

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
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
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 (OFAM)

WRITTEN COMMENTS

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 207, S.D.2, H.D.1
PROPOSED H.D.2

April 4, 2017
2:00 p.m.
Room 308

RELATING TO EMPLOYEES

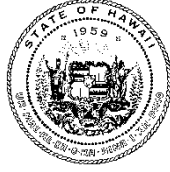
Senate Bill No. 207, S.D.2, H.D.1, PROPOSED H.D.2 proposes to offer one-time severance benefits to employees affected by the transition of the operation of Maui region hospital facilities from the Hawaii Health Systems Corporation (HHSC) to Maui Health Systems (MHS), a Kaiser Hospital, per a transfer agreement approved on January 14, 2016. This measure also proposes to allow eligible employees to purchase up to two years of additional credits in the Hawaii employee union trust fund (EUTF). Finally, this measure repeals Act 1, Second Special Session of 2016 and Chapter 89E, Hawaii Revised Statutes, to maintain the tax exempt status of the Employees' Retirement System.

The Department of Budget and Finance supports this measure as funding will be necessary to pay the cost items included in the supplemental agreements that have been approved by the State, HHSC, and the exclusive representatives of affected Maui region employees. If all affected employees receive benefits from the agreements, our

current cost estimate is \$30,637,298. We also support the repeal of Act 1, Second Special Session of 2016 and Chapter 89E, Hawaii Revised Statutes, to maintain the tax exempt status of the Employees' Retirement System.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
Comptroller

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

TESTIMONY OF
RODERICK K. BECKER, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE ON FINANCE
ON
TUESDAY, APRIL 4, 2017
2:00 P.M.
CONFERENCE ROOM 308

S.B. 207, S.D. 2, H.D. 1 and Proposed H.D. 2

RELATING TO EMPLOYEES.

Chair Luke, Vice Chair Cullen, and members of the Committee, thank you for the opportunity to testify on S.B. 207, S.D. 2, H.D. 1 and Proposed H.D. 2.

The Department of Accounting and General Services (DAGS) strongly supports Part II of the H.D. 1, and opposes the Proposed H.D. 2's elimination of this part, and offers the following comments for the Committee's consideration.

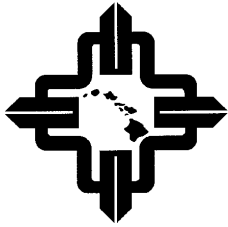
Currently, §78-23(c), Hawaii Revised Statutes (HRS), requires the Employee's Designation of Beneficiary Form to be written, notarized, and filed with the comptroller or other disbursing officer who issues warrants or checks to pay an employee for the employee's services. This requirement has resulted in thousands of forms being maintained in a central location at DAGS. Maintaining the forms, which includes manually filing forms alphabetically for new employees, filing updated forms for current employees, and purging forms of employees no longer

employed with the State, is extremely labor intensive. By having the forms kept by the employing department, this form, along with other payroll and personnel forms, would routinely be discarded when no longer required.

The State is in the process of implementing a new payroll system that may be able to maintain beneficiary information entered by the employee. Section 78-23(c), HRS, is also being amended to eliminate the requirement that the form be written and notarized, which will allow the new system to maintain the beneficiary information in an electronic format.

DAGS opposes the Proposed H.D. 2's elimination of the language in Part II of the H.D. 1. DAGS respectfully requests that if the committee is inclined to pass out the H.D. 2 version, it reinstates the language of Part II of H.D. 1.

Thank you for the opportunity to testify on this matter.



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

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

April 4, 2017
Conference Room 308
2:00 p.m.
Hawaii State Capitol

Testimony Supporting the Intent of Senate Bill 207, proposed HD2, Making an Appropriation for Collective Bargaining Cost Items Related to the Transition of Maui Region Hospitals.

Makes an appropriation to department of budget and finance for collective bargaining cost items related to the transition of the operation of Maui regional hospitals to Maui Health Systems, a Kaiser Hospital.

Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony **supporting the intent of SB 207, proposed HD 2**, that makes an appropriation to Department of Budget and Finance for collective bargaining cost items related to the transition of the operation of Maui regional hospitals to Maui Health Systems, a Kaiser Hospital and also authorizes the affected employees to purchase credited service to qualify or increase the percentage of the base monthly contributions that the State pays to the EUTF.

HHSC fully supports the transfer of the operations of its Maui Region hospitals to Maui Health Systems, a Kaiser Hospital, but respectfully requests that the appropriation not diminish the amount of general fund appropriations requested by HHSC to fund the four remaining HHSC regions for fiscal years 2018 and 2019.

HHSC is currently facing a cash flow deficit in fiscal year 2017 which will leave HHSC's facilities with extremely low levels of cash on hand as compared to industry norms. HHSC is already asking for an increase in its general fund appropriation base of approximately \$36.5 million and \$34.7 million for fiscal years 2018 and 2019, respectively, just to achieve a break-even cash flow for those fiscal years. HHSC's priority is to make sure its safety-net hospitals have sufficient funding to operate efficiently and effectively for this fiscal year and the next biennium of fiscal years 2018

and 2019. The House Draft of the State Budget (H.B. 100 H.D.1) does not provide for any of the general fund appropriation increases that HHSC has asked for, and also does not provide any operating appropriations for the Maui Health System which would be required in order for the transition of Maui Region operations to Kaiser Permanente to occur. We respectfully suggest that funding for continued hospital operations be restored in the budget in addition to enacting this measure in order to assure continued essential hospital services that HHSC has historically provided statewide.

Thank you for the opportunity to testify before this committee.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Ninth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association

April 4, 2017

S.B. 207, S.D. 2, H.D. 1, PROPOSED H.D. 2 -
RELATING TO EMPLOYEES

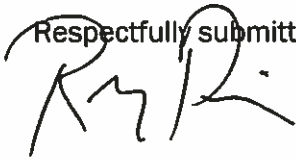
The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly opposes the purpose and intent of Parts II and III of the proposed House Draft 2 of S.B. 207, S.D. 2, H.D. 1 which authorizes the HHSC Maui Region privatized employees the ability to purchase credited service to the Employer-Union Health Benefits Trust Fund (EUTF) and repeals in its entirety, the content of Act 1, Second Special Session, Session Laws of Hawaii 2016, respectively.

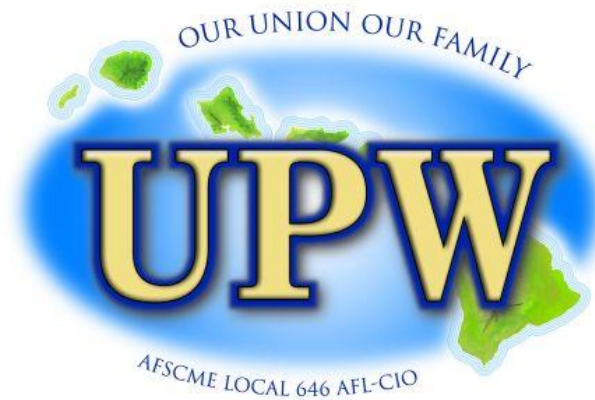
On July 20, 2016, with two-thirds support of both chambers, the Legislature overrode Governor Ige's veto of S.B. 2077, which provided employees in the Maui Region of the HHSC the choice of a cash severance payment or modified retirement benefits, making the legislative intent to assist the affected employees absolutely clear.

In order to avoid yet another costly lawsuit and additional delays, both legislative chambers have been thoroughly vetting proposed legislation that would resolve the concern of employees choosing between severance and retirement, as contained in H.B. 233 and 234. Now, at the last possible opportunity, the Ige Administration has floated proposed language that is dramatically antithetical to the dialogue of the past two entire legislative sessions. By no measure has this proposed draft been properly vetted by all stakeholders nor ensured that it will pass legal muster. Further, this proposed language does not comport to prior legislative intent.

The affected employees have been in limbo regarding their employment and retirement benefits for too long and the amendments contained in the proposed draft serves only to exacerbates the confusion and uncertainty, therefore we respectfully request the Committee to defer Parts II and III of the proposed draft. We raise no objections to Part I of the proposed draft which provides a funding mechanism to implement a negotiated severance package.

Thank you for the opportunity to testify in strong opposition to the proposed House draft of S.B. 207.

Respectfully submitted,

Randy Perreira
Executive Director



THE HAWAII STATE HOUSE OF REPRESENTATIVES

The Twenty-Ninth Legislature
Regular Session of 2017

COMMITTEE ON FINANCE

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen Vice Chair

DATE OF HEARING: Tuesday, April 4, 2017
TIME OF HEARING: 2:00 p.m.
PLACE OF HEARING: State Capitol, Rm. 308, 415 South Beretania St.

TESTIMONY ON SB207, SD2, HD1, PROPOSED HD2 RELATING TO EMPLOYEES

By DAYTON M. NAKANELUA,
State Director of the United Public Workers,
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, and AFL-CIO (UPW). The UPW is the exclusive bargaining representative for approximately 14,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represent about 1,500 members of the private sector.

SB207, SD2, HD1, proposed HD2 makes an appropriation of \$30,637,298 to the department of Budget and Finance for collective bargaining cost items related to the transition of the operation of Maui regional hospitals to Maui Health Systems, a Kaiser Foundation Hospital. This appropriation will help for a smooth transition. This bill also authorizes affected employees to purchase credited service to qualify or increase the percentage of the base monthly contributions that the State pays to the EUTF. It repeals chapter 89E, HRS and Act 1, Special Session, Session Laws of Hawaii 2016.

The UPW supports this bill and requests the committee to pass it out. Thank you for the opportunity to submit this testimony.



From: mailinglist@capitol.hawaii.gov
 Sent: Monday, April 3, 2017 7:32 PM
 To: FINTestimony
 Cc: mayd005@hawaii.rr.com
 Subject: Submitted testimony for SB207 on Apr 4, 2017 14:00PM

SB207

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
David May	Individual	Oppose	No

Comments: This Bill will not benefit those that are looking for a secure future going forward from our State Positions that will be abolished due to the State;s inability to manage Health Care on Maui. Out families and homes will be at risk if the bill passes a written. Please allow all those that have given to Maui a more secure future for many years of service..

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
 Sent: Monday, April 3, 2017 11:20 PM
 To: FINTestimony
 Cc: leonakirk@hawaiiantel.net
 Subject: Submitted testimony for SB207 on Apr 4, 2017 14:00PM

SB207

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
kirk yagi	Individual	Oppose	No

Comments: HB233 & 234 amends Act 1 so that it won't jeopardize the ERS' tax exempt status. The only reason for the current lge administration to propose SB207 is simply another attempt to veto Act 1. Despite the original veto, legislators passed Act 1 into law. Nobody gets hurt from the implementation of Act 1, only the high seniority workers and nurses if Act 1 is NOT implemented. Due to the privatization workers close to retirement are getting hurt by not being able to complete their "high three". There are no State positions for nurses on Maui and other workers who have spent their entire career at the hospital have a very difficult time working at another job. Early retirement allows these workers a way to finish what they spent their lives trying to accomplish. These people would have finished their careers within the system if not for the abolishment of their positions. They had not choice. Thank you

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 3, 2017 9:14 PM
To: FINTestimony
Cc: benjohnsomera@yahoo.com
Subject: *Submitted testimony for SB207 on Apr 4, 2017 14:00PM*

SB207

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Benjohn J. Somera	Individual	Oppose	No

Comments:

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Sent: Monday, April 3, 2017 8:59 PM
To: FINTestimony
Cc: torrrorn@yahoo.com
Subject: Submitted testimony for SB207 on Apr 4, 2017 14:00PM

SB207

Submitted on: 4/3/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Lisa Owan-Somera	Individual	Oppose	No

Comments: I will be losing all of my state benefits after privatization. I worked at MMMC for 15 years and I thought I would retire from the state but not anymore. I have to start all over again from the bottom. Born and raised here on Maui I wanted to make a difference in the community by giving back by staying on Maui when nurses was really a shortage back then. Please, consider this. Maui Memorial Medical Center employees deserve it and everyone works hard. Put yourself in our position, what would you do?

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LATE

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 4, 2017 8:09 AM
To: FINTestimony
Cc: m2pouniua@gmail.com
Subject: Submitted testimony for SB207 on Apr 4, 2017 14:00PM

SB207

Submitted on: 4/4/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
MAILE	Individual	Oppose	No

Comments: PLEASE RECONSIDER THIS BILL OUR AFFECTED EMPLOYEES HAVE BEEN IN LIMBO REGARDING THEIR EMPLOYMENT & RETIREMENT BENEFITS FOR TOO LONG. DONT PUT THEIR LIVELY HOOD ON JEOPARDY.

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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 4, 2017 8:45 AM
To: FINTestimony
Cc: aphaiku@gmail.com
Subject: Submitted testimony for SB207 on Apr 4, 2017 14:00PM

SB207

Submitted on: 4/4/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Tammie Paul	Individual	Oppose	No

Comments: To all, please oppose Govenor Ige on this, the man is heartless when it comes to the Maui state employees who are losing their jobs and careers with the state of Hawaii! It's easy to do from a distance, I think he is actually a Republican the way he has acted since taking office! Thanks, Tammie Paul

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STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
P.O. BOX 2121
HONOLULU, HAWAII 96805-2121
Oahu (808) 586-7390
Toll Free 1(800) 295-0089
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ADMINISTRATOR
DEREK M. MIZUNO

ASSISTANT ADMINISTRATOR
DONNA A. TONAKI

TESTIMONY BY DEREK MIZUNO
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON SENATE BILL NO. 207 S.D. 2 H.D. 1

April 4, 2017
2:00 p.m.
Room 308

RELATING TO EMPLOYEES

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not had an opportunity to take a position on the proposed bill. The EUTF Board's next meeting is April 25, 2017.

EUTF staff would like to offer assistance to the employee-organizations and affected employees, should this bill pass, in explaining the risks (e.g. should the purchaser of service credits pass away at a young age) and rewards related to purchase of service credits including the assumptions used in calculation (e.g. expected life of 90 years). This is a very difficult, complex decision.

Thank you for the opportunity to testify.

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 4, 2017 10:29 AM
To: FINTestimony
Cc: lesbeauty_75@yahoo.com
Subject: *Submitted testimony for SB207 on Apr 4, 2017 14:00PM*

SB207

Submitted on: 4/4/2017

Testimony for FIN on Apr 4, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Lelis Muthard	Individual	Oppose	No

Comments:

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