

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 2204

February 9, 2010

MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS

House Bill No. 2204 provides for the employer to pay 60% of the Hawaii Employer-Union Trust Fund premiums for the employees in collective bargaining units 2, 3, 4, 6, 8, 9, and 13 for Fiscal Years 2009-2010 and 2010-2011. Appropriations are provided, but the amounts are blank.

We have the following concerns with this measure: 1) the measure does not comply with Section 87A-32, Hawaii Revised Statutes, which requires the monthly contributions be a specified dollar amount; 2) the measure does not specify who will pay the administrative fees; and 3) the current fiscal situation of the State does not allow for funding of this measure.

If the State continues to pay 100% of administrative fees, it is estimated this proposal will cost \$11.7 million in Fiscal Year 2009-2010 and \$11.7 million in Fiscal Year 2010-2011 for the specified units. Extending the provisions of this measure to all State employees would cost an estimated \$26.3 million in Fiscal Year 2009-2010 and \$26.3 million in Fiscal Year 2010-2011.

The State's position has been to continue to pay contributions of the same dollar amount as Fiscal Year 2008-2009. A letter reflecting this position will be submitted shortly.



House Committee on Labor & Public Employment
Tuesday, February 9, 2010
9:30 a.m

HB 2204, Making an Appropriation for Collective Bargaining Cost Items.

Dear Chairman Rhoads and Committee Members:

The University of Hawaii Professional Assembly (UHPA) supports the passage of HB 2204 that would continue the employer's contribution to the stated bargaining units at 60% of premiums of the health insurance coverage selected by the employees. Further, UHPA believes that this sixty percent level of support should also be extended to bargaining units not subject to binding arbitration. In some cases, the bargaining units with the right to strike reached agreements that call for the employer's contribution to Hawaii Employer-Union Health Benefits Trust Fund to be no less than those contributed under the terms of other collective bargaining agreements, whether or not reached through binding arbitration. Passage of this funding is essential to keep the balance between agreed upon salary reductions and the increased cost of health insurance premiums that should be shared on the same basis as present in the prior contracts.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J.N. Musto", is positioned below the text "Respectfully submitted,".

J.N. Musto, Ph.D.
Executive Director

UNIVERSITY OF HAWAII
PROFESSIONAL ASSEMBLY

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LATE

**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-FIFTH LEGISLATURE, 2010**

ON THE FOLLOWING MEASURE:

H.B. NO. 2204, RELATING TO MAKING AN APPROPRIATION FOR
COLLECTIVE BARGAINING COST ITEMS.

BEFORE THE:

HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

DATE: Tuesday, February 09, 2010 **TIME:** 9:30 a.m.

LOCATION: State Capitol, Room 309

TESTIFIER(S): Mark J. Bennett, Attorney General, or
James E. Halvorson, Deputy Attorney General, or
Maria C. Cook, Deputy Attorney General

Chair Rhoads and Members of the Committee:

The Department of the Attorney General opposes this bill because it is contrary to section 87A-32, Hawaii Revised Statutes (HRS), and the agreement between the HGEA and the State of Hawaii.

The purpose of this bill is to require the employer to contribute to the Employer-Union Health Benefits Trust Fund (EUTF) sixty percent of the health premiums for the employees in collective bargaining units (2), (3), (4), (6), (8), (9), and (13) for fiscal biennium 2009-2011.

The bill has two legal problems. First, requiring the employer to pay sixty percent of the health premiums is contrary to the language of section 87A-32(a)(1), HRS. Section 87A-32(a)(1), HRS, specifically mandates that the monthly contribution specified in the collective bargaining agreement "shall be a specified dollar amount," and not a percentage amount.

Second, the effective date and time period covered (fiscal year 2009-2010) are contrary to the agreement entered into between the employer and the union. For plan year 2009-2010, it was agreed through a letter of understanding between the HGEA

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Testimony of the Department of the Attorney General
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and the employer that the employer shall continue to pay the same dollar amount indicated for plan year 2008-2009 (effective July 1, 2008 - June 30, 2009) as contained in the 2007-2009 HGEA collective bargaining agreement. (See Attachment A). The parties agreed that for plan year 2010-2011 only, the parties shall request the legislature to decide the amount of contributions. Id.

We respectfully ask the Committee to hold this bill.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

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**The Twenty-Fifth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Labor and Public Employment**

**Testimony by
Hawaii Government Employees Association
February 9, 2010**

**H.B. 2204 – MAKING AN
APPROPRIATION FOR COLLECTIVE
BARGAINING COST ITEMS**

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 2204, which allows the legislature to resolve the differences between the HGEA and the administration over the amount of employer contributions to the Employer-Union Health Benefits Trust Fund (EUTF). The state and the union are not permitted to use the binding arbitration process to resolve their differences over EUTF contributions. It was agreed through a letter of understanding that the legislature would make the final decision in this matter.

Historically, the employer paid 60% of the premium and the employee the remaining 40%. However, since the beginning of the current fiscal year, employees have been forced to pay a higher percentage of the health insurance premiums. A recent increase of almost 24% came entirely from state employees, making it difficult for some to afford health insurance.

According to the National Conference of State Legislatures, in 2009, states paid an average of 89% of the health insurance premium. Fourteen states paid 100% of the monthly premium costs for a basic or standard plan for some or all of individual employees. Seven states paid 100% of the "defined standard" monthly premium costs for at least some families of state employees.

In comparison, many Hawaii state employees are now paying between 45-47% of their premiums at the same time their pay is being reduced by approximately 8%. The state lacked awareness about limits on employees' ability to absorb radical cost increases in years without pay increases. Under these circumstances, premium cost increases should be shared proportionally or paid entirely by the employer. Therefore, it is extremely important that employee (individual) and family health care premiums remain affordable.

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Re: H.B. 2204 – Making An Appropriation For Collective Bargaining Cost Items
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We are also supporting legislation that will modernize public employee health insurance through the negotiation of employer contributions and benefits, similar to the private sector. Benefits such as health insurance are an integral part of total compensation and should be negotiated.

Thank you for the opportunity to testify on H.B. 2204.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Nora A. Nomura".

Nora A. Nomura
Deputy Executive Director