
A BILL FOR AN ACT

RELATING TO THE ADEQUATE RESERVE FUND.

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

1 SECTION 1. Section 383-63, Hawaii Revised Statutes, is
2 amended by amending the definition of "adequate reserve fund" to
3 read as follows:

4 "Adequate reserve fund" means an amount that is equal to
5 the amount derived by multiplying the benefit cost rate that is
6 the highest during the ten-year period ending on November 30 of
7 each year by the total remuneration paid by all employers, with
8 respect to all employment for which contributions are payable
9 during the last four calendar quarters ending on June 30 of the
10 same year, as reported on contribution reports filed on or
11 before October 31 of the same year. "Remuneration", as used in
12 this definition, means wages as defined in section 383-10. For
13 the purpose of determining the highest benefit cost rate, the
14 benefit cost rate for the first twelve-consecutive-calendar-
15 month period beginning with the first day of the first month of
16 the ten-year period and for each succeeding twelve-consecutive-
17 calendar-month period beginning with the first day of each
18 subsequent month shall be computed.

1 Effective for the calendar years 1992 through 2007, and for
2 calendar year 2011, "adequate reserve fund" means an amount that
3 is equal to the amount derived by multiplying the benefit cost
4 rate that is the highest during the ten-year period ending on
5 November 30 of each year by the total remuneration paid by all
6 employers, with respect to all employment for which
7 contributions are payable during the last four calendar quarters
8 ending on June 30 of the same year, as reported on contribution
9 reports filed on or before October 31 of the same year.

10 ~~["Remuneration", as used in this definition, means wages as
11 defined in section 383 10. For the purpose of determining the
12 highest benefit cost rate, the benefit cost rate for the first
13 twelve consecutive calendar month period beginning with the
14 first day of the first month of the ten year period and for each
15 succeeding twelve consecutive calendar month period beginning
16 with the first day of each subsequent month shall be computed.]~~

17 Effective for the calendar years 2023 through 2030,
18 "adequate reserve fund" means an amount that is equal to the
19 amount derived by multiplying the benefit cost rate that is the
20 highest during the ten-year period ending on November 30 of each
21 year by the total remuneration paid by all employers, with
22 respect to all employment for which contributions are payable

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1 during the last four calendar quarters ending on June 30 of the
2 same year, as reported on contribution reports filed on or
3 before October 31 of the same year, but shall not include the
4 benefit cost rate from June 2020 through August 2021."

5 SECTION 2. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY: _____



10

BY REQUEST

JAN 24 2022

H.B. NO. 2160

Report Title:

Adequate Reserve Fund

Description:

Amends the definition of "adequate reserve fund" to exclude the benefit cost rate from June 2020 through August 2021 effective from 2023 to 2030.

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

JUSTIFICATION SHEET

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO THE ADEQUATE RESERVE FUND.

PURPOSE: To amend the definition of "adequate reserve fund" to exclude the benefit cost rate from June 2020 through August 2021, effective from calendar years 2023 through 2030.

MEANS: Amend section 383-63, Hawaii Revised Statutes.

JUSTIFICATION: The COVID-19 pandemic created an unprecedented period of unemployment in Hawaii and resulted in the rapid depletion of funds from the Unemployment Compensation Trust Fund (UCTF). In response, Act 1, Session Laws of Hawaii (SLH) 2021, was enacted to provide relief to contributory employers by temporarily suspending the statutory schedule.

Act 1, SLH 2021, set contribution rate schedule D to apply for calendar years 2021 and 2022, resulting in all employers contributing between .2 per cent to 5.8 per cent on all wages up to the taxable wage base, which is the statewide average annual wage paid by contributory employers. Without legislative action, schedule H contribution rates of between 2.4 per cent to 6.6 per cent would have been in effect for 2021 and 2022.

In addition, Act 1, SLH 2021, required the Director of Labor and Industrial Relations to omit benefits charged for experience ratings for employers due to the continued effects of COVID-19 in calendar years 2021 and 2022. The net effect of setting the contribution rate schedule to D and omitting benefits charged for experience ratings in 2021 and 2022 represents a significant

decrease in the employers' contributions for 2021 and 2022.

Nonetheless, the impact of the unprecedented outflow from the UCTF due to the COVID-19 pandemic will most likely continue for eight years due to the definition of "adequate reserve fund". The definition of "adequate reserve fund" derives an amount based on the highest benefit cost rate during a ten-year period. Without statutory intervention, the adequate reserve fund definition will include the anomalous outflow of unemployment benefits from 2020 due to the disruptions caused by COVID-19.

This bill excludes the benefit cost rate from June 2020 through August 2021 from the definition of the adequate reserve fund for calendar years 2023 through 2030. This relief will allow contributory employers to replenish the UCTF and help re-establish the fund's integrity without facing the highest contribution schedule (H) for years as Hawaii's economy recovers from the COVID-19 pandemic.

Impact on the public: This bill will provide relief to contributory employers who make contributions to the UCTF and facilitate economic recovery for businesses and working families.

Impact on the department and other agencies: This bill will help the Department of Labor and Industrial Relations to efficiently administer the employment security program by avoiding temporary changes in the mechanism to fund the UCTF that in turn disrupt normal operations of the program.

GENERAL FUND: None.

OTHER FUNDS: Unemployment Compensation Trust Fund.

PPBS PROGRAM
DESIGNATION: LBR171.

OTHER AFFECTED

AGENCIES:

None.

EFFECTIVE DATE:

Upon approval.