

JAN 25 2012

A BILL FOR AN ACT

RELATING TO UNEMPLOYMENT INSURANCE INTEREST PAYMENT.

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

1 SECTION 1. Section 383-128, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) The moneys in the employment and training fund may be
4 used for funding:

5 (1) The operation of the state employment service for
6 which no federal funds have been allocated;

7 (2) Business-specific training programs to create a more
8 diversified job base and to carry out the purposes of
9 the new industry training program pursuant to section
10 394-8;

11 (3) Industry or employer-specific training programs where
12 there are critical skill shortages in high growth
13 occupational or industry areas;

14 (4) Training and retraining programs to assist workers who
15 have become recently unemployed or are likely to be
16 unemployed;

17 (5) Programs to assist residents who do not otherwise
18 qualify for federal or state job training programs to
19 overcome employment barriers; [and]

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1 (6) Training programs to provide job-specific skills for
2 individuals in need of assistance to improve career
3 employment prospects[-]; and

4 (7) The payment of interest due on Title XII advances made
5 under the provisions of section 1202(b) of the Social
6 Security Act, as amended, to the unemployment
7 compensation fund."

8 SECTION 2. Section 383-129, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) In addition to contributions determined by section
11 383-68, every employer, except an employer who has selected an
12 alternative method of financing liability for unemployment
13 compensation benefits pursuant to section 383-62, ~~[or an~~
14 ~~employer who has been assigned a minimum rate of zero per cent~~
15 ~~or the maximum rate of five and four-tenths per cent in~~
16 ~~accordance with section 383-68,~~] shall be subject to an
17 employment and training fund assessment at a rate of .01 per
18 cent of taxable wages as specified in section 383-61. If
19 interest is due on a Title XII advance under the provisions of
20 section 1202(b) of the Social Security Act, as amended, the
21 employment and training fund assessment shall be used to pay the
22 interest due. The director shall have the discretion to
23 determine the amount of the employment and training assessment
24 rate for the calendar year 2012 in increments of .01 per cent.

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1 Notwithstanding any provisions of this chapter to the contrary,
2 any amounts collected but not applied to interest payments due
3 in 2012, shall not be returned retroactively to any employer and
4 shall be retained in the employment and training fund."

5 SECTION 3. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 4. This Act shall take effect upon its approval
8 and shall apply retroactively to January 1, 2012; provided that
9 on January 1, 2013, this Act shall be repealed and sections 383-
10 128 and 383-129, Hawaii Revised Statutes, shall be reenacted in
11 the form in which it read on December 31, 2010.

12
13 INTRODUCED BY: 

14 BY REQUEST
15

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1 **Report Title:**

2 Unemployment Insurance Interest Payment

3

4 **Description:**

5 Authorizes the Department of Labor and Industrial Relations
6 director to increase the employment and training assessment in
7 increments of .01 per cent retroactive to January 1, 2012, for
8 payment of interest on federal loans for unemployment insurance
9 benefits.

10

JUSTIFICATION SHEET

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO UNEMPLOYMENT INSURANCE INTEREST PAYMENT.

PURPOSE: The purpose of this bill is to authorize the Director of Labor and Industrial Relations (DLIR) to increase the Employment and Training Assessment (E&T) to pay interest due on a Title XII loan for unemployment insurance benefits.

MEANS: Amend sections 383-128(b) and 383-129(a), Hawaii Revised Statutes.

JUSTIFICATION: Hawaii's unemployment trust fund is projected to be insolvent again in 2012 and Title XII loans will be requested in order to continue payment of unemployment benefits. According to federal law, if there is an outstanding loan balance on September 30, 2012, the State must pay the interest on the amount due. Failure to pay interest when due may result in the loss of the employers' 5.4 percent Federal Unemployment Tax Act (FUTA) tax offset credit and loss of approximately \$15,000,000 in administrative grants to operate the unemployment insurance (UI) system in Hawaii. This means that employers will be liable for the full 6.0 percent FUTA tax (effective July 1, 2011, the FUTA tax rate decreased from 6.2 percent to 6.0 percent) or an increase from \$42 to \$420 per employee annually and jobless workers will not be able to file UI claims due to the total shutdown of all UI local offices.

The DLIR will collect the moneys needed to pay interest due on Title XII loans in calendar year 2012 only by increasing the E&T assessment, which is currently at .01 percent, as determined by the Director. The increased E&T assessment will apply to all

employers, including those with minimum and maximum tax rates of 0 percent and 5.4 percent. After 2012, the provision of this bill under section 383-129 will sunset and the law will revert to its original language as of December 31, 2010. The provision under section 383-128 will remain as a permanent change to the law.

Impact on the public: All employers will share in the cost to help pay the interest due and replenish the E&T Fund.

Impact on the department and other agencies: There are no negative effects on the E&T program which is administered by the Workforce Development Division. If no interest is payable, then the moneys will be used by the E&T program for more training opportunities.

GENERAL FUND:	None.
OTHER FUNDS:	Federal.
PPBS PROGRAM DESIGNATION:	LBR-171.
OTHER AFFECTED AGENCIES:	None.
EFFECTIVE DATE:	Upon approval.