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A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYMENT SECURITY LAW.

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

1 SECTION 1. Chapter 383, Hawaii Revised Statutes, is  
2 amended by adding to part V two new sections to be appropriately  
3 designated and to read as follows:

4 "§383-A Unemployment insurance technology special fund.

5 (a) There is established in the state treasury the unemployment  
6 insurance technology special fund to be administered by the  
7 department. All assessments collected pursuant to section  
8 383-B and all moneys received by the fund from any other source  
9 shall be deposited in the unemployment insurance technology  
10 special fund.

11 (b) Moneys in the unemployment insurance technology  
12 special fund shall be used by the department for the operating  
13 expenses to operate and maintain the department's information  
14 technology infrastructure used for the payment of benefits and  
15 contributions as provided for in this chapter. Administrative  
16 costs for the collection of the unemployment insurance  
17 technology special fund assessments and for costs related to the

1 establishment and maintenance of the unemployment insurance  
2 technology special fund shall be borne by the fund.

3 (c) The director shall submit a report to the legislature  
4 on the status of the unemployment insurance technology special  
5 fund, including expenditures and program results, not less than  
6 twenty days prior to the convening of each regular session,  
7 provided that the director may include the report in the report  
8 required by section 383-126.5.

9 §383-B Unemployment insurance technology assessment. (a)  
10 In addition to contributions determined by section 383-68, every  
11 employer, except an employer who has elected an alternative  
12 method of financing liability for unemployment compensation  
13 benefits pursuant to section 383-62, shall be subject to an  
14 unemployment insurance technology assessment at a rate of .01  
15 per cent of taxable wages as specified in section 383-61.

16 (b) Collections from the unemployment insurance technology  
17 assessment shall be made in the same manner and at the same time  
18 as any contributions required under section 383-61, and shall  
19 not be deducted, in whole or in part, from the wages of  
20 individuals in an employer's employ.

21 (c) Any assessments collected pursuant to this section  
22 shall remain separate and shall not be included in any manner in

1 computing unemployment contribution rates assigned to employers  
2 in accordance with sections 383-63 to 383-68.

3 (d) The director may impose penalty and interest on  
4 delinquent unemployment insurance technology assessments in the  
5 same manner as provided for contributions to the unemployment  
6 compensation fund in section 383-73. For purposes of  
7 computation of penalty and interest under this subsection,  
8 unemployment insurance technology assessments shall be  
9 considered part of the employer's contributions to the  
10 unemployment compensation fund.

11 (e) Collection of money from an employer delinquent in  
12 paying unemployment insurance technology assessments, employment  
13 and training fund assessments, or contributions to the  
14 unemployment compensation fund pursuant to this chapter shall  
15 first be applied to interest and penalty, then applied to  
16 delinquent unemployment compensation contributions, then to  
17 delinquent unemployment insurance technology assessments, and  
18 finally to delinquent employment and training assessments."

19 SECTION 2. Section 383-129, Hawaii Revised Statutes, is  
20 amended by amending subsection (e) to read as follows:

21 "(e) Collection of money from an employer delinquent in  
22 paying employment and training assessments, unemployment

1 insurance technology assessments, or contributions to the  
2 unemployment compensation fund pursuant to this chapter shall  
3 first be applied to interest and penalty, then applied to  
4 delinquent unemployment compensation contributions, [~~and finally~~  
5 ~~to delinquent employment and training assessments.~~] then to  
6 delinquent unemployment insurance technology assessments, and  
7 finally to delinquent employment and training assessments."

8 SECTION 3. In codifying the new sections added by section  
9 1 of this Act, the revisor of statutes shall substitute  
10 appropriate section numbers for the letters used in designating  
11 the new sections in the Act.

12 SECTION 4. Statutory material to be repealed is bracketed  
13 and stricken. New statutory material is underscored.

14 SECTION 5. This Act, upon its approval, shall take effect  
15 on January 1, 2024.

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INTRODUCED BY:



19

BY REQUEST

**JAN 23 2023**

H.B. NO. 1085

**Report Title:**

Hawaii Employment Security Law; Unemployment Insurance  
Technology Special Fund; Department of Labor and Industrial  
Relations

**Description:**

Creates the Unemployment Insurance Technology Special Fund that will be funded by an additional assessment of .01 per cent to Unemployment Compensation Trust Fund contributions to support the information technology operating and maintenance expenses for the payment of benefits and contributions under Hawaii's Employment Security Law.

*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 HAWAII EMPLOYMENT SECURITY LAW.

PURPOSE: To institute an unemployment insurance technology assessment to be imposed on employers at a rate of .01 per cent of taxable wages to defray the costs of information technology (IT) infrastructure for the unemployment insurance (UI) program and establish the Unemployment Insurance Technology Special Fund into which the assessment will be deposited.

MEANS: Creates two new sections in chapter 383, Hawaii Revised Statutes (HRS), and amend section 383-129(e), HRS.

JUSTIFICATION: The UI program is constructed as a joint federal-state partnership that is financed through payroll taxes paid by employers. State unemployment taxes (SUTA) may fund only unemployment compensation benefits and the state's share of the Extended Benefits (EB) program. Federal unemployment taxes (FUTA) on employers pay for the administration of the UI and EB programs, and are made available to states through the annual federal appropriations process.

The U.S. Department of Labor's Employment and Training Administration (ETA) has opined that the costs of UI modernization, including the cost of maintaining IT systems, is not affordable in the current federal budget environment.

Unemployment Insurance Program Letter No. 22-17 states: "It is also important to note that the cost of maintaining IT systems has grown substantially and states are spending a much greater percentage of their UI administrative grants on IT infrastructure,

which cuts into their ability to fund staff to carry out mission critical functions."

The Unemployment Insurance Technology Special Fund will support both the existing maintenance costs of the mainframe application as well as the future maintenance costs of the Hawaii Unemployment Insurance Modernization (HUI Mod) program.

Impact on the public: This bill will facilitate the delivery of UI benefits to claimants and more efficient tax administration for employers.

Impact on the department and other agencies: This bill will facilitate the Unemployment Insurance Division's modernization of its information technology infrastructure. It will also enable the division to more efficiently allocate staff and resources to perform critical functions.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: LBR 171.

OTHER AFFECTED AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: January 1, 2024.