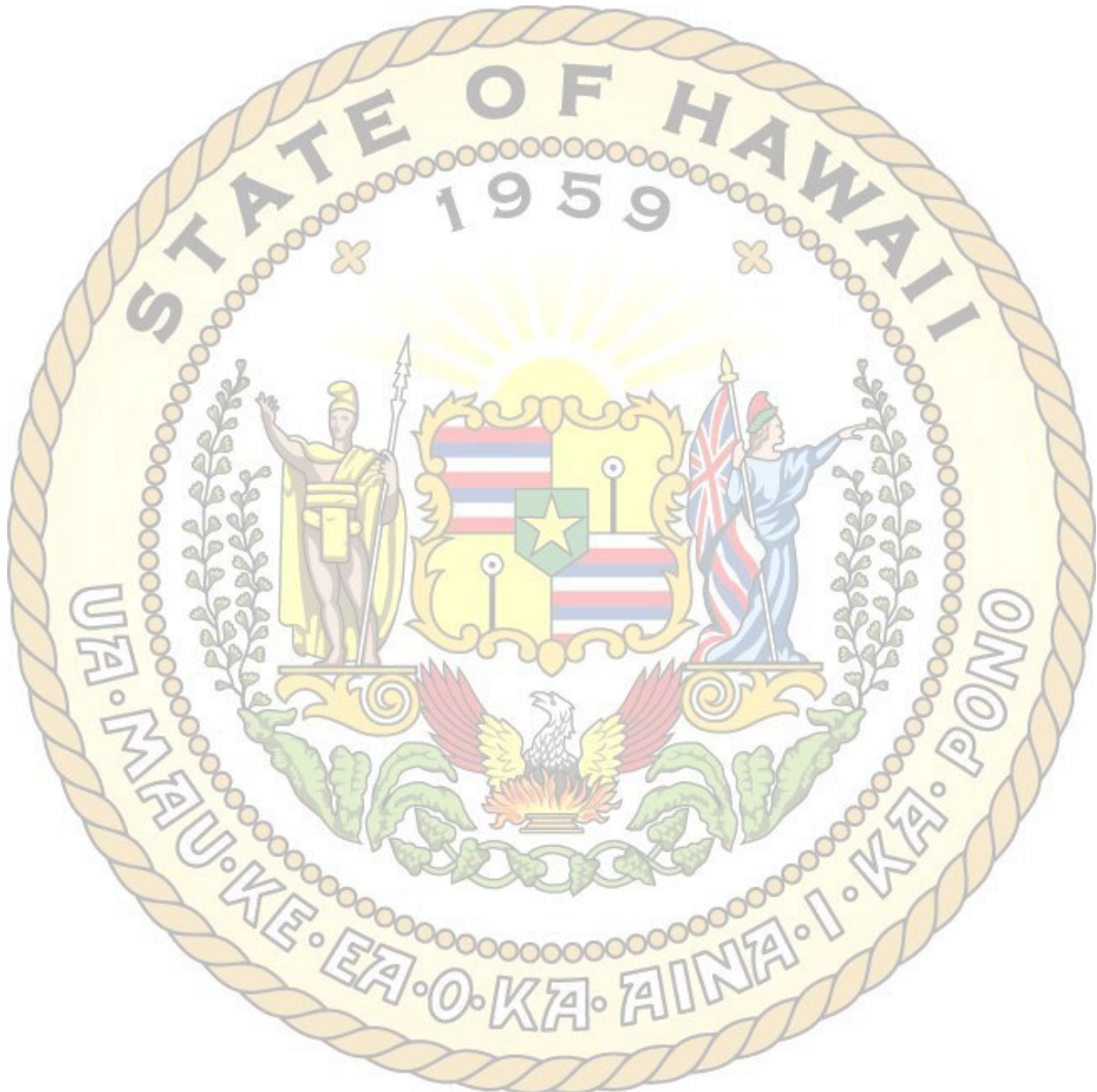


**SCR145 DLIR INTERIM REPORT TO THE
2026 LEGISLATURE**



**DEPARTMENT OF LABOR AND
INDUSTRIAL RELATIONS**

BACKGROUND

Senate Concurrent Resolution No. 145 S.D. 1 (SCR145), adopted by the Thirty-Third Legislature of the State of Hawai'i, requests the Department of Labor and Industrial Relations (DLIR) to convene a working group to develop recommendations for establishing and implementing a Paid Family and Medical Leave (PFML) program for the State. The resolution further directs DLIR to conduct an actuarial study of Hawai'i's workforce, employers, and potential beneficiaries to inform the design and implementation of such a program.

SCR145 also tasked the working group to review the impact of relevant federal laws and state laws, including the federal Employee Retirement Income Security Act of 1974 (ERISA), Hawaii's Prepaid Health Care Act, and Hawaii Family Leave Law, among others. To support this legal analysis as well as the actuarial study, the 2025 Legislature appropriated \$750,000 to the DLIR in the State budget (Act 250, Session Laws of Hawaii, 2025).

CURRENT STATUS AND ACTIVITIES

1. Working Group Formation and Participation

The PFML Working Group, chaired by Representative Jackson Sayama, convened its inaugural meeting on August 14, 2025. The department assisted in organizing sub-groups focused on key policy areas, including:

- A. Qualification & benefit structure (Sept. 15)
- B. Insurance Model & Exemptions (Sept. 18)

Representative Sayama convened a second Working Group meeting on Oct. 27 that discussed parameters for an actuarial study to assist the department in refining the scope of the actuarial study.

2. Subject Matter Expertise and Scope Definition

The DLIR contributed subject matter expertise to assist discussions and ensure consistency with existing state and federal laws, including the Family and Medical Leave Act (FMLA), Hawai'i Family Leave Law, Temporary Disability Insurance (TDI), and Hawai'i's Prepaid Health Care Law (PHC). The department is working closely with stakeholders to define the scope of work for legal and actuarial consultants, with a focus on avoiding conflicts with ERISA and other regulatory frameworks.

3. Procurement Leadership and Consultant Engagement

The DLIR is in the State Procurement process to secure external expertise. A Request for Information (RFI) is currently being developed to inform the forthcoming Request for Proposals (RFP). The RFP will seek qualified vendors to conduct:

- A legal review of federal and state law interactions and maintenance of employee benefits, and
- An actuarial analysis of program costs, benefit structures, labor market feasibility, and implementation models

4. Monitoring National Trends, Tax Law, and Best Practices

The DLIR continues to monitor other states' claims trends, progress, and challenges with PFML program implementation and changes in relevant laws, including federal and state tax law. This includes reviewing the implications of IRS Revenue Ruling 2025-4, which outlines the federal tax treatment of PFML contributions and benefits. DLIR is assessing:

- The taxability of employer and employee contributions,
- Reporting requirements for W-2 and 1099 forms,
- The impact of employer-paid employee contributions on gross income, and
- Compliance timelines for payroll and withholding systems.

In addition, DLIR is reviewing annual reports from other jurisdictions to understand lessons learned, risk management strategies, and policy adjustments. These insights are being used to inform Hawai'i's approach and ensure a well-grounded, sustainable program design.

5. Next Steps

The DLIR will continue to coordinate with the Working Group and its subcommittees to refine policy recommendations. Immediate next steps include:

- Securing legal and actuarial consultants through the State Procurement process,
- Issuing the RFP informed by the current RFI development, and
- Continuing stakeholder engagement and interagency coordination to ensure alignment with Hawai'i's broader workforce and social policy goals.

ACTION PLAN AND TIMETABLE

2025-2026

- Finalize and publish the Request for Information (RFI)
- Issue the Request for Proposals (RFP) for legal and actuarial consulting services
- Secure and onboard selected consultants
- Conduct legal review of federal and state law interactions, including ERISA and tax law implications
- Conduct actuarial analysis of program design, cost modeling, and labor market feasibility
- Continue stakeholder engagement through working group and sub-group meetings

2027-2028

- Submit final report and legislative proposal to the Legislature
- Begin implementation planning, including administrative infrastructure, staffing, and IT systems
- Develop public education and outreach strategy
- Coordinate with other state agencies for interdepartmental alignment
- Begin drafting administrative rules and procedures

2029-2030

- Launch full implementation of the PFML program
- Monitor claims processing, benefit delivery, and compliance
- Evaluate program performance and fiscal sustainability
- Publish annual program reports and recommend policy adjustments as needed