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# A BILL FOR AN ACT

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

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

1       SECTION 1. The purpose of this Act is to temporarily  
2 suspend the requirement for public employers to make annual  
3 required contributions to the Hawaii Employer-Union Health  
4 Benefits Trust Fund through fiscal year 2024-2025.

5       SECTION 2. Section 87A-42, Hawaii Revised Statutes, is  
6 amended to read as follows:

7       "**§87A-42 Other post-employment benefits trust.**

8 [~~a~~] Notwithstanding sections 87A-31 and 87A-31.5, the board,  
9 upon terms and conditions set by the board, shall establish and  
10 administer a separate trust fund for the purpose of receiving  
11 employer contributions that will prefund other post-employment  
12 health and other benefit plan costs for retirees and their  
13 beneficiaries. The separate trust fund shall meet the  
14 requirements of the Governmental Accounting Standards Board  
15 regarding other post-employment benefits trusts. The board  
16 shall establish and maintain a separate account for each public  
17 employer within the separate trust fund to accept and account  
18 for each public employer's contributions. Employer  
19 contributions to the separate trust fund shall be irrevocable,

1 all assets of the fund shall be dedicated exclusively to  
2 providing health and other benefits to retirees and their  
3 beneficiaries, and assets of the fund shall not be subject to  
4 appropriation for any other purpose and shall not be subject to  
5 claims by creditors of the employers or the board or plan  
6 administrator. The board's powers under section 87A-24 shall  
7 also apply to the fund established pursuant to this section.

8 ~~[(b) Public employer contributions shall be paid into the~~  
9 ~~fund in each fiscal year, and commencing with the 2018-2019~~  
10 ~~fiscal year, the amount of the annual public employer~~  
11 ~~contribution shall be equal to the amount of the annual required~~  
12 ~~contribution, as determined by an actuary retained by the board.~~

13 ~~(c) In any fiscal year subsequent to the 2017-2018 fiscal~~  
14 ~~year in which the state public employer's contributions into the~~  
15 ~~fund are less than the amount of the annual required~~  
16 ~~contribution, the amount that represents the excess of the~~  
17 ~~annual required contribution over the state public employer's~~  
18 ~~contributions shall be deposited into the appropriate account of~~  
19 ~~the separate trust fund from a portion of all general excise tax~~  
20 ~~revenues collected by the department of taxation under section~~  
21 ~~237-31.~~

22 ~~If any general excise tax revenues are deposited into the~~  
23 ~~separate trust fund in any fiscal year as a result of this~~  
24 ~~subsection, the director of finance shall notify the legislature~~  
25 ~~and governor whether the general fund expenditure ceiling for~~

1 ~~that fiscal year would have been exceeded if those revenues had~~  
2 ~~been legislatively appropriated instead of deposited without~~  
3 ~~appropriation into the trust fund. The notification shall be~~  
4 ~~submitted within thirty days following the end of the applicable~~  
5 ~~fiscal year.~~

6 ~~(d) In any fiscal year subsequent to the 2017-2018 fiscal~~  
7 ~~year in which a county public employer's contributions into the~~  
8 ~~fund are less than the amount of the annual required~~  
9 ~~contribution, the amount that represents the excess of the~~  
10 ~~annual required contribution over the county public employer's~~  
11 ~~contributions shall be deposited into the fund from a portion of~~  
12 ~~all transient accommodations tax revenues collected by the~~  
13 ~~department of taxation under section 237D-6.5(b)(4). The~~  
14 ~~director of finance shall deduct the amount necessary to meet~~  
15 ~~the county public employer's annual required contribution from~~  
16 ~~the revenues derived under section 237D-6.5(b)(4) and transfer~~  
17 ~~the amount to the board for deposit into the appropriate account~~  
18 ~~of the separate trust fund.~~

19 ~~(e) In any fiscal year subsequent to fiscal year 2017-2018~~  
20 ~~in which a public employer's contributions into the fund are~~  
21 ~~less than the amount of the annual required contribution and the~~  
22 ~~public employer is not entitled to transient accommodations tax~~  
23 ~~revenues sufficient to satisfy the total amount of the annual~~  
24 ~~required contribution, the public employer's contributions shall~~  
25 ~~be deposited into the fund from portions of any other revenues~~

1 ~~collected on behalf of the public employer or held by the State.~~  
2 ~~The director of finance shall deduct the amount necessary to~~  
3 ~~meet the public employer's annual required contribution from any~~  
4 ~~revenues collected on behalf of the public employer held by the~~  
5 ~~State and transfer the amount to the board for deposit into the~~  
6 ~~appropriate account of the separate trust fund.~~

7 ~~(f) For the purposes of this section, "annual required~~  
8 ~~contribution" means a public employer's required contribution to~~  
9 ~~the trust fund established in this section that is sufficient to~~  
10 ~~cover:~~

11 ~~(1) The normal cost, which is the cost of other post-~~  
12 ~~employment benefits attributable to the current year~~  
13 ~~of service; and~~

14 ~~(2) An amortization payment, which is a catch-up payment~~  
15 ~~for past service costs to fund the unfunded actuarial~~  
16 ~~accrued liability over the next thirty years.]"~~

17 SECTION 3. Section 237-31, Hawaii Revised Statutes, is  
18 amended to read as follows:

19 "**§237-31 Remittances.** All remittances of taxes imposed by  
20 this chapter shall be made by money, bank draft, check,  
21 cashier's check, money order, or certificate of deposit to the  
22 office of the department of taxation to which the return was  
23 transmitted. The department shall issue its receipts therefor  
24 to the taxpayer and shall pay the moneys into the state treasury

1 as a state realization, to be kept and accounted for as provided  
2 by law; provided that:

3 (1) A sum, not to exceed \$5,000,000, from all general  
4 excise tax revenues realized by the State shall be  
5 deposited in the state treasury in each fiscal year to  
6 the credit of the compound interest bond reserve fund;  
7 and

8 (2) A sum from all general excise tax revenues realized by  
9 the State that is equal to one-half of the total  
10 amount of funds appropriated or transferred out of the  
11 hurricane reserve trust fund under sections 4 and 5 of  
12 Act 62, Session Laws of Hawaii 2011, shall be  
13 deposited into the hurricane reserve trust fund in  
14 fiscal year 2013-2014 and in fiscal year 2014-2015;  
15 provided that the deposit required in each fiscal year  
16 shall be made by October 1 of that fiscal year[ ~~and~~

17 ~~{(3)} Commencing with fiscal year 2018-2019, a sum from~~  
18 ~~all general excise tax revenues realized by the State~~  
19 ~~that represents the difference between the state~~  
20 ~~public employer's annual required contribution for the~~  
21 ~~separate trust fund established under section 87A-42~~  
22 ~~and the amount of the state public employer's~~  
23 ~~contributions into that trust fund shall be deposited~~  
24 ~~to the credit of the State's annual required~~

1           ~~contribution into that trust fund in each fiscal year,~~  
2           ~~as provided in section 87A-42]."~~

3           SECTION 4. Section 237D-6.5, Hawaii Revised Statutes, is  
4 amended by amending subsection (b) to read as follows:

5           "(b) Except for the revenues collected pursuant to section  
6 237D-2(e), revenues collected under this chapter shall be  
7 distributed in the following priority, with the excess revenues  
8 to be deposited into the general fund:

9           (1) \$1,500,000 shall be allocated to the Turtle Bay  
10 conservation easement special fund beginning July 1,  
11 2015, for the reimbursement to the state general fund  
12 of debt service on reimbursable general obligation  
13 bonds, including ongoing expenses related to the  
14 issuance of the bonds, the proceeds of which were used  
15 to acquire the conservation easement and other real  
16 property interests in Turtle Bay, Oahu, for the  
17 protection, preservation, and enhancement of natural  
18 resources important to the State, until the bonds are  
19 fully amortized;

20           (2) \$16,500,000 shall be allocated to the convention  
21 center enterprise special fund established under  
22 section 201B-8;  
23

1 (3) \$79,000,000 shall be allocated to the tourism special  
2 fund established under section 201B-11; provided that:

3 (A) Beginning on July 1, 2012, and ending on June 30,  
4 2015, \$2,000,000 shall be expended from the  
5 tourism special fund for development and  
6 implementation of initiatives to take advantage  
7 of expanded visa programs and increased travel  
8 opportunities for international visitors to  
9 Hawaii;

10 (B) Of the \$79,000,000 allocated:

11 (i) \$1,000,000 shall be allocated for the  
12 operation of a Hawaiian center and the  
13 museum of Hawaiian music and dance; and

14 (ii) 0.5 per cent of the \$79,000,000 shall be  
15 transferred to a sub-account in the tourism  
16 special fund to provide funding for a safety  
17 and security budget, in accordance with the  
18 Hawaii tourism strategic plan 2005-2015; and

19 (C) Of the revenues remaining in the tourism special  
20 fund after revenues have been deposited as  
21 provided in this paragraph and except for any sum  
22 authorized by the legislature for expenditure  
23 from revenues subject to this paragraph,  
24 beginning July 1, 2007, funds shall be deposited  
25 into the tourism emergency special fund,

1                    established in section 201B-10, in a manner  
2                    sufficient to maintain a fund balance of  
3                    \$5,000,000 in the tourism emergency special fund;

4            (4) \$103,000,000 shall be allocated as follows: Kauai  
5            county shall receive 14.5 per cent, Hawaii county  
6            shall receive 18.6 per cent, city and county of  
7            Honolulu shall receive 44.1 per cent, and Maui county  
8            shall receive 22.8 per cent [~~; provided that commencing~~  
9            ~~with fiscal year 2018-2019, a sum that represents the~~  
10           ~~difference between a county public employer's annual~~  
11           ~~required contribution for the separate trust fund~~  
12           ~~established under section 87A-42 and the amount of the~~  
13           ~~county public employer's contributions into that trust~~  
14           ~~fund shall be retained by the state director of~~  
15           ~~finance and deposited to the credit of the county~~  
16           ~~public employer's annual required contribution into~~  
17           ~~that trust fund in each fiscal year, as provided in~~  
18           ~~section 87A-42, if the respective county fails to~~  
19           ~~remit the total amount of the county's required annual~~  
20           ~~contributions, as required under section 87A-43]; and~~

21           (5) \$3,000,000 shall be allocated to the special land and  
22           development fund established under section 171-19;  
23           provided that the allocation shall be expended in  
24

1           accordance with the Hawaii tourism authority strategic  
2           plan for:

3           (A) The protection, preservation, maintenance, and  
4           enhancement of natural resources, including  
5           beaches, important to the visitor industry;

6           (B) Planning, construction, and repair of facilities;  
7           and

8           (C) Operation and maintenance costs of public lands,  
9           including beaches, connected with enhancing the  
10          visitor experience.

11          All transient accommodations taxes shall be paid into the  
12          state treasury each month within ten days after collection and  
13          shall be kept by the state director of finance in special  
14          accounts for distribution as provided in this subsection.

15          As used in this subsection, "fiscal year" means the twelve-  
16          month period beginning on July 1 of a calendar year and ending  
17          on June 30 of the following calendar year."

18          SECTION 5. Section 87A-43, Hawaii Revised Statutes, is  
19          repealed.

20          [~~"§87A-43 Payment of public employer contributions to the~~  
21          ~~other post-employment benefits trust. (a) Commencing with~~  
22          ~~fiscal year 2018-2019, each of the counties and all other public~~  
23          ~~employers shall make annual required contributions in accordance~~  
24          ~~with section 87A-42 for the benefit of their retirees and~~  
25          ~~beneficiaries.~~



H .B. NO. 633

1 **Report Title:**

2 Hawaii Employer-Union Health Benefits Trust Fund; Annual  
3 Required Contribution; Other Post-Employment Benefits Trust  
4 (OPEB)

5

6 **Description:**

7 Suspends the requirement for public employers to make annual  
8 required contributions to the Hawaii Employer-Union Health  
9 Benefits Trust Fund through fiscal year 2024-2025.

10

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND.

PURPOSE: To suspend the requirement for public employers to make annual required contributions to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) through fiscal year 2024-2025.

MEANS: Amend sections 87A-42, 237-31, and 237D-6.5(b), and repeal section 87A-43, Hawaii Revised Statutes.

JUSTIFICATION: The COVID-19 pandemic has wreaked unprecedented havoc on Hawaii's economy and current estimated revenue impacts amount to a decline in revenues of more than \$2.3 billion for fiscal biennium 2019-2021.

Beginning with the Tenth Supplementary Proclamation related to the COVID-19 emergency and continuing through the Seventeenth Supplementary Proclamation related to the COVID-19 emergency, the Governor suspended the requirement for public employers to pay the annual required contribution to the EUTF in fiscal year 2020-2021 to help address the State's general fund revenue shortfall. The suspension is estimated to save \$390,234,000, provided that health premium cost increases do not exceed their anticipated growth.

Given the continued increase in the number of active COVID-19 cases in Hawaii and the delay in reopening large sectors of Hawaii's economy, it is likely that the State's revenue collections will take longer to recover than previously projected. Extending the suspension of the annual required contribution to the EUTF through

fiscal year 2024-2025 will save the State an estimated \$1,464,795,000 over the next four fiscal years and will also help to provide budgetary relief for other public employers.

Impact on the public: None.

Impact on the department and other agencies:

The Department of Budget and Finance and other public employers of Hawaii will have the option to suspend making pre-funding payments for Other Post-Employment Benefits (OPEB) in light of decreasing revenues; however, this will also delay the State and other public employers from reaching a fully-funded status for their individual portions of OPEB unless payments are accelerated after the suspension is repealed. Additionally, the State's fringe benefits rate for non-general funds will be lower than it would be without the suspension.

GENERAL FUND: Estimated reduction in expenditures of \$1,464,795,000 over the course of the four-year suspension.

OTHER FUNDS: To be determined temporary reduction in the amounts paid to the general fund for fringe benefits.

PPBS PROGRAM DESIGNATION: BUF 762, Health Premium Payments - ARC.

OTHER AFFECTED AGENCIES: State, counties, water utility companies, and the Honolulu Authority for Rapid Transportation.

EFFECTIVE DATE: July 1, 2021.