



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

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February 29, 2016

To: The Honorable Sylvia Luke, Chair
The Honorable Scott Y. Nishimoto, Vice-Chair and
Members of the House Committee on Finance

Date: Tuesday, March 1, 2016
Time: 1:00 p.m.
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 2122 HD1 Relating to Employment Security

I. OVERVIEW OF PROPOSED LEGISLATION

HB2122 HD1 proposes to amend section 383-24, Hawaii Revised Statutes (HRS), to increase the maximum unemployment insurance (UI) benefit amount to 39 times the weekly benefit amount effect. The measure allows only employees laid off from Hawaiian Commercial & Sugar Company (HCS) after March 7, 2016, and who have completed a training or retraining program, to qualify for the maximum benefits.

The department is opposed to this measure as currently drafted.

II. CURRENT LAW

Section 383-24, HRS, provides for a maximum UI benefit amount of 26 weeks times an individual's weekly benefit amount.

III. COMMENTS ON THE HOUSE BILL

While increasing the maximum potential benefits to 39 weeks on regular UI claims is permissible for all eligible claimants, restricting its application to a special class of people as identified in this measure raises a federal conformity issue. Hawaii may lose certification for employer Federal Unemployment Tax Act (FUTA) tax offset credits and \$14 million in administrative grants to operate the UI program, with the result that businesses will be liable for higher federal payroll taxes and the UI program would lose all federal funding.

With a 50% permanent increase in UI benefits to all eligible claimants beginning March 7, 2016, the department projects that in 2018 the tax schedule would be increased from Schedule C to Schedule D, resulting in an increase of about \$20 million in employer taxes in 2018.

The Department's Research and Statistics Office estimates the potential impact of additional benefits to the trust fund and tax schedules according to several possible scenarios as indicated below:

- 1) Counties <200,000 population (Hawaii, Maui, Kauai): \$20 million
Schedule C from 2017 thru 2019
- 2) Maui County only: \$13 million
Schedule C from 2017 thru 2019
- 3) All Counties (statewide): \$55 million

The Twenty-Eighth Legislature
Regular Session of 2016

HOUSE OF REPRESENTATIVES
Rep. Sylvia Luke, Chair
Rep. Scott Y. Nishimoto, Vice Chair
State Capitol, Conference Room 308
Tuesday, March 1, 2016; 1:00 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2122, HD1
RELATING TO EMPLOYMENT SECURITY**

The ILWU Local 142 **supports the intent** of H.B. 2122, HD1, which increases the maximum potential unemployment benefits for employees separated from service commencing on or after March 7, 2016.

Maximum duration of full unemployment benefits is 26 weeks. Very often for those who find themselves laid off from their jobs, 26 weeks may not be sufficient to find suitable gainful employment for various reasons. Once the 26 weeks is exhausted, the person is left without any resources and must desperately accept any low wage job, often ensuring a lifetime of poverty.

An additional 13 weeks of unemployment benefits will allow the unemployed individual a little more time to look for suitable gainful employment. We understand that this measure is intended to benefit the employees of Hawaiian Commercial & Sugar Company (HC&S), who will begin being laid off on March 7, 2016. For this, we are grateful to the Legislature for its consideration of these sugar workers, who will need all the help they can get as they make their transition from HC&S. Almost 600 of those workers are members of the ILWU.

Nevertheless, we raise a caution about the impact that this increase in unemployment benefits will have on the UI Trust Fund. Although the likelihood is small that the Fund will be depleted as it had during the recent recession, the possibility must be considered.

The ILWU believes that this measure deserves further discussion. Thank you.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Tuesday, March 1, 2016 at 1:00 P.M.
Conference Room 309, State Capitol**

RE: HOUSE BILL 2122 HD 1 RELATING TO EMPLOYMENT SECURITY

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

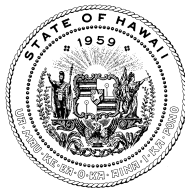
The Chamber of Commerce Hawaii ("The Chamber") **provides comments** HB 2122 HD 1, which doubles maximum potential unemployment benefits for employees separated from service commencing on an unspecified date.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 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 members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

We appreciate the intent to provide additional benefits for the laid off sugar workers on Maui. The only concern we would have if this would raise tax rates for the business community by providing this large increase in benefits, and does this set a precedent for layoffs of other companies.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LATE

LINDA CHU TAKAYAMA
DIRECTOR

LEONARD HOSHIJO
DEPUTY DIRECTOR

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HB 2122 HD 1 proposes to amend section 383-24, Hawaii Revised Statutes (HRS), to increase the maximum unemployment insurance (UI) benefit amount to 39 times the weekly benefit amount effect. The measure seeks to allow only employees laid off from Hawaiian Commercial & Sugar Company (HC&S) after March 7, 2016 and who have completed a training or retraining program to qualify for the maximum benefits.

The department is opposed to this measure as currently drafted.

II. CURRENT LAW

Section 383-24, Hawaii Revised Statutes (HRS), provides for a maximum UI benefit amount of 26 weeks times an individual's weekly benefit amount.

III. COMMENTS ON THE HOUSE BILL

While increasing the maximum potential benefits to 39 weeks on regular UI claims is permissible for all eligible claimants, restricting its application to a special class of people as identified in this measure raises a federal conformity issue. Hawaii may lose certification for employer Federal Unemployment Tax Act (FUTA) tax

offset credits and \$14 million in administrative grants to operate the UI program, with the result that businesses will be liable for higher federal payroll taxes and the UI program would lose all federal funding.

In order to allow a total of 39 weeks of UI benefits to be payable to Hawaiian Commercial and Sugar Company (HC&S) workers only, a separate special state extension program must be established to authorize 13 **additional weeks** of compensation based on a rationale determined by the legislature. It is not permissible to expand **regular UI benefits** from 26 to 39 weeks for only HC&S employees because the factor cause for UI eligibility for regular benefits is being unemployed without fault, which includes all jobless claimants, regardless of which company they last worked for.

With a 50% permanent increase in UI benefits to all eligible claimants beginning March 7, 2016, the department projects that in 2018 the tax schedule would be increased from Schedule C to Schedule D, resulting in an increase of about \$20 million in employer taxes in 2018.



Testimony to the House Committee on Finance
March 1, 2016

LATE

Testimony in Opposition to HB 2122 HD1, Relating to Employment Security

To: The Honorable Sylvia Luke, Chair
The Honorable Scott Nishimoto, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 63 Hawaii credit unions, representing over 800,000 credit union members across the state. We are opposed to HB 2122 HD1, Relating to Employment Security.

HB 2122 would increase the maximum potential benefits that an unemployed person may receive from the State. Currently, the State's unemployment rate is very low, so raising the benefit is unnecessary. Raising unemployment benefits would only serve to hurt Hawaii's business community, which may have an adverse affect on the economy.

Thank you for the opportunity to testify.

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RE: HB 2122 HD1 – Relating to Employment Security

Dear Chair Luke, Vice-Chair Nishimoto, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

We are in opposition to H.B. 2122 HD1, which would double the maximum potential benefits that an unemployed person may receive from the State. Unemployment benefits are more than sufficient today, and currently, the State's unemployment rate is very low. Raising unemployment benefits would only serve to hurt Hawaii's business community and working people that pay for these benefits.

We are opposed to H.B. 2122 HD1, and appreciate the opportunity to express our views on this matter.



LATE

Testimony of

Mufi Hannemann
President & CEO
Hawai'i Lodging & Tourism Association

Committee on Finance

House Bill 2122 HD1: Relating to Employment Security

Dear Chair Luke, Vice Chair Nishimoto, and members of the Committee on Finance:

The Hawai'i Lodging & Tourism Association (HLTA) is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms that benefit from and strengthen Hawai'i's visitor industry. Today our membership consists of over 700 members representing the state's leading industry, 165 of which are lodging properties representing almost 50,000 rooms. The visitor industry was responsible for generating \$15.2 billion in visitor spending in 2015 and supported 181,500 jobs statewide, representing a vital sector of the economy.

Thank you for the opportunity to offer comments regarding House Bill 2122 HD1, which would increase the maximum potential unemployment benefits for employees separated from service.

On behalf of the Hawai'i Lodging and Tourism Association, we recognize the amendments made in this bill's HD1 that serves to aid those who were terminated or laid off by Hawaiian Commercial and Sugar Company and that we all have an obligation to attempt to help those in our community who are in these type of predicaments

Generally speaking we have concerns in regards to raising the maximum potential benefits of an individual in a benefit year from twenty-six to thirty-nine times the individual's weekly benefit amount. By increasing the aforementioned benefit you are placing a heavier tax burden on employers and potentially giving some of those who are unemployed, and receiving benefits, an incentive to remain unemployed.

Mahalo.