

**TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL 546, H.D. 1**

**February 20, 2013**

**RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

House Bill No. 546, H.D. 1, will establish a task force within the Department of Budget and Finance (Department) for administrative purposes that will examine the unfunded liability of the Hawaii Employer-Union Trust Fund (EUTF).

The Department supports the intent of this bill that will establish this task force, provided that the Legislature also supports the Governor's proposed FB 2013-15 budget that includes approximately \$100 million in each of the next two fiscal years to begin the process of pre-funding the State employer contributions for Other Post-Employment Benefits (OPEB). It is imperative for the State to take its first step with regard to the \$100 million in OPEB pre-funding for FY 2014 and FY 2015 and to become accustomed in terms of contributing the full annual required contributions of \$500 million in future fiscal years. It is further suggested that the task force should consider a wider range of issues, in addition to the possible alternative medical benefit plans which are provided in this bill. For example, the task force should explore mechanisms that would best enable the State to meet its annual pre-funding requirements, consider best approaches to ensure a consistent, balanced, and prudent investment return which would increase the corpus of the OPEB funds and possibly lower future contribution requirements and the liability, consider appropriate and feasible new strategies and approaches in the EUTF benefits design, and possible employee and retiree involvement in wellness and other

programs which may result in immediate and longer term benefits for employees, retirees, and employers.

Finally, we respectfully request a general fund appropriation to be included which would support the work of the task force by including funds for the necessary travel expenses of neighbor island task force members and for expenses with regards to possible consulting services with persons knowledgeable in issues relevant to the task force's work. This appropriation would be expended by the Department specifically to accomplish the purposes of this task force. We are available to work with the committee in regards to the amount of general funds necessary to support the work of this task force.

DEPARTMENT OF HUMAN RESOURCES  
**CITY AND COUNTY OF HONOLULU**

850 SOUTH KING STREET, 10<sup>th</sup> Floor  
HONOLULU, HAWAII 96813

KIRK CALDWELL  
MAYOR



CAROLEE C. KUBO  
DIRECTOR DESIGNATE

NOEL T. ONO  
ASSISTANT DIRECTOR

February 20, 2013

The Honorable Sylvia Luke, Chair  
and Members of the Committee on Finance  
State House of Representatives  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Luke and Members of the Committee:

Subject: Testimony on H.B. 546 H.D. 1, Relating to the Hawaii  
Employer-Union Health Benefits Trust Fund

The Department of Human Resources submits the following comments on H.B. 546, H.D. 1, which convenes a task force in the Department of Budget and Finance to examine the unfunded liability of the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF").

The EUTF administers and implements health and other benefit plans for state and county employees. In this role, it decides which health and other benefits will be provided to public employees and retirees. Through its negotiations with insurance companies and benefit providers, it also determines the cost of the benefit packages to public employers. Thus, the EUTF affects public employers in two ways: 1) through the benefits which affect the health and morale of employees and retirees; and 2) the cost of the benefits package which affects government budgets, both immediately and over the long term.

With a substantial unfunded liability, discussions on how to resolve the issue are critical. As a major public employer and contributor to the EUTF, the counties would like to be included in any future discussions on the issue of the unfunded liability and

The Honorable Sylvia Luke, Chair  
and Members of the Committee on Finance  
State House of Representatives  
February 20, 2013  
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therefore, respectfully request that H.B. 546, H.D. 1 be amended to specifically include a county representative on the task force.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, reading "Carolee C. Kubo". The signature is written in a cursive, flowing style.

Carolee C. Kubo  
Director Designate



House Committee on Finance  
Wednesday, February 20, 2013  
3:30 p.m.

**HB 546, HD1, Relating to the Hawaii Employer-Union Health Benefits Trust Fund.**

Dear Chairperson Luke and Committee Members:

The University of Hawaii Professional Assembly (UHPA) recognizes the challenges that face Hawaii employees to ensure continuing access to quality health care. UHPA has long advocated for changes within the Hawaii Employer-Union Health Benefits Trust Fund's (EUTF) governance and funding that will contribute to a less onerous system of providing health care to public employees.

UHPA supports HB 546, HD1 and the creation of a Task Force that addresses unfunded liability attached to the long term operation of EUTF.

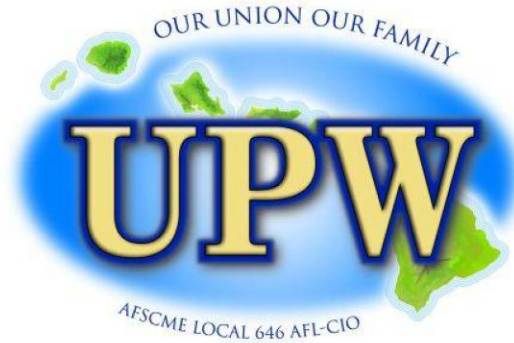
Respectively submitted,

A handwritten signature in black ink, appearing to read 'Kristeen Hanselman'.

Kristeen Hanselman  
Associate Executive Director

UNIVERSITY OF HAWAII  
PROFESSIONAL ASSEMBLY

1017 Palm Drive • Honolulu, Hawaii 96814-1928  
Telephone: (808) 593-2157 • Facsimile: (808) 593-2160  
Web Page: <http://www.uhpa.org>



THE HAWAII STATE HOUSE OF REPRESENTATIVES  
The Twenty-Seventh Legislature  
Regular Session of 2013

COMMITTEE ON FINANCE

The Honorable Rep. Sylvia Luke, Chair  
The Honorable Rep. Scott Nishimoto, Vice Chair  
The Honorable Rep. Aaron Ling Johanson, Vice Chair

DATE OF HEARING: Wednesday, February 20, 2013  
TIME OF HEARING: 3:30 p.m.  
PLACE OF HEARING: Conference Room 308

**TESTIMONY ON HB546 HD1 RELATING TO HAWAII EMPLOYER-UNION  
HEALTH BENEFITS TRUST FUND**

By DAYTON M. NAKANELUA,  
State Director of the United Public Workers,  
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua and I am the State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive representative for approximately 11,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

The UPW supports HB546 HD1 that establishes the Hawaii Employer-Union Health Benefits Trust Fund Task Force within the Department of Budget and Finance to examine the unfunded liability of the Hawaii Employer-Union Health Benefits Trust Fund.

This measure would provide for time to thoroughly research the state's unfunded liability and possible means to address it. We recognize that the unfunded liability is a pressing issue, but believe that a thorough assessment is essential to the policy-making process. The UPW appreciates the opportunity to be part of the discussion for equitable solutions. Thank you for the opportunity to testify on this measure.