please amend the bill by holding the tax rate schedule to D in 2010 and F in 2011, permanently set the taxable wage base at 90% and maintain the adequate reserve multiplier at 1.0.

This will reduce the impact of the tax increase on businesses. Extending the tax assistance beyond 2010 will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at Mitch Sipiala, email mitch.sipiala@fourseasons.com.



Activities & Attractions Association of Hawaii
PO Box 598, Makawao, Hawaii 96768
(808)871-7947 Main (808)877-3104 Fax

**Testimony to the Joint House Committees on Labor & Ways and Means
Friday, February 26, 2010; 10:00 p.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

Chairs Takamine, Kim, Vice Chair Taniguchi, Tsutsui and Members of the Committees:

Mahalo for this opportunity to testify, my name is **Toni Marie Davis**. For the last 12 years it has been my honor to serve the activity & attraction industry of Hawaii through my position as the Executive Director of the Activities & Attractions Association of Hawaii.

I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. Appreciate this Bills tax assistance and therefore **A3H supports HB 2169 HD1** with amendments as suggested by the Hawaii Chamber of Commerce.

- Lower the schedule to another level in 2011
- Hold Tax rate schedule D in 2010 and F in 2011
- Permanently set the taxable wage base at 90%
- Set the adequate reserve multiplier at 1.0

Our association membership represents a diverse cross section of Hawaii Businesses. Several of our members have over 100 employees, while others have less than 5 and everything in between. ALL OF THEM are just holding on financially through these challenging economic times. Visitor numbers to Hawaii may provide hope to others in the tourism industry, but what is impacting our members is not that they aren't coming but they are NOT spending.

Mahalo for this opportunity to submit testimony. If you have any questions, please contact me at (808)871-7947 ext. 803 or 1-800-398-9698 ext.803.

Toni Marie Davis

Toni Marie Davis/Executive Director
Activities & Attractions Association of Hawaii

February 26, 2009

JOINT HEARING BEFORE THE
SENATE COMMITTEE ON LABOR
AND
SENATE COMMITTEE ON WAYS & MEANS

TESTIMONY IN SUPPORT OF
HB 2169, HD 2

Co-Chairs Takamine and Kim and committee members:

My name is Fred Perlak and I am the Vice-President of Research and Business Operations for Monsanto in Hawaii.

Monsanto employs over 1,000 employees in Hawaii during our peak season. We are situated on four islands that provide a healthy economic basis for the local community. Hawaii's seed industry has grown by over 40% from 2007 to 2009 and leads the agricultural sector in the state with over \$176 million in direct spending.

I ask that you consider my testimony in support of HB 2169, HD 2 as is. Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help all businesses during these challenging times.

We understand the difficult situation we are all in and that the importance of preserving our unemployment rates at a level that business can afford and maintain employment. To help mitigate the huge rate increase expected in the coming months, this bill will hold down the tax rates so that we can continue to increase employment, preserve businesses and spur the economy by keeping more dollars flowing within our State.

As this issue is very urgent, we ask that this critical issue be fast tracked before the new higher rates take into effect.

Thank you for the opportunity to submit testimony.

Sincerely,

Frederick J. Perlak, Ph.D.
Monsanto Company

**ABC STORES**

766 Pohukaina Street
Honolulu, Hawaii 96813-5391
www.abcstores.com

Telephone: (808) 591-2550
Fax: (808) 591-2039
E-mail: mail@abcstores.com

TESTIMONY IN SUPPORT

To the Chair and Committee Members
Senator Dwight Takamine, Chair
Senator Brian Taniguchi, Vice Chair

Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

SENATE COMMITTEE ON LABOR AND WAYS AND MEANS
HB 2169, HD2 Relating to Employment Security

My name is **Paul Kosasa, President and CEO of ABC Stores**, a local company doing business for over 60 years which employs over 800 Hawaii residents.

We support HB 2169 HD2, Relating to Employment Security, and appreciate the legislature's efforts in addressing the unemployment insurance tax increases. A gradual increase to build back reserves is a prudent method in our current economy.

However, we do not support and oppose the permanent raising of the maximum weekly benefit amount to 75% of the average weekly wage. The benefit should be at a level large enough to help people between jobs, but not so large as to incent them not to work. We're a good employer with a large reserve and minimal claims. We support the goals of unemployment insurance, but do not want to fund abuse.

Thank you for your consideration and the opportunity to submit testimony.

PAUL KOSASA
President & CEO

Hawaiian Sun Products, Inc.

Testimony to the Senate Committees
On Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211

RE: House Bill 2169 Relating to Employment Security

My name is **Burt Okura** and my title is **CEO for Hawaiian Sun Products, Inc.** We employ 104 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I **support HB 2169 HD2** in its current form.

Hawaiian Sun Products would be affected by this increase by having to resort to downsizing our operation's labor cost, which in turn, could mean fewer jobs available. Our employees would be affected as we may be forced to issue layoffs. During these difficult economic times, Hawaiian Sun Products simply cannot afford to pay for an increase in unemployment tax.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 808-845-3211 or write to: 259 Sand Island Access Road, Honolulu, HI 96819.

Sincerely,



Burt Okura
CEO

Processor & Distributor of Tropical Fruit Juices & Macadamia Nut Candies
259 SAND ISLAND ACCESS ROAD * HONOLULU, HI 96819-2227 * PHONE: (808) 845-3211 * FAX: (808) 842-0532

DUKE'S CANOE CLUB WAIKIKI

Testimony to the Senate Committees on Labor and Ways and Means

Friday, February 26, 2010; 10:00 a.m.

Conference Room 211

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Christopher Colgate I am the Oahu Regional Manager for TS Restaurants of Hawaii. We operate eight Restaurants on Three Islands, most notably Duke's Waikiki. We employ well over one thousand employees. I would also add that I am also the current Chair of the Hawaii Restaurant Association. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 in its current form.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at Duke's Waikiki at (808)922-2268 or at dukescolgate@aol.com.

Sincerely,


Chris Colgate

TS Restaurants of Hawaii

RESTAURANT AND BAREFOOT BAR

2335 KALAKAUA AVENUE, SUITE 116, HONOLULU, HI 96815 • (808) 922-2268 • FAX: (808) 923-4204



February 26, 2010

**TESTIMONY BEFORE THE SENATE COMMITTEES ON
LABOR AND ON WAYS & MEANS
ON HB 2169 HD2 RELATING TO EMPLOYMENT SECURITY**

Thank you Chair Takamine, Chair Mercado Kim and committee members. I am Gareth Sakakida, Managing Director of the Hawaii Transportation Association (HTA) with over 400 transportation related members throughout the state of Hawaii.

Hawaii Transportation Association supports this bill as written.

The need to mitigate the impending unemployment tax increase is critical to our industry. Revenues have decreased substantially over the past two years so staff cuts became necessary to survive. However, the projected increase in the unemployment insurance tax stands to jeopardize survival anyway and prompt even more employment cuts. It becomes a vicious cycle that makes no sense.

Therefore, we support the provisions in HD2 which:

Holds the taxable wage base to 90% of the average annual wage for 2010 and 2011;
Utilizes the Schedule D contribution rates for 2010 and Schedule F for 2011;
Utilizes an adequate reserve fund ratio of 1.0 instead of 1.25 in 2011;
Resets the maximum weekly benefit rate at 70% in 2012.

Thank you.



HIE Holdings, Inc.

2839 Mokumoa Street • Honolulu, Hawaii 96819
(808) 833-2244 • FAX: (808) 833-6328

**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is **Melvin Kam** and my company is **HIE Holdings, Inc.**, **owner operators of Hawaiian Isles Kona Coffee Co., and Hawaiian Isles Water Company..** We employ 180 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. **I support HB 2169 HD2 in its current form.**

Any increase in the unemployment insurance tax rate will have economic impacts on our business and the decisions we make related to employment, benefits and wages.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 839-3258.

Respectfully submitted,

Melvin Kam
Director of Human Resources

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 26, 2010

The Honorable Dwight Takamine, Chair
The Honorable Donna Mercado Kim, Chair

Senate Committees on Labor and Ways and Means

Re: HB 2169 HD2 – Relating to Employment Security

Dear Chair Takamine, Chair Kim and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to **testify in support of HB 2169 HD2.**

As you know, the economic downturn has had a negative effect on many Hawaii businesses, and the unemployment insurance tax has further exacerbated the difficulties businesses are facing.

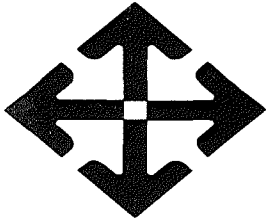
We believe this legislation will help alleviate some of the tax burden placed on Hawaii's businesses and help ensure their lasting viability as well as preserve jobs. As such, we respectfully request the Committee pass this measure.

Thank you for the opportunity to testify in support of HB 2169 HD2.

Sincerely,

A handwritten signature in black ink, appearing to read 'JD' followed by a stylized flourish.

Jennifer Diesman
Vice President
Government Relations



The Hawaii Business League

Century Square 1188 Bishop St., Ste 1003 Honolulu, HI 96813-3304
Phone: (808) 533-6819 ♦ Facsimile: (808) 533-2739

February 26, 2010

Testimony To: Senate Committee on Labor
Senator Dwight Y. Takamine, Chair

Senate Committee on Ways and Means
Senator Donna Mercado Kim, Chair

Presented By: Tim Lyons
President

Subject: H.B. 2169, HD 2 – RELATING TO EMPLOYMENT SECURITY

Chair Takamine, Chair Mercado Kim and Members of the Joint Committees:

I am Tim Lyons, President of the Hawaii Business League, a small business service organization and we support this bill.

It is only a dire set of circumstances that forced the Unemployment Insurance Trust Fund into levels previously unanticipated. While it is true that employers saved some money for the last couple of years, it is not as if they held it in a trust fund and have it available in order to "make up".

Therefore, we encourage your moderation of the pay back requirements required all the employers.

This is not to say that employers should not have to pay it back; this is not to say that employers should not have to pay more, all we are asking is that during this particular weak economy that you

allow us the freedom to payback over a longer period of time, just as any strapped consumer would do who needed a loan and could not afford a quick pay back.

We think it would be extremely ironic if payments to the Unemployment Insurance Trust Fund are what actually causes unemployment because employers cannot afford to payback both the Trust Fund and wages to an employee. It is our employers that will likely have to pay the penalty and interest in order to borrow the money for this endeavor and we would only ask that these special assessments be in moderation so that our typical small businesses can afford them.

It is based on the above that we request your favorable adoption of this bill, although we consider it to be a "work in progress" and we are sure there are other changes that will be made as it continues through the process.

Thank you for your support.

WRITTEN TESTIMONY ONLY

HB 2169 HD2

RELATING TO EMPLOYMENT SECURITY

**ROBERT REICH
SR. VICE PRESIDENT & CFO
HAWAIIAN TELCOM**

FEBRUARY 26, 2010

Chair Takamine, Chair Kim and Members of the Labor and Ways and Means
Committees:

I am Robert Reich, Sr. Vice President and CFO, testifying on behalf of Hawaiian
Telcom in support of HB 2169 HD2.

While we would like to see a greater taxable wage reduction in this measure, we
join the Chamber of Commerce in supporting HD2 as a reasonable compromise bill
during these challenging economic times. Extending the tax assistance beyond 2010
will help our company to preserve jobs and keep more dollars circulating in the
economy via wages and purchases.

Please support HB 2169 HD2 as important measures that will help the State's
goal of stimulating the economy and growing employment.

Thank you for the opportunity to testify.



**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is **Malia Lageman** and my company is **Cardinal Services Ltd.** and we are a locally owned and operated mailing house. We employ 25 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. **I support HB 2169 HD2 in its current form.**

As a small business Cardinal has been struggling through the past 18 months to keep our employees working and our doors open. Our management team took a substantial pay cut in lieu of Cardinal laying off any employees. Even with those sacrifices we still had to move three employees from full time to part time to cut costs. Cardinal is just starting to get back on its feet and any added expense would result in layoffs. We have already cut our expenses to the bone and there is just not anywhere else we can cut. Most of our employees have been with us for years if not decades and I consider them to be part of my extended Ohana and it breaks my heart to think that I may have to lay some of them off if the unemployment insurance tax increases substantially. If our insurance were to go up to \$900 per employee we would probably have to layoff at least four employees, which may not seem like a lot but it would be 16% reduction in our work force.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 808-538-3884 extension 12.

Sincerely,

Malia Lageman
President
Cardinal Services Ltd.
552 N Nimitz Hwy
Honolulu, HI 96817
808-538-3884 ext. 12

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Darrel Plimpton

Organization: Maui Seafoods

Address: 800 Eha Street Wailuku, Hawaii

Phone:

E-mail:

Submitted on: 2/25/2010

Comments:

Without substantial relief on unemployment insurance, we will be forced to lay off additional employees which will only add to the states burden.

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: F. Gale Carpenter

Organization: Big Island Jewelers, Ltd.

Address: 75-5695 A Alii Drive Kailua-Kona

Phone:

E-mail:

Submitted on: 2/24/2010

Comments:

Testimony to the Senate Committees on Labor and Ways and Means Friday, February 26, 2010; 10:00 a.m.

Conference Room 211

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is F. Gale Carpenter and our company is Big Island Jewelers, Ltd and we have been in the fine jewelery business since 1983. We employ seven employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 in its current form.

This increase will be very hard on business's and I will have to lay off employees.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 75-5695 A Alii Drive, Kailua-Kona HI 96740, (808) 329-8571.



Meadow Gold Dairies



Testimony by: Glenn Muranaka
HB 2169hd2, Relating to Employment Security
Sen LBR/WAM, Friday, Feb. 26, 2010 – 10:00 am
Room 211
Position: Support

Chairs Takamine and Mercado Kim and Members of the Senate LBR/WAM Committees:

My name is Glenn Muranaka, President and General Manager of Meadow Gold Dairies. Our company has been in Hawaii since 1897, providing Hawaii consumers with a variety of milk products and juices. Meadow Gold's long history has not come without effort. We continually adapt to our customers' and consumers' ever-changing needs, and we constantly evolve along with our industry, our community and our market. Over the years, this has required that we struggle, tighten our belts, innovate and work extremely hard, making us a better company in the process. The foundation of this work rests with the 350 employees that are committed to providing superior quality products.

Appreciation is expressed for the amendments in this measure. Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases.

In addition, for your consideration, we note support for maintaining the Adequate Reserve Fund level at the twelve-month level without any multiplier as proposed in the present bill.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 944-5911.

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Shawna

Organization: East Oahu Physical Therapy

Address: 850 West Hind Dr. #201 Honolulu, HI 96816

Submitted on: 2/24/2010

Comments:

Given the current economic status of the state I would hope that small business is being supported and encouraged to thrive to help the economy. Tax increases limit the funds I would have available to expand my business or hire additional staff.

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position:

Testifier will be present: No

Submitted by: Gary E. Grosshuesch

Organization: Elite Home Service LLC

Address: P.O. Box 1283 Kapaau , HI 96755

Phone:

E-mail:

Submitted on: 2/24/2010

Comments:

Aloha, I strongly recommend that the legislature does everything in its power NOT to raise the unemployment tax. Raising the tax will only hurt those businesses that are struggling to stay afloat and could very well create more lay offs and more unemployment. I do think that it would help to put those on unemployment to work on public works projects! That way we would be getting a return on the money used to fund unemployment instead of those folks just going to the beach!
Mahalo



FOUR SEASONS RESORT

Maui at Wailea

THOMAS STEINHAUER

Regional Vice President

and General Manager

February 25, 2010

Rosalyn H. Baker
5th Senatorial District
Hawaii State Capitol, Room 231
415 South Beretania Street
Honolulu, HI 96813

RE: HB 2169 HD2

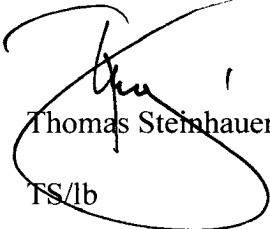
Dear Senator Baker:

Thank you for your support in regards to the sustainability of all business in the past. I would like to express our **strong support for the HB 2169 HD2 bill as it currently stands.**

Four Seasons Resort Maui has refrained from forced lay-offs throughout the economic downturn, which has not been without great expense. The burden created by the Unemployment Insurance tax is more manageable if phased in over time as proposed in this amended bill.

Thank you for your consideration and we hope you support the signing of this bill.

Mahalo,



Thomas Steinhauer
TS/lb



**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is **Diana Allen** and my company is **Hansen Distribution Group**. We employ 170 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. **I support HB 2169 HD2 in its current form.**

The proposed SUI increase will dramatically impact my ability to employ people. It will hamper my cash flow to the point where I cannot use those funds to invest in and expand my business. It will cause me to seriously consider the number of employees that I have on payroll and will really reduce my interest in hiring any additional staff. This could not come at a worse time. This bill will help my business continue to recover and to stimulate our Hawaii economy. If this bill does not pass, the SUI increase will have a marked negative impact on our economy and most specifically small businesses who taken collectively support the highest proportion of employees in our state. Without this bill, our economy will continue to stagnate and you will wind up with even more people out of work and businesses even more reluctant to hire.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at dallen@hansenhawaii.com or 455-0724.

Sincerely,

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: michael zhang

Organization: Individual

Address: 1216 kaumualii st. Honolulu Hi 96821

Phone:

E-mail:

Submitted on: 2/25/2010

Comments:

**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

Chair Takamine, Vice Chair Taniguchi and Members of the Labor Committee
Chair Mercado Kim, Vice Chair Tsutsui and Members of the Ways and Means Committee,

My name is Vivian Landrum, President/CEO of the Kona-Kohala Chamber of Commerce (KKCC). KKCC represents over 550 business members and is the leading business advocacy organization on the west side of Hawai'i Island. KKCC also actively works to enhance the environment, unique lifestyle and quality of life in West Hawai'i for both residents and visitors alike.

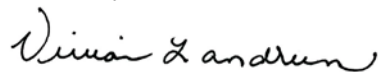
Mahalo for the efforts to help mitigate the impending unemployment tax increase. The unemployment tax increase, as outlined by Act 110 in 2007, will add another burden to an already struggling business community. Help is needed from the Legislature to allow the business sector time to stabilize and begin building again. The implementation of the current tax increase structure will force businesses to again look at labor cuts, a move that is contradictory to what is needed to help stabilize our economy. HB 2169 HD2 can pave the way for a more comprehensive and longer term solution.

We support HB2169 HD2 as necessary to assist a faster economic recovery and save jobs. Businesses will be better equipped to plan expenses several years out with a schedule that is transparent and anticipated. We would also like to you to consider a reduced tax rate schedule beyond 2011 and a greater taxable wage base reduction, however feel this bill is practical and reasonable.

As our business community focuses on "surviving the recovery" it is imperative for action to be taken quickly to minimize further job, wage and benefits reductions.

Mahalo for the opportunity to submit our testimony. I can be reached at 808.329.1758.

Sincerely,



Vivian Landrum
President/CEO

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Herbert Ching

Organization: Herb Ching Construction Company, Inc.

Address:

Phone:

E-mail:

Submitted on: 2/25/2010

Comments: None



Testimony to the Senate Labor & Ways and Means Committees
Friday, February 26, 2010
Conf. Room 211 at 10am

RE: House Bill 2169 HD2 Relating to Employment Security

Dear Chairs Takamine & Kim, Vice Chairs Taniguchi & Tsutsui,
and Members of Both Committees:

On behalf of the **Maui Chamber of Commerce**, an organization comprised of nearly 800 business members and 20,000 employees, I am writing to thank legislators for their interest in and work to protect jobs in Hawaii, for addressing legislation to tackle the planned burdensome Unemployment Insurance (UI) Tax increase, and to ask for your **support of HB 2169 HD2 as it stands.**

At the initially proposed ten-fold rate without legislative relief, the UI Tax escalation represents a large financial drain for Hawaii's businesses and has therefore been our top priority this session.

We all know the hardships businesses face in this economy and understand that we must get back to economic stability and growth as rapidly as possible for job creation.

We appreciate that the House has passed HB2169 HD2 with much of the language suggested by Chambers of Commerce to provide meaningful relief in 2010 and 2011, keeping the average premium per employee to about \$630 in 2010 (versus \$1,070) and \$970 in 2011 (versus \$1,520). While any increase during these tough economic times is challenging for the businesses, HB2169 HD2 lessens the impact for businesses who are already struggling to survive.

Through this legislation to help reduce the financial burdens on businesses, you will help preserve jobs, prevent lay-offs and business closings, and expedite business and economic recovery—something we all desire, now and in the future.

Therefore, we ask for your support of HB 2169 HD 2 as it stands.

Sincerely,

Pamela Tumpap
President

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Thomas Matthews

Organization: Trade West, Inc/Hawaii Tourism Wholesalers

Address: 501 Sumner St, #621 Honolulu

Submitted on: 2/24/2010

Comments:

Thanks for the response and concern of Senator Chun

As I have made clear to Rep Luke, CCs to you, small employers are very concerned here. One of our other association members just told me he is budgeting \$140,000 in increased Unemployment Comp tax payments next year. That is just ONE wholesale souvenir company!

My company is adding \$40,000 to our budget. I can tell you with that increase, I will have to let more than 1, maybe three people go.

All of us had already made lots of cuts in 2008 to hopefully allow our companies to survive this tourism recession. The environment was already hostile with tourism down, when unemployment was at 3% or so. But now, with Hawaii paying 75% of prior pay as unemployment comp. Highest in the country.... This previous bad legislation has us in this bad posture. But now it is whip-lashing to cause damage beyond belief.

See my comments below to Ms Luke. The least you can do NOW, quickly with House Bill 2169, is smooth out the increase necessary to keep the fund solvent, and to mitigate the damage caused by the prior bad legislation. BUT you better kill the lavish CADILLAC COMPENSATION (75%) or we will all suffer worse in the future. The legislature has created a monster here. Better you deal with it as soon as you can.



WES THOMAS ASSOCIATES

Testimony to the Senate Committees on Labor and Ways and Means

Friday, February 26, 2010; 10:00 a.m.

Conference Room 211

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Chrystal Yamasaki and my company is Wes Thomas Associates. We are a small land surveying company on the island of Hawaii. We employ 14 individuals. We appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 in its current form.

We have barely survived the downturn in the economy. We have laid off some people, cut pay from 10-20% for others, work without air conditioning, cut hours and restricted over time. There have been no bonuses and no contributions to SEP-IRA's by the company. We have omitted all the frill and luxuries that we became accustom to during the boon days. We often fall behind in payments to vendors and our customers often fall behind in payment for our services. Every dollar must be accounted for and spent very, very carefully.

An increase in the tax will severely affect our business as it will many small businesses who are operating on a shoestring. It means that we may need to lay off more people, affect more pay cuts, and it may mean the end of our business. This statement is not for dramatic affect, but is a very truthful comment on how tenuous our survival is.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at at 329-2353 if you have any questions.

Very truly yours

WES THOMAS ASSOCIATES

Chrystal Thomas Yamasaki, LPLS

CTY:cy



**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is **Kristy McKellen** and my company is **Big Island Electric, Inc.** We employ 14 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. **I support HB 2169 HD2 in its current form.**

We are currently bidding work at 0% profit just to pay our overhead to acquire new work and keep our current employees on the job. If I make 3% profit on \$1,000,000.00 in new revenue, my profit will be \$30,000.00. The new rate increase to keep my current employees on the job will cost approximately \$15,288.00. It will cost me over half of my profit to keep my current employees. If I only do \$500,000.00 of business at 3% profit of \$15,000.00, I will lose all my profit. I will not hire any more employees. In fact, I will reduce my work force and pay overtime before hiring additional employees.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at (808) 329-2660.

Sincerely,

Kristy McKellen
President

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Sam Morningstar

Organization: Morningstar REfigeration and Appliance

Address: 2384 Hulemalu Rd Lihue, HI

Phone:

E-mail:

Submitted on: 2/24/2010

Comments:

I am a in favor of this bill. I have two employs and trying to keep them both working and if the UI Tax goes into effect I will have to lay off one of my men. Please pass this bill to help us small employers survive and keep more people working.

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Jerry Guyo

Organization: Pacific Ice Services

Address: P.O. Box 74 Kunia, Hawaii

Submitted on: 2/24/2010

Testimony to the House Committee on Labor & Public Employment Tuesday,
January 26, 2010; 9:00 a.m.
Conference Room 309

RE: HOUSE BILL 2169 and 2207 RELATING TO EMPLOYMENT SECURITY

Chair Rhoads, Vice Chair Yamashita and Members of the Committee:

My name is Jerry S. Guyo and my company is Pacific Ice Services. It is a refrigeration company with five employees. I appreciate the efforts made by the chair and the committee in addressing the unemployment insurance tax increase. I support HB 2169 and 2207 with amendments.

To help reduce the "tax shock" and safeguard the statewide unemployment rate, please amend the bill by holding the tax rate schedule to D in 2010 and F in 2011, permanently set the taxable wage base at 90% and maintain the adequate reserve multiplier at 1.0.

This will reduce the impact of the tax increase on the average and small businesses. Extending the tax assistance beyond 2010 will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. This will help businesses plan expenses over a longer period of time.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at Pacific Ice Services P.O. Box 74 Kunia, Hawaii 96759
(808) 839-6839

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: David Buehler

Organization: Individual

Address: 73-1402 Kaiminani Dr Kailua Kona, HI

Phone:

E-mail:

Submitted on: 2/25/2010

Comments: None

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: oppose

Testifier will be present: No

Submitted by: John Shigenaga

Organization: Standard Sheetmetal & Mechanical, Inc

Address: 3375 Koapaka St. D-185 Honolulu, HI

Phone: E-mail:

Submitted on: 2/25/2010

Comments:

The State should look for other ways on finding resources to replenish the unemployment fund. To be born by each employer is rather harsh, especially at this high rate.

Kauai County Farm Bureau

Affiliated with Hawaii Farm Bureau Federation

P.O. Box 3895 • Lihue HI 96766

808-337-9944 (phone/fax) 808-652-3217 (cell)

kcfb@hawaiiantel.net

The Voice of Kauai's Agriculture



February 25, 2010

ATTN: Senate Joint Committee on Labor and Ways & Means
Senator Dwight Takamine, Chair and Senator Brian Taniguchi, Vice Chair
Senator Donna Mercado Kim, Chair and Senator Shan Tsutsui, Vice Chair

RE: HB2169 HD2 – Relating to Employment Security

HEARING DATE: Friday, February 26 10:00am, State Capitol, Conference Room 211

I appreciate the efforts made by the chair and the committee in addressing the unemployment insurance tax increase.

We support HB 2169 HD2 in its current form.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help businesses during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

In this economic climate it is so important to help reduce the “tax shock” and safeguard the statewide unemployment rate for agriculture. Agricultural costs are rising such as fuel and fertilizer, yet revenue is not keeping up, at the same time global competition is fierce. We don’t want to be in the position of losing even more farms and ranches, which are so valuable to the state of Hawaii. We ask you to carefully consider these implications when considering future changes and implementation, and include agriculture in the discussion.

Thank you for the opportunity to submit testimony. Please do not hesitate to contact me if you have questions.

Sincerely,

Roy Oyama, President

Kauai County Farm Bureau

Phone: 808-332-9426

Email: oyama_farm@yahoo.com

Melissa McFerrin

Executive Administrator



KAUAI NURSERY & LANDSCAPING, INC

3-1550 Kaumualii Highway, Lihue HI 96766

Phone: (808) 245-7747 / Fax: (808) 245-9289

E-mail: knl@kauainursery.com License No. ABC-10825

February 25, 2010

ATTN: Senate Committee on Ways & Means
Rep. Karl Rhoads (Chair), Rep. Kyle T. Yamashita (Vice Chair) and
Members of the Committee

RE: HB2169 HD2 – Relating to Employment Security

HEARING DATE: Friday, February 26 10:00am, State Capitol, Conference Room 211

My name is **Lelan Nishek, President and owner of Kauai Nursery & Landscaping.** I appreciate the efforts made by the chair and the committee in addressing the unemployment insurance tax increase.

We support HB 2169 HD2 in its current form.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help businesses during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. Please do not hesitate to contact me if you have questions.

Sincerely,

Lelan Nishek, President
Kauai Nursery & Landscaping, Inc.
Phone: 808-245-7747
Fax: 808-245-9289
Email: lelan@kauainursery.com

**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Lisa A. Wong, Human Resources Manager for a hospitality tourism agency. We employ 108 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 in its current form.

The increase in the Unemployment taxes will impact our business financially since we are targeted to meet a fixed budget which would entail job and benefit reductions resulting in additional recipients collecting unemployment monies and continue to keep Hawai'i's economy in flux.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Mahalo your support and the opportunity to submit testimony. If you have any questions, please contact me at lwong67770@aol.com.

Senator Dwight Takamine, Chair
Senator Brian Taniguchi, Vice Chair
Committee on Labor

Senator Donna Mercado Kim, Chair
Senator Shan Tsutsui, Vice Chair
Committee on Ways and Means

HEARING Friday, February 26, 2010
 10:00 am
 Conference Room 211
 State Capitol, Honolulu, Hawaii 96813

RE: HB2169, HD2, Relating to Employment Security

Chairs Takamine and Kim, Vice Chairs Taniguchi and Tsutsui, and Members of the Committees:

My name is Carol Ai May and I am Vice President and part-owner of City Mill Company, Ltd, a 111-year old kama'aina company employing 500 Oahu residents. We have stores in 8 locations on Oahu.

City Mill strongly supports HB2169, HD2 and very much appreciates the initiative and the efforts of the Legislature to address the impending Unemployment Insurance tax increase in a very timely manner.

We recognize that the unemployment safety net is critical to our labor force; we are committed to maintaining benefits and restoring the health of the UI Insurance Program. **HB 2169, HD2**, which mitigates the initial impact of the pending UI increase and strikes a balance between relief and restoration of the fund, most certainly will help stabilize our businesses, maintain our labor force, budget accordingly, and hasten economic recovery.

The money saved translates into jobs not lost at our company, the ability to hire more people and/or give raises, and expense savings, which is critical for a private business like ours during this economy.

Thank you for the opportunity to submit testimony. I look forward to continued dialogue to craft legislation to resolve this issue. If you have any questions, please contact me at 529-5806.

Thank you for your consideration and for the opportunity to comment on this measure.

Sincerely yours.,

Carol Ai May

Senator Dwight Takamine, Chair
Senator Brian Taniguchi, Vice Chair
Committee on Labor

Senator Donna Mercado Kim, Chair
Senator Shan Tsutsui, Vice Chair
Committee on Ways and Means

HEARING Friday, February 26, 2010
 10:00 am
 Conference Room 211
 State Capitol, Honolulu, Hawaii 96813

RE: HB2169, HD2, Relating to Employment Security

Chairs Takamine and Kim, Vice Chairs Taniguchi and Tsutsui, and Members of the Committees:

I am writing to you on behalf of **City Mill Company**, Ltd., a local company serving Hawaii for 111 years and still managed by the Ai family. We are proud of our 500 team members who serve our customers everyday.

We strongly supports HB2169, HD2 and very much appreciate the initiative and the efforts of the Legislature to address the impending Unemployment Insurance tax increase in a very timely manner.

Since the economic downturn began to be felt in the middle of 2008, City Mill has looked at every expense line item for possible reductions and instituted a hiring freeze in an effort to contain employment costs; thankfully we have so far avoided any layoffs. Through strict cost control of our operating expenses and reductions in marketing, advertising and contractual services, we have been able to maintain our benefits package and keep our workforce intact.

We recognize that the unemployment safety net is critical to our labor force; we are committed to maintaining benefits and restoring the health of the UI Insurance Program. **HB 2169, HD2**, which mitigates the initial impact of the pending UI increase and strikes a balance between relief and restoration of the fund, most certainly will help stabilize our businesses, maintain our labor force, budget accordingly, and hasten economic recovery.

City Mill urges you to pass HB2169, HD2. Thank you for your consideration and for the opportunity to submit testimony.



Elise Burkart
Chief Financial Officer

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Cyrila Pycha

Organization:

Address: P. O. Box 223809 Princeville, Kauai, HI

Phone:

E-mail:

Submitted on: 2/25/2010

Comments:

We support bill HB2169 HD2. We are struggling to keep our real estate and vacation rental business running in this rough economy. We've had to down size our office spaces, two employees had to leave and we've had to reduce hours to the six remaining employees down to 32 hours a week. A tax relief on the Unemployment Insurance would help take the sting out of our huge overhead. Mahalo for your consideration.



1833 Kalia Road, Suite 1000
Honolulu, Hawaii 96815
Tel: (808) 941-8286
Fax: (808) 941-7173
Email: irene@syncadd.com
www.syncadd.com

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**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My Name is Irene Motonaga, President of Syncadd Systems, Inc. We are a small business of approximately 40 employees who provide professional IT services. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I, on behalf of Syncadd Systems, Inc. support HB 2169 HD2 in its current form.

The potential cost increase affecting our company is approximately \$13,000.00, which is substantial for a small business like ours. If the bill is not passed, our company can expect an additional \$10,000.00 per year in insurance cost. Since we are a small business, this cost will have to be offset with cut backs in other employee benefits which will hinder our growth as a company, preventing us from hiring any new employees. With decreased employee benefits, we will not be able to retain qualified employees, which will result in Syncadd being less qualified and less competitive in obtaining more business in the future, which will have a negative snowball effect.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit this testimony. If you have any questions, please contact me at 808-941-8286 or via email at Irene.Motonaga@syncadd.com.

Sincerely,



Irene N. Motonaga
President

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Catherine Clark

Organization: Maui Vacation Properties

Address: PO Box 1359 Haiku, HI 96708

Phone: 808-575-9228

E-mail: cathy@mauivacationproperties.com Submitted on: 2/25/2010

Comments:

I realize that this version reduces the UI premium for what was originally proposed, but as a small business owner even this is too much. Please take any steps possible to reduce this premium even farther than proposed in this bill.

MAHALO NUI LOA.

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Noel W. Kennett

Organization: Northwest Electric Inc

Address: 118 Kupuohi St #C-5 Lahaina, Hawaii 96761

Phone: 808 667-5054

E-mail: nwe-mgmt@hawaii.rr.com

Submitted on: 2/25/2010

Comments:

Our 20 year old company is in desperate condition. Any added costs of doing business that are applied at this time will put us at risk of failure.

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Joseph Yamaoka

Organization: Resort Management Company, LLC

Address: 92-106 Waialii Pl Kapolei, HI

Phone: (808)366-9900

E-mail: jyamaoka@resortmanagementco.com

Submitted on: 2/25/2010

Comments:

**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Linda Lee Anthony and my company is Shell Management Hawaii, Inc. We are a vacation ownership/association management company with 300 employees at 5 locations and eleven associations throughout the Big Island, Oahu and Kauai. We were just notified that we have been recognized for the fourth year in a row as one of The Best Places to Work in Hawaii, an award based on a combination of employee satisfaction and exemplary business practices. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 in its current form.

Shell Management Hawaii, Inc. has been closely following the Unemployment Insurance debate as it has the potential to have a significant impact on the financial stability of our managed associations. We have run the numbers from best case to worst case scenarios, not knowing how our experience factor will affect any eventual tax increase. Across all of our five resorts and regional office locations we paid a combined amount of \$12,000 in Unemployment Insurance for 2009. Based on the proposed tax increase, under the best case scenario that amount would go to \$101,000 in 2010. Under the worst case scenario, it would go to \$450,000.

Due to economic conditions in 2009 Shell Management Hawaii, Inc. made the difficult decision to freeze all employee increases, both merit and CPI. Due to the sacrifices made by our 300 team members, all eleven of our managed associations were able to end 2009 in the black. As economic uncertainties continue we have again frozen any increases in 2010. The uncertainties we face include historically high owner delinquencies in maintenance fee payments (primary source of association revenue); utility rate instability due to petroleum costs again creeping up; anticipated increases in Unemployment Insurance; and possible increases in property taxes (paid by our association members through their maintenance fees) due to reallocation of TAT taxes from the County to the State.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit this testimony. If you have any questions, please contact me at lanthony@shellvacationsllc.com, (808) 327-1280, ext. 234; 75-5706 Kuakini Highway, Ste. 101, Kailua-Kona, HI 96740.

Sincerely,

A handwritten signature in black ink, appearing to read 'Linda Lee Anthony', with a stylized flourish at the end.

Linda Lee Anthony
Regional Vice-President
Shell Management Hawaii, Inc.

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Tom Reed

Organization: Individual

Address: 75 Amala Pl Kahului, HI

Submitted on: 2/25/2010

Comments:

Our company has 11 employees and is currently struggling due to the downturn in the economy - primarily in commodity prices. Our volume of business is increasing slightly but with lower margins. We were hoping to hire an additional employee to help with the increase. We think we can withstand the reduced UI increase as described in HB2169 but not the UI increase as originally proposed. Please support HB2169 HD2.

Sincerely

Tom Reed

President

Testimony to the Senate Committees on Labor and Ways and Means

Friday, February 26, 2010; 10:00 a.m.

Conference Room 211

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

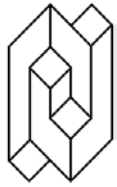
Chair Mercado Kim, Vice Chair Tsutsui and Members of the Committee:

My name is Patrick Naughton and I am the executive director of Hilo Rite Care Center, a nonprofit providing tutoring for children with specific learning disabilities such as dyslexia. We have one full-time and five part-time employees (3.5 FTE). I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD 2 in its current form.

The proposed unemployment insurance tax increase will have an immediate impact on the Hilo Rite Care Center as it will put us out of business. We are on a very tight budget with almost 90 percent of our funding coming from existing tuition and fees which cannot be increased. Our closure will of course immediately impact our employees but more importantly this means there will be no nonprofits left in East Hawai'i to provide tutorial assistance to students with specific learning disabilities. This is especially critical because one of the two for-profit tutorial firms – Sylvan – closed its Big Island operations at the end of December 2009.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my nonprofit during these challenging times. We believe this measure will save jobs, preserve businesses and nonprofits while spurring the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 808-961-4625 or via e-mail (contact@hiloritecarecenter.org).



**Trans-
Pacific**

**D E S
I G N**

[www.trans-
pacificdesign.com](http://www.trans-pacificdesign.com)

6 4 - 5 1 7 6
Kamamalu Road
Kamuela, Hawaii
9 6 7 4 3

Phone: (8 0 8)
8 8 5 - 5 5 8 7
Fax: (8 0 8)
8 8 5 - 5 5 1 2

**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Susan J. Moss and my company is Trans-Pacific Design. We employ three (3) employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 in its current form.

Any increased costs to my business will negatively impact the ability to keep our doors open. My business (Interior Design) is an off shoot of the construction industry which has been severely impacted by the recession.

As a small business we aren't looking for increased costs but tax savings and cutting costs to be able to stay in business!!

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 808-885-5587 on Hawai'i island.

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: John Edney

Organization: Tropical Dreams Ice Cream

Address: 66-1250 Lalamilo Farm Road Kamuela, HI 96743

Phone: 808-885-8820

E-mail: jreconsult@aol.com

Submitted on: 2/25/2010

Comments:

We need relief from the impact of high unemployment taxes. The shock of a huge increase in one year is very difficult for any business, large or small, to absorb.

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Kelly Hoppe-Soldwisch

Organization: Marriott's Maui Ocean Club

Address: 100 Nohea Kai Dr Lahaina HI 96761

Phone: 808-667-8271

E-mail: kelly.soldwisch@vacationclub.com Submitted on: 2/25/2010

Comments:

I respectfully urge you to support HB 2169 HD2 as it stands. Thank you.

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Elizabeth Heiman Zagorodney

Organization: Regarding Japan, LLC

Address: 76-248 Olomea Place Kailua Kona, HI

Phone: 8089607353

E-mail: liz@regardingjapan.com

Submitted on: 2/24/2010

Comments:

This bill will put business already struggling to survive in financial straights. It will cost jobs. My company is growing, but money is tight as we grow. That extra unemployment tax is too much with too little notice. It makes it more difficult to hire that next employee. This tax will shrink the economy, not grow it.



HB2169 HD 2 - Relating to Employment Security

DATE: February 26, 2010

TIME: 10:00 A.M.

PLACE: Room 211

TO: Senate Committees on Labor and Ways and Means

FROM: James P. Karins
President and CEO
Pukoa Scientific

Re: Testimony in Support of HB2169 HD 2

Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in support of HB2169 HD2. My name is Jim Karins and I am the President of Pukoa Scientific. Pukoa Scientific is a 17 person company started in 2004 specializing in the interpretation of image and signal data to identify objects, threats or targets for military, security, medical and industrial applications. Pukoa Scientific is in the dual use sector which has proven to be one of the fastest growing technology sectors. Even during the trying year of 2009 we were able to grow to 17 employees; 13 of our 17 employees are full time and 16 of those 17 reside in Hawaii. Of the 12 full time staff in Hawaii, 8 graduated from high schools in Hawaii, 10 graduated from the University of Hawaii or Hawaii Pacific University and at least 4 worked on the mainland prior to finding work in Hawaii. We currently generate more than \$2.5M in revenue and pay over \$1.5M in compensation.

All of us understand the difficult financial condition of the state and industry wants to help. One of the best ways for industry to help is to maintain and grow the workforce. Without job creation, all the cost cutting and all the tax increases will only create a downward spiral, requiring more costs and more tax increases. The state must maximize its return by spending money that invests in job growth. As a business we are fighting competition globally. The cost of doing business is a critical component of success or failure in this competition. We strive to keep our costs as low as possible but some of them are out of our control. Runaway unemployment insurance costs would certainly lead to reduced sales and therefore reduced workforce.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve

businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

I therefore encourage the committee to pass this bill.

Thank you for the opportunity to testify.

/s/James P Karins

James P. Karins
President and CEO
Pukoa Scientific
karins@pukoa.com

APPENDICES

- A. Revenue generated to the state by R&D companies compares favorably to the expenses of the R&D tax credit. The table below demonstrates a fairly simple model of the tax revenue generated by the R&D efforts and supporting structure of the companies. In 2008 \$13.4M in tax credits was claimed. Since the credit is 20% of qualified expenses, the qualified expenses are 5 times the credit (\$67M). Typically about half of an R&D companies expenses are qualified, yielding expenses of about \$134M by companies relating to qualified R&D. Wages are about 60% of those expenses and 40% goes to a variety of expenses including rent. I used a 6% income tax rate and a 4.5% GET rate to estimate the taxes directly paid by these companies. An economic multiplier of 2 was used since most of the wages and most the other expenses are recycled in the economy. Total revenue of about \$14.4M is calculated to be attributable to the R&D efforts of the companies receiving \$13.4M in R&D tax credits.

2008		Income Tax	GET
R&D Tax Credit	\$13.4 M		
Qualified Expenses	\$67 M		
Total R&D Related Expenses	\$134 M		
Wages	\$80.4 M	\$4.8 M	
Other Expenses	\$53.6 M		\$2.4 M
Economic Multiplier Effect		\$9.6 M	\$4.8 M
TOTAL REVENUE	\$14.4 M		

- B. State R&D tax credits vary greatly from state to state. In some respects Hawaii's tax credit is very good. In a couple it lags other states. For example the credit rate is the best in Hawaii, however only a few states such as Hawaii restrict it to certain companies or R&D areas.

R&D Credit Topic		Notes
R&D Tax Credits	33 States	Of the 17 that do not 4 have no income taxes
Non-incremental	3 States	HI, CT, WV
Credit Refundable	8 States	
Limited Availability	2 States	HI, AR
Taxes the Credit Received	1	HI
Tax Credit	2.5-20%	Average rate is 6.5%

- C. International tax credits vary even more and are particularly favorable in some countries. The table below is a summary of some of the tax credits offered by competing nations. A direct comparison is difficult since the incentives are in various forms such as tax abatements or enhanced deductions. One noteworthy example is Quebec Province in Canada where overall tax credits can reach 72.5%.

Country	R&D Tax Incentive
Australia	• Allows a 125% deduction for R&D expenses • <i>Plus</i> a 175% deduction for R&D expenditures exceeding a base amount of prior-year spending.
Canada	• Offers a permanent 20% flat (i.e., first-dollar) R&D tax credit for large companies Small companies receive 35% flat R&D tax credit Quebec province offers an additional 37.5% for small companies Other provinces offer other incentives
China	• Offers foreign investment enterprises a 150% deduction for R&D expenditures, provided that R&D spending has increased by 10% from the prior year.
France	• Allows a 50% R&D credit, includes a 10% flat credit and a 40% credit for R&D expenditures in excess of average R&D spending over the two previous years.
India	• Companies carrying on scientific research and development are entitled to a 100% deduction of profits for 10 years. • Automobile industry also is entitled to a 150% deduction for expenditures on in-house R&D facilities.
Ireland	• Offers a 20% R&D tax credit, plus a full deduction, as well as a low generally applicable 12.5% corporate income tax rate. • Capital expenditures may also qualify for a separate flat credit.
Japan	• Offers a flat 10% R&D tax credit (a 15% flat credit is provided for small companies), in addition to other incentives.
Korea	• Tax holidays, up to 7 years, are provided for high-technology businesses. • In addition, a variety of tax credits are provided for R&D type expenditures.
Singapore	• "R&D and Intellectual Property Management Hub Scheme" offers U.S. companies a 5-year tax holiday for foreign income earned with respect to Singapore-based R&D.
United Kingdom	• Allows a 125% deduction for R&D expenses Plus a 175% deduction for R&D expenditures exceeding a base amount of prior-year R&D spending.



**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Mattson C. Davis and my company is Kona Brewing Company. We employ 170 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 in its current form.

While we do not anticipate that this increase will directly affect the number of employees we retain, it will have a significant impact on our bottom line. In order to assume an increase in taxes, we will most certainly need to make major adjustments in other expense areas, such as a reduction in gain sharing (i.e., 401(k) match), significantly increase the employee cost sharing for benefits, and potentially freezing wages due to uncertain revenue growth.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at.

Mahalo,

Mattson C .Davis
President / CEO

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcawhawaii.org
Website: www.gcawhawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

February 25, 2010

TO: THE HONORABLE SENATOR DWIGHT Y. TAKAMINE, CHAIR AND MEMBERS
OF THE COMMITTEE ON LABOR

THE HONORABLE SENATOR DONNA MERCADO KIM, CHAIR AND MEMBERS
OF THE COMMITTEE ON WAYS AND MEANS

SUBJECT: H.B. 2169, HD2 RELATING TO EMPLOYMENT SECURITY.

NOTICE OF HEARING

DATE: Friday, February 26, 2010
TIME: 10:00 a.m.
PLACE: Conference Room 211

Dear Chairs and Members of the Committee:

The **General Contractors Association** (GCA), an organization comprised of over five hundred and seventy (570) general contractors, subcontractors, and construction related firms, **support the passage of H.B. 2169 HD2**, Relating to Employment Security, with amendments.

The GCA appreciates the efforts being made by the Legislature in addressing the unemployment insurance tax increase. The GCA would support HB 2169 HD2 with the following amendments.

1. Change the contribution rate schedule from G to F in 2011.
2. Permanently set the taxable wage base at 90%.
3. Extend the maximum weekly benefit amount of 75% of the average weekly wage to December 31, 2011. For benefit years beginning January 1, 2012, the maximum weekly benefit amount will be 70% of the average weekly wage.

This will reduce the impact of the tax increases on businesses while extending the higher benefit amounts for one more year during this period of high unemployment because individuals have few work opportunities. The Legislature needs to seriously consider helping both businesses and individuals in times of need while not providing a permanent crutch for all time.

The GCA supports the passage of H.B. 2169, HD2 and recommends its passage.

Thank you for the opportunity to provide our views on this issue.



JON MIYATA | VICE PRESIDENT & DIRECTOR OF DISTRIBUTION OPERATIONS
60 KEAA STREET • HILO, HAWAII 96720 • PHONE: (808) 969-8174 • FAX: (808) 969-8179 • CELL: (808) 938-8012
JMIYATA@HPMH.COM • WWW.HPMHAWAII.COM

February 25, 2010

**RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY
Testimony to the Senate Committee on Labor and Means, Friday, February 26,
2010; 10:00 a.m., Conference Room 211**

Senator Takamine and Members of the Committee:

My name is Jon Miyata and I work for HPM Building Supply. We currently have operations on the Big Island and on Oahu and employ approximately 250 employees. We appreciate the efforts made by the Legislature in addressing the unemployment insurance tax increase. We support HB 2169 HD2, but would like to ask for additional concessions.

The amendments are necessitated due to the continued poor economic conditions we are experiencing. 2009 was probably the worst year in our 88 year history and we do not anticipate that 2010 will be much better. The proposed increases will have a significant adverse effect on our business and may lead to lay-offs and reductions in employee benefits. As you can imagine, any lay-offs will only continue to deplete the fund.

The economic slow down has also adversely affected substantially all of our employees. Since, we are a 100% employee owned company, through our employee stock ownership plan ("ESOP"), the downturn has severely affected the account values of our ESOP. This has forced many employees to rethink their futures and has placed an additional strain on their lives. The proposed unemployment insurance rates will only serve to exacerbate this.

While many proponents of the increase contend that businesses received the benefits of lower rates in the past and may have squandered those savings, must now ante up. We disagree. We believe that good companies operate in responsible ways and many like us, used the savings to invest large sums into our workforce and company infrastructure which was meant to assist us in times like this and to help insure continued growth.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we will support HD2 as reasonable and prudent. This measure will surely help during these challenging times. We believe this measure will help save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and commerce. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be conducted regarding any future increases in benefits and/or taxes and the methodology in the manner businesses are assessed.

Senator Takamine and Members of the Committee
February 25, 2010
Page 2

Thank you for the opportunity to submit testimony. If you have any questions, please contact me. My contact information is listed above.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Jon Y. Miyata', with a large, stylized loop on the left side and a horizontal line extending to the right.

Jon Y. Miyata
Vice President & Director
Of Distribution Operations

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: comments only

Testifier will be present: No

Submitted by: Jeanette Baysa

Organization: Maka`ala Hawai`i, Inc dba Hilo Coffee Mill

Address: P O Box 486 Kurtistown HI 96760

Phone: 808-968-1333

E-mail: jeanette@hilocoffeemill.com

Submitted on: 2/25/2010

Comments:

My name is Jeanette Baysa and my company is Maka`ala Hawai`i, Inc. dba Hilo Coffee Mill. We are: a coffee farm; full service coffee mill, providing support for small coffee farmers; a wholesaler of freshly roasted coffees; provide a local (true) farmer's market for our community; a visitor center where we can educate visitors about Hawaiian coffees; and an employer of local residents, most of whom live within a 10-15 minute commute. We employ 13 employees (3 were hired in 2009), all but one is full time. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 with hesitance.

The increase in taxes on our small business will likely result in the layoff of at least 2 and possibly 4 employees. We are already struggling, but have managed to keep a positive attitude and provide a dependable income for our employees, many of which have come from the First To Work program, are single mothers (whose childcare benefits have been reduced) and need this job. It would be hypocritical to provide them with work, then take it away and put them in the same, if not worse position, from where they came. As an employer, we mentor our employees, give them transferable skills, and treat them like family. I know many small businesses with the same values as ours, and they are just as upset with the possibility of having to reduce the workforce because of the increase in UI taxes.

We would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011. With hesitance we will support HD2. Although not perfect, this measure will better help my business during these challenging times than the present one. We believe this measure will help save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law. Further study should also be made to ensure some employers aren't penalized for not drawing from the fund, yet their contributions are being used for other employers who are. It is, after all, OUR fund.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at Hilo Coffee Mill, POBox 486, Kurtistown HI 96760 PH 808-968-1333 Fax: 808-968-1733



**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Jason T. Higa, CEO of Zippy's Restaurants. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 in its current form.

HB 2169 HD2 will allow Zippy's Restaurants to avoid potential job losses and reduction in employee benefits.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help Zippy's Restaurants during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony.

Jason T. Higa
CEO
Zippy's Restaurants

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Ian Kitajima

Organization: Oceanit

Address: The Oceanit Center. 828 Fort. St. Mall. Suite 600 Honolulu, HI

Phone:

E-mail:

Submitted on: 2/23/2010

Comments:

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Ian Kitajima and my company is Oceanit, one of Hawaii's largest and most diversified science and engineering companies. We employ 160 employees. We appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. We support HB 2169 HD2 in its current form.

Like any business, cost increases in one area are paid for by cost cutting in others, leading to RIFs (reduction in workforce) or to price increase which makes a business less competitive.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 531-3017 x131. Mahalo, Ian Kitajima

**BOLTON INC.
73-4174 Huliko'a Dr.
Kailua-Kona, HI 96740**

**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Stan Marks and my company is Bolton Inc. We employ 50 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 in its current form.

Times are very challenging and cash is at a premium. Every time costs increase, we have to cut something else, such as jobs or pay rates. Many of us are barely hanging on as it is. Please do not add more or new costs to our industry.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at 808-329-8240



**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is **Teresa Sakurada** and my companies are **StarrEd LLC** and **Manga Heart LLC** employing myself and a part time employee. We sell educational books to schools and libraries. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. **I support HB 2169 HD2 in its current form.**

The unemployment insurance increase will increase my employee costs and I am considering if I will be able to continue the part time position. With the tough economy and tight DOE budgets the tax increase will be difficult to absorb.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at ph 808-685-8900 or teresa@starredllc.com. My street address is 91-1534 Kaikoi Place, Ewa Beach, HI 96706.

Teresa Sakurada
Teresa Sakurada



Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Edwin Chung and my company is This Week Publications and we publish magazines for the visitor industry. We employ 27 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 in its current form.

The potential increase will place an additional burden on our operating structure in the worst economic conditions of the last decade. A tax increase will impede our ability to market and promote our business, which is what all businesses need to do now more so than ever. Needless to say, we are also faced with sky rocketing health care costs that are out of control, higher utility costs, and a potential higher general excise tax rate. A higher cost structure would keep wages at already reduced levels, reduce services, and reduce our efforts to market our business.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at This Week Publication, 274 Puuhale Rd, #200, Honolulu, Hawaii 96819 or by e-mail at echung@thisweek.com.

Respectfully,

A handwritten signature in black ink, appearing to read 'Ed Chung', is written over a horizontal line.

Ed Chung

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Fax: (808) 326-6031
twbi@thisweek.com

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Danielle Bergan

Organization: Individual

Address: 180 Dickenson St Lahaina Hi

Phone:

E-mail:

Submitted on: 2/23/2010

Comments:

Please pass this bill as is to lessen the the burden on small business for the state unemployment tax increase. Otherwise less folks will get hired and more will be laid off...

Subject: Testimony for HB2169 on 2/26/2010 10:00:00 AM

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Thomas Croly

Organization: Individual

Address: 3259 Akala Drive kihei, HI

Phone:

E-mail:

Submitted on: 2/24/2010

Comments:

Please pass HB2169 HD2 as a means to ease the additional costs of Unemployment insurance on struggling Hawaii businesses.

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Abe Lee

Organization: Individual

Address: 1585 Kapiolani Blvd. Ste 1533 Honolulu

Phone:

E-mail:

Submitted on: 2/24/2010

Comments:

I am a small business owner and employ 9 people and have 150 real estate agents. We have had to cut back on our expenses to keep our business going and have been fortunate to remain in business.

Increased taxes will hurt us and other businesses that are having a hard time. I would like to see decreased government spending and lower taxes.

I support the bill and urge the legislature to think about the thousands of workers that may be laid off or have their hours cut due to higher taxes.

Kona Marine Supply
74-425 Kealakehe Pkwy #9
Kailua Kona, Hi 96740
808-329-1012

February 24, 2010

To Whom It May Concern:

My name is Margaret Smith Pierce. I am Vice President/General Manager of Kona Marine Supply, a small retail business at Honokohau Harbor in Kailua Kona. We employ five people. Our business has been substantially impacted by the economic downturn but we have managed to keep all of our employees on payroll fulltime. Any additional costs to doing business could change that and could lead to our having to lay off at least one employee. I therefore support HB2169 HD2 in it's current form.

I you have any questions, contact me at 808-329-1012.

Best Regards,

Margaret Smith Pierce
Vice President



MOLOKAI CHAMBER OF COMMERCE

P.O. Box 515
Kaunakakai, HI 96748

T 808 553 4482

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February 23, 2010

**TESTIMONY TO THE SENATE COMMITTEES ON LABOR AND WAYS AND
MEANS
FRIDAY, FEBRUARY 26, 2010; 10:00 A.M.
CONFERENCE ROOM 211
RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY**

My name is Robert Stephenson and I am President of the Molokai Chamber of Commerce. We represent dozens of businesses who employ hundreds of employees on the island of Molokai. We appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. We support HB 2169 HD2 in its current form.

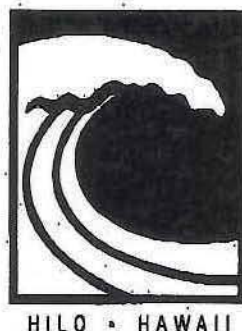
We are very concerned about the increase in premiums for our local businesses and their ability to stay economically viable given these substantial increases. We have already heard from some of our businesses that they must lay off employees in order to meet their bottom line.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help my business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at my office.

Sincerely,

Robert Stephenson, President



February 25, 2010
Testimony to the Senate Committees of
Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference room 211

Re: House Bill 2169 HD2 Relating to Employment Security

My name is Donna Saiki, Executive Director of the Pacific Tsunami Museum, a non-profit entity in Hilo, Hawaii. We employ 2.5 personnel and I serve in a volunteer capacity. The museum payroll covers the services of a full time archivist, a full time administrative assistant, and a three quarter time visitor services person. This is supplemented with a cadre of volunteers who provide the on-going interpretive services for the 1,400 visitors who come through monthly.

Besides the educational value of the museum and the three jobs that it generates, it also is an important addition to the tourism attraction of Hilo that has been steadily emerging these past five years. Old down town Hilo is a collection of small businesses such as the museum and we all fill a niche that attracts visitors. We need each other to thrive. Having any of these small businesses fail affects us all.

I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 IID2 in its current form.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony.

Donna Saiki



**Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211**

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Bill Countryman and I am the General Manager of the Wailea Beach Marriott Resort & Spa. We employ 414 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I fully support HB 2169 HD2 in its current form.

Our business is in a precarious state right now. We have been taking extraordinary measures to keep our doors open and to keep our associates gainfully employed. We have been looking for as many opportunities as possible to lower our cost while providing our associates with steady hours and working conditions. The added cost of unemployment insurance - if this bill does not pass - will raise our costs significantly and force us to consider further reductions in force. This will cause additional unemployment cost going forward. We are blessed to have exceptional associates. This added need to reduce our work force will affect the associates who are laid off, the welfare of their families, and the morale of our associates who will lose their friends and co-workers. In turn, causing a heavier work load for our remaining associates which could affect our guest's experiences and their decision to return to Hawaii another time. Last year we paid \$41,226 in unemployment insurance. Based on our payroll department calculations, this amount will quadruple if HB2169 HD2 does not pass. In this economy, this is truly back breaking.

Although we would like to see a greater taxable wage base reduction and extend the reduced tax rate schedule beyond 2011, we support HD2 as reasonable and prudent. This measure will help our business during these challenging times. We believe this measure will save jobs, preserve businesses and spur the economy by keeping more dollars flowing into the economy through wages and purchases. We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law which may have an unintended effect.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at the Wailea Beach Marriott Resort & Spa, 3700 Alanui, Wailea, HI 96753 or call me at (808) 874-7840.

Sincerely,


Bill Countryman
General Manager
Wailea Beach Marriott Resort & Spa

Wailea Beach Marriott Resort & Spa
3700 Wailea Alanui ~ Wailea, Maui, Hawaii 96753-8332
Telephone (808) 879-1922 Facsimile (808) 874-7888
waileamarriott.com

Wailea Old Blue

— GOLF CLUB —

February 19, 2010

To: Hawaii State Legislature

From: Barry Helle
808-879-2530

Subject: **HB 2169 HD2** Relating to Unemployment Insurance

Aloha,

As the manager of a small business I am quite concerned about the proposed increase in our unemployment insurance rates. While I understand the State's need to refill the fund after many people have had to rely on unemployment benefits during this tough economic time, now is not the time to saddle our business community with such an increase.

The original proposal had the rate increasing by 1000% and now the amended draft spreads the increase over two years. While I appreciate that this year's increase is limited to 600%, it is still unreasonable. Businesses are still struggling in this state and we need our government to help us and not hit us with monumental cost increases.

Please give this your utmost consideration. Any increase has to be affordable. What has been proposed so far is not.

Sincerely,

Barry Helle
General Manager

February 24, 2010

Testimony to the Senate Committees on Labor and Ways and Means
Friday, February 26, 2010; 10:00 a.m.
Conference Room 211

RE: HOUSE BILL 2169 HD2 RELATING TO EMPLOYMENT SECURITY

My name is Gretchen Lawson and my company is The Arc of Kona, a private, not for profit, charitable organization supporting people limited by disability. We employ 108 employees. I appreciate the efforts being made by the Legislature in addressing the unemployment insurance tax increase. I support HB 2169 HD2 in its current form.

As a not-for profit entity, we have very few resources and every time we must expense more to our administrative cost centers it withdraws from the resources we have to further our mission of service to the people. Although we recognize that the State has had very advantageous rates in the past few years, we are now in a bind, the enormous increase will mean a severe reduction to the families we support as we have no other way to absorb this tremendous increase.

We support maintaining the Adequate Reserve Fund level at the twelve month level without any multiplier as proposed in the present bill. Also, more study should be put into any future increases in benefits or taxes before making a permanent change in the law.

Thank you for the opportunity to submit testimony.
If you have any questions, please contact me at Arc of Kona, 808-323-2626 or gretchen@arcofkona.org.

Mahalo for your support of this bill,



Gretchen Lawson
President/CEO

Testimony for LBR/WAM 2/26/2010 10:00:00 AM HB2169

Conference room: 211

Testifier position: support

Testifier will be present: No

Submitted by: Ken Sanders

Organization: Affiliated Chambers & Business Organizations

Address: 1132 Bishop St., Suite 402 Honolulu, HI 96813

Phone:

E-mail:

Submitted on: 2/23/2010

Comments:

Ken Sanders here, for the Affiliated Chambers & Business Organizations, to let you know that we support HB2169 HD2 and hope you will too.

It's a bit of a compromise to what is really needed but we sure don't want to go back to Square One where the UI will cost our businesses over a thousand dollars per employee this year.

Better to ramp up slowly to rebuild the UI fund and keep the employer's money moving in the economy, not sitting idle in a fund.

Better to not risk more layoffs.

Better to help small businesses like my Ocean Network, than hurting us with high rates when we're already struggling to get out of the recession.

Better to get the ratio down to 1 : 1, not 1 : 50 or even 1 : 25.

Thank you for your support!

Ken Sanders