
A BILL FOR AN ACT

RELATING TO EMPLOYMENT SECURITY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The Legislature finds that due to recent
2 prosperous economic times in Hawaii, the unemployment rate is at
3 its lowest in decades. In fact, Hawaii currently has the lowest
4 unemployment rate in the country. This has caused reserves in
5 the Unemployment Insurance Trust Fund (UI Trust Fund) to
6 steadily increase with the amount in the fund currently standing
7 at \$532 million.

8 Currently, the "adequate reserve fund" is defined as one
9 and a half times the highest twelve month cost rate occurring in
10 the last ten years. Although this definition was eliminated
11 when the tax system was revised due to the difficult economic
12 times of the 1970s, it was reinstated in 1992 when a new
13 financing mechanism for the UI Trust Fund was developed. At
14 present, the "adequate reserve fund" stands at approximately
15 \$407 million.

16 With continued prosperous times predicted for the next few
17 years, it appears that the time may be right to address the
18 issue of an "adequate reserve fund" for the UI Trust Fund.



1 Accordingly, the purpose of this bill is to require the
2 Legislative Reference Bureau to conduct a cost benefit analysis
3 of adjusting the formulas used to calculate the "adequate
4 reserve fund".

5 SECTION 2. (a) The Legislative reference Bureau shall
6 conduct a cost-benefit analysis of adjusting the formulas used
7 to calculate the "adequate reserve fund". The study shall
8 include but not be limited to:

- 9 (1) The amount of funds currently in the "adequate reserve
10 fund";
- 11 (2) The amount of funds necessary to be maintained in the
12 "adequate reserve fund" to maintain the solvency of
13 the UI Trust Fund;
- 14 (3) Hawaii's economic outlook for the next six years;
- 15 (4) A cost-benefit analysis of reducing the current ten
16 year statutory timeframe used to calculate the
17 "adequate reserve fund" to a six year timeframe;
- 18 (5) A cost-benefit analysis of reducing the number of
19 months multiplied by the cost rate during a particular
20 time period to calculate the "adequate reserve fund";
21 and



1 (6) An analysis of the effect a dramatic downturn in the
2 economy, such as experienced after the tragic events
3 of September 11, would have on the "adequate reserve
4 fund".

5 (b) The Legislative Reference Bureau shall submit its
6 findings and recommendations, including any legislation to
7 lessen the amount of the adequate reserve fund will maintaining
8 the solvency of the unemployment insurance trust fund, to the
9 Legislature no later than twenty-days prior to the convening of
10 the Regular Session of 2008.

11 SECTION 2. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$ or so much
13 thereof as may be necessary for fiscal year 2007-2008 for the
14 cost-benefit analysis of the "adequate reserve fund".

15 The sum appropriated shall be expended by the Legislative
16 Reference Bureau for the purposes of this Act.

17 SECTION 3. This Act shall take effect on July 1, 2007.



Report Title:

Employment Security

Description:

Requires the Legislative Reference Bureau to conduct a cost benefit analysis of adjusting the formulas used to calculate the "adequate reserve fund" of the Unemployment Insurance Fund. (HB520 HD1).

