
A BILL FOR AN ACT

RELATING TO EMPLOYMENT SECURITY.

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

PART I

SECTION 1. In 2007, due to low unemployment rates in Hawaii and a large amount of reserves in the unemployment compensation fund (fund), the legislature passed Act 110, which reduced rates employers paid into the fund. Given that at the time the fund had approximately \$500 million in reserves, providing employers with some relief from unemployment insurance (UI) contributions appeared to be prudent. However, Act 110 also contained provisions that would trigger the old contribution rates if the reserves in the fund became inadequate.

Since that time, Hawaii, as well as the rest of the nation, has experienced what is being called "The Great Recession" which has resulted in numerous business closures and massive layoffs, causing unemployment rates to skyrocket. Prior to the current recession, Hawaii experienced unemployment rates in the neighborhood of two per cent. Presently, Hawaii is experiencing unemployment rates of around seven per cent, a five percentage



1 point increase. This increased unemployment has strained the
2 fund to the point where, according to the department of labor
3 and industrial relations (DLIR), the fund will have a zero
4 balance by October or November of this year.

5 The rapidly decreasing amount of the fund initiated the
6 trigger established in Act 110, and will cause the UI
7 contribution rates to increase, to rates which for many
8 businesses will be substantial. On average, the UI contribution
9 rate will increase from \$90 per employee per year to almost
10 \$1,070 per employee per year, which will be difficult for
11 businesses to bear and may have an enormous impact on the
12 overall economic recovery of the state. Striking a balance that
13 provides necessary relief for employers from dramatic increases
14 in UI contribution rates against the need to maintain an
15 adequate level of fund reserves is one way to work toward
16 improving Hawaii's economy.

17 The future adequacy of the fund and the potential need for
18 financial support for workers who may be affected by continually
19 lagging economic conditions have been major considerations in
20 attempts to determine how to resolve the difficulties that are
21 attributed to trying to maintain an adequate reserve fund while
22 using contribution rates that are calculated based on the



1 previous calendar year. One way to address this conflict and to
2 help mitigate drastic rate increases in the future is to perform
3 UI contribution rate calculations semi-annually rather than
4 annually.

5 However, DLIR has stated that converting their current
6 system that is based upon annual calculations, to one based on
7 semi-annual calculations will require time, manpower, and
8 financing. Accordingly, the purpose of this part is to require
9 DLIR to conduct a study to determine the cost of converting
10 their current unemployment contribution rate calculations system
11 from one that calculates rates annually to one that does so
12 semi-annually.

13 SECTION 2. (a) DLIR shall conduct a study of the
14 unemployment compensation fund to determine the cost and
15 feasibility of converting the present system for calculating
16 unemployment contribution rates from one that makes these
17 calculations annually to one that makes these calculations on a
18 semi-annual basis. The study shall include equipment costs,
19 computer software costs, labor costs, maintenance costs, and any
20 other costs that may be incurred with the establishment of the
21 semi-annual system. The report shall also include the timeframe
22 necessary for the establishment of a semi-annual system,



1 including the time the department finds will be necessary to
2 inform employers of the new semi-annual system, and shall
3 include the department's plan for the implementation of a new
4 semi-annual system.

5 (b) The director of labor and industrial relations shall
6 submit a report of the department's findings and
7 recommendations, including any proposed legislation, to the
8 legislature no later than twenty days prior to the convening of
9 the regular session of 2011.

10 SECTION 3. There is appropriated out of the special
11 unemployment insurance administration fund established under
12 section 383-127, Hawaii Revised Statutes, the sum of \$
13 or so much thereof as may be necessary for fiscal year 2010-2011
14 for a study of the unemployment compensation fund to determine
15 the cost and feasibility of converting the present system for
16 calculating unemployment contribution rates from one that makes
17 these calculations annually to one that makes these calculations
18 on a semi-annual basis.

19 The sum appropriated shall be expended by the department of
20 labor and industrial relations for the purposes of this part.

21



PART II

SECTION 4. Section 383-68, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) Subject to the requirements of section 383-63 to 383-69, an employer's contribution rate for calendar year 1992 and for each calendar year thereafter shall be that rate ~~[which]~~ that appears on the same line as the employer's reserve ratio for that year in the contribution rate schedule applicable for the year as specified in subsection (c) ~~[-]~~; provided that for calendar years 2010 and 2011, any employer beginning operations during the 2010 calendar year shall be subject to a reserve ratio of 0.0800 to 0.0899.

CONTRIBUTION RATE SCHEDULES (rates in percentages)

Reserve Ratio	A	B	C	D	E	F	G	H
.1500 and over	0.0	0.0	0.0	0.2	0.6	1.2	1.8	2.4
.1400 to .1499	0.0	0.0	0.1	0.4	0.8	1.4	2.0	2.6
.1300 to .1399	0.0	0.0	0.2	0.6	1.0	1.6	2.2	2.8
.1200 to .1299	0.0	0.1	0.4	0.8	1.2	1.8	2.4	3.0
.1100 to .1199	0.0	0.2	0.6	1.0	1.4	2.0	2.6	3.2
.1000 to .1099	0.1	0.3	0.8	1.2	1.6	2.2	2.8	3.4
.0900 to .0999	0.3	0.5	1.0	1.4	1.8	2.4	3.0	3.6
.0800 to .0899	0.5	0.7	1.2	1.6	2.0	2.6	3.2	3.8



1	.0700 to	.0799	0.7	0.9	1.4	1.8	2.2	2.8	3.4	4.0
2	.0600 to	.0699	0.9	1.1	1.6	2.0	2.4	3.0	3.6	4.2
3	.0500 to	.0599	1.1	1.3	1.8	2.2	2.6	3.2	3.8	4.4
4	.0300 to	.0499	1.3	1.5	2.0	2.6	3.0	3.6	4.2	4.8
5	.0000 to	.0299	1.7	1.9	2.4	3.0	3.4	4.0	4.6	5.2
6	-.0000 to	-.0499	2.1	2.3	2.8	3.4	3.8	4.4	5.0	5.4
7	-.0500 to	-.0999	2.5	2.7	3.2	4.0	4.4	5.0	5.4	5.4
8	-.1000 to	-.4999	2.9	3.1	3.6	4.6	5.0	5.4	5.4	5.4
9	-.5000 to	-.9999	3.4	3.6	4.2	5.2	5.4	5.4	5.4	5.4
10	-1.0000 to	-1.4999	4.1	4.2	4.8	5.4	5.4	5.4	5.4	5.4
11	-1.5000 to	-1.9999	4.7	4.8	5.4	5.4	5.4	5.4	5.4	5.4
12	-2.0000 and less		5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4"

13 PART III

14 SECTION 5. In 1982, with the ongoing recession, high
 15 unemployment, and a growing number of jurisdictions unable to
 16 pay unemployment insurance benefits except from loans obtained
 17 from the federal government, the legislature passed House
 18 Concurrent Resolution No. 103, House Draft 1, which requested
 19 the auditor to review the administration and adequacy of the
 20 state's unemployment compensation fund and determine whether any
 21 statutory changes needed to be made to maintain the solvency of
 22 the fund.



1 The findings and recommendations of this review were
2 published and submitted to the legislature by the auditor in a
3 report entitled "Study of the Financing of the Unemployment
4 Compensation Fund of the State of Hawaii" in February of 1983.

5 The legislature finds that current economic conditions are
6 similar to those faced in 1982 and that a review of the
7 financing mechanisms of the unemployment compensation fund is
8 prudent at this time.

9 Accordingly, the purpose of this part is to require the
10 department of labor and industrial relations to review the study
11 conducted by the auditor in 1982, reassess the recommendations
12 of that report, and report back to the legislature on its
13 findings and recommendations, including any proposed
14 legislation, to address challenges facing the financing
15 mechanisms of the unemployment compensation fund.

16 SECTION 6. (a) The department of labor and industrial
17 relations shall review and reassess the findings and
18 recommendations of the study performed by the auditor in 1982 in
19 accordance with House Concurrent Resolution No. 103, House Draft
20 1. The review and reassessment shall consider any of the
21 recommendations contained in the report that may be relevant and



1 applicable to the current fiscal situation facing the
2 unemployment compensation fund.

3 (b) The department of labor and industrial relations shall
4 also review any recommendations contained in the study, or any
5 other recommendations, regarding the fairness and equitability
6 of the contribution rate schedules and determine whether there
7 is a present need to increase the contribution rates based on
8 fairness and equitability of the contribution rate schedules and
9 how to accomplish this and shall include its findings and
10 recommendations in the report required under subsection (c).

11 (c) The director of labor and industrial relations shall
12 prepare a report on the department's review and reassessment of
13 the study, including the review and assessment of any relevant
14 recommendations proposed in the 1982 study, and submit the
15 director's findings and recommendations, including any proposed
16 legislation, to the legislature no later than twenty days prior
17 to the convening of the regular session of 2011.

18 SECTION 7. There is appropriated out of the special
19 unemployment insurance administration fund established under
20 section 383-127, Hawaii Revised Statutes, the sum of \$
21 or so much thereof as may be necessary for fiscal year 2010-2011
22 for a review and reassessment of the findings and



1 recommendations of the study performed by the auditor in 1982 in
2 accordance with House Concurrent Resolution No. 103, House Draft
3 1.

4 The sum appropriated shall be expended by the department of
5 labor and industrial relations for the purposes of this part.

6 PART IV

7 SECTION 8. This Act shall not affect rights and duties
8 that matured, penalties that were incurred, and proceedings that
9 were begun before its effective date.

10 SECTION 9. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 10. This Act shall take effect on July 1, 2020.



Report Title:

Employment Security; Contribution Rate Schedules; Adequate Reserve Fund; Assessments

Description:

Requires the Department of Labor and Industrial Relations to conduct a study on the cost and feasibility of changing from annual to semi-annual the contribution rate schedules for unemployment contributions. Provides for fixed reserve ratios for calendar years 2010 and 2011 for employers commencing operations in 2010 and employers currently in operation who hire new employees or rehire employees that were laid-off prior to January 1, 2010. Requires the department of labor and industrial relations to review the auditor's study conducted in 1982 regarding the financing mechanisms of the unemployment compensation fund. Requires reports. Effective July 1, 2020. (HB2702 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

