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February 23, 2016

To: The Honorable Jill N. Tokuda, Chair,  
The Honorable Donovan M. Dela Cruz, Vice Chair, and  
Members of the Senate Committee on Ways and Means

Date: Wednesday, February 24, 2016  
Time: 1:15 p.m.  
Place: Conference Room 211, State Capitol

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

**Re: S.B. No. 3038 SD 1 Relating to Unemployment**

**I. OVERVIEW OF PROPOSED LEGISLATION**

S.B. 3038 SD1 proposes a 13-week extension of unemployment insurance (UI) benefits in counties with a population under 200,000 for a temporary period from September 4, 2016 through October 28, 2017 if the UI trust fund balance does not fall below the adequate reserve level.

The department supports the intent of the measure and offers comments and amendments.

**II. CURRENT LAW**

Section 383-24, Hawaii Revised Statutes (HRS), provides that jobless individuals may collect a maximum of 26 weeks of regular UI benefits.

**III. COMMENTS ON THE HOUSE BILL**

The department appreciates the legislative intent to provide supplemental benefits to assist dislocated workers in certain counties who may have limited prospects for securing suitable work even while Hawaii is experiencing favorable economic conditions. However, as the entire cost of the additional benefits will be borne by employers, the department offers the following comments for the Committee's consideration:

- 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  
Schedule C in 2017; Schedule D from 2018; Schedule C in 2019
- While the above projections indicate that the cost of the temporary UI extension will increase by one higher tax schedule in the worst case scenario, the onset of recessions are often sudden and unpredictable, so that the drop-dead clause in this bill may be too late for the trust fund to recover. During our most recent downturn in 2008-12, the UI trust fund was depleted, forcing Hawaii to request about \$183 million in federal loans in order to continue payment of UI benefits. The borrowing incurred an interest payment of \$ 211,000 from employer assessments.
- It is highly unusual to institute a jobless compensation extension when the State is at nearly full employment—Hawaii's 3.2% unemployment rate ranks 5<sup>th</sup> in the nation.
- The limited extension period and the county population requirement applicable for payment of additional UI benefits may raise equity and other legal issues by individuals who are excluded under this proposal.
- The department asks that the Committee also recommends the following language changes in this measure:
  - a) Revise language in section 3(5) (page 3, lines 16-18) to clarify that individuals who are enrolled in an approved training or retraining course pursuant to section 383-29(e), HRS, can qualify for additional benefits provided the eligibility conditions as prescribed under section 383-29(a), HRS, are met.
  - b) Add "and as consistent with section 383-65, HRS" at the end of Section 5 (page 5, line 2) to include all applicable charging and non-charging conditions that might be relevant to claims for additional benefits.

The Twenty-Eighth Legislature  
Regular Session of 2016

THE SENATE

Committee on Ways and Means

Senator Jill N. Tokuda, Chair

Senator Donovan M. Dela Cruz, Vice Chair

State Capitol, Conference Room 308

Wednesday, February 24, 2016; 1:15 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 3038, SD1  
RELATING TO UNEMPLOYMENT**

The ILWU Local 142 **supports** S.B. 3038, SD1. which creates a temporary program, limited to counties with a population under 200,000, to provide additional benefits to unemployed workers by extending their unemployment insurance benefits and makes an appropriation.

Unemployment Insurance (UI) is provided to eligible workers for a maximum of 26 weeks of full benefits during a benefit year. The unemployment rate in Hawaii may be the lowest in the nation with the assumption that laid-off workers in Hawaii will have an easy time finding new jobs. However, jobs are not all the same.

Although the Unemployment Division expects UI claimants gradually (after about a month) to consider and even accept jobs that are not comparable to those they left, most workers will want to return to similar wage levels and working conditions as they had before they were laid off. S.B. 3038, SD1 will allow UI claimants a little more time (a maximum of 13 weeks) to find suitable gainful employment. They will be required to meet all UI requirements—i.e., be able and available for work, make three job contacts a week, not refuse any work, report in online on a biweekly basis. Funds for the additional benefits will come from the UI Trust Fund, which was healthy enough to reward employers recently with a “holiday” from contributions.

SD1 has limited the additional benefits to counties with populations under 200,000.

The ILWU urges passage of S.B. 3038, SD1. Thank you for the opportunity to testify on this measure.

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## **Testimony to the Senate Committee on Ways & Means** **Wednesday, February 24, 2016** **1:15 pm** **State Capitol - Conference Room 211**

### **RE: SB 3038 SD1 – Relating to Unemployment.**

Dear Chair Tokuda, Vice-Chair Dela Cruz, 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 S.B. 3038 SD1, which would double the maximum potential benefits that a 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 S.B. 3038 SD1, and appreciate the opportunity to express our views on this matter.