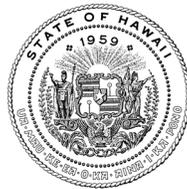


JOSH GREEN, M.D.
GOVERNOR



LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 163, H.D. 1

February 27, 2023
1:30 p.m.
Room 308 and Videoconference

RELATING TO COLLECTIVE BARGAINING

The Department of Budget and Finance (B&F) offers comments on this bill.

This measure amends Chapter 89, HRS, to require the employer to negotiate repricing within 30 days of receipt of a written request from the unions, provided that a repricing request can only be submitted once per occupation in any 18-month period. In addition, the measure implements impasse procedures if the employer fails to timely initiate a negotiation in compliance with paragraph (1) or the parties cannot reach an agreement within 90 days after the exclusive representative's written request to negotiate or by January 31st of a year in which the agreement is due to expire, whichever is earlier.

B&F has serious operational concerns with this measure. Under the terms of this measure, soon after a collective bargaining agreement is reached or an arbitration award is issued, unions could request repricing negotiations with impasse following 90 days after that. In addition to the direct costs of repricing arbitration awards, there are concerns with the increasing administrative costs and complexities of a potential endless cycle of contract negotiations and arbitrations.

Thank you for your consideration of our comments.

JOSH GREEN, M. D.
GOVERNOR
KE KIA'ĀINA

SYLVIA LUKE
LT. GOVERNOR
KA HOPE KIA'ĀINA



BRENN A H. HASHIMOTO
DIRECTOR
KA LUNA HO'OKELE

RYAN YAMANE
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
KA 'OIHANA HO'OMŌHALA LIMAHANA
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

Statement of
BRENN A H. HASHIMOTO
Director, Department of Human Resources Development

Before the
HOUSE COMMITTEE ON FINANCE
Monday, February 27, 2023
1:30 p.m
State Capitol, Conference Room 308 and Videoconference

In consideration of
HB 163 HD1, RELATING TO COLLECTIVE BARGAINING

Chair Yamashita, Vice Chair Kitagawa, and the members of the committee.

The Department of Human Resources Development (DHRD) appreciates the intent of HB 163 HD1 which requires the employer to initiate negotiations on repricing of classes within thirty days of a written request by the exclusive representative to negotiate and if an agreement is not reached within 90 days, the impasse procedures in HRS §89-11 will apply. However, we must respectfully oppose this measure.

DHRD is concerned for the following reasons:

1. Mandating unresolved repricing requests to the impasse procedures jeopardizes the employer's ability to maintain an equitable pay system and pay relationships. It exposes the employer to serious claims of unequal pay or discrimination.
 - An objective, consistent system of pricing and repricing classes of work protects the employer who is required to comply with federal and state laws that prohibit discrimination in compensation.
 - There will no longer be a consistent application of criteria if multiple arbitration panels make repricing determinations. Repricing requires a technical analysis and the decision maker should be knowledgeable about the subject class and related classes, and be trained in the factors that determine pricing.

2. The existing statute already provides unions with the opportunity to negotiate the repricing of classes at times allowed under the collective bargaining agreement. They can choose to submit these requests to arbitration in accordance with HRS §89-11 without the amendments made in this bill.
3. This bill may lead to costly arbitration hearings and it is not clear when repricing requests may be submitted.

Thank you for the opportunity to provide testimony and comments on this measure.

CITY AND COUNTY OF HONOLULU

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RICK BLANGIARDI
MAYOR



NOLA N. MIYASAKI
DIRECTOR

FLORENCIO C. BAGUIO, JR.
ASSISTANT DIRECTOR

February 27, 2023

The Honorable Kyle T. Yamashita, Chair
The Honorable Lisa Kitagawa, Vice Chair
and Members of the House Committee on Finance
State Capital
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

SUBJECT: House Bill No. 163, H.D.1
Relating to Collective Bargaining

House Bill 163, H.D.1 requires the employer to initiate negotiations on repricing of classes within a bargaining unit within thirty days of its receipt of the exclusive representative's written request to negotiate; and establishes that the employer's failure to initiate the negotiation within such time frame and with the parties' failure to reach an agreement within ninety days of the exclusive representative's written request to negotiate or by January 31 of a year in which the collective bargaining unit agreement is due to expire, whichever is earlier, constitutes an impasse to which the impasse procedures in section 89-11, HRS, shall apply.

The City and County of Honolulu, Department of Human Resources (DHR), respectfully opposes this measure.

Pricing is the initial process of assigning classes of work to a salary range based on the application of well-defined and objective factors such as the nature, scope and complexity of work performed. Pricing is used by the Employer to ensure that all classes within a jurisdiction are in internal alignment to one another, meaning that similar functioning classes have the same salary range assignment and are compensated fairly in comparison to one another. Repricing is the process of determining whether the initial pricing of a class was incorrect. While nothing has changed with regards to the work performed, there may have been an incorrect factor or consideration used in the initial determination such that the pricing of the class should be changed.

The pricing and repricing of classes were established to address internal fairness and equity. It was not intended to take into consideration external factors, such as recruitment difficulties, vacancy rates, employee retention, high cost of living, or salaries paid in the private sector. Those factors are already considered in the collectively-bargained negotiation of salary schedules to which classes are assigned. Thus, it would be inappropriate to give consideration to those factors again when determining pricing.

The Honorable Kyle T. Yamashita, Chair
The Honorable Lisa Kitagawa, Vice Chair
and Members of the House Committee on Finance
February 27, 2023
Page 2

The Unions already have the ability to negotiate salary schedules and salary rates and this proposed change will now give them opportunity to potentially arbitrate employees pay twice during the same negotiation period. The inclusion of repricing under the impasse provisions of Section 89-11(b) and the corollary changes to Section 89-9(f) are a significant concern to the City given the potential for substantial increased cost to the employer. The language in H.D.1, to allow repricing requests to be submitted once per occupation in any eighteen-month period only increases our cost concerns given the frequency within which such actions can be taken. Each change in salary range reflects an additional four percent (4%) increase to base pay and repricing generally provides a change of two salary ranges. Based on a four-year contract, repricing actions under this language could result in an additional sixteen percent (16%) increase to base pay in addition to the across-the-board increases provided through the collectively bargained salary rates and schedules.

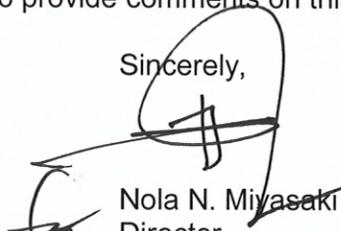
Additionally, the rather short timelines in the proposed language to reach agreement within ninety days written request is also concerning given the technical nature of the subject matter and its significant impact to the employer's ability to manage its overall internal alignment of classes.

Given how pricing/repricing is presently determined and utilized to ensure internal fairness and equal pay between similarly functioning classes of work, decisions rendered by multiple independent arbitration panels will significantly impact and disrupt the alignment and related pricing of classes within a jurisdiction. These changes will also impact the City's ability to comply with federal and state laws that prohibit discrimination in compensation as no longer will the pricing of classes be based on a consistent application of well-defined criteria or a fair and impartial evaluation of job.

Based on the concerns stated above, DHR respectfully asks that H.B.163, H.D.1 be deferred.

Thank you for the opportunity to provide comments on this measure.

Sincerely,



Nola N. Miyasaki
Director



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808 543.0011 • Fax: 808.528 0922

The Thirty-Second Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association

February 27, 2023

H.B. 163, H.D. 1 — RELATING TO COLLECTIVE BARGAINING

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 163, H.D. 1 which requires the employer to initiate negotiations on repricing classes within a bargaining unit within thirty days of receipt of request.

This measure is a novel approach and viable alternative to address the repricing of classes within state government. In the past twenty years since the civil service reform, employees have sought to reprice their classifications with very limited success. Employers deny repricing requests and claim that upon their review, they have determined that all current position pricing is appropriate, however they do not proffer the basis of that determination. The current process is clearly lopsided and unfair: it fails to include any appeal mechanism or adjudication via impartial review and empowers the employer to arbitrarily rule against employees without recourse. This unbalance has adversely impacted governmental operations, as the high vacancy rates and use of long-term shortage differentials clearly refutes the employer's claim that all classifications are priced at market rates. Given this, we can conceptually support statutory language that establishes parameters or criteria to limit repricing to cases with high vacancy rates, excessive use of shortage pay, or other special circumstances based on market conditions or job requirements.

It is our hope that the passage of this measure will assist in properly pricing classes of employees and that paying a competitive salary will be one of many tools utilized in reducing the state's and counties high turnover and vacancy rates. This measure represents the beginning of a long overdue conversation, and we look forward to working with all stakeholders to establish a fair process to reprice employees.

Thank you for the opportunity to provide testimony in strong support of H.B. 163, H.D. 1.

Respectfully submitted,

Randy Perreira
Executive Director



STATE OF HAWAII ORGANIZATION OF POLICE OFFICERS
" A Police Organization for Police Officers Only "
Founded 1971

February 24, 2023

VIA ONLINE

The Honorable Kyle T. Yamashita
Chair
The Honorable Lisa Kitagawa
Vice-Chair
House Committee on Finance
Hawaii State Capitol, Room 306, 435
415 South Beretania Street
Honolulu, HI 96813

Re: **HB 163 HD1 – Related to Collective Bargaining**

Dear Chair Yamashita, Vice-Chair Kitagawa, and Honorable Committee members:

I serve as the President of the State of Hawaii Organization of Police Officers (“SHOPO”) and write to you on behalf of our Union in **strong support** of HB 163 HD1, subject to it being effective upon approval as originally proposed. This bill requires public employers to initiate negotiations on repricing of classes within a bargaining unit within thirty (30) days of its receipt of the exclusive representative’s written request to negotiate. This bill also establishes that an employer’s failure to initiate the negotiation within such time frame and the parties’ failure to reach an agreement within ninety (90) days of the exclusive representative’s written request to negotiate or by January 31 of a year in which the collective bargaining agreement is due to expire, whichever is earlier, constitutes an impasse to which the impasse procedures of HRS § 89-11 shall apply.

As you may know, the Hawai‘i State Constitution grants public employees in the State the right to organize for the purpose of collective bargaining as provided by law. Haw. Const. art. XIII, section 2. HRS chapter 89, Collective Bargaining in Public Employment, provides for 15 recognized bargaining units for all public employees throughout the State, including police officers (bargaining unit 12). Each bargaining unit is represented by an employee representative, i.e., the employee organization or union. Exclusive representatives, like SHOPO, and public employers (e.g., the State and the Counties) regularly negotiate agreements covering all employees within a bargaining unit with respect to wages, hours, and other terms and conditions of employment. This is consistent with the Hawai‘i Legislature’s statement of findings and policy, declared in HRS § 89-1(a):

The Honorable Kyle T. Yamashita, Chair
The Honorable Lisa Kitagawa, Vice-Chair
House Committee on Finance
February 24, 2023

SHOPO Testimony Page 2

Re: **HB 163 HD1 – Related to Collective Bargaining**

that joint decision-making is the modern way of administering government. Where public employees have been granted the right to share in the decision-making process affecting wages and working conditions, they have become more responsive and better able to exchange ideas and information on operations with their administrators. Accordingly, government is made more effective. The legislature further finds that the enactment of positive legislation establishing guidelines for public employment relations is the best way to harness and direct the energies of public employees eager to have a voice in determining their conditions of work; to provide a rational method for dealing with disputes and work stoppages; and to maintain a favorable political and social environment.

The Legislature further declared in HRS § 89-1(b) “that it is the public policy of the State to promote harmonious and cooperative relations between government and its employees and to protect the public by assuring effective and orderly operations of government.”

“Repricing” generally means changing an existing class from its present pay range to another pay range in the same salary schedule based on appropriate factors. As it is currently written, HRS § 89-9(f) states that repricing of classes within an appropriate bargaining unit “may” be negotiated in one of two ways, neither of which containing any concrete timetable for resolution of requests to negotiate repricing or clarity as to when impasse procedures should apply. This bill effectuates the aforementioned policies by reiterating that repricing is a proper subject of negotiation and providing clarity to assure that the employer responds to a request to negotiate in a timely manner, that disputes are resolved in an appropriate manner by clearly setting forth when impasse procedures apply, and by extension, ensuring that public employees such as our members know their rights and entitlements in a timely manner.

We thank you for allowing us to be heard and to share our concerns on this bill which we hope your committee will unanimously support.

Respectfully submitted,

ROBERT “BOBBY” CAVACO
SHOPO President