

STAND. COM. REP. NO. **3351**

Honolulu, Hawaii

MAR 30 2026

RE: H.B. No. 2165
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Labor and Technology, to which was referred
H.B. No. 2165, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYMENT SECURITY
LAW,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Amend the qualifications for unemployed individuals who are able to receive unemployment benefits;
- (2) Beginning April 1, 2027, limit the amount of overpayments to which an individual is liable and remove the two-year limitation on the recoupment of overpayments;
- (3) Beginning April 1, 2027, require the Department of Labor and Industrial Relations to assess and collect a service charge for dishonored unemployment insurance assessments;
- (4) Beginning April 1, 2027, specify that employers must report separation and wage information within five calendar days of notice being sent, whether by mail or electronic notification; and



- (5) Beginning April 1, 2027, increase the penalty for failure to report separations or wages and for failure to file or filing insufficient wage reports.

Your Committee received testimony in support of this measure from the Department of Labor and Industrial Relations and University of Hawaii Professional Assembly.

Your Committee received testimony in opposition to this measure from the Society for Human Resource Management-Hawaii and UNITE HERE Local 5.

Your Committee received comments on this measure from the Employment and Training Administration Office of the United States Department of Labor.

Your Committee finds that federal law requires states to maintain effective procedures to detect and recover unemployment benefit overpayments and to enforce eligibility requirements, including work search requirements. Your Committee further finds that proper administration of the unemployment insurance program relies on timely employer reporting, accurate wage and separation information, and sufficient enforcement mechanisms; however, existing state law does not provide the Department of Labor and Industrial Relations (DLIR) with adequate enforcement tools to efficiently administer the program. Constraints on recovering overpaid benefits, outdated reporting practices, and limited consequences for noncompliance reduce the State's ability to minimize improper payments and safeguard the Unemployment Compensation Trust Fund. This measure strengthens and modernizes the State's unemployment insurance program, improves administrative efficiency, promotes fairness and accountability, and aligns state law with federal requirements.

Your Committee acknowledges the concerns raised in testimony by UNITE HERE Local 5 that the repeal of the waiver of work registration and reporting requirements for individuals involved in a labor dispute in this measure would force individuals to seek other employment to remain eligible for unemployment benefits during labor disputes, thereby weakening their bargaining position with employers. Your Committee also notes the concern raised in testimony by DLIR that reducing the amount an individual would be



liable for overpaid benefits in section 383-44(a), Hawaii Revised Statutes (HRS), may expose the State to significant federal conformity risk, resulting in the loss of federal administrative funding and employer federal unemployment tax (FUTA) credits. Your Committee further notes DLIR's suggestion that the measure delete the amendment to section 383-44(a), HRS, and instead amend section 383-44(c), HRS, to reduce the amount that could be deducted from any future benefits payable to that individual to repay the amount owed. Therefore, amendments to this measure are necessary to address these issues.

Your Committee has amended this measure by:

- (1) Restoring existing statutory language permitting DLIR to waive work registration and reporting requirements for individuals involved in labor disputes for whom an employer-employee relationship continues to exist;
- (2) Deleting the amendment to section 383-44(a), HRS, that would have reduced the amount an individual would be liable for overpaid benefits, and instead amending section 383-44(c), HRS, to limit the amount of deduction that could be made from any future benefits payable to the individual for repayment of that liability to fifty percent of the weekly benefit amount paid for that week and does not reduce the weekly benefit amount below \$520;
- (3) Inserting an effective date of January 1, 2077, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Labor and Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2165, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2165, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Labor and
Technology,



BRANDON J.C. ELEFANTE, Chair



