DAVID Y. IGE
GOVERNOR

JOSH GREEN
LIEUTENANT GOVERNOR

ANNE PERREIRA-EUSTAQUIO
DIRECTOR

JOANN A. VIDINHAR
DEPUTY

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
www.labor.hawaii.gov

February 4, 2021

To: The Honorable Brian T. Taniguchi, Chair,
The Honorable Les Ihara, Jr, Vice Chair, and
Members of the Senate Committee on Labor, Culture and the Arts

To: The Honorable Donavan M. Dela Cruz, Chair,
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair, and
Members of the Senate Committee on Ways and Means

Date: Wednesday, February 17, 2021
Time: 3:30 p.m.
Place: Via Videoconference, State Capitol

From: Anne Perreira-Eustaquio, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 1278 HD1 RELATING TO EMPLOYMENT SECURITY

I. OVERVIEW OF PROPOSED LEGISLATION

This measure seeks to temporarily reduce unemployment insurance contribution rates as a method to help contain the economic fallout from COVID-19 by helping expedite the State's economic recovery and protecting employers from facing higher tax rates at a time when they can least afford to pay them.

The proposal sets the contribution rate schedule for calendar years 2021 and 2022 at D. The bill also permits the Director to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2020 and 2021 and authorizes the DLIR to provide relief for certain reimbursable employers as well as housekeeping provisions. Omitting the benefits charged to all contributory employers in 2021 and 2022 will result in a significant decrease in employer contributions.

The DLIR supports this measure.

II. CURRENT LAW

The Unemployment Compensation Trust Fund (UCTF) had a reserve of $607.5 million as of November 2019. The UCTF balance was depleted in June 2020 due to the extraordinary unemployment rate caused by the disruptions of the COVID-

19 Pandemic. A contributory employer's Hawaii unemployment insurance contribution rate is computed once a year based on the employer's reserve ratio and the tax schedule (one of eight possible schedules, A through H) in effect for the year. The tax rate schedule will be at the highest rate at Schedule H in calendar years 2021 and 2022 without statutory intervention to reduce the schedule.

Section 383-69, Hawaii Revised Statutes, (HRS), prescribes the procedure the department uses to determine each employer’s rate of contributions pursuant to sections 383-63 to 383-69, HRS.

The bill also amends the definitions of benefit year and week and conforms the manner of filing partial claims to the same as total or part-total.

III. COMMENTS ON THE HOUSE BILL

The DLIR supports the effort to provide relief to contributory employers by temporarily suspending the statutory schedule. The COVID-19 Pandemic created an unprecedented increase in Hawaii's unemployment rate as the seasonally adjusted unemployment rate increased to 23.6% in April from 2.7% in February. This temporary relief will help ensure employees can return to work safely, and employers can rehire their employees once the immediate public health crisis abates. It will also help ensure more businesses will be able to survive this crisis and rehire their employees once they can safely resume operations.

The department supports using Schedule D for 2021 and 2022 as it is the first schedule that levies all employers at rates from .2% up to 5.8%. Under Schedule C contributions range from 0% to 5.6%. 5,055 or 15% of covered employers paid no contributions for calendar 2020 under Schedule C.

However, the department’s preferred contribution schedule is as found in HB1005 and SB1159 as introduced: D, F and G from 2021-2023. Under Schedule F all employers would pay contributions at rates 1.2% up to 6.2%. Under Schedule G all employers would pay contributions at rates from 1.8% to 6.4%. Under Schedule H the contributions would range from 2.4% to 6.6%. Setting the tax rate schedule at D will mean that all contributory employers will share in the replenishment of the UCTF and help re-establish the fund's integrity.

The bill also enables the department to omit the benefits charged in the annual experience rating calculation for contributory employers thereby reducing the impact of employers’ experience due to the unprecedented challenges caused by COVID-19. The net effect will be a significant decrease in the employers’ annual contribution rate as contributions will be calculated into the rate determinations but not the benefits issued to employers’ employees in 2021 and 2022. Moreover, the

HD1 includes an amendment that provides relief for certain reimbursable employers (Pg. 4 lines 14 to Pg. 5 line 2).

Date: February 13, 2021

To: Sen. Brian T. Tniguchi, Chair
Sen. Les Ihara, Jr., Vice Chair
Committee on Labor, Culture & The Arts

Sen. Donovan M. Dela Cruz, Chair
Sen. Gilbert S.C. Keith-Agaran, Vice Chair
Committee on Ways and Means

From: Victor Lim, Legislative Lead

Subj: HB 1278, HD 1 Relating to Employment Security

The Hawaii Restaurant Association representing 3,400 restaurants here in Hawaii strongly supports HB 1278, HD 1 Relating to Employment Security dealing with the Employer's Unemployment Insurance rates.

Most restaurant operators here do not expect business conditions to improve much in the coming years and 43% say it is unlikely their restaurant will still be in business six months from now without additional relief packages from the federal government. To say that many businesses here in Hawaii are in dire straits will be an understatement.

The rise in workers on the Unemployment Insurance during this Covid-19 is not of any business's doing and we need our state to help all of these businesses to bounce back. We need to bring back economic vitality and jobs for our citizenship.

Keeping the rate schedule at the current D for 2021 and 2022 will give our struggling businesses a fighting chance to survive and get out of this ongoing Covid-19 pandemic. We appreciate the hard work the Department of Labor and well as the House Labor and House Finance have done on this bill and hope that you will pass this HB1278, HD 1 as is and move it to the Governor for his signing.

Thank you for allowing us to share our position on this.

The Hawaii Restaurant Association
2909 Waialae Avenue, #22 Honolulu, Hawaii 96826 Office 808-944-9105 Fax 808-441-5355

Chamber of Commerce HAWAII
The Voice of Business

Testimony to the Senate Committees on Labor, Culture and the Arts and Ways and Means
Wednesday, February 17, 2021 at 3:30 P.M.
Via Videoconference

RE: HB 1278, HD 1, RELATING TO EMPLOYMENT SECURITY

Chairs Taniguchi and Dela Cruz, Vice Chairs Ihara, Jr. and Keith-Agaran, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 1278, HD 1**.** This measure proposes to:

1. Provide unemployment insurance relief in the form of credit for certain reimbursable employers;
2. Require the Director of Labor and Industrial Relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022; and
3. Set the employer contribution rate at schedule D for both calendar years 2021 and 2022.

The Chamber is Hawaii's leading statewide business advocacy organization, representing 2,000+ 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.

First and foremost, we thank the Legislature and the Administration for your leadership in advancing much needed government relief for employers. Since the onset of the COVID-19 pandemic in March 2020, businesses have been tethering to keep stores open, workers employed, and make ends meet with less revenue.

As we know, $607.5 million in the unemployment compensation trust fund ("UCTF") was depleted in June 2020, due to the extraordinary increase in Hawaii's unemployment rate triggered from business closures and layoffs. Then, the State received a $700 million loan from the federal government. The consequence of these events is government cannot fairly hold employers solely responsible for replenishing the trust fund and the liability of the federal loan.

Chamber of Commerce HAWAII
The Voice of Business

Based on historic UCTF data and the financial obligation that the state and employers are facing, there is no realistic nor projected means to replenish the trust fund even at the highest schedule H without further extending the federal loan, an appropriation from the General Fund, or a combination of the two. On average between 2017 and 2019, approximately $170 million in annual contributions have been deposited to the UCTF. Projecting that we will continue to face high unemployment rates and business closures, employer contributions into the UCTF will likely be less than what was collected in 2019, and a substantial increase in employer contribution in 2021 will only prolong economic recovery for struggling businesses and working families.

	2017	2018	2019
Unemployment Compensation Trust Fund			
Contributions	$156 million	$170 million*	$185 million*
Interest	$12 million	$12 million*	$13 million*
Benefits	$160 million	$147 million*	$154 million*
Fund Balance (end of year)	$522 million	$557 million*	$601 million*
Unemployment Rates			
Hawai'i Insured Unemployment Rate	1.2%	1.1%*	1.1%*
Hawai'i Total Unemployment Rate	2.4%	2.6%*	2.6%*
U.S. Total Unemployment Rate	4.4%		
Taxable Wage Base	$44,000	$45,900	$46,800
Tax Schedule	Schedule C	Schedule C	Schedule C
Tax Rates			
Minimum	0.0%	0.0%	0.0%
Maximum	5.6%	5.6%	5.6%
Average			
% of Taxable Wages	1.0%	1.0%*	1.0%*
% of Total Wages	0.7%	0.7%*	0.7%*
Weekly Benefit Amount			
Minimum	$5	$5	$5
Maximum	$592	$619	$630
Average	$484		
Average Benefit Duration	15.6 weeks		

** estimated*

The current UCTF schedule D for 2021 and 2022, as proposed in HB 1278, HD 1, is a step in the right direction and will allow employers to keep workers employed during this economic recovery period.

733 Bishop Street, Suite 1200 • Honolulu, Hawaii 96813 • Phone: (808) 545-4300 • Facsimile: (808) 545-4369

Additionally, in a new Pulse of Business survey[1] conducted in partnership with Omnitrak and with the support of Central Pacific Bank Foundation, the Hawaii Chamber of Commerce Foundation found the economic impact of the COVID-19 pandemic continues to have dramatic consequences for local businesses. The Pulse of Business results are not surprising and that one primary issue facing businesses is the cost of paying higher unemployment taxes in 2021 while they continue to suffer from the economic impact of the COVID-19 pandemic.

The Pulse of Business survey found that:

- Revenues fell an average of 45% from 2019 to 2020, with no significant differences between Oahu and neighbor isles.
- Three in five businesses say they cannot afford any increase in unemployment insurance this year;
- Almost all (94%) favor unemployment tax relief; and
- A majority (76%) said an increase of UI taxes from an average of about $600 to $2,600 per full-time employee could trigger more job reductions.

The Legislature and the Governor have until March 2021 to provide the necessary relief that struggling employers and workers are facing or otherwise, businesses will be faced to bear a substantial burden of unemployment tax increase, which is roughly three times what they paid in 2020. The burden of a UI premium increase will not only prolong the recovery for struggling businesses and working families but may be the tipping point for small businesses into either closing their stores or consider cutting jobs.

Thank you for this opportunity to provide testimony.

[1] https://www.staradvertiser.com/2021/02/02/breaking-news/survey-finds-hawaii-businesses-reeling-from-lost-revenue-cutting-jobs-and-expecting-a-long-road-to-recovery/

HAWAII FOOD INDUSTRY ASSOCIATION

1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiifood.com

TO:
Committee on Labor, Culture and the Arts and Committee on Ways and Means
Senator Brian T. Taniguchi and Senator Donovan M. Dela Cruz, Chairs
Senator Les Ihara, Jr. and Senator Gilbert S.C. Keith-Agaran, Vice Chairs

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 17, 2021
TIME: 3:30pm
PLACE: Via Videoconference

RE: HB1278 HD1 Relating to Employment Security

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

This measure is necessary in order to prevent abrupt unmanageable increases in the contributions required by employers to the Unemployment Insurance Fund. Under the current schedule the required contributions for many employers would quadruple, for other employers the required contribution would increase more than tenfold.

The economic crisis caused by the COVID-19 pandemic has impacted every aspect of our state's economy and our local businesses are struggling. We have already seen dozens of business closures and unfortunately more are likely before our state recovers. This measure is the kind of support that local companies need from the state as they work to survive. We urge you to pass this measure and we thank you for the opportunity to testify.

February 15, 2021

RE: HB1278 HD1 RELATING TO EMPLOYMENT SECURITY

Dear Chair Taniguchi and the Senate Committee on Labor, Culture and the Arts and Chair Dela Cruz and the Senate Committee on Ways and Means,

The Kona-Kohala Chamber of Commerce **supports** HB1278 HD1 RELATING TO EMPLOYMENT SECURITY that requires the director of labor and industrial relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in 2021 and 2022 as well as sets the employer contribution rate at schedule D for those same years.

With nearly 500 members, our Chamber represents the business community in the Kona and Kohala districts on the west side of Hawaiʻi Island where the tourism industry drives the local economy. Our large resorts collectively employ thousands of people in our community and many of our small businesses support the visitor experience whether retail, restaurants, farming, fishing, activities and tours.

West Hawaiʻi businesses were especially hard hit in 2020 due to COVID-19 impacts that resulted in severe loss of business and mass employee layoffs. With the Governor's stay-at-home order for non-essential workers and the mandatory 14-day quarantine for travelers, many businesses in our region were unable to operate at no fault of their own.

Based on the Hawaiʻi Tourism Authority's Monthly Reports, Hawaiʻi Island received 130,364 visitors in April 2019, but only 705 in April 2020. In October 2020, the Safe Travels Hawaiʻi program was launched that allowed travelers to bypass the quarantine with a negative COVID-19 test result. This helped our local businesses with visitor arrivals up to 48,134 in December 2020, however, this was 72% less than the prior year. For all of 2020, visitor arrivals fell 72.1% for a total of 492,325 for the year. Based on the University of Hawaiʻi Economic Research Organization's Annual Hawaiʻi Forecast, Hawaiʻi Island's 2021 visitor count forecast is 766,100 – approximately one million less visitors than 2019.

Our businesses need customers to survive. COVID-19 will continue to impact our visitor industry in 2021 and 2022 and our businesses will continue to struggle. This is not the time to increase the cost of doing business. We support legislation to reduce the unemployment insurance tax rate for employers that would otherwise rise dramatically in March 2021.

The Kona-Kohala Chamber of Commerce exists to provide leadership and advocacy for a successful business environment in West Hawaiʻi. Mahalo for this opportunity to testify.

Sincerely,

Wendy J. Laros

Wendy J. Laros, President and CEO - Kona-Kohala Chamber of Commerce

Kona-Kohala Chamber of Commerce
75-5737 Kuakini Hwy. Suite 208 | Kailua-Kona, HI 96740
Ph. (808) 329-1758 Fax (808) 329-8564
info@kona-kohala.com | www.kona-kohala.com

ALTRES®

February 16, 2021

Senator Brian T. Taniguchi, Chair
Committee on Labor, Culture and the Arts
Senator Donovan M. Dela Cruz, Chair
Committee on Ways and Means
State Capitol
Honolulu, Hawaii 96813

Subject: HB1278, HD1, February 17, 2021, 3:30 pm, Room 225

Dear Senators Taniguchi and Dela Cruz:

My name is Barron Guss, President of ALTRES, Inc., a three-generation, 52-year old Hawaii company and Hawaii's original and oldest Professional Employer Organization (PEO).

The pandemic has had far-reaching effects on all aspects of everyday life. Hawaii businesses are no exception and have experienced more than their fair share of hardship beyond the forced closures. Now they face a new threat that could have them shutting their doors forever.

Since March, the State of Hawaii Unemployment Trust Fund (UTF) has been paying out benefits to a substantial portion of Hawaii residents at unprecedented rates. Unfortunately, the system could not sustain an outpouring of money at these levels. Now the fund has reached a point of insolvency and employers are mandated to replenish it.

Over the past 40 years working in the professional employer industry on both the local and national levels, I have witnessed the financial breakdown of other UI funds, but never of this magnitude or with such unimaginable consequences.

It's important to keep in mind that the SUI system was NOT designed to provide community-wide economic assistance in the event of an emergency or, in this case, a pandemic. It is intended to act as a relief mechanism for the gradual expansion and contraction of an economy. It specifically addresses the temporary needs of individuals when they find themselves without income and can also temper the effects of an economic downturn.

Recessions come on gradually and, by design, the State Unemployment Tax Act (SUTA) fund can self-regulate and manage an unemployed population of 2.4%, similar to what we experienced in 2019 and even a number close to twice that of 4.5%, as we had in 2010. In contrast, Hawaii residents turned to the only economic assistance available to them, the State of Hawaii Unemployment Trust Fund.

In April and May of 2020, the two-month average for the unemployed in the islands reached 24.0%, with November's average at 10.1%. With these unprecedented unemployment levels, it's easy to understand why the reserves in a system that was not designed for emergency welfare would collapse under its own weight with a tenfold increase in benefits paid out in only two months. Even at today's averages, the system is being taxed at a 4X ratio.

In 2019, the State received approximately $178M in contributions via unemployment taxes on wages by employers. In contrast, it paid out $151M in benefits to qualifying individuals, leaving a year-end surplus of over $25M and an accumulated $600M in reserves.

The Problem - At the end 2021 Hawaii will owe the Federal Government $1.242B!

As of July 2020, the ten-year accumulated reserves of $600M in the UI Fund was depleted to zero. Because of Hawaii's participation in the Federal Unemployment program, it is entitled to borrow money (Title XII Advances) in the event of a deficit such as we have today. As of December 2020, the State of Hawaii had borrowed $749M from the federal government and since then it has paid down the balance from two sources - leftover CARES Act funds from the first round of funding and approximately $3M from employer contributions, leaving today's loan balance at approximately $700M.

The most recent estimates are that Hawaii will pay out on average $60M a month or $720M in benefits over 2021, in contrast to the $151M of benefits paid out in 2019. Basically, when you factor in the reduced contributions due to the pandemic and the borrowed balance of what is needed to provide benefits, **by the end 2021 Hawaii will owe the Federal Government $1.242B!**

What to do?

Rather than cite the financial impact that the imposition of a higher rate schedule would have on Hawaii businesses, I would like to redirect your thinking to the "elephant in the room" -- the debt itself.

There has not been enough discussion about who should be responsible for its repayment. As previously stated, the outpouring of funds from the UTF was not caused by employers or even a recession, but an event that could be equated to a natural disaster, no different than a tsunami or hurricane. For these types of disasters there is precedent, which led to the creation of the Hurricane Relief Fund or federal assistance from FEMA.

One could confuse that borrowing money from the federal government's program (Title XII Advances) is similar to FEMA, but I would argue that it is not, because FEMA monies do not need to be repaid and they are definitely not repaid by employers.

Decision making to what end?

As expected, all the discussion up to now, and the testimony in the Senate hearings, have been focused on which schedule to use. The DLIR's focus is on replenishing the fund and the business community is fixed on keeping the schedule at "C" for the foreseeable future.

Today you will be asked to balance the need for repayment with the restart of the economy. Because of the lack of information and the inability of the DLIR to truly forecast the future, through no fault of your own the likelihood of making the right decision is at risk. Please take a moment and consider the following information as you contemplate the future of our state.

If you are planning on employers paying the debt - which will be at $1.2B by the end of 2021, it really doesn't matter what rate schedule you use. It will never get repaid by using "C", "D" or even "H."

Here's why.

In 2019, with a robust economy and using schedule "C", the income to the UTF was $151M. Since on average, schedule "H" is 3X "C," the average maximum income to the UTF would be $450M per year if we could get back to pre-pandemic levels, which is highly unlikely. In 2021 the UTF is forecast to pay out $720M, which already has us borrowing more money and we would still have a growing deficit by using the highest rate schedule.

So, let's just suppose that we are talking about income and benefits payout in 2022, 2023 and beyond.

Where is the delta? At what point will the income into the fund via employer contributions equal the outpayment of benefits? Of course, this is a variable because the choice of what schedule to use for the employer assessment is what you are trying to decide. The conundrum is at what point will the desire to increase the rate of income to the UTF stall the economic recovery for Hawaii?

Choosing a rate schedule simply addresses the symptoms caused by the problem but does not sufficiently address the debt repayment, as the income into the UTF can never service the repayment of the principal without killing the economy.

What to do

It's a self-fulfilling prophecy - raise taxes to pay off the debt and the economy slows or keep taxes low to preserve the economy and the debt increases.

The only choice is to redirect the Legislature's focus to moving the debt from the DLIR and repay it from the General Fund. It should be clear by now that there is no way that taxes levied on employee wages will ever be able to keep pace with the debt. At best, there will be a time in the future when contributions should be able to keep up with the benefits payout and paying the interest on the debt, but nothing more.

Economic Stimulus

By moving the debt onto the State of Hawaii's balance sheet, it redirects the balance of your decision-making to what schedule should be used to restart the economy. You may even consider a drastic action like moving to a lower schedule, such as "B" or even "A" to create momentum and give business some true economic stimulus to hire more workers.

Financing the Debt

A natural response to moving the debt to the budget is to say, "tax revenues are down across the board and the State can't afford it." Well, if the State can't afford it, do you really think employers can?

A solution is to leave the debt with the federal government and simply pay the interest on the loan for the next ten years. There is, of course, an interplay with the FUTA tax credit and reduction, but the maximum penalties are far less than the potential devastation by increasing taxes. Keep in mind the maximum FUTA tax reduction is $420, which pales in comparison to just one schedule tier increase from "C" to "D."

The best way to address the debt, if funds are not available from the general fund, is to issue a bond, which allows the State to borrow money on its own terms with no penalty from the federal government via the FUTA system. There are many ways to make Hawaii state bonds attractive to lenders, including tax free income, which will cost the state far less than the penalties and impact on the economy.

In Conclusion

Your moxie as legislators is now being tested. Do you do what appears right and popular or do you look deeper for solutions that make the most sense in the long run to give Hawaii a chance to rebound before our businesses pick up their tents and leave town, with our residents soon to follow. This is not unprecedented because, if you recall, in 2019 Hawaii experienced negative population growth and those long in tooth will remember that companies like the Outrigger Hotels and Matson moved their offices to the mainland along with their employees.

Thank you for your efforts on behalf of all the people of Hawaii.

Respectfully,

Barron L. Guss
President and CEO

LEGISLATIVE TAX BILL SERVICE

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: UNEMPLOYMENT, Pandemic Rate Relief

BILL NUMBER: HB 1278, HD1

INTRODUCED BY: House Committees on Labor & Tourism and Finance

EXECUTIVE SUMMARY: Amends the definitions of benefit year and week. Conforms the manner of filing claims for partial benefits to the same as for total or part-total benefits. Requires the director of labor and industrial relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022. For calendar years 2021 and 2022, sets the employer contribution rate at schedule D. Makes amendments to contribution rate schedule and procedure for determination retroactive to 1/1/2021.

SYNOPSIS: Makes definitional changes to sections 383-1, HRS.

Amends section 383-68, HRS, to set the unemployment contribution schedule at schedule D for calendar years 2021 and 2022.

Amends section 383-69, HRS, to allow the director to modify for calendar years 2021 and 2022 the annual computation to omit benefits charged for all employers to address the disruptions caused by COVID-19.

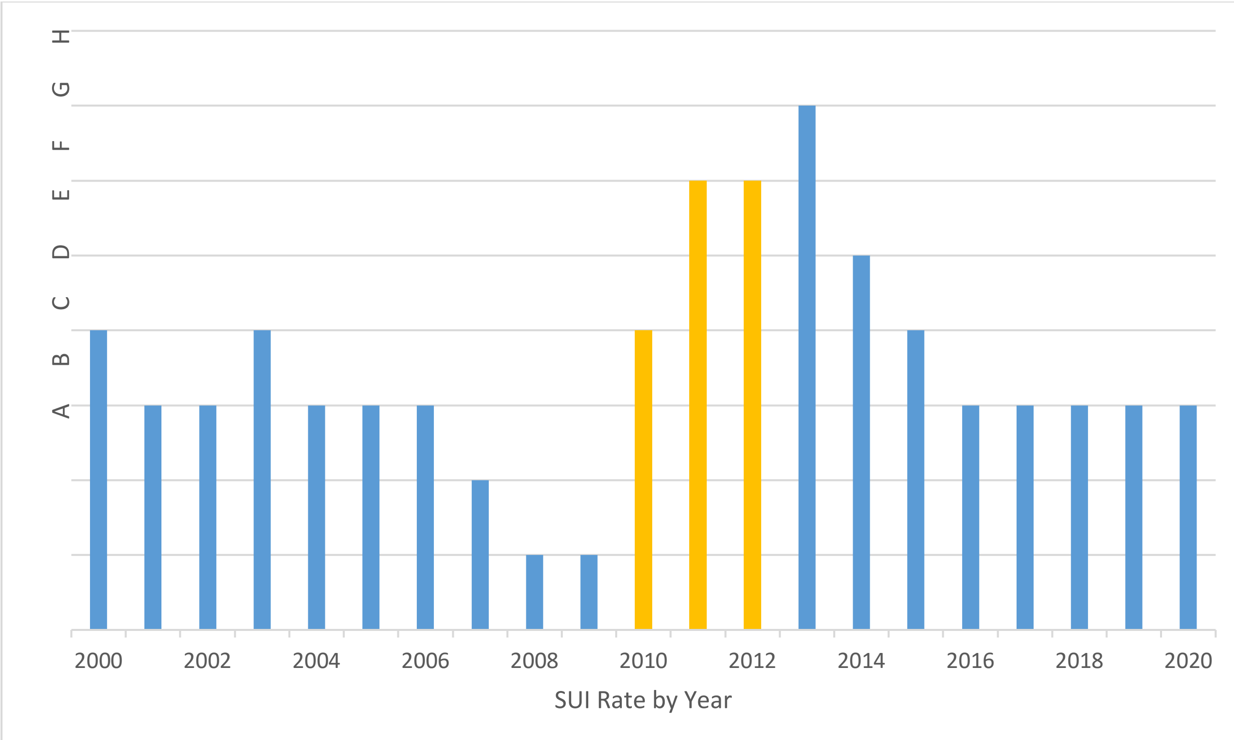
Makes a technical and conforming change to section 383-29.7, HRS.

EFFECTIVE DATE: Upon approval; rate change retroactive to 1/1/2021.

STAFF COMMENTS: The purpose of the Foundation's testimony is to provide lawmakers with background on unemployment rate schedules and the consequences of Title XII borrowing.

State unemployment insurance (SUI) is largely funded by employers. Most employers are charged tax that depends on two things: the overall health of the fund into which SUI tax is collected, and the claims history of the employer. So, an employer with a long history of chargeable claims, for example, will pay more than others. Also, if there is lots of money built up in the fund then the tax rate goes down for everyone.

The health of the fund determines the proper tax rate schedule. The schedules are named after a letter of the alphabet, with A the least costly schedule and H the most expensive. The fund health is measured at the end of the year, and that measurement is used to set the rate for the following year. Here is a chart of the SUI rate schedule for the past 20 years:



Source: DLIR Reports compiled by Tax Foundation of Hawaii.

Although the Great Recession of 2008 and related events caused the fund to run out of money and we needed to borrow around $180 million from Uncle Sam, employers were not subjected to the dreaded Schedule H because our lawmakers passed special legislation to control the SUI rates and override the normal formulas for the years 2010 through 2012 (the orange bars in the diagram). The current bill provides an override of the formulas as well.

Our unemployment system, as of January 8, 2021, has paid out $3.4 billion in unemployment benefits. About half of it was funded by the federal government through various programs such as the $300 "plus-up," but Hawaii employers and/or taxpayers are on the hook for the other half.

At the end of 2019, the unemployment taxes that Hawaii employers had paid were sitting in a trust fund of about $600 million. It's now gone, and the State took out a $700 million loan from the federal government to keep the unemployment trust fund afloat. There are several immediate consequences.

First, because our fund hit the "empty" mark at the end of last year, the unemployment tax on businesses is supposed to go up to Schedule H, the highest statutory rate. The Grassroot Institute of Hawaii has calculated that unemployment tax will triple in 2021 unless lawmakers change the system.

Next, if our State is borrowing money from Uncle Sam, interest may be charged. The interest rate for "Title XII advances," which is what these borrowings are called, is expected to be 2.2777% in 2021. If we are unable to repay the $700 million, then, we as Hawaii taxpayers may be on the hook for around $16 million in annual interest. Our State's Director of Finance testified that this debt is “not legally an obligation of the state,” but the law does not seem to support that conclusion. As described in a Congressional Research Service report at https://crsreports.congress.gov/product/pdf/RS/RS22954, federal law prohibits passing the interest cost to employers through the state unemployment tax system, which means it will need to be paid for by other funds such as collections of tax revenue. Of course, there is a possibility that Congress could forgo interest because of the pandemic. The Families First Coronavirus Response Act of 2020 did just that, waiving interest for all of last year, so Hawaii didn’t owe any interest to Uncle Sam on the $700 million as of the end of 2020. Relief under that act ended, and the interest clock started ticking again, on New Year’s Day, at the rate of about $43,700 per day.

Also, federal unemployment tax will increase for those employers in a State that hasn’t fully repaid its loan by November 10 of the second year in which the loan was outstanding at the beginning of the year. That is, if we can’t repay the $700 million federal loan by November 10, 2022, federal tax increases will kick in beginning January 1, 2023. The additional tax is 30 basis points on the first $7,000 of wages to an employee, or roughly $21 per employee in 2023. The tax ramps up in subsequent years. It would be $42 per employee in 2024 and gets progressively worse in later years until the debt is repaid. None of these dollars go to or are set aside for the State. Again, Congress could change these consequences if it wants to, but it’s not something over which any one State has control.

Digested 2/13/2021

TO: Chair Taniguchi, Vice Chair Ihara, and Members of the Senate Committee on Labor Culture and the Arts and Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate Committee on Ways and Means

FROM: Ryan Kusumoto, President & CEO of Parents And Children Together (PACT)

DATE/LOCATION: February 17, 2021; 3:30 p.m., Conference Room 225/Video Conference

RE: <u>TESTIMONY IN SUPPORT OF HB 1278 HD 1 – RELATING TO EMPLOYMENT SECURITY</u>

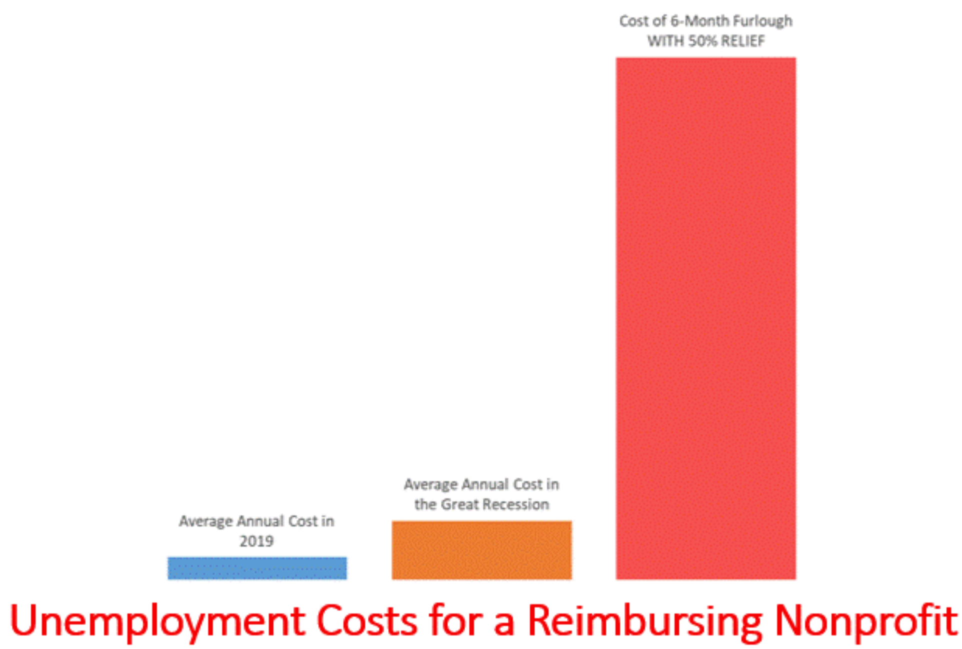
We are grateful that the legislature is looking at providing unemployment relief for employers. We are supportive of relief in the tax rates and we thank the Department of Labor and Industrial Relations for amending the bill to include support for employers who are deemed reimbursing employers, typically not-for-profit agencies. We thank the legislature for considering relief for reimbursing employers who are not part of the unemployment tax system and are burdened with paying the full cost of claims and encourage you to support ALL employers in the state with the passage of this bill.

<u>Background Info:</u>

- In 1972, the Social Security Act added nonprofits to the unemployment system. It allowed 501c3 organizations to be a part of the State Tax Systems **(unemployment tax paying employers)** or opt-out **(reimbursing employer)** to reimburse their state for claims they are liable.
- During the pandemic we all have seen claims higher than we ever have in the past.
- During the COVID-19 pandemic, the CARES Act protected employers who pay SUTA (state unemployment – unemployment tax paying employers) taxes from catastrophic financial burden.
- Regrettably, the CARES Act only provides 50% funding to the reimbursing employers – plus some additional supports for extended UE coverage.
- These reimbursing employers include hospitals, medical centers, social service providers, food banks, homeless shelters, private colleges and universities, private and charter schools, museums, arboretums, performing arts organizations, public school systems and universities, counties, cities, towns, townships and villages, libraries, water and utility districts, and Native American tribes and tribal enterprises.

<u>Issue:</u>

- This means that many reimbursing nonprofits will be required to immediately repay 50% of the unemployment compensation paid NOW to their separated workers while private businesses will not. This is an inequitable consequence, likely unintended, **and it may have a devastating impact on service providers at the moment they are needed most.**
- Reimbursing employers are also charged claims for employees who left our organization and then subsequently faced a layoff from their new employer. These are called **base period claims**. Many reimbursing nonprofits have not had any layoffs or furloughs but still experienced record unemployment charges for this reason (these base period claims).
  - For example, one local nonprofit did not layoff anyone during this pandemic but still had a loss of $100K in base period claims.
- The cost to these vulnerable employers will be much greater than even the 2008 Great Recession. Even with the current 50% relief, the projected costs related to COVID-19 for a 2-month shutdown will be equal to or surpass the amount paid out over two years during the recession.



(Provided by the 501c3 Trust)

- During the COVID-19 Pandemic, UE has risen exponentially. This issue has a greater impact to reimbursing employers. If this does not get resolved, many nonprofits may not be around when things begin to recover. Services like critical human and social solutions may be reduced or be completely eliminated. Museums, community health care centers, educational programs, and many more are at risk.
- This, however, is a double hit to the nonprofits – the first being a loss of revenue and the second by unprecedented unemployment charges.

- Many reimbursing employers are having to pull on lines of credit or leverage assets to fund this cost.

Taxpaying Nonprofits	Reimbursing Nonprofits
Pay taxes based on a state tax schedule, which is based only in part on their historical charges.	Pay for 100% of the unemployment benefits received by their former employees -- never less.
Have received 100% relief from COVID- related claims in many states.	Have received 50% assistance from the federal government. A small number of states have provided extra assistance.
Do not have to pay for unemployment claims made by employees who quit to work for another employer before COVID-19.	Must pay for unemployment claims made by former employees who went to work for a different employer before COVID-19. For example, an employee who voluntarily quit to take another job could still end up costing the reimbursing nonprofit thousands of dollars in unemployment claims. This is called a base period claim.
Will pay nothing in 2020 for this year's unemployment crisis. The cost of this year's unemployment crisis will be spread out over many years through higher taxes.	Will have to pay for this year's unemployment charges within months. These expenses are occurring even if the nonprofit does not have any income with which to pay the bills.
Are not in danger of being forced out of business by the cost of unemployment charges in current year.	Are in imminent danger of being forced out of business due to prolonged unemployment charges.

<u>Statistics:</u>

- Approximately 120 of reimbursing employers in Hawaii ranging from $1M to $50M in revenue each.
- In addition, there are 7 super-size nonprofits in Hawaii (revenue greater than $100 million) and an unknown number of government entities who may be reimbursing employers. We don't know exactly how many are reimbursing, but we believe that the large nonprofits and government employers were often considered essential businesses and were therefore less affected by COVID shutdowns and probably have smaller unemployment bills.
- **Unemployment costs for reimbursing employers in Hawaii have increased by 260% in 2020 from 2019 (data from the 501c Trust).**
    - With data from 59 Reimbursing employers, the average nonprofit paid *40% more than the worst year of the Great Recession*.

- But averages don't begin to tell the whole tale, because 2020 was a classic year of "haves" vs. "have-nots." In order to really assess the damage to the health of our nonprofit community, we need to pay extra attention to the nonprofits that suffered most. The hardest hit 10% increased 1600% compared to 2019. Looking back to the Great Recession, only 5% of nonprofits in 2010 had charges as high as this group, so it's fair to say that COVID unemployment hit twice as many nonprofits extremely hard in 2020, compared to 2010.
- As an example, one local organization used to have $7K/month in UE charges. They now have $50K/month – which is after the 50% covered by the Federal Government.

Request:

- As you consider relief to the tax rate for those in the State Unemployment Tax System, we ask that there be consideration for the reimbursing employers.
    - **Specifically, provide the other 50% to the reimbursing employers (not covered by the Federal Government) inclusive of the base period claims.**
    - About 11 states have already done this, recognizing this issue and its impact (Georgia, Illinois, Iowa, Louisiana, Michigan, Nebraska, New Hampshire, New Jersey, New York, North Carolina, and Wisconsin). This list continues to grow.
    - Note: CARES money went to fund the State UI fund, but we understand that it did not help relieve the reimbursing not-for-profit employers.
        - 100% relief will ease the burden on city and state government. 100% relief will protect the financial health of these shut-down nonprofits, so that when they are allowed to serve the community again, they can come back at full strength and full employment. Every dollar spent preserving the health of a nonprofit both helps the community and prepares the economy for a rebound.
        - State UE administrators are overwhelmed with recent program changes. Nonprofits face a bewildering patchwork of state rules, invoicing errors, government promises, and uncertainty. By contrast, 100% relief is simple to administer, requires few programming changes, and reduces confusion.
    - **Estimated cost 100% relief (additional 50%) = $6M - $8M (Ballpark)**

Founded in 1968, Parents And Children Together (PACT) is one of Hawaii's not-for-profit organizations providing a wide array of innovative and educational social services to families in need. Assisting more than 15,000 people across the state annually, PACT helps families identify, address and successfully resolve challenges through its 18 programs. Among its services are: early education programs, domestic violence prevention and intervention programs, child abuse prevention and intervention programs, childhood sexual abuse supportive group services, child and adolescent behavioral health programs, sex trafficking intervention, and poverty prevention and community building programs.

Thank you for the opportunity to testify in **support of HB 1278 HD 1,** please contact me at (808) 847-3285 or rkusumoto@pacthawaii.org if you have any questions.

MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

HEARING BEFORE SENATE COMMITTEE ON LABOR, CULTURE & THE ARTS
AND THE COMMITTEE ON WAYS & MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
WEDNESDAY, FEBRUARY 17, 2021 AT 3:30 P.M.

To The Honorable Brian T. Taniguchi, Chair;
The Honorable Les Ihara, Jr., Vice Chair; and
Members of the Committee on Labor, Culture & The Arts,

To The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and
Members of the Committee on Ways and Means,

COMMENTS ON HB1278 HD1 RELATING TO EMPLOYMENT SECURITY

My name is Pamela Tumpap. I am the President of the Maui Chamber of Commerce, in the county most impacted by the COVID-19 pandemic in terms of our dependence on the visitor industry and corresponding rate of unemployment. We used to think the trickle-down effect from the visitor industry was 75%, but today it is likely between 85-95%.

The Maui Chamber of Commerce supports a solution, which is desperately needed, and our goal is to keep costs as low as possible this year, which is why we have proposed the alternate suggestion below instead of moving to Schedule D.

OUR SUGGESTION: We understand the Administration and the Director of the Department of Labor are pushing to start at Schedule D because 15% of businesses would not pay at Schedule C. To address this, we strongly recommend staying at Schedule C, but at a minimum reserve rate of .1400-.1499. In this scenario, all businesses would contribute, with those at the bottom (who have had an excellent experience rating) paying a maximum of $47.40 per month instead of $94.80 per month on Schedule D and NOT PENALIZING the other 85% of businesses, who would otherwise be contributing to ensure we have an equitable contribution system.

Legislators **must** recognize the dire conditions and do everything possible to keep our remaining businesses alive, which means staying at Schedule C and giving them time to recover. Even moving up to Schedule D could result in an increase of $94.80-$474 per employee. For a business with 10 employees, this would equate to roughly $1,000-$5,000 and **businesses simply cannot afford it.** We feel our proposal is a winning solution and compromise.

MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

Further, we want to echo what others have shared in testimony. Under normal circumstances, the UI fund is the responsibility of employers, but these are not normal circumstances. COVID-19 devastated our economy and businesses were forced to shut down and then operate under restrictions due to County and State rules. **The burden of replenishing this fund, which was decimated due to a global pandemic and County and State decisions, should not be the responsibility of businesses alone!**

While we appreciate the Department of Labor Director's efforts and understand that the Governor is proposing Schedule D for an equitable system, we feel we have come up with a solution so that all businesses contribute in our recovery, but **it is imperative that you hear the voices of the businesses who are paying into this fund and the industry groups (who each represent thousands to tens of thousands of employees) who are saying this is not the time to increase their expenses.**

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

95 Mahalani Street, Suite 22A, Wailuku, Hawaii 96793 808-244-0081 info@MauiChamber.com MauiChamber.com

P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

February 17, 2021

HEARING BEFORE THE
SENATE COMMITTEE ON LABOR, CULTURE, AND THE ARTS
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON HB 1278, HD1
RELATING TO EMPLOYMENT SECURITY

Conference Room 225
3:30 PM

Aloha Chairs Taniguchi and Dela Cruz, Vice-Chairs Ihara and Keith-Agaran, and Members of the Committees:

I am Brian Miyamoto, Executive Director of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawaii Farm Bureau supports HB 1278, HD1, which provides unemployment insurance relief in the form of credit for certain reimbursable employers, requires the Director of Labor and Industrial Relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in the calendar years 2021 and 2022, and sets the employer contribution rate at schedule D for both calendar years 2021 and 2022.

Due to the ongoing COVID-19 pandemic, businesses need support to continue their efforts to keep open and people in Hawaii employed. The closures of restaurants, schools, hotels, and other businesses over the last eleven months have drastically decreased demand for local agricultural products. Although support for local agriculture is strong, and everyone seems to agree that Hawaii should be more self-sufficient, many farmers and ranchers are still struggling and have lost customers and cash flow. They have had to lay off workers and are struggling to make ends meet. Some may be forced to shut down entirely.

The current UCTF schedule D for 2021 and 2022, as proposed in HB 1278, HD1, is a step in the right direction and will allow employers to keep workers employed during this economic recovery period.

Thank you for the opportunity to testify in support of this measure.

HB-1278-HD-1
Submitted on: 2/16/2021 1:32:58 PM
Testimony for LCA on 2/17/2021 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Lititia Thomas	Testifying for Ho'ala Salon and Spa	Comments	No

Comments:

Re: HB 1278

Members of the Committees:

I have been a business owner here in Hawaii since 2010. We are a Full-Service Salon and Spa with locations at the Ala Moana Shopping Center and at the Ka Makana Ali'I Mall. Between the two locations we employed approximately 80 employees.

Thank you for scheduling this joint hearing. The political will to fast-track this bill is greatly appreciated so that employers like myself are spared Schedule H. All things considered, I support HB1278 which holds the tax schedule at Schedule D for 2021 and 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give our business the best shot to recover.

The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy. In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn't enough discussion about how this will be addressed or who will be responsible for repayment.

It must be said outright: Relying on Hawaii's employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan. As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the best chance possible to recover and thus stimulates the economy.

One more point I would like to make, is that independent contractors and booth rentals pose unfair competition to businesses like ours with an employee-based model. We correctly classify those that work for us as employees and pay the associated taxes and insurance. Businesses that treat their employees as independent contractors or have booth rental are not paying those taxes or providing insurance coverage. Something should be done about this.

I urge you to look for other ways to finance the state's debt, whether it's moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what's the risk? More business closures, more gig or underground economy and more instability for Hawaii's people.

Thank you for listening to my concerns. If you have any questions please call my cell at 808.232.5615.

Mahalo,

Lititia Thomas

Comments to the Committee on Labor, Culture and the Arts
and Committee on Ways and Means
Wednesday, February 17, 2021
3:30 p.m. Conference Room 225

RE: HOUSE BILL 1278 H.D. 1
RELATING TO EMPLOYMENT SECURITY

Chair Dela Cruz, Chair Taniguchi, and Members of the Committees:

We appreciate your efforts to assure there are affordable unemployment insurance taxes, allowing employers to recover from the pandemic. Thank you for the opportunity to share our support.

BACKGROUND

ProService Hawaii provides employee administration services to over 2,400 small businesses in Hawaii, representing over 35,000 employees in Hawaii. As a professional employer organization (PEO), we ensure that our clients remain compliant with Federal and State employment and labor laws, while allowing them to focus on their core business, providing needed and valuable services to the people and the economy of the State. In addition, we ensure that our clients' employees receive timely payment of; wages, workers' compensation and TDI benefits coverage. We also provide HR training and services, dispute resolution, and safety services to our clients and our clients' employees.

We support the efforts of this legislative body to explore the options to support employers with affordable unemployment insurance taxes as it is in this state's and business' best interests to offer an opportunity to rebound and not penalize employers for bringing employees back into the workforce. We are providing comments to encourage a lower rate unemployment insurance rate schedule for the next several years.

HB1278 holds the schedule at D for 2021 and D for 2022 and mandates that COVID related claims do not impact the rates. We support the proposed bill as this will provide our economy some time to recover before determining rate schedules in future, hopefully non-pandemic years..

SUMMARY OF COMMENTS and CONCERNS

There are two issues to address:

1. Holding payroll taxes down so our economy can rebound
2. Replenishing the UI trust fund and paying down the Federal loan

Holding the payroll tax down: Unless a bill is passed and signed by the Governor before March, the tax rate schedule will increase from Schedule C to Schedule H in 2021 and rates could triple for some employers. Businesses of all sizes, but particularly small businesses, cannot handle a steep SUTA increase. **A local business with 5 employees could pay an extra $7,000 in SUTA taxes if rates are increased to Schedule H.** This will create disincentives to hire (or re-hire) employees and slow down business recovery. In their already weakened state, many more businesses will shut their doors thereby shrinking local employment opportunities for Hawaii workers for good. Our local businesses and workers have suffered enough already.

Replenishing the UI Fund: The government cannot fairly hold employers solely responsible for replenishing the trust fund. Our unemployment system was originally designed to be 100% funded by employers to provide wage benefits to those unemployed who were between jobs as a result of *business* decisions. The pandemic and the ensuing shutdowns were not business decisions. The mass shutdowns were societal decisions responding to an *unforeseen* catastrophe. The fund was not intended to pay for major disasters. Moreover, the unemployment system has become a mechanism to deliver economic relief to the population of Hawaii, much like social security, and it is entirely unfair to ask employers alone to foot the bill. We understand that the Administration's position is that under Schedule C, 15% of businesses are not contributing to the fund and have recommended Schedule D. Employers who are lucky enough to have weathered 2020 should not be penalized for surviving and subsidizing the businesses who unfortunately did not make it.

Our lawmakers need to look for *other ways* to replenish the trust fund outside of tax hikes on employers. We must work with our congressional delegates to ask the federal government for relief, using more CARES funds to pay down federal loans, or issue government bonds and spread out the timing and the source of repayment. Everyone is responsible, not just employers.

Looking at ProService's 2400 clients, and that Schedule D is, on average, .4% higher than Schedule C. Schedule D adjusts the schedule so that all contributory employers are paying UI tax on wages while not becoming an undue burden to business or a barrier to bringing employees back to work.

CONCLUSION

This is a huge step in the right direction to economic recovery. The mass shutdowns that triggered unemployment to skyrocket were the result of *societal* decisions rather than *business* decisions, of which employers cannot fairly be responsible for footing the bill alone. The trust fund was not intended to pay for financial relief for major disasters.

We urge this legislative body to amend this bill and advocate for holding rates at Schedule D for 2021 and 2022, mandate the exclusion of 2020 utilization, and look for *new* ways to replenish the state's depleted unemployment reserves.

Thank you for the opportunity to support this bill.

Nelson Befitel

Chief Counsel

ProService Hawaii

Down to Earth
Organic & Natural

Corporate Office
P.O. Box 1166
Kailua, HI 96734
Phone: (808) 484-5890
Fax: (808) 484-5896
corporate@downtoearth.org

Oahu Locations

Honolulu
2525 South King Street
Honolulu, HI 96826
Phone: (808) 947-7678
Fax: (808) 943-8491
honolulu@downtoearth.org

Kailua
573 Kailua Road
Suite 101
Kailua, HI 96734
Phone: (808) 262-3838
Fax: (808) 263-3788
kailua@downtoearth.org

Pearlridge
98-211 Pali Momi Street
Suite 950
Aiea, Hawaii 96701
Phone: (808) 488-1375
Fax: (808) 488-4549
pearlridge@downtoearth.org

Kapolei
4460 Kapolei Parkway
Kapolei, Hawaii 96707
Phone: (808) 675-2300
Fax: (808) 675-2323
kapolei@downtoearth.org

Kakaako
500 Keawe St.
Honolulu, HI 96813
Phone: (808) 465-2512
Fax: (808) 465-2305
kakaako@downtoearth.org

Maui Location

Kahului
305 Dairy Road
Kahului, HI 96732
Phone: (808) 877-2661
Fax: (808) 877-7548
kahului@downtoearth.org

HB1278 HD1 RELATING TO EMPLOYMENT SECURITY
Senate Committees on Labor Culture & the Arts and Ways and Means
February 17, 2021, 3:30pm State Capitol

Aloha Sen. Brian T. Taniguchi, LCA Chair, Sen. Les Ihara Jr., LCA Vice Chair, Sen. Donovan M. Dela Cruz, WAM Chair, and Sen. Gilbert S.C. Keith-Agaran, WAM Vice Chair, and Committee Members,

Down to Earth Organic and Natural testifies in support of HB1278 HD1.

Down to Earth Organic and Natural has six locations on Oahu and Maui. Since we opened in 1977, we have supported healthy lifestyles and preservation of the environment by selling local, fresh, organic and natural products, and by promoting a healthy, plant-based and vegetarian lifestyle.

We are in strong support of HB1278 HD1 which will provide unemployment relief for employers.

As an employer of close to 300 local residents on Oahu and Maui, who has been in business here for over 40 years, Down to Earth is an important part of our island communities. We hope to remain so for many more years to come. As we struggled alongside other local businesses to stay open in 2020, we held out hope for a better future.

With the Legislature's and the Governor's support for local businesses by not increasing the Unemployment Insurance rates, our businesses may have a chance to recover, positively impacting our economy and our communities. Please vote to keep the rate schedule at level C for as long as possible. We urge you to vote in favor of saving local businesses, local jobs, and in favor of Hawaii's recovery.

Thank you for the opportunity to comment on this bill.

Alison Riggs
Public Policy & Government Relations Manager
Down to Earth

2525 S. King St., Suite 309
Honolulu, HI 96826

Phone (808) 824-3240
Fax (808) 951-8283
E-mail: alison.riggs@downtoearth.org

HB-1278-HD-1
Submitted on: 2/13/2021 11:07:04 AM
Testimony for LCA on 2/17/2021 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Marvin Woo	Testifying for Woos Electrical	Comments	No

Comments:

Aloha, members of the Committees:

My name is Marvin Woo, and I'm the business owner of Woo's Electrical & Appliance, a small, local business specializing in residential electrical and appliance repair.

Thank you for scheduling this joint hearing. The political will to fast-track this bill is greatly appreciated so that employers like myself are spared Schedule H.

All things considered, I support HB1278 which holds the tax schedule at â€‹Schedule D for 2021 andâ€‹ 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give businesses the best shot to recover. The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy.

In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn't enough discussion about how this will be addressed or who will be responsible for repayment. It must be said outright: Relying on Hawaii's employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan.

As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the â€‹best chance possible to recover and thus stimulates the economy. Meanwhile, I urge you to look for other waysâ€‹ to finance the state's debt, whether it's moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what's the risk? More business closures, more brain drain and more instability for Hawaii's people.

Thank you for listening to my concerns.

Aloha,

Marvin Woo

Owner

Woo's Electrical & Appliance

Members of the Committees:

My name is Darla and I’m a business owner. I have a small property restoration company that started one year ago and we have two employees.

Thank you for scheduling this joint hearing. The political will to fast-track this bill is greatly appreciated so that employers like myself are spared Schedule H.

All things considered, I support HB1278 which holds the tax schedule at Schedule D for 2021 *and* 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give businesses the best shot to recover. The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy.

In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn’t enough discussion about how this will be addressed or who will be responsible for repayment. It must be said outright: Relying on Hawaii’s employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan.

As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the *best* chance possible to recover and thus stimulates the economy. Meanwhile, I urge you to look for *other ways* to finance the state’s debt, whether it’s moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what’s the risk? More business closures, more brain drain and more instability for Hawaii’s people.

Thank you for listening to my concerns.

[YOUR NAME]

HB-1278-HD-1
Submitted on: 2/13/2021 8:09:41 AM
Testimony for LCA on 2/17/2021 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Marilyn Solatre	Testifying for Pono Kai Resort	Comments	No

Comments:

Members of the Committees:

My name is Marilyn Solatre, the General Manager for the Pono Kai Resort at Kapaa, Kauai Hawaii. Pono Kai has been operating as an association of timeshare resort since 1980 and we have about 80 employees.

Thank you for scheduling this joint hearing. The political will to fast-track this bill is greatly appreciated so that employers like myself are spared Schedule H. All things considered, I support HB1278 which holds the tax schedule at Schedule D for 2021 *and* 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give businesses the best shot to recover. The alternative poses devastating short-term and long-term consequence for businesses and the health of our economy.

In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn't enough discussion about how this will be addressed or who will be responsible for repayment. It must be said outright: Relying on Hawaii's employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan.

As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the *best chance possible to recover and thus stimulates the economy. Meanwhile, I urge you to look for other ways to finance the state's debt, whether it's moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what's the risk? More business closures, more brain drain and more instability for Hawaii's people.*

Thank you for listening to my concerns.

Marilyn Solatre, General Manager of Pono Kai Resort

TO: Committee on Labor, Culture, & the Arts & Committee on Ways & Means

FROM: Adrian Hong, President of Island Plastic Bags, Inc.

RE: HB 1278 HD1 Relating to Employment Security

POSITION: STRONGLY SUPPORT

Thank you for the opportunity to submit testimony in strong support of HB 1278 HD1. My name is Adrian Hong and I am the president of Island Plastic Bags Inc. (IPB), a second-generation, family business in Halawa Valley that manufactures plastic trash liners and food grade bags. This bill is badly needed to avoid crippling payroll tax hikes on already struggling businesses.

At the onset of the pandemic, I told my employees that we would not lay anyone off because of the pandemic. I told them that they would still have all their health and 401K benefits. Almost a year on, we have kept that promise but it has been by no means easy. 2020 was the worst year on record for our company. Our revenues in 2020 were down 36% compared to the previous year.

While a PPP loan and the Small Business Recovery & Relief Fund grant we received helped tremendously, we are still very far away from operating at a sustainable level of revenues. The absolute last thing we need is more taxes on our struggling business. The harder you make it for small businesses, the less of them will survive the pandemic. That will cost the state jobs, tax revenues, and a more vibrant and diverse economy in the future.

I understand that as legislators that you only have difficult decisions ahead of you this session, but I urge you to think of what will happen if more small businesses go under. Thank you for the opportunity to testify in strong support of HB 1278 HD1. Should you have any questions or comments about my testimony you can contact me by email at ahong@islandplasticbags.com or by phone at 808-484-4046.

Sincerely,

Adrian K. Hong, CPA*

President

Island Plastic Bags, Inc.

www.islandplasticbags.com

Email: ahong@islandplasticbags.com|Phone: 808-484-4046 |Fax: 808-488-8505

*Not in public practice

HB-1278-HD-1
Submitted on: 2/16/2021 8:15:21 AM
Testimony for LCA on 2/17/2021 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Heather Bailey	Individual	Comments	No

Comments:

Members of the Committees:

My name is Heather Bailey and I'm a business owner. I own AVS Audio Visual Services Hawaii and have been in business since 1999. Pre-pandemic we employed 34 people.

Thank you for scheduling this joint hearing. The political will to fast-track this bill is greatly appreciated so that employers like myself are spared Schedule H.

All things considered, I support HB1278 which holds the tax schedule at â€‹Schedule D for 2021 *and*â€‹ 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give businesses the best shot to recover. The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy.

In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn't enough discussion about how this will be addressed or who will be responsible for repayment. It must be said outright: Relying on Hawaii's employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan.

As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the â€‹*best* chance possible to recover and thus stimulates the economy. Meanwhile, I urge you to look for *other ways*â€‹ to finance the state's debt, whether it's moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what's the risk? More business closures, more brain drain and more instability for Hawaii's people.

Thank you for listening to my concerns.

Heather Bailey

TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 17, 2021

Re: HB 1278 HD1 Relating to Employment Security

Good afternoon Chair Taniguchi and Chair Dela Cruz and members of the Senate Committee on Labor Culture and the Arts, and the Senate Committee on Ways and Means. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains, and everyone in between.

We SUPPORT HB 1278 HD1 Relating Employment Security. This measure amends the definitions of benefit year and week; conforms the manner of filing claims for partial benefits to the same as for total or part-total benefits.; provides relief for certain reimbursable employers; requires the director of labor and industrial relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022; for calendar years 2021 and 2022, sets the employer contribution rate at schedule D; and makes amendments to contribution rate schedule and procedure for determination retroactive to 1/1/2021.

While we understand the need to replenish the Unemployment Insurance fund, we feel that this measure presents the best and fairest option. Many in our industry, especially the local small retailers will not be able to afford the steep increases that are set forth in other measures. We simply cannot absorb the 4 to 5 time the unemployment insurance rate schedules set in other measures and would force more businesses to shut down.

The retail industry has been one of the hardest hit during the pandemic. Since the pandemic, those retailers who were deemed non-essential were forced to close their businesses for months due to government orders. Those on Oahu were forced to close their businesses a second time with no income from online sales unless they were fulling the orders from home. Retailers have also had to endure an almost 50% rate increase in interisland shipping. Many stores who rely directly on the visitors are not opening until the customer base returns – if they can hold on that long. They have also reduced their staff, taken pay-cuts and more to survive.

We appreciate the committees and legislators' efforts in trying to find a viable solution to this situation as well as being empathetic in trying to keep businesses alive so that we can continue to operate and help in Hawaii's economic recovery.

Mahalo again for this opportunity to testify.

3610 Waialae Ave • Honolulu, HI 96816 (808) 592-4200 tyamaki@rmhawaii.org

Members of the Committees,

My name is Daniel Sykes and I'm a business owner in Maui. My business, Maui Adventure Group, Inc. dba The Snorkel Store was established in 2010 as a beach rentals and activity sales company. Until March of 2020, we had 17 employees and were on track for our best year yet. Due to the pandemic, we have lost hundreds of thousands of dollars, had to lay off 10 employees, were forced to permanently close one location and have struggled to stay in operation. My business partner and I are anxious about the rising unemployment costs that would surely devastate our business even further.

Thank you for scheduling this hearing. The political will to fast-track this bill is greatly appreciated so that employers like myself are spared Schedule H

I support HB1278 which holds the tax schedule at Schedule D for 2021 and 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give businesses the best shot to recover. The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy

In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn't enough discussion about how this will be addressed or who will be responsible for repayment. It must be said outright: Relying on Hawaii's employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan.

As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the best chance possible to recover and thus stimulates the economy. Meanwhile, I urge you to look for other ways to finance the state's debt, whether it's moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what's the risk? More business closures, more brain drain and more instability for Hawaii's people.

Can I count on you?

Thank you for listening to my concerns. With aloha,

Daniel L Sykes II

Daniel Sykes
Maui Adventure Group, Inc., Owner and CEO
808.269.2669.
daniel@mauiadventuregroup.com

Hawaiian Humane Society
People for animals. Animals for people.

2700 Waialae Avenue Honolulu, Hawaii 96826
808.356.2200 • HawaiianHumane.org

Date: Feb. 15, 2021

To: Chairs Senators Brian Taniguchi and Donovan Dela Cruz
Vice Chairs Senators Les Ihara and Gilbert Keith-Agaran
and Members of the Committees on Labor, Culture and the Arts;
and Ways and Means

Submitted By: Anna Neubauer, President and CEO
Hawaiian Humane Society, 808-356-2242

RE: Testimony in support of HB 1278, HD1:
Relating to Employment Security
Wednesday, Feb. 17, 2021, 3:30 p.m., Conference Room 225

Aloha Chairs Taniguchi and Dela Cruz, Vice Chairs Ihara and Keith-Agaran and Committee Members,

On behalf of the Hawaiian Humane Society, thank you for considering our support of House Bill 1278, HD1, which sets, for calendar years 2021 and 2022, the employer contribution rate at schedule D.

I appreciate the government's desire to improve the tax rate schedule for Hawaii employers. While this bill is a step in the right direction, I fear that raising the tax rate schedule to anything other than Schedule C for 2021 and 2022 will negatively impact Hawaii's economic recovery. I also urge you to ensure that 2020 utilization rates are excluded in determining 2021 rates.

Hawaiian Humane has worked diligently to secure funding during this challenging time in order to keep our staff employed and provide for the animals in our care. The need for our services has increased dramatically during the pandemic and the resulting economic crisis. So far, we have risen to the challenge to provide assistance to the growing number of pets and pet owners in need. We do not want to reduce services to our community or the size of our team as a result of a dramatic increase in employment costs, but we may not be able to afford to do anything else.

Thank you for considering my support for increased relief for our local employers.

Kohala Coast
RESORT ASSOCIATION

February 15, 2021

Senator Brian Taniguchi, Chair
Senate Committee on Labor Culture and the Arts
Senator Donovan Dela Cruz, Chair
Senate Committee on Ways and Means
Hawaii State Legislature

Support of HB1278 HD1

Dear Senator Taniguchi, Senator Dela Cruz and Members of the Senate Committees on Labor, Culture and the Arts and Ways and Means,

Thank you for the opportunity to provide testimony in support of HB1278 HD1.

We truly appreciate the State Legislature's efforts to address the concerns related to the proposed increases in Unemployment Insurance costs as quickly as possible. Thank you for moving swiftly by convening this joint committee hearing. We support setting the rate at Schedule C and D respectively, and look forward to greater partnerships as we all work to recover from the devastating economic impacts from COVID-19.

KCRA is a collection of master-planned resorts and hotels, situated north of the Kona International Airport which represents more than 3,500 hotel and timeshare accommodations and an equal number of resort residential units. This is approximately 35 percent of the visitor accommodations available on the Island of Hawai`i. KCRA member properties annually pay more than $25 million in TAT, $25 million in GET and $11 million in property taxes. KCRA members employ more than 5,000 Hawaii Island residents.

Mahalo for the opportunity to provide comments.

Sincerely,

Stephanie P. Donoho

Stephanie Donoho
Administrative Director

PO Box 6991, Kamuela, HI 96743 * (808) 747-5762 * kohalacoastresortassn@gmail.com * www.kohalacoastresorts.com

Senate Committee on Labor, Culture and the Arts and Ways and Means

Senator Brian T. Taniguchi, Chair
Senator Donovan M. Dela Cruz, Chair
Wednesday, February 17, 2021 at 3:30 P.M.
Via Videoconference

RE: HB 1278, HD 1, RELATING TO EMPLOYMENT SECURITY

Chairs Taniguchi and Dela Cruz, Vice Chairs Les Ihara, Jr. and Keith-Agaran, and Members of the Committees:

The Society of Human Resource Management (SHRM) Hawaii supports HB 1278, HD 1.

SHRM Hawaii serves and represents nearly 600 members and employers' statewide and human resource management is a critical component to the success and survival of the many businesses that make up our local economy. HR professionals are responsible for evaluating and balancing the needs of both the employers and employees and caring for businesses' most valuable asset: the working people of our state.

The State Unemployment Compensation Trust Fund (UCTF) is largely funded by employers and determined based on the employer's experience in the payment of contributions and benefits. UCTF, which had a reserve of $607.5 million as of November 2019, was depleted in June 2020, due to the extraordinary increase in Hawaii's unemployment rate caused by the COVID-19 pandemic. Consequently, the State received a $700 million loan from the federal government as federal unemployment insurance advances under Title XII of the Social Security Act to continue payment of unemployment benefits.

The government cannot fairly hold employers solely responsible for replenishing the trust fund and to pay off the loan debt. Our unemployment system was originally designed to be 100% funded by employers to provide wage benefits to those unemployed who were between jobs as a result of business decisions. The pandemic and the ensuing shutdowns were not business decisions.

AFFILIATE OF SHRM SOCIETY FOR HUMAN RESOURCE MANAGEMENT

SHRM Hawaii, P. O. Box 3175, Honolulu, Hawaii (808) 447-1840

The looming UI premium increases will force many employers who fought to keep people working throughout the pandemic to ultimately exacerbate our struggling economy by cutting more jobs they would otherwise keep and an increase in UI will place business survival out of reach for many and cause job losses and business closures.

The Legislature and the Governor have until March 2021 to provide relief to struggling employers and workers before employers are forced to bear substantial UI tax burdens that will deepen and prolong the economic recovery for struggling businesses and working families. We implore you to help Hawaii's employers stave off what will be a catastrophic tipping point for many small businesses and provide much needed relief to help them continue preserving much needed jobs.

SHRM appreciates your consideration and we respectfully urge your Committee to pass thus much needed relief.

Thank you for this opportunity to provide testimony.

Kalani Morse
Legislative Affairs Committee Co-Chair

Dailyn Yanagida
Legislative Affairs Committee Co-Chair

February 16th, 2021

Members of the Committees:

My name is Lari Jarvis and I'm a business owner of massage clinics on Oahu and Maui. We opened our first clinic in 2012 and now provide our massage and wellness services at 5 locations. We currently employ over 170 residents of Hawaii consisting of Licensed Massage Therapists and Estheticians, as well as client service and support staff. Our company consistently recruits and hires residents of Hawaii and continued to do so during the challenges and forced closures during COVID-19. We genuinely believe our success and ability to provide wellness to our clientele comes from maintaining a diverse and talented team of service providers and team members.

Thank you for scheduling this joint hearing. The political will to fast-track this bill is greatly appreciated so that employers like myself are spared Schedule H. All things considered, I support HB1278 which holds the tax schedule at Schedule D for 2021 and 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give businesses the best shot to recover. The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy.

In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn't enough discussion about how this will be addressed or who will be responsible for repayment. It must be said outright: Relying on Hawaii's employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan.

As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the best chance possible to recover and thus stimulates the economy. Meanwhile, I urge you to look for other ways to finance the state's debt, whether it's moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what's the risk? More business closures, more brain drain and more instability for Hawaii's people.

Thank you for listening to my concerns.

Lari Jarvis

02/16/2021

Members of the Committees:

My name is Loren Osborn and I'm a business owner.   I am a General Contractor, my business is Castaway Construction & Restoration, LLC. and have been in business since 2009.
Thank you for scheduling this joint hearing. The political will to fast-track this bill is greatly appreciated so that employers like myself are spared Schedule H. All things considered, I support HB1278 which holds the tax schedule at Schedule D for 2021 and 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give businesses the best shot to recover. The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy. In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn't enough discussion about how this will be addressed or who will be responsible for repayment. It must be said outright: Relying on Hawaii's employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan. As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the best chance possible to recover and thus stimulates the economy. Meanwhile, I urge you to look for other ways to finance the state's debt, whether it's moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what's the risk? More business closures, more brain drain and more instability for Hawaii's people.

Thank you for listening to my concerns.

Loren R. Osborn
President
Castaway Construction & Restoration LLC
PO Box 330640
Kahului, HI 96733

PO Box 330640 Kahului, Hawaii 96733
O: 808-419-6650 F: 808-419-6649
info@castawayhawaii.com

Members of the Committees:

My name is Al Darling, and I am a small business owner. As a co-founder and CFO of Lanikai Brewing Company, this bill is important to us. We have been producing “Island Inspired” craft beer since 2015 and have 14 employees.

Thank you for scheduling this joint hearing. The political will to fast-track this bill is greatly appreciated so that employers like myself are spared Schedule H.

All things considered; I support HB1278 which holds the tax schedule at Schedule D for 2021 and 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible to give businesses the best shot to recover.

The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy.

In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021, and currently there is not enough discussion about how this will be addressed or who will be responsible for repayment.

It must be said outright: Relying on Hawaii’s employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan.

As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the best chance possible to recover and thus stimulates the economy.

Meanwhile, I urge you to look for other ways to finance the state’s debt, whether it is moving debt from the DLIR to the General Fund or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what is the risk? More business closures, more “brain drain” and more instability for Hawaii’s people.

Thank you for listening to my concern.

Al Darling, CFO
Lanikai Brewing Company, LLC
al@lanikaibrewing.com

February 17, 2021

Representative Richard H.K. Onishi, Chair
Representative Jackson D. Sayama, Vice Chair
House Committee on Labor & Tourism

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
House Committee on Finance

RE: HOUSE BILL 1278 RELATING TO EMPLOYMENT SECURITY

Chair Onishi, Chair Luke, and Members of the Committees:

My name is Linda Fernandez and I am a business owner of multiple family entertainment centers located on Oahu and the neighbor islands. Fun Factory, Inc. has been in business for 45 years bringing smiles and happiness to the families of Hawaii. Unfortunately, we have already had to close two of our stores permanently within the last year due to the pandemic. We would like to keep entertaining at our remaining locations and maintain our staff but need all the help we can get.

I support HB1278 which holds the tax schedule at Schedule D for 2021 and 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give businesses like ours the best shot to recover. The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy. In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn't enough discussion about how this will be addressed or who will be responsible for repayment. It must be said outright: Relying on Hawaii's employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan. As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the best chance possible to recover and thus stimulates the economy. Meanwhile, I urge you to look for other ways to finance the state's debt, whether it's moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what's the risk? More business closures, more brain drain and more instability for Hawaii's people. Thank you for listening to my concerns.

Thank you,

Linda Fernandez
President
Fun Factory, Inc.
lindaf@funfactoryinc.com
(808) 682-5767

HPCA
HAWAI'I PRIMARY CARE ASSOCIATION

Testimony to the Senate Joint Committee on Labor, Culture and the Arts, and Ways and Means
Wednesday, February 17, 2021; 3:30 p.m.
State Capitol, Conference Room 225
Via Videoconference

RE: HOUSE BILL NO.1278, HOUSE DRAFT 1, RELATING TO EMPLOYMENT SECURITY.

Chair Taniguchi, Chair Dela Cruz, and Members of the Joint Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **STRONGLY SUPPORTS** House Bill No. 1278, House Draft 1, RELATING TO EMPLOYMENT SECURITY.

The bill, as received by your Committee, would, among other things:

(1) Set the employer contribution rate at schedule D for calendar years 2021 and 2022;

(2) Require the Director of Labor and Industrial Relations (Director) to omit benefits charged for experience ratings for employers due to COVID-19 in calendar years 2021, and 2022; and

(3) Require the Director to modify the annual computation to omit benefits charged for all employers to address the disruptions caused by the COVID-19 pandemic.

By way of background, the HPCA represents Hawaii Federally-Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

The COVID-19 pandemic has severely threatened the health and welfare of our citizens, especially Hawaii's underprivileged and rural communities. With so many people unemployed, entire families are struggling to put food on the table on a consistent basis. All one needs to do is visit one of our member FQHC's food distribution events and see the line of cars stretch for miles and people wait for hours to receive some surplus food.

According to House Standing Committee Report No. 0029 on House Bill No. 1278:

> *"The COVID-19 pandemic has created unprecedented financial hardships for employers statewide. Skyrocketing unemployment has led to the State's depletion of the Unemployment Compensation Trust Fund (Fund) to pay out on claims and required a loan of $700,000,000 to keep the fund afloat. Since employer tax contributions to the Fund are ordinarily calculated based on the overall health of the fund and the claims history of the employer, under the existing schedule, the depleted Fund would prompt the highest statutory rate of H to apply, at a time when employers can least afford the increase."*

If nothing is done to address this statutory requirement, already struggling businesses who are barely able to keep their shops open will have to close operations for good, leading to even more workers laid off and families not knowing what to do to put food on their table. Keep in mind, also, that FQHCS are nonprofit employers who would likewise be impacted by increase in contribution rate restricting their ability to provide essential health care services to the most vulnerable of our State.

This potentially poses a humanitarian crisis of unprecedented proportions that could even shut down the social safety net.

The HPCA acknowledges how seriously both the House and Senate have taken this issue by assigning single joint referrals in both chambers and "fast-tracking" its progress through the Legislative process. Next to the Budget Act, this bill will likely be the most important piece of legislation enacted this year.

For these reasons, the HPCA wishes to thank the Legislature for acting during this time of need and urges your favorable consideration of this measure.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiipca.net.

Maui Distributors, Inc.
1811 Wili Pa Loop
Wailuku, HI 96793
Ph: 808-249-8181 Fax: 808-249-8787
Email: sales@mauimdi.com

February 16, 2021

Dear Members of the Committee:

My name is Sidney Nako and I am a business owner on Maui for over 43 years serving all islands. We are distributors of health and beauty aids providing products to hotel gift shops, hotels properties, airport gift shops, grocery and small mom and pop establishments. Needless to say, since March 2020 small businesses like us have been affected by the unprecedented economic downturn and are urging all of you to please understand the impact of these bills that will no doubtedly affect all of us.

Thank you for scheduling this joining hearing. The political will to fast track this bill is greatly appreciated so that employers like myself are spared the Schedule H.

All things considered, I support HB 1278 which holds the tax Schedule D for 2021 and 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give businesses the best shot to recover. The alternative poses devastating short term and long term consequences for businesses and the health of our economy.

In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn't enough discussion about how this will be addressed or who will be responsible for repayment. It must be said outright: Relying on Hawaii's employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan.

As you consider your decisions today, I respectfully ask that you pass HB 1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the best chance possible to recover and thus stimulates the economy. Meanwhile, I urge you to look for other ways to finance the state's debt, whether it's moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what's the risk? More business closures, more brain drain and more instability for Hawaii's people.

Mahalo for listening to my concerns.
Sidney Nako, President, Maui Distributors, Inc.

Reliability • Integrity • Quality • Safety

ENGINEERING & INSPECTIONS HAWAII

Members of the Committees:

My name is Brian J. McKenna and I'm a business owner of Engineering & Inspections Hawaii and have been in business in Hawaii since December 1998. We employ typically 20 to 25 employees throughout the year.

Thank you for scheduling this joint hearing. The political will to fast-track this bill is greatly appreciated so that employers like myself are spared Schedule H.

All things considered, I support HB1278 which holds the tax schedule at Schedule D for 2021 *and* 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give businesses the best shot to recover.

The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy. In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn't enough discussion about how this will be addressed or who will be responsible for repayment. It must be said outright: Relying on Hawaii's employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan.

As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the *best* chance possible to recover and thus stimulates the economy. Meanwhile, I urge you to look for *other ways* to finance the state's debt, whether it's moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what's the risk? More business closures, more brain drain and more instability for Hawaii's people.

Thank you for listening to my concerns.
Brian J. McKenna

91-515 Nukuawa Street • Kapolei, HI 96707 • Tel: (808) 682-1667 • Fax: (808) 682-1834 • E-Mail: EIHawaii@eihawaii.com

Creating the best places to live, work, learn and heal

808.599.2411
www.op-hawaii.com
Contract Furnishers of Hawaii Inc dba Office Pavilion
50 South Beretania Street, Suite C-208B
Honolulu, Hawaii 96813

February 16, 2021

To: Members of the Committees:
From: Contract Furnishers of Hawaii dba Office Pavilion
Re: HB1278 Testimony

Aloha,

We are Wendy Shewalter and Leanne Hachey, owners of Contract Furnishers of Hawaii dba Office Pavilion. We are writing to you on behalf of our small woman-owned organization, which has been doing business in Hawaii for over 35 years.

Thank you for scheduling this joint hearing. The political will to fast-track this bill is greatly appreciated so that employers like our company are spared Schedule H.

All things considered, we support HB1278 which holds the tax schedule at Schedule D for 2021 and 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible in order to give businesses the best shot to recover.

The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy.

We are very concerned about the future and the threats that the economy and other COVID-related issues, like increased unemployment insurance taxes, will have on the continuity of our business operations. We employ over 40 staff, whom we consider our family. We feel we have a strong responsibility to keep them employed so they can take are of their families.

In addition to schedule relief, we urge you to consider how the state will repay its federal loan. By some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021 and currently there isn't enough discussion about how this will be addressed or who will be responsible for repayment. It must be said outright: Relying on Hawaii's employers simply cannot be the answer. There were other options available and employers never asked the government to take out a huge Title XII loan.

As you consider your decisions today, we respectfully ask that you pass HB1278, lowering the rate schedule to Schedule D for 2021 and 2022. This gives businesses like ours the best chance possible to recover and thus stimulates the economy. Meanwhile, we urge you to look for other ways to finance the state's debt, whether it's moving debt from the DLIR to the General Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms at a lesser impact to our economy. If we do not do so, what's the risk? More business closures, more brain drain and more instability for Hawaii's people.

Thank you for considering our concerns.

Respectfully,

Wendy A. Shewalter

Wendy Shewalter
Owner

Leanne Hachey
Owner

HAWAI'I LODGING & TOURISM ASSOCIATION

Testimony of
Mufi Hannemann
President & CEO
Hawai‘i Lodging & Tourism Association

Committee on Labor, Culture, & the Arts and Committee on Ways & Means
House Bill 1278, HD1: Relating to Employment Security

Chair Taniguchi, Chair Dela Cruz, and members of the Committees, mahalo for the opportunity to submit testimony on behalf of the Hawai‘i Lodging & Tourism Association, the state's largest private sector visitor industry organization.

The Hawai‘i Lodging & Tourism Association—nearly 700 members strong, representing more than 50,000 hotel rooms and nearly 40,000 lodging workers —advocates on behalf of a tourism industry that has been disproportionately affected by an unprecedented pandemic and an ensuing economic downturn. With travel at a near standstill and strict government mandates in place, businesses across the tourism sector were forced to furlough thousands of employees and in many cases drastically downsize their operations. With the enactment of the Safe Travels program, our hospitality industry slowly began to resume, and businesses are beginning to recover. However, should the State adhere to its current unemployment tax rate schedule increase, many employers would be saddled with an insurmountable tax rate that would prolong bringing workers back to work and would dampen the progress we have made in our economic recovery. **For these reasons, HLTA strongly supports House Bill 1278, House Draft 1.**

In December of last year, Hawai‘i recorded the highest unemployment rate in the nation as businesses continued to struggle with the absence of tourism. UHERO estimated that more than 1,400 local businesses had closed their doors permanently due to the COVID-19 pandemic, with another 2,000 suspending their operations. These businesses in their totality represent the appeal of our economy to prospective tourists. Travelers come here not only for our world-class hotels, but to enjoy our local cuisine, take advantage of our services and attractions, and shop at our local stores. Any business that is forced to close their doors for good would not only remove jobs from the marketplace, but would harm our overall appeal as a destination, and we need tourism to recover now more than ever.

For these reasons, we urge you to pass this measure and offer local business owners the tax relief they require. Doing so would not only keep businesses open and local residents employed, but also help Hawai‘i to retain its status as a premier place to live, work, play, and visit.

Thank you for the opportunity to offer this testimony.

HB-1278-HD-1
Submitted on: 2/16/2021 2:18:45 PM
Testimony for LCA on 2/17/2021 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Sheryl Nojima	Testifying for Gray Hong Nojima & Assoc., Inc.	Support	No

Comments:

I am a woman-owned small business owner, that employees 14 individuals. Gray, Hong, Nojima & Associates, Inc. provides consulting civil engineering services and has weathered many economic downturns over the past 48 years. This one appears the most daunting due to the extent of its global reach and the uncertainty having to contend with a relentless virus that continues to mutate, spread, and strengthen, all at the same time.

We support HB 1278 which holds the tax schedule at Schedule D for 2021 and 2022 and removes COVID-19 (2020) utilization from determining rates. It is imperative that this bill is ratified as quickly as possible. The alternative poses devastating short-term and long-term consequences for businesses and the health of our economy.

We appreciate the opportunity to voice our support of HB 1278.

Mahalo,

Sheryl E. Nojima, PhD, PE

President

NAIOP
COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

February 16, 2021

The Honorable Senator Brian Taniguchi
The Honorable Senator Les Ihara Jr.
Senate Committee on Labor, Culture
and the Arts

The Honorable Senator Donovan Dela Cruz
The Honorable Senator Gilbert Keith-Agaran
Senate Committee on Ways and Means

RE: **Bill number – HB 1278 HD1 RELATING TO EMPLOYMENT SECURITY**
Hearing date: Wednesday, February 17, 2021 at 3:30PM

Aloha Chair Taniguchi and Chair Dela Cruz, and members of the committees,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **SUPPORT** of HB 1278, HD1. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals. NAIOP Hawaii strongly supports the development of housing for Hawaii residents at all levels of income, especially affordable housing projects.

HB 1278, HD1 amends the definitions of benefit year and week. The measure amends Hawaii Revised Statutes, Section 383-68, subsection (c) set schedule D to apply for 2021 and schedule D for 2022. Further, HB 1278 allows for the Director of Labor and Industrial Relations for the calendar years of 2021 and 2022, to modify annual computation rate to omit benefits charged to all employers to address the disruptions caused by COVID-19.

NAIOP believes that relief to the 2021 SUTA increase is desperately needed. Small businesses are reeling and barely surviving amidst the deteriorating economic climate. HB 1278, HD1 provides the smallest increase over the course of 2-years producing. Allowing their SUTA costs to double or triple would further impede economic recovery and drive some companies out of business.

Given the uncertainty regarding the pandemic, the pace of the economic recovery, and potential for federal support funding it is prudent to provide a 2-year fix to the SUTA rate at D levels and then reassess thereafter. The Legislature will have more clarity and be in a better position next year to assess the best options to address the SUTA funding shortfall. The 2-year rate fix will allow for enough time to evaluate the health of the broader economy.

Furthermore, the long-term obligation to repay the SUTA debt and reestablish the reserves should be borne by the State at large and not rest solely on the business community. The depletion of the State Unemployment Funds was a result of the State government shutting down the economy in response to a public health crisis. It was not caused by actions taken by businesses themselves through poor decision making or risk taking. In addition, it was the State government that decided to materially increase the unemployment payments during the crisis to support Hawaii residents. Again, this decision was made for the greater public good, but it was not how the State Unemployment Fund was set-up to function. The debt attributed to the increased unemployment benefits should solely be borne by the State at large and not by local businesses.

Ultimately, HB 1278, HD1 keeps Hawaii companies in business by not placing the burden of increased SUTA costs to replenish the State Unemployment Fund squarely upon their shoulders. In turn, lower costs for employers will allow them to retain their employees resulting in additional tax revenue for the State. The benefits generated by HB 1278, HD1 will accelerate the State's ability to recover from COVID-19.

Mahalo for your consideration,

Catherine Camp, President
NAIOP Hawaii

envisions
creative event production

February 16, 2021

To: The Honorable Senator Brian T. Taniguchi, Chair
The Honorable Senator Les Ihara, Vice Chair
Members of the Committee on Labor, Culture and the Arts

The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Gilbert S.C. Keith-Agaran, Vice Chair
Members of the Committee on Ways and Means

Date: Wednesday, February 17, 2021
Time: 3:30 pm
Place: Hawaii State Capitol, Conference Room 225

From: Wayne Hikiji, President
Envisions Entertainment & Productions, Inc.

RE: Opposition to HB 1278, HD1 Relating to Employment Security

My name is Wayne Hikiji and I am the president of *Envisions Entertainment & Productions, Inc.* ("*Envisions*"), an event production company based in Kahului, Maui. We have been in business for 25 years and have 20 full-time employees who have been us between 16-25 years. We also employ approximately 20-25 part-time seasonal workers and contract between 115-120 independent contractors annually.

We oppose HB 1278, HD1 to the extent that it raises the Employer Contribution Rate for 2021 and 2022 to Schedule C of State Unemployment Insurance Taxes (SUTA).

Given the unprecedented economic devastation this pandemic has caused many businesses in Hawaii, especially small businesses like ours, we simply cannot afford an increase to the SUTA tax in 2021 or 2022. Economists are even predicting that our economy may not recover to pre-COVID levels until 2025.

More specifically, the Special Events Industry that we are a part of had been 100% shuttered since mid-March, resulting in a 97.5% drop in revenue from April through December of 2020. While there is a slight uptick in transpacific travel in 2021, we are still seeing only a fraction of the transpacific group and wedding business we rely primarily on to sustain ourselves. And while the 2nd Draw of PPP will provide temporary relief until May or June, it is a short-term fix that is simply not enough to keep us afloat through the summer and fall, much less through 2022.

Please remember that the mass shutdowns that triggered unemployment to skyrocket were the result of societal and governmental decisions, not business decisions. So if this Committee wants to help Hawaii's economic recover, the State of Hawaii and this Legislature should look for other ways to replenish the trust fund rather than put the onus of the pandemic's impact squarely on Hawaii businesses who, due to no fault of our own, are currently struggling just to stay afloat.

Even an increase to Schedule D in 2021 and 2022 could potentially force many small business to reduce their payroll or go out of businesss which would place Hawaii jobs in danger and create an insurmountable obstacle to rebuilding our already fragile economy.

Therefore, we call on all legislators to take the right action as was done in 2010 with Act 2 which artificially lowered SUTA rates following the Great Recession of 2008. We humbly ask that both Committees: **(i) keep unchanged the mandate that 2020 utilization rates be excluded in determining 2021 and 2022 rates, and (ii) reduce the Tax Schedule Rate to C for 2021 and 2022.**

Mahalo for your consideration.

Respectfully submitted,

ENVISIONS ENTERTAINMENT & PRODUCTIONS, INC.

____
Wayne Hikiji
Its President

FAIRMONT ORCHID, HAWAI`I

One North Kaniku Drive
Kohala Coast, Hawaii USA 96743
T +1 808 885 2000 F +1 808 885 5778

February 16, 2021

Representative Richard Onishi, Chair
House Committee on Labor and Tourism
Representative Sylvia Luke, Chair
House Committee on Finance
Hawaii State Legislature

RE: HB 1278

Aloha Representative Onishi; Members of the House Committee on Labor and Tourism;
Representative Luke and Members of the House Committees on Finance,

On behalf of Fairmont Orchid, a resort located in Hawaii Island, we appreciate this opportunity to provide testimony in support of HB 1278.

As we navigate through this unprecedented moment in our history, we remain deeply committed to the wellbeing of our Fairmont Orchid ‘ohana, which includes nearly 500 employees. As one of the largest employers along the Kohala Coast of Hawaii Island, we have always tried to care for our colleagues in the most compassionate way possible and we continue with this approach despite being faced with the crushing financial reality this pandemic has caused. Although we temporarily suspended our operations for several months last year in support of local authorities and COVID-19 mandates, we took proactive measures to stand in solidarity with our employees in the following ways:

- We invested over $2m in medical benefit costs for our furloughed employees in 2020.
- Our property conducted bi-weekly food drives for three months in partnership with the Kohala Coast Resort Association, we partnered with IRONMAN Hawaii on two occasions to offer drive-thru food pick-up distributions and we took a road trip around the island to deliver care packages to our colleagues.
- Through our parent company, Accor, we were able to offer financial assistance to colleagues who were particularly hard by the pandemic thanks to our ALL Heartist Fund. A significant number of our colleagues received grants ranging from $250 to $2000 to assist with rent payments, utility bills and food expenses.

As we look forward to recovering from the devastating impact of COVID-19, we support the State Legislature’s efforts to pass HB 1278. We would urge that this unemployment tax relief bill is vital to saving much needed jobs and rejecting it will inhibit our ability to restore additional employees. As such, we advocate setting the rate at Schedule C and D respectively, as we stabilize our business from the devastating economic impact of COVID-19.

Sincerely,

Charles Head
General Manager

HB-1278-HD-1
Submitted on: 2/16/2021 11:11:43 PM
Testimony for LCA on 2/17/2021 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kahala Knopp	Testifying for Pacific Mirror & Glass	Support	No

Comments:

Members of the Committees:

My name is Kahala and I’m a business owner of a construction company on Kauai - we have been in business for over 20 years and have 11 employees.

Thank you for scheduling this joint hearing. The
political will to fast-track this bill is greatly
appreciated so that employers like myself are spared Schedule H.

All things considered, I support HB1278 which holds the tax schedule at Schedule D for 2021
and 2022 and throws out COVID-19 (2020) utilization from determining rates. It is imperative
that this bill is ratified as quickly as possible in order to give businesses the best shot to recover.
The alternative poses devastating short-term and long-term consequences for businesses and
the health of our economy.

In addition to schedule relief, I urge you to consider how the state will repay its federal loan. By
some accounts, Hawaii could owe the federal government $1.2 billion dollars by the end of 2021
and currently there isn’t enough discussion about how this will be addressed or who will be
responsible for repayment. It must be said outright: Relying on Hawaii’s employers simply
cannot be the answer. There were other options available and employers never asked the
government to take out a huge Title XII loan.

As you consider your decisions today, I respectfully ask that you pass HB1278, lowering the
rate schedule to Schedule D for 2021 and 2022. This gives businesses like mine the

best
chance possible to recover and thus stimulates the economy. Meanwhile, I urge you to look for
other ways to finance the state's debt, whether it's moving debt from the DLIR to the General
Fund, or exploring issuing state bonds which allow the state to borrow money on its own terms
at a lesser impact to our economy. Again, small businesses were not the ones to decided to close the economy or borrow the money.

If we do not do so, what's the risk? More business closures, more poverty, and more instability for Hawaii's people.

Thank you for listening to my concerns.

HB-1278-HD-1
Submitted on: 2/16/2021 4:56:09 PM
Testimony for LCA on 2/17/2021 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeoffrey Cudiamat	Individual	Support	No

Comments:

Chairs Taniguchi and Dela Cruz, Vice Chairs Ihara, Jr. and Keith-Agaran, and Members of the Committees:

I support HB 1278, HD1 to provide unemployment insurance relief in the form of credit for certain reimbursable employers and to require DLIR to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022.

The burden of a UI premium increase will not only prolong the recovery for struggling businesses and working families but may be the tipping point for small businesses that may either close their business or cut jobs.

Jeoffrey Cudiamat, CEO

Structural Hawaii, Inc.

HB-1278-HD-1
Submitted on: 2/17/2021 11:03:23 AM
Testimony for LCA on 2/17/2021 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
STEFANIE Y SAKAMOTO	Testifying for BIA Hawaii	Oppose	No

Comments:

BIA Hawaii is in opposition of this bill because it will raise the cost of doing business for our members. Thank you for the opportunity to submit testimony.

Testimony to the Senate Committees
on Labor, Culture, and the Arts and on Ways and Means
Senators Brian Taniguchi and Donovan Dela Cruz, Chairs
Senators Les Ihara and Gilbert Keith-Agaran, Vice Chairs
Wednesday, February 17, 2021 at 3:30 p.m.
Via Videoconference
HB 1278, HD1 Relating to Employment Security

Dear Chairs Taniguchi and Dela Cruz, Vice Chairs Ihara and Keith-Agaran and Members of the LCA and WAM Committees:

On behalf of the Hawai`i Alliance of Nonprofit Organizations (HANO), I would like to offer our comments in support of **HB 1278, HD1**.

HANO is a statewide, sector-wide professional association of nonprofits. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai`i. Our member organizations provide essential services to every community in the state.

Hawaii's nonprofits have risen to the crises our state is enduring and continue to serve our communities through the hardships caused by the COVID-19 pandemic and economic downturn. Whether a nonprofit distributes food to the needy, serves the homeless population, provides health, human, or housing services during this unprecedented time, nonprofits act as the safety net for Hawaii's people in need.

Nonprofits have been forced to furlough or layoff staff and are suffering financial strain, similar to for-profit employers. Nonprofit revenues are likely to decline in 2021 as individuals are less able to make charitable donations and state and local governments make possible spending cuts to health and human services and other programs frequently performed by charitable nonprofits. If nonprofit employers are subject to the high unemployment insurance contribution rates, as now statutorily required, the financial hardship created will force a contraction in nonprofit services.

For these reasons, HANO supports all efforts to significantly reduce the employer tax contributions to the State Unemployment Compensation Trust Fund and to provide much needed financial relief to all of Hawaii's employers. HANO, in particular, appreciates the amendments made by the House Committees on Labor & Tourism and on Finance to provide relief to certain reimbursable employers.

Thank you for the opportunity to testify.

Mahalo,

Lisa Maruyama
President and CEO

1020 South Beretania Street, 2nd Floor, Honolulu, HI 96814
info@hano-hawaii.org • hano-hawaii.org
(808) 529-0466

BEFORE THE SENATE COMMITTEES ON
LABOR, CULTURE AND THE ARTS ANDWAYS AND MEANS

DATE: February 17, 2021

TIME: 3:30 p.m.

PLACE: Conference Room 225 &
Videoconference

Re: HB 1278, Relating to Employment Security

Aloha Chair Taniguchi, Chair Dela Cruz, Vice-Chair Ihara, Vice-Chair Keith-Agaran and members of the committees:

We are testifying on behalf of the National Federation of Independent Business (NFIB) in support of HB 1278, relating to employment security.

No one has greater incentive, responsibility or ability to lead the economy than Hawaii's small business owners. Small businesses play a major role in the economy, representing 99% of all employer firms, employing about half of private-sector employees and generating 63% to 80% of net new jobs annually. NFIB has consistently expressed concerns about the economic impacts of the pandemic on small businesses. Unless the Legislature and the Governor act by March, small businesses will face substantial increases in unemployment insurance taxes which are roughly three times larger than what was paid in 2020. We appreciate the legislature's intent in addressing unemployment insurance rates and support this measure.

The National Federation of Independent Business is the largest advocacy organization representing small and independent businesses in Washington, D.C., and all 50 state capitals. In Hawaii, NFIB represents nearly 900 members. NFIB's purpose is to impact public policy at the state and federal level and be a key business resource for small and independent business.

Please support HB 1278.

1099 Alakea Street, Suite 2530, Honolulu, Hawaii 96813 (808) 447-1840

HB-1278-HD-1
Submitted on: 2/17/2021 2:36:04 PM
Testimony for LCA on 2/17/2021 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Joel Cho	Testifying for Aloha News Stand LLC,	Support	No

Comments:

Aloha Committee Chairs and Members,

My name is Joel and I operate a blind vending facility at the Kahului Airport. This past year has been very tough on all of the businesses at the airport, we lost all of our inventory and we've had to struggle to find ways to keep our employees on the payroll. This bill would really help us out a lot as we recover over the next couple of years.

Thank you very much to all of you for pushing this much needed and appreciated action through.

Mahalo.