

EXECUTIVE CHAMBERS

HONOLULU

July 10, 2006

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 2190

Honorable Members
Twenty-Third Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 2190, entitled "A Bill for an Act Relating to Employment Security."

The purposes of this bill are to provide temporary tax relief to employers by lowering the maximum taxable wage base for calendar years 2007 and 2008, to increase unemployment benefits for eligible individuals, to increase the amount an individual may earn while collecting his full unemployment benefit amount, and to exclude the payment of benefits to individuals who are terminated for willful or wanton misconduct.

This bill is objectionable because the increases in benefits to unemployment insurance claimants provided by this bill will have an adverse impact on the unemployment insurance trust fund and are projected to increase unemployment compensation benefits by approximately 18 percent per year.

This bill amends section 383-22, HRS, to increase the maximum weekly benefit amount an eligible individual may collect from seventy percent of the average weekly wage to eighty percent of the average weekly wage for benefits years beginning January 1, 2007. This permanent increase in the benefit amount will affect the balance of the unemployment trust fund.

In addition to the higher benefits amount, this bill also amends section 383-24, HRS, to increase the number of weeks that an eligible individual may obtain unemployment benefits from twenty-six weeks to thirty weeks. This section is effective for

claims filed on or after January 1, 2006.

This bill also amends section 383-23, HRS, to increase the amount of wages an employee may earn from \$50 to \$150 while collecting the full unemployment benefit amount.

As a consequence, the amount of taxes employers will pay in the future will permanently increase.

The bill's proponents failed to provide convincing data that these changes are merited given the current unemployment climate in Hawaii. Our State has benefitted from the lowest national unemployment rates. There is no demonstrable basis that indicates employees who are temporarily out of work need extended unemployment insurance benefits nor higher payments. The job climate is such that those out of work should be encouraged to seek new employment in a timely fashion. This bill would tend to discourage timely re-entry into the workforce.

This bill will increase the cost of doing business in Hawaii, perpetuating Hawaii's reputation as anti-business, which my administration has worked hard to reform. Had this bill provided for temporary tax relief for employers only, the cost of doing business would have been reduced and the trust fund would have remained healthy.

Finally, this bill amends section 383-30(2), Hawaii Revised Statutes, to disqualify individuals terminated from employment for willful or wanton misconduct connected with work, and defines "willful or wanton misconduct." Currently, section 383-30(2), HRS, disqualifies individuals who are discharged for misconduct connected with work.

As defined by this bill, "mere inefficiency, unsatisfactory conduct, poor performance, isolated instances, or good faith errors in judgment or discretion shall not constitute

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willful or wanton misconduct." Given this language, a single act, no matter how egregious, would not constitute misconduct.

My administration believes it would be bad public policy to allow employees to collect unemployment insurance benefits who are terminated for acts that endanger the safety of others in the workplace as well as misconduct and failure to follow proper company rules.

For the foregoing reasons, I am returning Senate Bill No. 2190 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read "L. Lingle", is written over the printed name.

LINDA LINGLE
Governor of Hawaii