



**Annual Evaluation of the  
Hawaii Unemployment Compensation Fund**

**Includes Report to the Legislature on:  
The Effects of Act 110 (2007 Legislative Session)  
Appendix E**

State of Hawaii  
Department of Labor & Industrial Relations

December 2010

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December 2010

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## EXECUTIVE SUMMARY

### Highlights

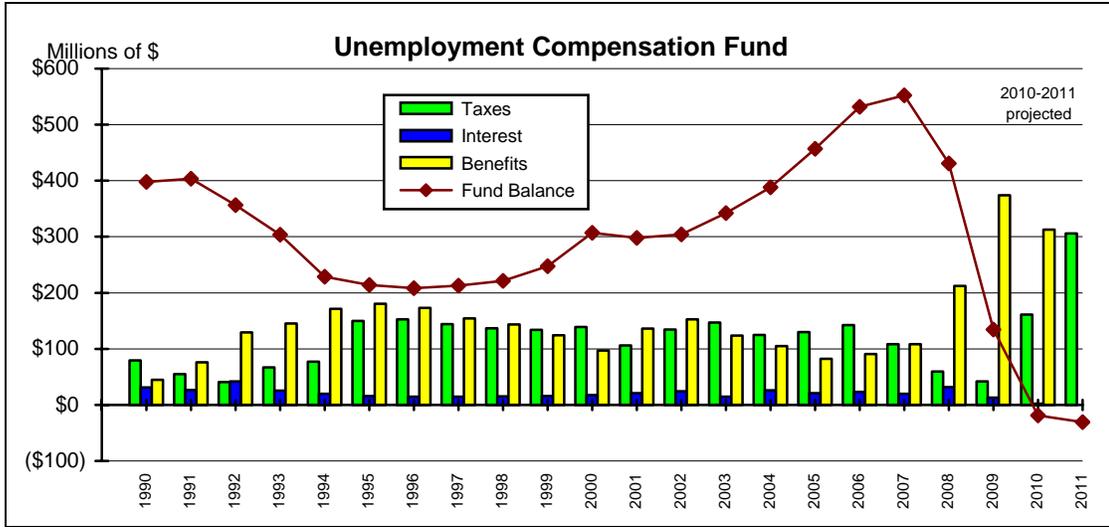
	2009	2010	2011
<b>Unemployment Compensation Fund</b>			
Contributions	\$42million	\$161million*	\$306 million*
Interest	\$13 million	\$2 million*	\$0 million*
Benefits	\$374 million	\$311 million*	\$317 million*
Fund Balance (end of year)	\$134 million	-\$17 million*	-\$28 million*
<b>Unemployment Rates</b>			
Hawaii Insured Unemployment Rate	3.36%	3.2%*	3.0%*
Hawaii Total Unemployment Rate	6.8%	6.5%*	6.0%*
U.S. Total Unemployment Rate	9.3%	9.6%*	
<b>Taxable Wage Base</b>			
	\$13,000	\$34,900	\$34,200
<b>Tax Schedule</b>			
	Schedule A	Schedule D	Schedule F
<b>Tax Rates</b>			
Minimum	0.0%	0.2%	1.2%
Maximum	5.4%	5.4%	5.4%
Average			
% of Taxable Wages	0.7%	1.75%*	2.75%*
% of Total Wages	0.25%	1.2%*	1.9%*
<b>Weekly Benefit Amount</b>			
Minimum	\$5	\$5	\$5
Maximum	\$545	\$559	\$549
Average	\$411	\$407*	
<b>Average Benefit Duration</b>			
	18.9 weeks	19.5 weeks*	

\* estimated

### Status of the Fund

The Hawaii Unemployment Compensation Fund *balance was \$9.4 million at the end of November 2010*. During the first eleven months of 2010, \$160 million in taxes and \$2 million in interest were added to the Fund. At the same time, \$284 million in benefits were paid out from the Fund. As of November, the fund balance is 0.03 of the adequate level. This amount would finance less than one month of unemployment at the worst level experienced during the last ten years.

*The fund balance at the end of 2009 should have triggered tax schedule F to be in effect for 2010. The very low fund balance at the end of 2010 should have triggered schedule H for 2011. Due to Act 2 (2010 Legislative Session), the tax schedules were set at D for 2010 and F for 2011. Assuming the calendar year 2011 insured unemployment rate averages 3.0%, or about 16,900 claims per week, the fund balance is estimated to be negative \$28 million at the end of 2011. With this even lower fund balance, schedule H would be in effect for 2012.*

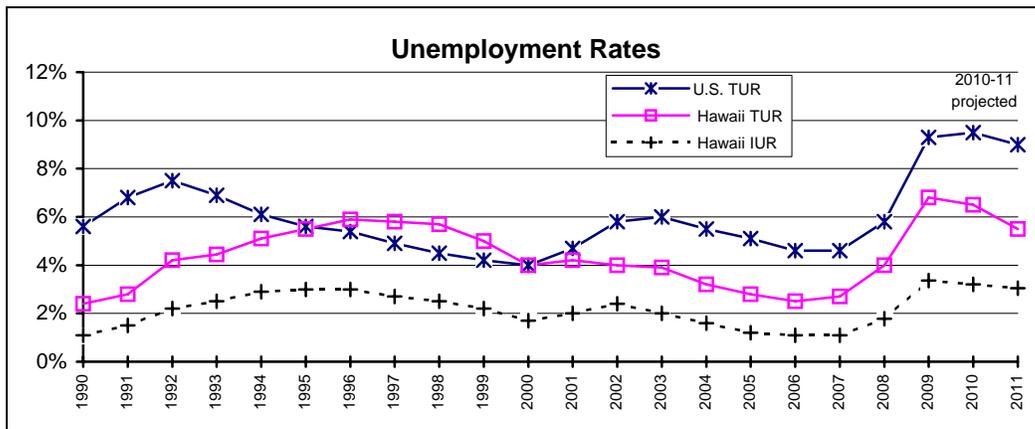


## Economic Factors

The national unadjusted total unemployment rate (TUR) was 9.0% as of October 2010, decreasing from the October 2009 rate of 9.5%. Hawaii's unadjusted total unemployment rate (TUR) was 6.4% in September 2010 as compared to 7.3% in September 2009. Hawaii's total nonagricultural wage and salary job count has stabilized somewhat, averaging 587,700 for the nine months ending September 2010. This is a 3,800 decrease from the 2009 annual average of 591,500.

The insured unemployment rate (IUR), a measure of the unemployed covered by Hawaii's unemployment compensation program, is used to project outgo from the Unemployment Compensation Fund. The IUR averaged 3.36% in 2009. It is at 2.9% as of November 2010.

*Projections in this report assume slightly declining unemployment levels in Hawaii through 2011. Trust fund estimates are based on an insured unemployment rate (IUR) of 3.2% in 2010 and 3.0% in 2011.*



## 2011 Tax Schedule and Taxable Wage Base

Taxes will increase in calendar year 2011 due to the high unemployment and low fund balance at the end of 2010. *Tax schedule F will be in effect for the calendar year 2011. Tax rates will range from 1.2% to 5.4%. The average tax rate is estimated to be 2.75%. The taxable wage base (maximum annual wages taxable per employee) will be \$34,200 in 2011.*

## BACKGROUND INFORMATION

### Purpose of Report

This report is produced to meet the requirements of section 383–126.5, Hawaii Revised Statutes, which calls for an *annual evaluation of the adequacy of the Hawaii Unemployment Compensation Fund balance*, taking into account conditions in the State and national economic trends. The report is due to the Legislature no later than 20 days prior to the convening of the regular session.

### Fund Definition and Requirements

**Establishment of Fund in Hawaii state law.** The Hawaii Employment Security Law (Hawaii Revised Statutes, chapter 383) establishes the Unemployment Compensation Fund under the administration of the Department of Labor and Industrial Relations. Unemployment insurance contributions (taxes) are collected from employers and deposited into this fund. Interest earned on the fund balance is also credited to the fund. The fund can be used *only* to pay unemployment insurance benefits or refunds of overpaid contributions.

**Federal requirements.** Both state and federal laws govern the unemployment insurance program. The Federal Unemployment Tax Act (FUTA), which is part of the U.S. Internal Revenue Code, provides for a federal payroll tax—currently 6.2% of the first \$7,000 in wages per year per employee. Employers receive a tax credit of 5.4% against the Federal tax (resulting in a net tax rate of 0.8%) if their state's law meets all the requirements in the federal laws. The federal tax pays for state and federal administration costs, the federal share of extended benefits, and a loan fund for states that deplete their unemployment funds.

The Social Security Act also contains many requirements relating to the unemployment insurance program.

Three important trust fund related federal requirements are as follows.

- All state unemployment compensation funds must be maintained in the U.S. Treasury as part of the federal Unemployment Trust Fund. Each state has an account in the Trust Fund and interest is paid quarterly to the account by the federal government.
- The Trust Fund can be used essentially only for the payment of unemployment benefits.
- Employers receive the full 5.4% federal tax credit only if the state's system for determining individual employer tax rates meets federal standards. For example, the state's maximum tax rate must be at least 5.4% and an employer's tax rate may be reduced from the maximum, but the reduction must be based on that employer's experience with unemployment (experience rating).

Nonconformity to federal standards can result in:

- denial of all credit against the federal tax (employer's federal tax would be the full 6.2% on the \$7,000 wage base);
- denial of additional credit (employer's federal tax would be the difference of the full federal tax minus their state taxes paid); and/or
- denial of administration grants to run the state program.

To insure that Hawaii employers continue to receive full federal unemployment tax credits, and funding for the state program is not lost, federal standards must be considered in developing laws affecting Hawaii's Unemployment Compensation Fund.

**Self-financing of benefits by governmental and/or nonprofit employers.** Sections 383-62 and 62.5, Hawaii Revised Statutes provide that State and County governmental employers, nonprofit organizations described in section 501(c)(3) of the Internal Revenue Code and exempt from income tax under section 501(a) of such code, and Indian tribes may elect exemption from paying contributions by requesting self-financing status.

## STATUS OF THE UNEMPLOYMENT COMPENSATION FUND

### Status of the Fund

(Historical data from 1970: Appendix B, page A-5)

The fund balance was \$9 million at the end of November 2010 compared to \$134 million at the end of 2009. During the first eleven months of 2010, \$160 million in taxes and \$2 million in interest were added to the Fund. At the same time, \$284 million in benefits were paid out from the Fund.

*Projections through 2011: For this report the insured unemployment rate is projected to average 3.2% in 2010 and 3.0% in 2011. This would result in a benefit outgo of about \$317 million in 2011. Taxes and interest are projected at about \$306 million in 2011. On the basis of this forecasted level of unemployment, the fund balance would be about negative \$28 million by the end of 2011 and Tax Schedule H would be in effect for 2012.*

### HAWAII UNEMPLOYMENT COMPENSATION FUND

(in millions of \$)

Year	Taxes	Interest	Benefits	Fund Balance
2008	\$59.4	\$31.5	\$212.3	\$430.8
2009	\$42.1	\$12.7	\$373.9	\$134.4
2010				
Jan	\$1.6	\$0.0	\$27.2	\$108.5
Feb	\$3.1	\$0.0	\$25.6	\$85.5
Mar	\$0.2	\$1.0	\$30.7	\$55.6
Apr	\$18.2	\$0.0	\$24.7	\$49.1
May	\$41.4	\$0.0	\$24.7	\$62.6
Jun	\$0.7	\$0.5	\$28.3	\$37.7
Jul	\$19.0	\$0.0	\$24.7	\$31.8
Aug	\$34.4	\$0.0	\$28.0	\$37.9
Sep	\$0.4	\$0.3	\$23.2	\$14.8
Oct	\$14.1	\$0.0	\$21.6	\$7.2
Nov	\$27.2	\$0.0	\$24.9	\$9.4
<i>Projected</i>				
2010	\$161	\$2	\$311	-\$17
2011	\$306	\$0	\$317	-\$28

### Fund Solvency

(Historical data from 1970: Appendix B, page A-6)

The Hawaii Employment Security Law defines the factors used to measure the adequacy of the Fund and how the tax rate schedule for the coming year is determined based on that adequacy level. Appendix A outlines the method for determining the tax schedule and how each employer's individual tax rate is computed based on the employer's benefit and contribution experience as well as the schedule in effect.

During the 2007 Legislative Session, Act 110 temporarily redefined the *adequate reserve fund* as the amount of benefits that would be paid out during one year of unemployment at the highest level experienced during the most recent ten years. The prior provisions of the law set the amount at one and one-half years at the highest cost rate. During the 2010 Legislative Session, Act 2 permanently redefined the adequate reserve fund amount to the one-year highest cost rate.

On page A-6, Appendix B, the table entitled *Ratio of Current to Adequate Reserve Fund* shows the data used in tax schedule computations since 1970. For the 2011 tax schedule computation, the adequate amount is

\$364,089,131. The current reserve fund (actual fund assets as of November 30, 2010) is \$9,413,687. Under the usual provisions of the law, at this fund level, Schedule H would be in effect for 2011. However Act 2 (2010 Legislative Session) provided for lower tax schedules for both 2010 and 2011 as described in the next section.

## **Tax Rates**

*(Historical data from 1970: Appendix B, page A-7)*

One of eight tax schedules, A through H, is in effect for a calendar year as explained in Appendix A. Schedule A has the lowest tax rates, while schedule H has the highest. The average tax rate attainable from a particular tax schedule depends on the distribution of employers by reserve ratio groups. Employers tend to move to higher reserve ratio groups during periods when contributions exceed benefits. During such times, more employers move into the lower tax rate groups and the average tax rate for a schedule decreases. Conversely, during periods of high unemployment, more employers move to the higher tax rate groups and the average tax rate for each schedule automatically increases.

Under Act 2 (2010 Legislative Session), rather than apply the computed tax schedules, Schedule D was set for rate year 2010 and Schedule F was set for rate year 2011. Without Act 2, the tax schedule would have been F for 2010 and H for 2011.

Minimum, maximum, and average tax rates are shown on page A-7, Appendix B. Taxes are estimated to average about 2.75% of taxable wages during calendar year 2010 with Schedule F in effect.

## **Taxable Wage Base**

*(Historical data from 1970: Appendix B, page A-8)*

There is a maximum limit on the amount of taxable annual wages per employee for unemployment insurance tax purposes. The law sets this amount, the *taxable wage base*, at 100% of the statewide average annual wage.

Act 110 (2007 Legislative Session) set the taxable wage base at \$13,000 for 2008 through 2010. Act 110 also contained a provision to increase the wage base back to the regular formula if the fund fell below the adequate reserve fund level. Because the fund fell below adequate at the end of November 2009, the 2010 wage base computation should have returned to the 100% formula. However, Act 2 (2010 Legislative Session) reduced the taxable wage base to 90% of the average annual wage for calendar years 2010 and 2011. The taxable wage base for calendar year 2011 will be \$34,200. This is a \$700 reduction from the \$34,900 wage base in 2010.

Setting the wage base at the average annual wage results in approximately 69% of all wages being subject to unemployment insurance taxes. The \$13,000 taxable wage base lowered the percent of total wages taxed to about 36%. The 90% formula is estimated result in about 67% of wages taxed. The *Total and Taxable Wages* table on page A-8, Appendix B shows the taxable wage bases and the proportions of wages taxed since 1970.

The current tax schedule system was designed to work with the currently defined taxable wage base. When the wage base is lowered, the tax schedules will produce lower levels of income than they were designed to produce.

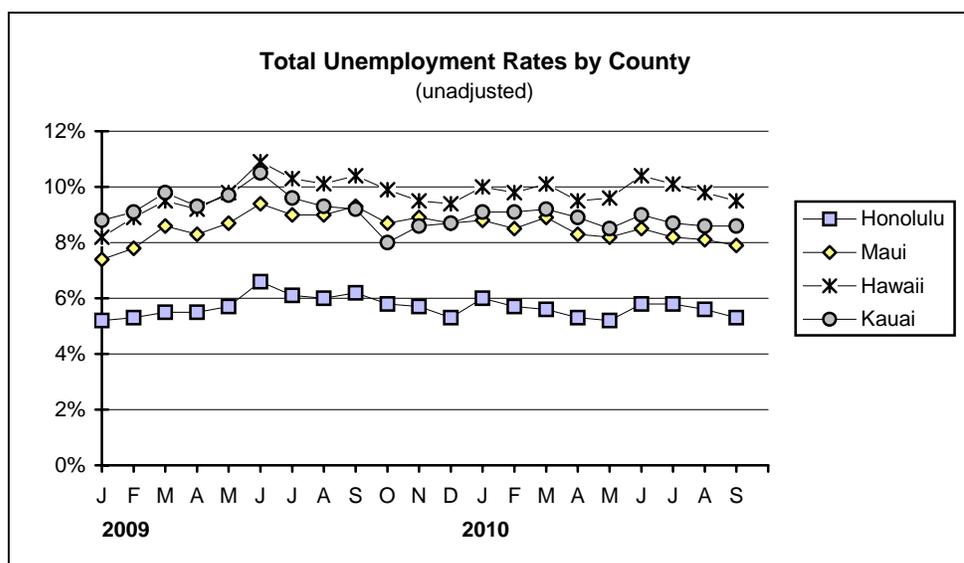
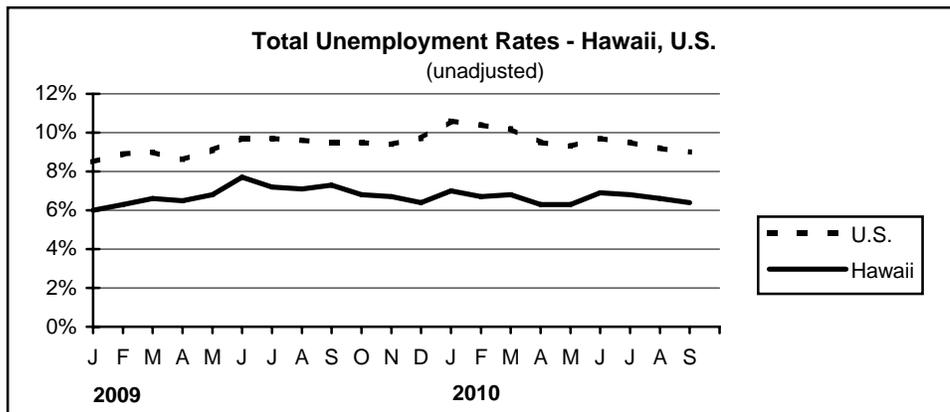
# ECONOMIC FACTORS

## General Conditions

Hawaii and the nation continued to experience relatively high unemployment despite the official end of the recession in 2009. The national unadjusted total unemployment rate (TUR) was 9.0% for October 2010, decreasing from the October 2009 rate of 9.5%. Hawaii's unadjusted TUR was 6.4% in September 2010 as compared to 7.3% in September 2009. As shown in the chart below, unemployment rates were in the 6% to 7% range through 2009 and 2010, and have been declining in the second half of 2010. For the month of September 2010, unemployment rates were 5.3% for Honolulu, 8.6% for Kauai County, 7.9% for Maui County, and 9.5% for Hawaii County.

Hawaii's total nonagricultural wage and salary job count has stabilized somewhat, averaging 587,700 for the nine months ending September 2010. This is a 3,800 decrease from the 2009 annual average of 591,500. Comparing the month of September 2010 to September 2009, the total job count is up slightly to 585,400 from 583,200--a 2,200 or 0.4% increase. Most industrial sectors were stable with small increases or decreases in jobs. The two sectors with the largest percentage growth were Accommodation and Food Services and Federal government.

*Outlook:* This report assumes slightly improved unemployment levels for Hawaii through 2011.



**Labor Force Data**

*(Historical data from 1970: Appendix B, page A-2)*

Employment in Hawaii stabilized from an annual average 594,500 in calendar year 2009 to 594,200 during the first nine months in 2010. Unemployment decreased slightly from an average of 43,250 in 2009 to 42,300 for the January through September 2010 period.

Hawaii's total unemployment rate (TUR) averaged 6.6% over the first nine months of 2010, decreasing slightly from the calendar year 2009 average of 6.8%.

The total unemployment rate for the U.S. averaged 9.7% for the first ten months of 2010, increasing over the calendar year 2009 average of 9.3%.

*Projections for this publication assume the Hawaii total unemployment rate will average 6.5% in 2010 and 6.0% in 2011.*

**LABOR FORCE DATA**

Unadjusted

Year	<i>Hawaii</i>			<i>U.S.</i> Total Unemployment Rate
	Employment	Unemployment	Total Unemployment Rate	
2008	620,000	26,000	4.0%	5.8%
2009	594,500	43,250	6.8%	9.3%
2010				
Jan	589,650	44,450	7.0%	10.6%
Feb	593,300	42,600	6.7%	10.4%
Mar	594,750	43,100	6.8%	10.2%
Apr	595,550	40,350	6.3%	9.5%
May	595,650	40,000	6.3%	9.3%
Jun	596,500	44,000	6.9%	9.6%
Jul	597,550	43,600	6.8%	9.7%
Aug	594,750	41,950	6.6%	9.5%
Sep	589,900	40,350	6.4%	9.2%
Oct				9.0%
<i>Projected</i>				
2010			6.5%	
2011			6.0%	

## Insured Unemployment and Employment Covered by the Unemployment Compensation Fund

(Historical data from 1970: Appendix B, page A-3)

The average monthly number of employees covered by the Fund was 435,018 in 2009, decreasing from 463,561 in 2008. Covered employees decreased further to an average of 420,650 during the first half of 2010.

The insured unemployment rate (IUR) is average weekly unemployment insurance claims as a percent of covered employees. The IUR was 2.9% as of November 2010, compared to the 2009 average of 3.36%. The average weekly number of claims filed under the regular state program was 20,176 in 2009. The number of weekly claims averaged 16,083 as of November 2010.

Projections for the IUR: average of 3.2% for 2010 and 3.0% for 2011.

### INSURED UNEMPLOYMENT RATE AND EMPLOYMENT COVERED BY THE UC FUND

Year	Insured Unemployment		Employees Covered By the Fund
	Rate (IUR)	Average Weekly Claims*	
2008	1.78%	11,611	463,561
2009	3.36%	20,176	435,018
2010			
Jan	3.44%	19,682	419,363
Feb	3.40%	19,452	420,677
Mar	3.31%	18,958	421,774
Apr	3.23%	18,275	420,239
May	3.18%	17,990	420,769
Jun	3.14%	17,746	421,089
Jul	3.17%	17,720	
Aug	3.16%	17,633	
Sep	3.09%	17,263	
Oct	3.01%	16,710	
Nov	2.90%	16,083	
<i>Projected</i>			
2010	3.2%	17,800	
2010	3.0%	16,900	

\*Monthly data are for the week containing the 12<sup>th</sup> of the month and are based on 13 week moving averages.

Figures do not include claims under special programs that extend benefits beyond 26 weeks of regular benefits.

## **Weekly Benefit Amounts and Average Duration**

*(Historical data from 1970: Appendix B, page A-4)*

The *maximum weekly benefit amount* payable to claimants *will decrease to \$549 for the calendar year 2011*—\$10 less than the \$559 maximum in 2010. 2011 will be the first year to ever see a decrease in the maximum weekly benefit amount. A large decline in highly paid construction jobs and overall cuts in employee hours, during the second half of 2009 through the first half of 2010, are factors that may have resulted in the drop in average weekly wages that are used in the annual computation.

Under Hawaii's law a new maximum weekly benefit amount is normally computed each year as 70% of the current statewide average weekly wage. Prior to 1992, the computation used 2/3 rather than 70%. Effective for calendar years 2008 through 2010, the computation was made with a 75% multiplier due to Act 110 (2007 Legislative Session). Act 2 (2010 Legislative Session) extended the 75% multiplier through the 2011 computation.

*Average weekly benefits* received by claimants decreased to an average of \$407 for the 12-month period ending October 2010 as compared to an average of \$411 for calendar year 2009. A weekly benefit amount is computed for each claimant based on prior earnings. Average weekly benefits usually increase over time with increases in earnings. Average benefits increase more rapidly when workers with higher wages experience more unemployment, and may decrease when lower wage claimants represent a larger proportion of the unemployed.

Claimants may receive up to the equivalent of 26 weeks of regular benefits at their computed weekly benefit amount. However many return to work before collecting this entire amount. The *average number of weeks of regular benefits* received per claimant was 19.6 weeks for the twelve-month period ending October 2010. This is a less than one-week increase from the 2009 annual average of 18.9 weeks. These averages do not include benefits paid under special programs that extend benefits beyond the 26 weeks of regular benefits.

## EXPERIENCE RATING

### Description

Experience rating means that each employer's unemployment insurance tax rate is based on the employer's own benefit, contribution, and wage history. For each employer an account is kept of the amount of benefits paid to former employees and the amount of taxes paid into the Unemployment Compensation Fund. At the end of the year, a *reserve ratio* is computed for each employer and that reserve ratio determines the employer's tax rate for the coming year. Appendix A describes this procedure.

### Charged and Noncharged Benefits

*(Historical data from 1970: Appendix B, page A-9)*

For experience rating purposes benefits paid to former employees are usually charged to the employers' individual accounts. However, under certain conditions where the employer may be considered not responsible for the claimant's unemployment, the benefits paid to that former employee is *not* charged to the employer's account. The conditions for noncharging are described in Appendix C. In 2009, 11% of all benefits paid were not charged to an individual employer account. Noncharged benefits are financed by Unemployment Compensation Fund interest income or by employers as a whole by triggering a higher tax schedule due to a lower fund balance.

### 2009 Employer Data

The following tables show 2009 employment, wage, benefit, and contribution data for employers who contribute to the Unemployment Compensation Fund and for whom a tax rate was computed for calendar year 2010. Information on employers who were covered under the Hawaii unemployment insurance program during 2009, but were no longer covered as of January 1, 2010, are not included in these tables. Data are shown by reserve ratio, county, size of firm, and industry groups. The reserve ratio tables show 2009 data by reserve ratios as of the end of 2009. Also shown on those tables are the 2010 tax rates assigned to each reserve ratio group.

Twenty-one percent of all employers were in the highest reserve ratio group with ratios of 0.1500 and higher. These 6,600 employers were assigned the minimum 0.2% tax rate for 2010. Nine percent of the employers were assigned the maximum 5.4% tax rate, mostly due to delinquent filing of tax reports.

## Employer Data

### 2009 Employment and Wage Data by Reserve Ratio

Reserve Ratio End of 2009	2010 Tax Rate	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
.1500 and over	0.2%	6,632	21	84,737	19	3,642,191	22	1,034,791	18
.1400 to .1499	0.4%	963	3	20,077	5	812,745	5	256,228	4
.1300 to .1399	0.6%	1,017	3	24,787	6	946,780	6	323,688	5
.1200 to .1299	0.8%	1,043	3	25,751	6	848,091	5	329,130	6
.1100 to .1199	1.0%	1,172	4	25,961	6	916,807	6	338,250	6
.1000 to .1099	1.2%	1,231	4	30,455	7	1,034,007	6	398,449	7
.0900 to .0999	1.4%	1,123	4	21,505	5	739,826	4	281,274	5
.0800 to .0899	1.6%	1,122	4	22,557	5	756,793	5	289,938	5
.0700 to .0799	1.8%	1,033	3	16,530	4	535,194	3	217,741	4
.0600 to .0699	2.0%	993	3	17,918	4	624,166	4	242,175	4
.0500 to .0599	2.2%	2,389	8	20,505	5	628,185	4	260,607	4
.0300 to .0499	2.6%	1,638	5	28,309	6	923,888	6	383,106	6
.0000 to .0299	3.0%	881	3	23,102	5	877,388	5	327,425	6
-.0000 to -.0499	3.4%	852	3	13,480	3	615,589	4	203,151	3
-.0500 to -.0999	4.0%	544	2	16,093	4	590,679	4	239,754	4
-.1000 to -.4999	4.6%	1,524	5	17,220	4	887,588	5	279,979	5
-.5000 to -.9999	5.2%	396	1	5,368	1	343,734	2	94,972	2
-1.0000 to -1.4999	5.4%	111	0	1,521	0	97,120	1	29,398	0
-1.5000 to -1.9999	5.4%	53	0	323	0	16,012	0	5,425	0
-2.0000 and less	5.4%	102	0	742	0	32,878	0	11,945	0
New & Reactive	3.0%	3,648	12	9,268	2	324,020	2	142,405	2
N&R Neg Reserve	5.4%	182	1	232	0	8,625	0	4,458	0
Delinquent	5.4%	2,328	8	9,963	2	309,671	2	207,677	4
Total		30,977	100	436,405	100	16,511,975	100	5,901,966	100

Employment, wages, and percentages may not add to totals due to rounding.

**2009 Benefit and Contribution Data by Reserve Ratio**

Reserve Ratio End of 2009	2010 Tax Rate	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
.1500 and over	0.2%	10,605	3,524	14,129	4	1.4	405	1	0.04
.1400 to .1499	0.4%	1,890	943	2,833	1	1.1	74	0	0.03
.1300 to .1399	0.6%	3,363	1,447	4,811	1	1.5	210	0	0.06
.1200 to .1299	0.8%	3,698	1,519	5,218	2	1.6	309	1	0.09
.1100 to .1199	1.0%	6,379	1,801	8,180	2	2.4	604	1	0.18
.1000 to .1099	1.2%	10,218	1,947	12,165	4	3.0	960	2	0.24
.0900 to .0999	1.4%	6,629	1,620	8,249	2	2.9	1,186	3	0.42
.0800 to .0899	1.6%	8,476	1,561	10,037	3	3.5	1,476	4	0.51
.0700 to .0799	1.8%	7,037	2,005	9,043	3	4.2	1,476	4	0.68
.0600 to .0699	2.0%	6,777	1,775	8,552	3	3.5	2,067	5	0.85
.0500 to .0599	2.2%	5,748	1,584	7,332	2	2.8	2,783	7	1.07
.0300 to .0499	2.6%	12,423	5,104	17,528	5	4.6	4,491	11	1.17
.0000 to .0299	3.0%	18,210	2,732	20,942	6	6.4	3,993	10	1.22
-.0000 to -.0499	3.4%	22,113	2,367	24,481	7	12.0	2,757	7	1.36
-.0500 to -.0999	4.0%	25,858	2,538	28,396	8	11.8	4,122	10	1.72
-.1000 to -.4999	4.6%	78,864	4,396	83,259	24	29.7	6,238	15	2.23
-.5000 to -.9999	5.2%	43,265	1,182	44,448	13	46.8	2,816	7	2.97
-1.0000 to -1.4999	5.4%	13,875	414	14,289	4	48.6	1,027	2	3.49
-1.5000 to -1.9999	5.4%	2,072	89	2,161	1	39.8	218	1	4.02
-2.0000 and less	5.4%	5,284	137	5,421	2	45.4	553	1	4.63
New & Reactive	3.0%	295	107	402	0	0.3	2,597	1	1.82
N&R Neg Reserve	5.4%	553	31	584	0	13.1	119	0	2.67
Delinquent	5.4%	10,325	986	11,310	3	5.5	1,081	3	0.52
Total		303,958	39,811	343,769	100	5.8	41,563	100	0.70

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line  
 Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

### 2009 Employment and Wage Data by County

County	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Oahu	17,409	56	235,463	54	8,795,524	53	3,074,578	52
Maui	3,852	12	38,668	9	1,366,191	8	547,349	9
Hawaii	3,847	12	36,619	8	1,257,686	8	515,205	9
Kauai	1,580	5	17,677	4	625,222	4	249,282	4
Interstate	4,289	14	107,978	25	4,467,352	27	1,515,552	26
Total	30,977	100	436,405	100	16,511,975	100	5,901,966	100

Employment, wages, and percentages may not add to totals due to rounding.

### 2009 Benefit and Contribution Data by County

County	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Oahu	149,631	16,278	165,909	48	5.4	20,346	49	0.66
Maui	41,079	5,015	46,093	13	8.4	4,414	11	0.81
Hawaii	40,172	4,038	44,209	13	8.6	4,319	10	0.84
Kauai	18,448	1,969	20,417	6	8.2	2,513	6	1.01
Interstate	54,629	12,511	67,140	20	4.4	9,970	24	0.66
Total	303,958	39,811	343,769	100	5.8	41,563	100	0.70

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line  
 Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

### 2009 Employment and Wage Data by Size of Firm

Employment Size	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Less than 5	19,951	64	33,019	8	1,341,064	8	507,224	9
5 to 9	4,849	16	33,703	8	1,236,929	8	454,178	8
10 to 19	2,925	9	40,526	9	1,558,889	9	553,870	9
20 to 49	1,893	6	58,044	13	2,267,859	14	800,556	14
50 to 99	723	2	49,482	11	1,986,469	12	691,542	12
100 to 249	432	1	66,292	15	2,541,339	15	913,949	16
250 or more	204	1	155,339	36	5,579,426	34	1,980,647	34
Total	30,977	100	436,405	100	16,511,975	100	5,901,966	100

Employment, wages, and percentages may not add to totals due to rounding.

### 2009 Benefit and Contribution Data by Size of Firm

Employment Size	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Less than 5	32,192	3,292	35,483	10	7.0	4,622	11	0.91
5 to 9	22,719	2,469	25,188	7	5.6	3,683	9	0.81
10 to 19	30,136	3,472	33,607	10	6.1	4,482	11	0.81
20 to 49	48,072	6,050	54,122	16	6.8	6,441	16	0.81
50 to 99	43,898	5,252	49,150	14	7.1	5,281	13	0.76
100 to 249	51,059	6,443	57,502	17	6.3	6,939	17	0.76
250 or more	75,883	12,833	88,716	26	4.5	10,114	24	0.51
Total	303,958	39,811	343,769	100	5.8	41,563	100	0.7

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line  
 Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

**2009 Employment and Wage Data by NAICS Industry**

Industry	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Natural Resources & Mining	423	1	6,851	2	228,250	1	97,280	2
Utilities	36	0	3,194	1	257,070	2	43,459	1
Construction	3,048	10	29,991	7	1,921,710	12	530,397	9
Manufacturing	919	3	19,594	5	540,355	3	187,998	3
Wholesale Trade	1,897	6	17,174	4	827,732	5	241,561	4
Retail Trade	3,055	10	67,045	15	1,919,394	12	860,840	15
Transportation & Warehousing	802	3	22,855	5	922,016	6	315,575	5
Information	505	2	9,217	2	512,082	3	135,031	2
Finance & Insurance	1,059	3	18,380	4	1,045,790	6	263,814	4
Real Estate, Rental & Leasing	1,608	5	10,873	2	443,538	3	149,617	3
Professional, Scientific, & Technical Services	3,828	12	22,328	5	1,428,964	9	333,904	6
Management of Companies & Enterprises	183	1	1,028	0	92,263	1	16,119	0
Administrative & Support; Waste Management & Remediation Services	2,046	7	46,126	11	1,408,864	9	666,115	11
Educational Services	493	2	4,460	1	126,216	1	53,732	1
Health Care & Social Assistance	2,809	9	37,401	9	1,616,360	10	489,878	8
Arts, Entertainment & Recreation	483	2	8,537	2	233,278	1	101,070	2
Accommodation & Food Services	2,764	9	89,615	21	2,341,082	14	1,118,854	19
Other Services (except Public Administration)	3,311	11	20,472	5	594,138	4	268,670	5
Unknown	1,708	6	1,266	0	52,872	0	28,052	0
<b>Total</b>	<b>30,977</b>	<b>100</b>	<b>436,405</b>	<b>100</b>	<b>16,511,975</b>	<b>100</b>	<b>5,901,966</b>	<b>100</b>

Employment, wages, and percentages may not add to totals due to rounding.

**2009 Benefit and Contribution Data by NAICS Industry**

Industry	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Natural Resources & Mining	6,936	363	7,298	2	7.5	1,167	3	1.20
Utilities	235	61	296	0	0.7	45	0	0.10
Construction	127,096	6,799	133,895	39	25.2	10,149	24	1.91
Manufacturing	8,768	1,158	9,926	3	5.3	1,139	3	0.61
Wholesale Trade	7,438	1,304	8,742	3	3.6	1,046	3	0.43
Retail Trade	18,071	4,715	22,786	7	2.7	3,106	8	0.36
Transportation & Warehousing	11,223	4,800	16,023	5	5.1	1,884	5	0.60
Information	5,407	760	6,167	2	4.6	958	2	0.71
Finance & Insurance	5,630	917	6,547	2	2.5	752	2	0.29
Real Estate, Rental & Leasing	6,534	1,150	7,684	2	5.1	1,010	2	0.68
Professional, Scientific, & Technical Services	11,243	1,297	12,540	4	3.8	2,357	6	0.71
Management of Companies & Enterprises	799	51	850	0	5.3	115	0	0.71
Administrative & Support; Waste Management & Remediation Services	34,924	5,878	40,802	12	6.1	6,737	16	1.01
Educational Services	1,209	235	1,444	0	2.7	368	1	0.68
Health Care & Social Assistance	7,657	1,928	9,584	3	2.0	2,468	6	0.50
Arts, Entertainment & Recreation	4,560	625	5,184	2	5.1	587	1	0.58
Accommodation & Food Services	39,869	6,382	46,251	14	4.1	5,844	14	0.52
Other Services (except Public Administration)	6,055	1,355	7,409	2	2.8	1,416	3	0.56
Unknown	307	33	341	0	1.2	414	1	1.48
<b>Total</b>	<b>303,958</b>	<b>39,811</b>	<b>343,769</b>	<b>100</b>	<b>5.8</b>	<b>41,563</b>	<b>100</b>	<b>0.70</b>

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line

Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

## APPENDIX A

### Computation of Employer Contribution Rates

An employer's Hawaii unemployment insurance tax rate is computed once a year based on the employer's reserve ratio and the tax schedule (one of eight possible schedules, A through H) in effect for the year. The tax rates corresponding to each tax schedule and reserve ratio group are shown below in the **Contribution Rate Schedules** table.

Employers not chargeable with benefits for the 12-month period prior to the rate computation date are ineligible for an experience (reserve ratio) computation and are assigned the tax rate corresponding to a zero reserve ratio; if the ineligible employer has a negative reserve balance, a rate of 5.4% is assigned.

#### Computation of Employer Reserve Ratio:

Reserve Ratio = all contributions paid by the employer minus all benefits charged to the employer, divided by 1/3 of the sum of the employer's taxable payrolls for the last 3 consecutive calendar years.

#### Determination of Tax Schedule:

(a) Compute Adequate Reserve:

Adequate Reserve = \*highest benefit cost rate occurring during the last 10 years, times total wages for last completed fiscal year ending June 30.

Benefit cost rate = total benefits paid during a 12 consecutive month period, divided by total wages for the last 4 completed calendar quarters ending at least 5 months before the end of the 12 consecutive month period.

(b) Compute ratio of Current Reserve to Adequate Reserve:

Ratio = Current Reserve (Unemployment Compensation Fund balance as of November 30) divided by Adequate Reserve.

(b) Determine Tax Schedule based on ratio of current to adequate reserve as shown below.

\*1.5 times multiplier was in effect for rate years 1970 to 1978 and 1992 to 2007.

Reserve Ratio	Contribution Rate Schedules								Tax Schedule Computation	
	A	B	C	D	E	F	G	H	Ratio of Current to Adequate Reserve	Tax Schedule
.1500 and over	0.0	0.0	0.0	0.2	0.6	1.2	1.8	2.4	More than 1.69	A
.1400 to .1499	0.0	0.0	0.1	0.4	0.8	1.4	2.0	2.6	1.3 to 1.69	B
.1300 to .1399	0.0	0.0	0.2	0.6	1.0	1.6	2.2	2.8	1.0 to 1.29	C
.1200 to .1299	0.0	0.1	0.4	0.8	1.2	1.8	2.4	3.0	0.80 to 0.99	D
.1100 to .1199	0.0	0.2	0.6	1.0	1.4	2.0	2.6	3.2	0.60 to 0.79	E
.1000 to .1099	0.1	0.3	0.8	1.2	1.6	2.2	2.8	3.4	0.40 to 0.59	F
.0900 to .0999	0.3	0.5	1.0	1.4	1.8	2.4	3.0	3.6	0.20 to 0.39	G
.0800 to .0899	0.5	0.7	1.2	1.6	2.0	2.6	3.2	3.8	Less than 0.20	H
.0700 to .0799	0.7	0.9	1.4	1.8	2.2	2.8	3.4	4.0		
.0600 to .0699	0.9	1.1	1.6	2.0	2.4	3.0	3.6	4.2		
.0500 to .0599	1.1	1.3	1.8	2.2	2.6	3.2	3.8	4.4		
.0300 to .0499	1.3	1.5	2.0	2.6	3.0	3.6	4.2	4.8		
.0000 to .0299	1.7	1.9	2.4	3.0	3.4	4.0	4.6	5.2		
-.0000 to -.0499	2.1	2.3	2.8	3.4	3.8	4.4	5.0	5.4		
-.0500 to -.0999	2.5	2.7	3.2	4.0	4.4	5.0	5.4	5.4		
-.1000 to -.4999	2.9	3.1	3.6	4.6	5.0	5.4	5.4	5.4		
-.5000 to -.9999	3.4	3.6	4.2	5.2	5.4	5.4	5.4	5.4		
-1.0000 to -1.4999	4.1	4.2	4.8	5.4	5.4	5.4	5.4	5.4		
-1.5000 to -1.9999	4.7	4.8	5.4	5.4	5.4	5.4	5.4	5.4		
-2.0000 and less	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4		

## APPENDIX B Annual Data from 1970

### LABOR FORCE DATA unadjusted

Year	<i>Hawaii</i>			<i>U.S.</i>
	Employment	Unemployment	Total Unemployment Rate	Total Unemployment Rate
1970	305,650	15,900	4.9%	4.9%
1971	313,450	23,350	6.9%	5.9%
1972	324,050	26,950	7.7%	5.6%
1973	338,350	26,250	7.2%	4.9%
1974	345,350	29,650	7.9%	5.6%
1975	351,100	31,850	8.3%	8.5%
1976	372,250	38,000	9.3%	7.7%
1977	386,150	32,400	7.7%	7.1%
1978	394,300	28,250	6.7%	6.1%
1979	406,450	24,350	5.7%	5.8%
1980	419,750	21,250	4.8%	7.1%
1981	428,500	23,200	5.1%	7.6%
1982	432,450	27,250	5.9%	9.7%
1983	444,000	27,900	5.9%	9.6%
1984	451,400	25,700	5.4%	7.5%
1985	459,400	24,400	5.0%	7.2%
1986	473,500	22,350	4.5%	7.0%
1987	492,700	18,550	3.6%	6.2%
1988	503,750	15,700	3.0%	5.5%
1989	515,250	12,550	2.4%	5.3%
1990	537,600	13,400	2.4%	5.6%
1991	547,350	15,700	2.8%	6.8%
1992	551,550	24,450	4.2%	7.5%
1993	556,350	25,400	4.4%	6.9%
1994	555,750	30,050	5.1%	6.1%
1995	557,050	32,450	5.5%	5.6%
1996	561,700	35,050	5.9%	5.4%
1997	566,750	34,900	5.8%	4.9%
1998	570,150	34,150	5.7%	4.5%
1999	576,300	30,350	5.0%	4.2%
2000	584,850	24,150	4.0%	4.0%
2001	589,200	26,050	4.2%	4.7%
2002	584,350	24,600	4.0%	5.8%
2003	592,450	23,850	3.9%	6.0%
2004	598,200	19,950	3.2%	5.5%
2005	609,850	17,250	2.8%	5.1%
2006	622,300	15,800	2.5%	4.6%
2007	623,150	17,000	2.7%	4.6%
2008	620,000	26,000	4.0%	5.8%
2009	594,500	43,250	6.8%	9.3%

Source: Hawaii Workforce Informer web page ([www.hiwi.org](http://www.hiwi.org)) Note: Data from 1976 revised in 2005

## APPENDIX B continued

### INSURED UNEMPLOYMENT AND EMPLOYMENT COVERED BY THE UC FUND

Year	Insured Unemployment		Employees Covered by the Fund	
	Rate	Average Weekly Claims	Number	% change
1970	2.4%	6,124	221,498	
1971	3.9%	10,789	225,633	2%
1972	4.8%	12,737	231,338	3%
1973	3.7%	10,527	246,201	6%
1974	4.2%	12,443	252,421	3%
1975	5.2%	16,939	255,772	1%
1976	6.3%	19,427	258,485	1%
1977	4.7%	14,998	267,018	3%
1978	3.4%	10,569	285,172	7%
1979	2.7%	9,798	302,404	6%
1980	2.9%	10,740	309,424	2%
1981	3.0%	11,681	311,997	1%
1982	3.5%	13,411	306,395	-2%
1983	3.5%	12,919	309,752	1%
1984	2.9%	11,104	317,669	3%
1985	2.6%	9,696	328,268	3%
1986	2.2%	8,548	337,832	3%
1987	1.7%	7,045	358,801	6%
1988	1.5%	6,452	371,952	4%
1989	1.1%	5,041	393,693	6%
1990	1.1%	5,547	416,341	6%
1991	1.5%	7,909	415,883	0%
1992	2.2%	11,520	415,275	0%
1993	2.5%	12,721	409,338	-1%
1994	2.9%	14,752	406,316	-1%
1995	3.0%	15,324	402,645	-1%
1996	3.0%	14,854	401,001	0%
1997	2.7%	13,356	400,817	0%
1998	2.5%	12,605	398,354	-1%
1999	2.2%	10,684	401,109	1%
2000	1.7%	8,413	414,768	3%
2001	2.0%	11,545	416,770	0%
2002	2.4%	11,979	414,417	-1%
2003	2.0%	10,327	422,293	2%
2004	1.6%	8,202	435,079	3%
2005	1.2%	6,260	452,366	4%
2006	1.1%	6,234	465,014	3%
2007	1.1%	6,798	472,151	2%
2008	1.8%	11,611	463,561	-2%
2009	3.4%	20,176	435,018	-6%

Sources: Insured Unemployment from ETA 539 Weekly Claims and Extended Benefits Trigger Data; Covered Employment from Quarterly Census of Employment and Wages

Note: Insured unemployment data includes private industry, state and county governments, and nonprofit organizations; it also includes extended benefits for 1971, 1972, 1975 through 1978, and 1980. Employment data is for private industry only.

## APPENDIX B continued

### WEEKLY BENEFIT AMOUNT AND AVERAGE DURATION

Year	Weekly Benefit Amount		Average Benefit Duration (weeks)
	<i>Maximum</i>	<i>Average</i>	
1970	\$79	\$58	15.0
1971	\$86	\$63	18.3
1972	\$90	\$66	19.9
1973	\$93	\$68	16.0
1974	\$98	\$72	16.2
1975	\$104	\$76	16.4
1976	\$112	\$84	18.9
1977	\$120	\$89	16.4
1978	\$126	\$91	16.2
1979	\$134	\$93	13.5
1980	\$144	\$103	13.7
1981	\$157	\$114	14.2
1982	\$169	\$124	14.8
1983	\$178	\$123	15.8
1984	\$188	\$136	14.8
1985	\$194	\$134	14.6
1986	\$200	\$140	14.3
1987	\$212	\$150	13.4
1988	\$223	\$162	13.5
1989	\$239	\$170	12.0
1990	\$256	\$189	11.4
1991	\$275	\$206	13.0
1992	\$306	\$235	14.8
1993	\$322	\$246	17.6
1994	\$337	\$259	17.4
1995	\$344	\$262	16.0
1996	\$347	\$261	17.8
1997	\$351	\$259	17.1
1998	\$356	\$258	16.4
1999	\$364	\$266	16.5
2000	\$371	\$273	15.4
2001	\$383	\$282	12.8
2002	\$395	\$280	19.2
2003	\$407	\$298	15.7
2004	\$417	\$312	15.6
2005	\$436	\$328	14.2
2006	\$459	\$357	13.3
2007	\$475	\$374	13.6
2008	\$523	\$406	13.9
2009	\$545	\$411	18.9
2010	\$559		
2011	\$549		

Source: Unemployment Insurance workload data on Gross Benefits, Weeks Compensated and First Payments

Note: Data are for all claim programs, including federal programs.

## APPENDIX B continued

### HAWAII UNEMPLOYMENT COMPENSATION FUND

*(in millions of \$)*

Year	Taxes	Interest	Benefits	Fund Balance
1970	\$13.6	\$ 2.1	\$14.7	\$44.1
1971	\$15.3	\$ 2.1	\$28.3	\$33.3
1972	\$22.0	\$ 1.4	\$30.9	\$25.8
1973	\$24.6	\$ 1.2	\$26.7	\$25.0
1974	\$26.5	\$ 1.1	\$35.3	\$17.3
1975	\$39.4	\$ 0.7	\$52.0	\$ 5.3
1976	\$48.8	\$ 0.1	\$66.1	-\$11.9
1977	\$63.3	\$ 0.0	\$50.2	\$ 1.3
1978	\$73.6	\$ 0.6	\$38.3	\$37.2
1979	\$68.9	\$ 3.3	\$31.4	\$78.0
1980	\$58.2	\$ 7.0	\$42.6	\$100.6
1981	\$53.4	\$ 9.9	\$57.5	\$106.3
1982	\$54.9	\$11.5	\$71.1	\$101.6
1983	\$70.9	\$11.5	\$61.0	\$123.0
1984	\$67.8	\$13.4	\$63.4	\$140.9
1985	\$60.2	\$15.7	\$54.3	\$162.5
1986	\$65.4	\$12.9	\$49.3	\$191.5
1987	\$75.1	\$24.0	\$42.6	\$248.0
1988	\$51.3	\$22.5	\$44.2	\$277.7
1989	\$64.0	\$25.6	\$35.4	\$331.9
1990	\$79.5	\$31.3	\$45.0	\$397.7
1991	\$55.2	\$26.8	\$76.0	\$403.8
1992	\$40.9	\$41.7	\$129.6	\$356.7
1993	\$67.0	\$25.5	\$145.4	\$303.9
1994	\$77.0	\$19.6	\$171.6	\$228.9
1995	\$150.0	\$15.7	\$180.4	\$214.2
1996	\$152.4	\$14.9	\$173.3	\$208.2
1997	\$144.2	\$14.7	\$154.2	\$212.9
1998	\$136.8	\$15.1	\$143.3	\$221.5
1999	\$134.1	\$15.7	\$124.1	\$247.2
2000	\$138.9	\$17.8	\$96.9	\$307.0
2001	\$106.3	\$21.1	\$136.1	\$298.2
2002	\$134.6	\$24.2	\$152.7	\$304.3
2003	\$147.0	\$14.4	\$123.6	\$342.0
2004	\$124.6	\$26.0	\$104.7	\$388.0
2005	\$130.2	\$21.4	\$82.3	\$457.2
2006	\$142.2	\$23.3	\$90.6	\$532.1
2007	\$108.4	\$19.8	\$108.2	\$552.2
2008	\$59.4	\$31.5	\$212.3	\$430.8
2009	\$42.1	\$12.7	\$373.9	\$134.4

Source: ETA2112, UI Financial Transaction Summary, Unemployment Fund

## APPENDIX B continued

### RATIO OF CURRENT TO ADEQUATE RESERVE FUND

Rate Year	High Cost Rate	Total Wages	Adequate Reserve Fund	Current Reserve Fund	Ratio of Current to Adequate Reserve	Rate Schedule in Effect	Fund Solvency Contribution Rate
1970	1.75%	\$1,184,552,472	\$31,094,502	\$43,936,906	1.41	II	
1971	1.75%	\$1,431,300,051	\$37,571,626	\$46,163,790	1.23	II	
1972	1.75%	\$1,560,306,438	\$40,958,044	\$36,349,934	0.89	I	
1973	2.02%	\$1,643,467,385	\$49,797,062	\$28,304,965	0.57	I	
1974	2.02%	\$1,821,684,864	\$55,197,051	\$27,420,364	0.50	I	
1975	2.02%	\$2,015,606,435	\$61,072,875	\$20,073,147	0.33	I	
1976	2.18%	\$2,247,956,108	\$73,508,165	\$10,730,152	0.15	-	
1977	2.86%	\$2,389,822,190	\$102,523,372	-\$7,426,119	-0.07	-	
1978	2.86%	\$2,578,562,218	\$110,620,319	\$5,992,114	0.05	-	
1979	2.86%	\$2,859,429,314	\$81,779,678	\$39,159,914	0.48		+1.6%
1980	2.86%	\$3,314,556,620	\$94,796,319	\$80,341,186	0.85		+0.8%
1981	2.86%	\$3,769,977,490	\$107,821,356	\$104,980,243	0.97		+0.4%
1982	2.86%	\$4,111,362,943	\$117,584,980	\$112,290,817	0.95		+0.4%
1983	2.86%	\$4,292,985,503	\$122,779,385	\$106,708,377	0.87		+0.8%
1984	2.86%	\$4,498,499,775	\$128,657,094	\$127,176,245	0.99		+0.4%
1985	2.86%	\$4,801,506,793	\$137,323,094	\$147,004,681	1.07		0.0%
1986	2.86%	\$5,037,888,349	\$144,083,607	\$166,408,163	1.15		0.0%
1987	2.76%	\$5,500,278,375	\$151,807,683	\$195,095,469	1.29		0.0%
1988	1.94%	\$6,093,516,291	\$118,214,216	\$246,416,114	2.08		-0.5%
1989	1.68%	\$6,864,348,520	\$115,321,055	\$274,840,914	2.38		-0.5%
1990	1.68%	\$7,756,988,055	\$130,317,399	\$334,252,180	2.56		-0.5%
1991	1.68%	\$8,753,700,993	\$147,062,177	\$401,647,674	2.73		-0.5%
1992	1.68%	\$9,561,673,898	\$240,954,182	\$411,119,192	1.71	A	
1993	1.66%	\$9,996,218,073	\$248,905,830	\$370,277,128	1.49	B	
1994	1.49%	\$10,315,548,416	\$230,552,507	\$315,881,780	1.37	B	
1995	1.65%	\$10,384,936,463	\$257,027,177	\$241,892,817	0.94	D	
1996	1.73%	\$10,401,361,958	\$269,915,343	\$226,972,601	0.84	D	
1997	1.78%	\$10,391,160,430	\$277,443,983	\$222,340,367	0.80	D	
1998	1.78%	\$10,554,781,603	\$281,812,669	\$226,036,037	0.80	D	
1999	1.78%	\$10,782,123,532	\$287,882,698	\$233,020,224	0.81	D	
2000	1.78%	\$11,025,705,500	\$294,386,337	\$256,407,449	0.87	D	
2001	1.78%	\$11,661,028,670	\$311,349,465	\$313,480,166	1.01	C	
2002	1.78%	\$12,294,711,901	\$328,268,808	\$317,703,649	0.97	C*	
2003	1.78%	\$12,412,503,464	\$331,413,842	\$309,477,079	0.93	D	
2004	1.78%	\$13,070,239,827	\$348,975,403	\$352,679,746	1.01	C	
2005	1.78%	\$13,820,414,010	\$369,005,054	\$389,302,103	1.06	C	
2006	1.78%	\$15,032,599,530	\$401,370,407	\$457,851,939	1.14	C	
2007	1.67%	\$16,258,037,800	\$407,263,847	\$532,892,238	1.31	B	
2008	1.46%	\$17,113,432,304	\$249,856,112	\$561,709,268	2.25	A	
2009	1.44%	\$17,834,793,224	\$256,821,022	\$454,058,555	1.77	A	
2010	2.20%	\$17,411,259,934	\$383,047,719	\$161,906,928	0.42	D**	
2011	2.22%	\$16,400,411,316	\$364,089,131	\$9,413,687	0.03	F**	

*Rate year:* year during which rate schedule or Fund Solvency Rate is in effect.

*High Cost Rate:* highest benefit cost rate (benefits as a percent of total wages) in the last ten years.

*Total Wages:* for last four calendar quarters ending June 30 of calendar year prior to rate year.

*Adequate Reserve Fund:* 1970 to 1978 and 1992 to 2007 adequate reserve equals 1.5 times high cost rate times total wages. 1979 to 1991 and from 2008, adequate reserve equals high cost rate times total wages.

*Current Reserve Fund:* UC Fund assets on November 30 of calendar year immediately preceding rate year.

*Rate Schedule in Effect:* From July 1, 1974 through March 31, 1975 all employers' tax rates were increased by 0.5%, up to a maximum of 3.0%; from April 1975 through the end of 1976, all employers paid 3.0% tax rate; for 1977 and 1978 all employers paid 3.5% tax rate. \*2002: schedule C remained in effect due to special legislation. \*\*2010 and 2011: Act 2 (2010 Legislative Session) set tax schedules at D and F.

## APPENDIX B continued

### UNEMPLOYMENT INSURANCE TAX RATES

Year	Tax Rates (Percent of Taxable Wages)			Taxes as a Percent of Total Wages
	Minimum	Maximum	Average	
1970	0.4%	3.0%	1.2%	0.8%
1971	0.4%	3.0%	1.4%	1.0%
1972	0.8%	3.0%	1.9%	1.3%
1973	0.8%	3.0%	1.8%	1.2%
1974	0.8%/1.3%	3.0%	1.9%	1.2%
1975	1.3%/3.0%	3.0%	2.6%	1.7%
1976	3.0%	3.0%	2.9%	1.9%
1977	3.5%	3.5%	3.5%	2.4%
1978	3.5%	3.5%	3.5%	2.4%
1979	1.8%	4.5%	2.8%	1.9%
1980	1.0%	4.5%	2.1%	1.4%
1981	0.6%	4.5%	1.8%	1.2%
1982	0.6%	4.5%	1.8%	1.3%
1983	1.0%	4.5%	2.3%	1.6%
1984	0.6%	4.5%	1.9%	1.3%
1985	0.2%	5.4%	1.6%	1.1%
1986	0.2%	5.4%	1.7%	1.2%
1987	0.2%	5.4%	1.7%	1.2%
1988	0.0%	5.4%	1.3%	0.6%
1989	0.0%	5.4%	1.3%	0.9%
1990	0.0%	5.4%	1.3%	0.9%
1991	0.0%	5.4%	1.3%	0.5%
1992	0.0%	5.4%	0.6%	0.4%
1993	0.0%	5.4%	1.0%	0.7%
1994	0.0%	5.4%	1.1%	0.8%
1995	0.2%	5.4%	2.2%	1.6%
1996	0.2%	5.4%	2.1%	1.5%
1997	0.2%	5.4%	1.9%	1.4%
1998	0.2%	5.4%	1.8%	1.3%
1999	0.2%	5.4%	1.7%	1.2%
2000	0.2%	5.4%	1.7%	1.2%
2001	0.0%	5.4%	1.1%	0.8%
2002	0.0%	5.4%	1.2%	0.8%
2003	0.2%	5.4%	1.7%	1.2%
2004	0.0%	5.4%	1.2%	0.8%
2005	0.0%	5.4%	1.3%	0.9%
2006	0.0%	5.4%	1.3%	0.9%
2007	0.0%	5.4%	0.8%	0.6%
2008	0.0%	5.4%	0.7%	0.3%
2009	0.0%	5.4%	0.7%	0.25%
2010	0.2%	5.4%	1.75% est	1.2% est
2011	1.2%	5.4%	2.75% est	1.9% est

Source: Quarterly Census of Employment and Wages (QCEW)

Note for 1974 and 1975: Minimum tax rate was 0.8% until July 1, 1974 then all employers' rates were increased by 0.5%, up to a maximum of 3.0%. The additional 0.5% was in effect until April 1, 1975 when all employers' rates became 3.0%.

Note for 2002: Tax Schedule C remained in effect by special legislation.

## APPENDIX B continued

### TOTAL AND TAXABLE WAGES

Year	Total Wages	% change	Taxable Wages	% change	% Taxable of Total Wages	Taxable Wage Base
1970	\$1,518,727,161		\$1,032,646,028		68%	\$5,500
1971	\$1,588,451,281	5%	\$1,101,177,779	7%	69%	\$6,000
1972	\$1,707,659,488	8%	\$1,171,863,417	6%	69%	\$6,300
1973	\$1,935,415,073	13%	\$1,310,016,575	12%	68%	\$6,500
1974	\$2,129,778,886	10%	\$1,418,777,880	8%	67%	\$6,800
1975	\$2,319,971,771	9%	\$1,537,695,558	8%	66%	\$7,300
1976	\$2,471,414,660	7%	\$1,634,221,510	6%	66%	\$7,800
1977	\$2,669,873,342	8%	\$1,890,965,749	16%	71%	\$9,300
1978	\$3,084,161,546	16%	\$2,153,653,091	14%	70%	\$9,800
1979	\$3,551,357,801	15%	\$2,443,433,910	13%	69%	\$10,400
1980	\$3,934,930,405	11%	\$2,689,241,050	10%	68%	\$11,200
1981	\$4,227,065,294	7%	\$2,921,073,895	9%	69%	\$12,200
1982	\$4,349,032,222	3%	\$3,030,663,748	4%	70%	\$13,100
1983	\$4,599,981,090	6%	\$3,198,088,181	6%	70%	\$13,800
1984	\$4,891,168,412	6%	\$3,430,347,509	7%	70%	\$14,600
1985	\$5,245,375,308	7%	\$3,661,947,705	7%	70%	\$15,100
1986	\$5,686,112,648	8%	\$3,922,702,338	7%	69%	\$15,600
1987	\$6,402,054,956	13%	\$4,391,057,014	12%	69%	\$16,500
1988	\$7,192,157,365	12%	\$3,314,009,708	-25%	46%	\$8,700
1989	\$8,130,492,059	13%	\$5,518,167,643	67%	68%	\$18,600
1990	\$9,237,628,172	14%	\$6,226,942,266	13%	67%	\$19,900
1991	\$9,599,527,870	4%	\$3,342,374,834	-46%	35%	\$7,000
1992	\$10,155,519,160	6%	\$7,042,429,428	111%	69%	\$22,700
1993	\$10,291,898,574	1%	\$7,251,815,678	3%	70%	\$23,900
1994	\$10,309,424,610	0%	\$7,394,972,486	2%	72%	\$25,000
1995	\$10,320,158,899	0%	\$7,411,024,845	0%	72%	\$25,500
1996	\$10,443,561,580	1%	\$7,420,054,226	0%	71%	\$25,800
1997	\$10,675,517,263	2%	\$7,483,098,627	1%	70%	\$26,000
1998	\$10,899,921,524	2%	\$7,560,072,702	1%	69%	\$26,400
1999	\$11,180,959,288	3%	\$7,748,893,876	2%	69%	\$27,000
2000	\$11,945,344,421	7%	\$8,209,730,134	6%	69%	\$27,500
2001	\$12,299,179,723	3%	\$8,455,669,862	3%	69%	\$28,400
2002	\$12,701,746,952	3%	\$8,701,690,997	3%	69%	\$29,300
2003	\$13,376,170,472	5%	\$9,155,378,879	5%	68%	\$30,200
2004	\$14,461,560,596	8%	\$9,752,243,796	7%	67%	\$31,000
2005	\$15,471,398,437	7%	\$10,545,452,082	8%	68%	\$32,300
2006	\$16,520,578,034	7%	\$11,353,002,832	8%	69%	\$34,000
2007	\$17,508,474,137	6%	\$12,056,590,692	6%	69%	\$35,300
2008	\$17,626,344,437	1%	\$6,452,926,682	-47%	37%	\$13,000
2009	\$16,587,402,171	-6%	\$5,891,874,889	-9%	36%	\$13,000
2010						\$34,900
2011						\$34,200

Source: Wages from Quarterly Census of Employment and Wages (QCEW)

## APPENDIX B continued

### CHARGED AND NONCHARGED BENEFITS

*(in millions of \$)*

Year	Total Benefits	Charged Benefits	% of Total	Noncharged Benefits	% of Total
1970	\$14.7	\$8.8	60%	\$5.9	40%
1971	\$27.9	\$18.2	65%	\$9.7	35%
1972	\$28.0	\$18.2	65%	\$9.8	35%
1973	\$26.3	\$15.7	60%	\$10.6	40%
1974	\$34.9	\$21.3	61%	\$13.7	39%
1975	\$47.0	\$30.1	64%	\$16.8	36%
1976	\$57.5	\$43.1	75%	\$14.4	25%
1977	\$45.1	\$44.3	98%	\$0.9	2%
1978	\$36.0	\$35.6	99%	\$0.4	1%
1979	\$30.5	\$30.2	99%	\$0.3	1%
1980	\$40.7	\$40.2	99%	\$0.5	1%
1981	\$56.7	\$56.1	99%	\$0.6	1%
1982	\$70.5	\$69.9	99%	\$0.6	1%
1983	\$60.9	\$59.7	98%	\$1.2	2%
1984	\$62.4	\$61.8	99%	\$0.6	1%
1985	\$53.9	\$53.4	99%	\$0.5	1%
1986	\$48.4	\$47.8	99%	\$0.6	1%
1987	\$43.6	\$36.6	84%	\$7.0	16%
1988	\$44.1	\$35.3	80%	\$8.8	20%
1989	\$35.4	\$26.9	76%	\$8.5	24%
1990	\$44.2	\$30.9	70%	\$13.3	30%
1991	\$76.5	\$56.6	74%	\$19.9	26%
1992	\$129.1	\$101.7	79%	\$27.4	21%
1993	\$144.8	\$105.9	73%	\$38.9	27%
1994	\$170.5	\$137.9	81%	\$32.6	19%
1995	\$178.9	\$148.0	83%	\$30.9	17%
1996	\$171.7	\$145.5	85%	\$26.2	15%
1997	\$153.8	\$131.5	85%	\$22.3	15%
1998	\$142.4	\$121.9	86%	\$20.5	14%
1999	\$123.2	\$104.4	85%	\$18.8	15%
2000	\$96.1	\$79.6	83%	\$16.4	17%
2001	\$132.9	\$109.9	83%	\$22.9	17%
2002	\$144.7	\$120.0	83%	\$24.6	17%
2003	\$122.2	\$102.9	84%	\$19.3	16%
2004	\$103.7	\$87.5	84%	\$16.2	16%
2005	\$81.8	\$67.0	82%	\$14.8	18%
2006	\$90.1	\$72.7	81%	\$17.4	19%
2007	\$107.6	\$88.0	82%	\$19.7	18%
2008	\$211.2	\$179.5	85%	\$31.7	15%
2009	\$374.1	\$331.6	89%	\$42.5	11%

Source: ETA-204, Experience Rating Report  
Includes regular program benefits only; does not include extended benefits

## APPENDIX C

### Benefits Not Charged to Employer Accounts

The following types of unemployment insurance benefits are not charged to individual employer's unemployment insurance accounts:

- a. Benefits paid to a claimant based on wages from an employer from whom the claimant voluntarily quit work without good cause<sup>1</sup>;
- b. Benefits paid to a claimant based on wages from an employer from whom the claimant was discharged for misconduct connected with work;
- c. Benefits paid to a claimant based on wages from an employer from whom the claimant left work voluntarily for a good cause that was not attributable to the employer;
- d. Benefits paid to an individual who during that individual's base period earned wages for part-time employment with an employer, are not charged to that employer if the employer continues to employ the individual to the same extent while the individual is receiving benefits as during the individual's base period;
- e. Benefits paid to an individual for the period that individual is enrolled in and is in regular attendance at an approved training course;
- f. One-half of Extended Benefits (the other half of EB is financed with federal unemployment tax funds)<sup>2</sup>;
- g. Benefits paid to an individual who qualifies to receive benefits by meeting the minimum earnings and employment requirements only by combining the individual's employment and wages earned in two or more states<sup>3</sup>;
- h. Benefits overpaid to a claimant as a result of ineligibility or disqualification, unless the overpayment resulted from the employer's failure to furnish information as required;
- i. Benefits paid to an individual based on wages from an employer from whom the individual is separated as a direct result of a major disaster.<sup>4</sup>

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<sup>1</sup>Benefits described in a, b, and c were chargeable from July 15, 1976 through October 4, 1986.

<sup>2</sup>EB was chargeable from January 1, 1985 through October 4, 1986.

<sup>3</sup>Benefits described in g and h became nonchargeable from July 15, 1976.

<sup>4</sup>Effective from September 13, 1992.

## APPENDIX D

### The Hawaii Unemployment Compensation Fund and Economic Conditions: 1970 to the Present

- 1970** The 1970s began with a low IUR (Insured Unemployment Rate) of slightly above 2% and high fund reserves in excess of \$40 million.
- 1971** Unemployment increased throughout 1971 in the aftermath of the Mainland recession, and due partly to a lengthy dock strike in the second half of the year. The Extended Benefits program was initiated allowing an additional 13 weeks of unemployment insurance benefits to be paid to claimants who exhaust their 26 weeks of regular benefits during periods of high unemployment. Hawaii paid extended benefits from October 1971 through December 1972. Increasing unemployment and additional benefits paid out under the Extended Benefits program caused benefit outgo to increase and the fund balance to decline.
- 1972** The fund continued to decline as additional dock strikes and continuing Extended Benefits payments caused benefit outgo to remain high.
- 1973** Unemployment decreased slightly causing the fund balance to remain relatively level.
- 1974** The IUR began to climb again as Mainland recessionary conditions started affecting Hawaii.
- 1975** Hawaii began a new Extended Benefits period beginning in February 1975 as unemployment continued to increase. This EB period continued until March 1978 (except for a short break in the program during August 1977).
- 1976** The IUR reached a peak of 7% in the first half of 1976. During the 1974 through 1976 period the fund balance was drastically reduced by the unprecedented high level of unemployment and corresponding high benefit outgos. The fund was depleted in 1976. Benefits continued to be paid during the year through the use of \$22.5 million in federal loans to the fund.
- 1977** The economy began to improve slightly, although construction strikes caused unemployment to temporarily increase at the end of 1977 and early 1978. In order to rejuvenate the fund, tax rates, which had been gradually increasing during the 1970s, were set at a uniform rate of 3.5% for 1977.
- 1978** The flat 3.5% tax rate continued to be in effect. As the economy improved, the IUR steadily declined until it leveled off at about 3% during the second half of the year. With the increased income and declining outgo, the fund balance was brought out of its negative levels and the federal loan was repaid late in 1978.
- 1979** Varied tax rates for employers (experience rating) was reinstated; this caused fund income to decline slightly from the high 1978 level. Benefits remained relatively low, resulting in a further increase in the fund balance to \$78 million by the end of 1979.
- 1980** Employer tax rates were again decreased based on the healthy fund reserves. Although Hawaii's unemployment remained low, an Extended Benefits period was triggered on by high national unemployment. This EB period was from July 1980 to January 1981. Fund income exceeded outgo and reserves reached \$100.6 million by the end of 1980.
- 1981-1984** Unemployment was very stable with the IUR fluctuating only between 2.5% and 3.5%, weathering airline, construction, and other strikes occurring during this time. The fund balance was kept at about the adequate reserve level throughout the period
- 1985** Tax schedules were adjusted to include a maximum tax rate of 5.4% in order to allow employers to continue to receive full tax credits under the Federal Unemployment Tax Act (FUTA).
- 1986-1987** The tourism and construction industries were in a boom period resulting in declining unemployment and a growing fund balance.
- 1988** The high fund balance resulted in the triggering of a negative Fund Solvency Rate for the first time. Also, a one-year special law provision cut the Taxable Wage Base to 50% of the statewide average annual wage.
- 1989** Unemployment continued to decline with the IUR reaching an all time low of 0.96% in December 1989. The fund continued to be more than twice the adequate reserve level allowing the negative 0.5% Fund Solvency Rate to remain in effect.
- 1990** Despite Mainland recessionary conditions, Hawaii tourism and construction continued to do well through 1990. Although a hotel strike during March caused a temporary rise in unemployment, the average IUR for the year remained level with 1989.

## APPENDIX D continued

- 1991** The Persian Gulf War triggered a slowdown in March as tourist traffic declined dramatically and unemployment jumped. Mainland recessionary conditions began affecting Hawaii's economy as unemployment remained high through the year especially in the construction and tourism related industries. A one-year special provision cut the taxable wage base to \$7,000.
- 1992** A new tax schedule system was implemented and the lowest tax schedule (A) was in effect for 1992. Hurricane Iniki hit the islands in September 1992 resulting in major damage and high unemployment on Kauai. Mainland and Japanese recessionary conditions continued to weaken the tourist and construction sectors. The end of year fund balance declined from the previous year for the first time since 1982. Emergency Unemployment Compensation (EUC) benefits were paid to claimants from November 1991 through April 1994. EUC benefits, paid to claimants who exhausted their regular state benefits, were 100% federally funded.
- 1993-1994** Tax schedule B was in effect for 1993 and 1994, keeping the average unemployment tax rate at a low 1%. At the same time the tourism and construction sectors remained sluggish causing large benefit payouts from the fund.
- 1995-1998** The economy remained flat from 1995 through 1998, with benefit levels declining slightly each year. The fund balance stabilized at around \$210 million and tax schedule D stayed in effect from 1995 through 1998.
- 1999-2000** The economy was on the rise with insured unemployment dropping below 2% and the fund balance reaching \$300 million levels, triggering tax schedule C for 2001.
- 2001-2002** In the aftermath of terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001, the number of unemployed increased and the fund balance began to drop. Special legislation provided Hawaii claimants exhausting regular benefits between September 11, 2001 and June 30, 2002 with 13 weeks of additional benefits and kept tax schedule C in effect for calendar year 2002. A special federally funded program, Temporary Extended Unemployment Compensation (TEUC) also provided an additional 13 weeks of benefits to claimants, effective from March 10 to December 31, 2002.
- 2003-2004** The federal TEUC program was extended to December 31, 2003 with a transition period for the continuation of payments to individuals, who had balances as of the end of December, to March 31, 2004. Effective from April 20, 2003 through December 28, 2003, displaced airline and related workers who exhausted their 26 weeks of regular benefits received up to 39 weeks of additional federally funded TEUC-A benefits. Throughout 2004, Hawaii's unemployment dropped significantly resulting in a growing trust fund.
- 2005-2006** Tourism, construction and real estate contributed to a very healthy economy where the insured unemployment rate dropped to 1.0% by the last quarter of 2005. The fund balance grew to more than \$500 million by November 2006 triggering a decrease in tax rates to Tax Schedule B for calendar year 2007.
- 2007** The 2007 Legislature enacted Act 110 which: increased the partial earnings disregard amount from \$50 to \$150; increased the maximum weekly benefit amount formula from 70% to 75% of statewide average annual wages for calendar years 2008 through 2010; set the taxable wage base at \$13,000 for calendar years 2008 through 2010; and changed the adequate reserve formula to remove the one and one-half times multiplier for the calendar years 2008 through 2010 tax schedule computations.
- 2008-2009** Airline closures in April 2008, the departure of major cruise ships, closures of pineapple and sugar operations, and finally major problems with the national financial sector resulted in a downturn in both the national and Hawaii economies. The tourism and construction industries were especially hard hit. Recessionary conditions on the Mainland and in Hawaii resulted in the IUR nearly doubling from an average 1.78% in 2008 to 3.36% in 2009, and the fund balance falling from \$552 million at the end of 2007 to \$134 million as of the end of 2009.
- A 100% federally financed Emergency Unemployment Compensation (EUC08) program was enacted to provide claimants who exhaust their regular 26 weeks of benefits with an additional 13 weeks of benefits effective from July 6, 2008. From November 23, 2008 an additional seven weeks were added, for a total of 20 weeks, of EUC08 benefits. Beginning with the week ending May 9, 2009, claimants who exhaust their first 20 weeks of EUC08 benefits (Tier 1) before December 31, 2009 could receive an additional 13 weeks of Tier 2 EUC08 benefits. Effective with the week ending November 14, 2009, claimants are eligible for one additional week of Tier 2, and 13 weeks of Tier 3 EUC08 benefits. This brought the total to 47 weeks of federally funded EUC08 benefits for Hawaii claimants.

**2010**

The EUC08 program ends effective November 30, 2010 with claimants who exhaust their regular or tier benefits not able to begin a new tier. Claimants may continue to receive benefits under their current tier until April 30, 2011.

Act 2 was enacted during the 2010 Legislative Session resulting in: extending the 75% formula for computing the maximum weekly benefit amount for 2010 and 2011; reduced the taxable wage base formula to 90% of the statewide average annual wage for 2010 and 2011; permanently reduced the adequate reserve fund definition by eliminating the 1.5 times multiplier; set the tax schedules at D for 2010 and F for 2011, rather than apply the computed tax schedules which would have been F and H respectively. Economic conditions begin to improve in 2010 with the IUR declining from 3.4% in January to 2.9% in November 2010. However, benefit outgo continued to exceed contributions and the fund balance declined to \$9 million at the end of November 2010.



## APPENDIX E

### Report to the Legislature on the Effects of Act 110 (2007 Legislative Session)

This report was prepared to meet the requirements of Section 5 of Act 110, enacted during the 2007 Legislative Session. Act 110 provided for one permanent and several temporary changes to the Hawaii Employment Security Law, Chapter 383 of the Hawaii Revised Statutes.

#### Executive Summary

- **Recommendations:**

No major changes should be made to the current financing provisions of the Hawaii Employment Security Law. The current system would have automatically provided for tax cuts in 2008 and 2009, kept the Unemployment Compensation Fund solvent, and resulted in lower tax rates coming out of the recent recession.

If unusual circumstances result in the consideration of future policy decisions to adjust financing provisions, such provisions should be temporarily set for no longer than one year at a time and a careful analysis done of the effects of such a change due to the complex nature of the law.

- **Economic perspective and past experience:**

The Unemployment Compensation Fund should be maintained at an adequate level in order to continue payment of benefits to claimants during varying economic conditions while avoiding unusually large changes in employer tax rates.

Act 110 was enacted by the 2007 Legislative Session to provide temporary tax relief and higher benefits in light of a \$500 million fund balance at the end of calendar year 2006. Unfortunately one of the largest recessions in the Nation's history began at the end of 2007. Hawaii's total unemployment rate went from 2.7% for calendar year 2007, to 4.0% for 2008, to 6.8% for 2009. Unemployment has stabilized in 2010 with the November 2010 unadjusted total unemployment rate at 6.5%.

- **Results:**

Act 110 is estimated to have increased benefits by about 3.5%, or \$31 million; cut taxes by about \$119 million; and reduced the fund balance by about \$161 million by the end of 2010 (excluding the effects of Act 2 of the 2010 Legislative Session). Interest earned by the fund would also have been reduced due to the lower fund balances.

The recession, occurring in the middle of three years of tax reductions under Act 110 resulted in the subsequent dramatic drop in the unemployment compensation fund balance. Act 110 included a provision to revert to the usual higher wage base if the fund fell below the adequate level, however, the fund balance fell to such a low level that extremely high taxes would have been required to keep the fund solvent. These higher taxes would have automatically triggered on under the current financing system.

To mitigate high taxes on employers in the midst of a recession, Act 2 (2010 Legislative Session) reduced taxes for calendar years 2010 and 2011. Due to the reduced taxes and continued high unemployment, Hawaii is projected to require federal loans from December 2010 through the first few months of 2012 to continue to pay benefits. If the current trend of decreasing unemployment continues for the next several years, the fund will be able to rebuild to levels that ensure solvency. This will be accomplished by the end of 2012 with no further changes to the law. However one of the two highest tax schedules, G or H will probably trigger on for 2012.

**Summary of Effects of Act 110 (2007 Legislative Session)**

\* Note: **Figures below do not include effects of Act 2 (2010 Legislative Session)** which, for 2010, set the tax schedule At D rather than F, and lowered the taxable wage base from \$38,800 to \$34,900

	<b>Act 110</b>	<b>If No Act 110</b>	<b>Difference</b>
<b>Maximum Weekly Benefit Amount</b>			
			<b>Increased</b>
2008	\$523	\$488	+\$35
2009	\$545	\$509	+\$36
2010	\$559	\$522	+\$37
<b>Partial Earnings Disregard</b>			
			<b>Increased</b>
Permanent	\$150	\$50	+\$100
<b>Taxable Wage Base</b>			
			<b>Decreased</b>
2008	\$13,000	\$36,200	-\$23,200
2009	\$13,000	\$37,700	-\$24,700
2010*	\$38,800*	\$38,800	\$0
<b>Tax Schedule</b>			
2008	A	B	
2009	A	B	
2010*	F*	F	
2011*	G/H*	F	
<b>Adequate Reserve Amount</b>			
			<b>Decreased</b>
2008	\$249,856,112	\$374,784,167	-\$124,928,055
2009	\$256,821,022	\$385,231,534	-\$128,410,512
2010	\$383,047,719	\$574,571,578	-\$191,523,859
<b>Total Benefits</b>			
		Estimated	<b>Increased</b>
2008	\$212 M	\$205 M	+\$7 M
2009	\$374 M	\$361 M	+\$13 M
2010	\$313 M	\$302 M	+\$11 M
3-Yr total			+\$31 M
<b>Total Taxes</b>			
		Estimated	<b>Decreased</b>
2008	\$59 M	\$108 M	-\$49 M
2009	\$42 M	\$101 M	-\$59 M
2010*	\$257* M	\$268 M	-\$11 M
3-Yr total			-\$119 M
<b>End of Year Trust Fund Balance</b>			
		Estimated	<b>Decreased</b>
2008	\$431 M	\$481 M	-\$50 M
2009	\$134 M	\$263 M	-\$129 M
2010*	\$79* M	\$240 M	-\$161 M

The following describes and shows the effects of the enacted provisions.

**Maximum weekly benefit amount**

- The highest (maximum) weekly benefit amount (MWBA) in effect for a calendar year was increased from 70% to 75% of the statewide average weekly wage for calendar years 2008 through 2010.
- A claimant's weekly benefit amount is computed as their wages during the highest quarter of earnings divided by 21. If this amount is greater than the MWBA, it is limited to the MWBA.
- For calendar years 2008 through 2010 the maximums were \$523, \$545 and \$559. Without this provision, the maximums would have been \$488, \$509, and \$522 respectively.
- The MWBA is set for each calendar year and is applied to claimants beginning a new benefit year during that calendar year.
- This provision was to remain in effect through calendar year 2010 and revert to the 70% formula from calendar year 2011.

Note: Act 2 (2010 Legislative Session) extended the 75% formula through 2011, with the 70% formula again in effect from 2012.

- This change is estimated to have increased benefits by 2.5%.

	CY 2008	CY 2009	CY 2010
Statewide average weekly wage (SAWW)	\$696.33	\$726.36	\$745.20
Pre-Act 110 formula: 70% of SAWW	\$488	\$509	\$522
<b>Act 110: 75% of SAWW</b>	<b>\$523</b>	<b>\$545</b>	<b>\$559</b>
<b>Increase in MWBA under Act 110</b>	<b>\$35</b>	<b>\$36</b>	<b>\$37</b>
Percent of claimants at MWBA	39%	37%	34%*

\*estimated

**Partial earnings disregard**

- Partial earnings disregarded for claimants working short hours was permanently increased from \$50 to \$150 beginning in 2008.
- Claimants whose earnings for a week are less than their weekly benefit amount (WBA) may receive benefits for that week but their WBA is reduced by the amount of their wages that exceeds \$150.
- This provision allows claimants to collect more benefits during weeks of low earnings, but does not increase the total amount of benefits they may receive during their benefit year. Total regular benefit entitlement during a claimant's benefit year remains at 26 times their weekly benefit amount.
- This change is estimated to increase benefits by 1% due to claimants who receive more but not all of their entire benefit entitlement during their benefit year. Claimants who exhaust all their benefit entitlement receive the same amount of total benefits, but exhaust earlier in their benefit year.

**Taxable wage base**

- The taxable wage base was reduced, from 100% of the average annual wage, to \$13,000 for calendar years 2008 and 2009.
- The taxable wage base is the maximum annual wages upon which employers pay unemployment insurance (UI) taxes per employee.
- The wage base would have been \$36,200 in 2008 and \$37,700 in 2009.

- The wage base should have reverted to the 100% of average annual wage formula for 2010 due to the fund balance falling below the adequate level at the end of November 2009.

Note: Act 2 (2010 Legislative Session) reduced the wage base to 90% of the average annual wage, or \$34,900. This report does not include the effects of Act 2 and only compares Act 110 to the law without Act 110.

- Under the usual formula, UI taxes are paid on approximately 68-69% of all wages. At the \$13,000 wage base, taxes were paid on only 36-37% of all wages.

	CY 2008	CY 2009	CY 2010
Statewide average annual wage (SAAW)	\$36,209.17	\$37,718.93	\$38,750.59
Pre-Act 110 formula: 100% of SAAW	\$36,200	\$37,700	\$38,800
<b>Act 110: \$13,000</b>	<b>\$13,000</b>	<b>\$13,000</b>	<b>\$38,800*</b>
<b>Decrease in TWB under Act 110</b>	<b>\$23,200</b>	<b>\$24,700</b>	<b>\$0</b>

\*Fund balance was below the adequate reserve at the end of November 2009, reverting the TWB to the 100% of SAAW formula under Act 110.

### Tax rates and total taxes

- Under Act 110, tax schedule A, the schedule with the lowest tax rates, was in effect for calendar years 2008 and 2009. Without Act 110, Schedule B, with the second lowest tax rates, would have been in effect for the two years.

Tax schedule F is estimated to have been in effect for calendar year 2010 with or without Act 110. With Act 110, the tax schedule for calendar year 2011 is estimated to have been G or H, the schedules with the highest tax rates. Without Act 110, the schedule is estimated to have remained at F in calendar year 2011.

Note: Act 2 (2010 Legislative Session) lowered the schedules that would have automatically triggered on by setting the tax schedule at D for calendar year 2010 and F for calendar year 2011. This report does not include the effects of Act 2 and only compares Act 110 to the law without Act 110.

- Taxes paid on wages earned in calendar years 2008 and 2009 were approximately \$60 million less per year, or a total of \$120 million less as a result of Act 110. There would be no tax difference for taxes on 2010 wages. Taxes are paid on a one calendar quarter lag, therefore the tax savings occurred from second quarter 2008 through first quarter 2010.

	CY 2008	CY 2009	CY 2010	CY 2011
Tax schedule				
Without Act 110	B	B	F	F
<b>Act 110</b>	<b>A</b>	<b>A</b>	<b>F</b>	<b>G or H</b>
Total taxes on CY wages				
Without Act 110	\$107 million*	\$101 million*	\$300 million*	
<b>Act 110</b>	<b>\$47 million</b>	<b>\$42 million</b>	<b>\$300 million*</b>	
<b>Difference in taxes</b>	<b>\$60 million</b>	<b>\$59 million</b>	<b>None</b>	

\*estimated

### Adequate Reserve Fund

- The ratio of the Unemployment Compensation fund balance at the end of each November to the adequate reserve fund amount for the year is used to automatically determine the tax schedule for the next calendar year. A low ratio (low fund balance) will result in a schedule with higher taxes and a high ratio (high fund balance) will result in a schedule with lower taxes.

- For calendar years 2008 through 2010, the formula for computing the adequate reserve was reduced from an amount equal to benefits for one and a half years at the highest cost rate in the last ten years, to an amount equal to one year's benefits.
- This change resulted in the lowest tax schedule A being in effect for calendar years 2008 and 2009. Employer tax rates were reduced and approximately 30% of employers paid no taxes on wages paid during those two years.

Note: Act 2 (2010 Legislative Session) revised the formula to permanently remove the one and a half times multiplier.

	Rate Year 2008	Rate Year 2009	Rate Year 2010
High Cost Rate	1.46%	1.44%	2.20%
Pre-Act 110 formula: 1.5 x HCR x total wages	\$374,784,167	\$385,231,534	\$574,571,578
<b>Act 110: HCR x total wages</b>	<b>\$249,856,112</b>	<b>\$256,821,022</b>	<b>\$383,047,719</b>
Decrease in Adequate Reserve Fund amount	\$124,928,055	\$128,410,512	\$191,523,859

### Fund Balance

- Based on the estimates above, without Act 110 the fund balance at the end of 2010 is estimated to be about \$240 million rather than \$79 million, or \$161 million higher.

	CY 2008	CY 2009	CY 2010
End of Year Fund Balance			
Without Act 110	\$481 million*	\$263 million*	\$240 million*
<b>Act 110</b>	<b>\$431 million</b>	<b>\$134 million</b>	<b>\$79 million*</b>
<b>Decrease in balance</b>	<b>\$50 million</b>	<b>\$129 million</b>	<b>\$161 million*</b>

\*estimated

### Analysis and Recommendations:

Please refer to the Annual Evaluation of the Hawaii Unemployment Compensation Fund report to which this report is appended for historical data on the unemployment compensation fund and economic indicators.

### General recommendation:

It is recommended that no major changes be made to the basic financing provisions of the Hawaii Employment Security Law. As shown in the data in this report, the current system would have automatically provided for tax cuts in 2008 and 2009. It would also have been able to keep the fund solvent and at a higher level that would have allowed tax schedules with lower tax rates coming out of the recession. In the future, if unusual circumstances result in policy decisions to adjust any financing provisions, it is recommended that any such provision be temporarily set for no longer than one year at a time.

### Economic perspective and past experience:

The Unemployment Compensation Fund had a balance of more than \$500 million at the end of calendar year 2006. Benefit payouts from the fund averaged less than \$100 million per year in 2004 through 2006 and the highest annual payout was \$180 million in 1995 (see Appendix B, page A-5). Act 110 was enacted by the 2007 Legislative Session to provide temporary tax relief and higher benefits in light of the high fund balance in comparison to past benefit history. Unfortunately one of the largest recessions in the Nation's history began at the end of 2007. Hawaii's total unemployment rate went from 2.7% for calendar year 2007, to 4.0% for 2008, to 6.8% for 2009. The 2009 rate was the highest since 1977 (See Appendix B, page A-2). Benefit outgo from the fund increased to \$212 million in 2008 and \$374 million in 2009.

Tables in Appendix B, pages A-6 and A-8, and historical information in Appendix D, pages A-11 to A-13, provide insight into past temporary tax reductions. Prior to Act 110 (2007 Legislative Session) and Act 2 (2010 Legislative Session), these exceptions to the financing system were limited to one year. The reductions occurred in:

- 1988 (taxable wage base reduced to 50% of average annual wages due to high fund balance);
- 1991 (taxable wage base reduced to \$7,000 due to high fund balance);
- 2002 (schedule reduced from D to C to mitigate effects of the September 11, 2001 terrorist attack)
- 2008 and 2009 (taxable wage base reduced to \$13,000 under Act 110);
- 2010 and 2011 (taxable wage base reduced to 90% of average annual wages under Act 2).

The recent unusually bad recession, occurring in the middle of three years of tax reductions under Act 110 resulted in the subsequent sudden dramatic drop in the unemployment compensation fund balance. Although Act 110 included a provision to revert to the usual higher wage base if the fund fell below the adequate level, the fund balance fell to such a low level that extremely high taxes would have been required to keep the fund solvent. These higher taxes would have automatically triggered on under the current financing system. In order to mitigate such high taxes on employers in the midst of a recession, Act 2 reduced taxes for calendar years 2010 and 2011.

**Maximum weekly benefit amount:**

Act 2 (2010 Legislative Session) extended the 75% MWBA formula through calendar year 2011. It would be a policy decision as to whether the increased benefits should be continued while the fund balance is very low, higher taxes are required, and possible loan repayments need to be addressed.

**Fund balance and taxes:**

While we estimate that the fund would have remained solvent through 2010 with no further changes to the Hawaii Unemployment Compensation law, employer taxes would have automatically increased dramatically to rebuild the fund balance. During the 2010 Legislative Session, Act 2 was passed to reduce the tax schedules and taxable wage bases that would have automatically triggered on under the current law for calendar years 2010 and 2011. The purpose was to mitigate large tax increases, which would have had a negative effect on economic recovery in Hawaii.

Due to the reduced taxes and continued high unemployment, Hawaii is projected to require federal loans from December 2010 through the first few months of 2012 to continue to pay benefits. If the current trend of decreasing unemployment continues for the next several years, the fund will be able to rebuild to levels that ensure solvency. This will be accomplished by the end of 2012 with no further changes to the law. However one of the two highest tax schedules, G or H will probably trigger on for 2012, increasing employer taxes dramatically.

Policy makers may consider whether tax rates should be temporarily set at lower levels, along the lines of Act 2, to draw out fund replenishment over a longer time period. Minor adjustments are possible and may be examined during the 2011 Legislative Session. A factor to be considered is the amount of federal loans that may be required if taxes are reduced, interest payments that will be due beginning in September 2011, and possible FUTA (Federal Unemployment Tax Act) tax credit reductions for employers applied if loan balances are not repaid for more than two years.

**Adequate reserve fund:**

Regarding the issue of whether to set the adequate reserve fund amount at one or 1.5 times the highest cost rate in the past, based on the data above, the system should work adequately under the one times formula set permanently by Act 2. As seen in the table in the Adequate Reserve Fund section above, the high cost rate automatically increases when a period of high unemployment occurs. It increased to 2.20% of total wages beginning in rate year 2010. This high cost rate will be in effect for the next ten years. If unemployment improves throughout the next ten years, the rate will automatically adjust downward. And if an even higher period of unemployment occurs, it will automatically adjust upward.

Approved by the Governor

on MAY 30 2007

HOUSE OF REPRESENTATIVES  
TWENTY-FOURTH LEGISLATURE, 2007  
STATE OF HAWAII

**ACT 110**  
**H.B. NO.** 1500  
H.D. 2  
S.D. 2

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## A BILL FOR AN ACT

RELATING TO EMPLOYMENT SECURITY.

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

1           SECTION 1. Section 383-22, Hawaii Revised Statutes, is  
2 amended by amending subsection (b) to read as follows:  
3           "(b) In the case of an individual whose benefit year  
4 begins prior to January 5, 1992, the individual's weekly benefit  
5 amount shall be, except as otherwise provided in this section,  
6 an amount equal to one twenty-fifth of the individual's total  
7 wages for insured work paid during the calendar quarter of the  
8 individual's base period in which such total wages were highest.  
9 In the case of an individual whose benefit year begins after  
10 January 4, 1992, the individual's weekly benefit amount shall  
11 be, except as otherwise provided in this section, an amount  
12 equal to one twenty-first of the individual's total wages for  
13 insured work paid during the calendar quarter of the  
14 individual's base period in which such total wages were highest.  
15 The weekly benefit amount, if not a multiple of \$1, shall be  
16 computed to the next higher multiple of \$1. If an individual's  
17 weekly benefit amount is less than \$5, it shall be \$5. The  
18 maximum weekly benefit amount shall be determined annually as

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1 follows: On or before November 30 of each year the total  
2 remuneration paid by employers, as reported on contribution  
3 reports submitted on or before such date, with respect to all  
4 employment during the four consecutive calendar quarters ending  
5 on June 30 of the year shall be divided by the average monthly  
6 number of individuals performing services in the employment  
7 during the same four calendar quarters as reported on the  
8 contribution reports. The amount thus obtained shall be divided  
9 by fifty-two and the average weekly wage (rounded to the nearest  
10 cent) thus determined. For benefit years beginning prior to  
11 January 1, 1992, two-thirds of the average weekly wage shall  
12 constitute the maximum weekly benefit amount and shall apply to  
13 all claims for benefits filed by an individual qualifying for  
14 payment at the maximum weekly benefit amount in the benefit year  
15 commencing on or after the first day of the calendar year  
16 immediately following the determination of the maximum weekly  
17 benefit amount. For benefit years beginning January 1, 1992,  
18 ~~[and thereafter,]~~ but prior to January 1, 2008, and beginning  
19 again on January 1, 2011, seventy per cent of the average weekly  
20 wage shall constitute the maximum weekly benefit amount and  
21 shall apply to all claims for benefits filed by an individual  
22 qualifying for payment at the maximum weekly benefit amount in

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1 the benefit year commencing on or after the first day of the  
 2 calendar year immediately following the determination of the  
 3 maximum weekly benefit amount. For benefit years beginning  
 4 January 1, 2008, and ending December 31, 2010, seventy-five per  
 5 cent of the average weekly wage shall constitute the maximum  
 6 weekly benefit amount and shall apply to all claims for benefits  
 7 filed by an individual qualifying for payment at the maximum  
 8 weekly benefit amount in the benefit year commencing on or after  
 9 the first day of the calendar year immediately following the  
 10 determination of the maximum weekly benefit amount. The maximum  
 11 weekly benefit amount, if not a multiple of \$1, shall be  
 12 computed to the next higher multiple of \$1.

	(Column A)	(Column B)	(Column C)	(Column D)
	High	Basic	Minimum	Maximum
	Quarter	Weekly	Qualifying	Total Benefits
	Wages	Benefit	Wages	in Benefit Year
17	\$ 37.50 - 125.00	\$ 5.00	\$ 150.00	\$ 130.00
18	125.01 - 150.00	6.00	180.00	156.00
19	150.01 - 175.00	7.00	210.00	182.00
20	175.01 - 200.00	8.00	240.00	208.00
21	200.01 - 225.00	9.00	270.00	234.00
22	225.01 - 250.00	10.00	300.00	260.00

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1	250.01 - 275.00	11.00	330.00	286.00
2	275.01 - 300.00	12.00	360.00	312.00
3	300.01 - 325.00	13.00	390.00	338.00
4	325.01 - 350.00	14.00	420.00	364.00
5	350.01 - 375.00	15.00	450.00	390.00
6	375.01 - 400.00	16.00	480.00	416.00
7	400.01 - 425.00	17.00	510.00	442.00
8	425.01 - 450.00	18.00	540.00	468.00
9	450.01 - 475.00	19.00	570.00	494.00
10	475.01 - 500.00	20.00	600.00	520.00
11	500.01 - 525.00	21.00	630.00	546.00
12	525.01 - 550.00	22.00	660.00	572.00
13	550.01 - 575.00	23.00	690.00	598.00
14	575.01 - 600.00	24.00	720.00	624.00
15	600.01 - 625.00	25.00	750.00	650.00
16	625.01 - 650.00	26.00	780.00	676.00
17	650.01 - 675.00	27.00	810.00	702.00
18	675.01 - 700.00	28.00	840.00	728.00
19	700.01 - 725.00	29.00	870.00	754.00
20	725.01 - 750.00	30.00	900.00	780.00
21	750.01 - 775.00	31.00	930.00	806.00
22	775.01 - 800.00	32.00	960.00	832.00

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1	800.01 - 825.00	33.00	990.00	858.00
2	825.01 - 850.00	34.00	1020.00	884.00
3	850.01 - 875.00	35.00	1050.00	910.00
4	875.01 - 900.00	36.00	1080.00	936.00
5	900.01 - 925.00	37.00	1110.00	962.00
6	925.01 - 950.00	38.00	1140.00	988.00
7	950.01 - 975.00	39.00	1170.00	1014.00
8	975.01 -1000.00	40.00	1200.00	1040.00
9	1000.01 -1025.00	41.00	1230.00	1066.00
10	1025.01 -1050.00	42.00	1260.00	1092.00
11	1050.01 -1075.00	43.00	1290.00	1118.00
12	1075.01 -1100.00	44.00	1320.00	1144.00
13	1100.01 -1125.00	45.00	1350.00	1170.00
14	1125.01 -1150.00	46.00	1380.00	1196.00
15	1150.01 -1175.00	47.00	1410.00	1222.00
16	1175.01 -1200.00	48.00	1440.00	1248.00
17	1200.01 -1225.00	49.00	1470.00	1274.00
18	1225.01 -1250.00	50.00	1500.00	1300.00
19	1250.01 -1275.00	51.00	1530.00	1326.00
20	1275.01 -1300.00	52.00	1560.00	1352.00
21	1300.01 -1325.00	53.00	1590.00	1378.00
22	1325.01 -1350.00	54.00	1620.00	1404.00

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1 1350.01 and over 55.00 1650.00 1430.00"

2 SECTION 2. Section 383-23, Hawaii Revised Statutes, is  
3 amended to read as follows:

4 "§383-23 Weekly benefit for unemployment. For weeks  
5 beginning prior to January 5, 1992, each eligible individual who  
6 is unemployed, as defined in section 383-1, in any week shall be  
7 paid with respect to that week a benefit in an amount equal to  
8 the individual's weekly benefit amount less that part of the  
9 wages (if any) payable to the individual with respect to that  
10 week which is in excess of \$2. Effective for weeks beginning  
11 January 5, 1992, and thereafter, each eligible individual who is  
12 unemployed, as defined in section 383-1, in any week shall be  
13 paid with respect to that week a benefit in an amount equal to  
14 the individual's weekly benefit amount less that part of the  
15 wages (if any) payable to the individual with respect to that  
16 week which is in excess of \$50. Effective for weeks beginning  
17 January 1, 2008, and thereafter, each eligible individual who is  
18 unemployed, as defined in section 383-1, in any week shall be  
19 paid with respect to that week a benefit in an amount equal to  
20 the individual's weekly benefit amount less that part of the  
21 wages, if any, payable to the individual with respect to that



1 week which is in excess of \$150. The benefit, if not a multiple  
2 of \$1, shall be computed to the next higher multiple of \$1."

3 SECTION 3. Section 383-61, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "(c) For the calendar year 1991 only, the term "wages"  
6 does not include remuneration in excess of \$7,000 paid with  
7 respect to employment to an individual by an employer. For  
8 calendar years 2008, 2009, and 2010 only, the term "wages" as  
9 used in this part does not include remuneration in excess of  
10 \$13,000 paid with respect to employment to an individual by an  
11 employer so long as the balance of the unemployment trust fund  
12 does not fall below the adequate reserve fund as specified by  
13 section 383-63."

14 SECTION 4. Section 383-63, Hawaii Revised Statutes, is  
15 amended by amending the definition of "adequate reserve fund" to  
16 read as follows:

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

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1 same year, as reported on contribution reports filed on or  
2 before October 31 of the same year. "Remuneration", as used in  
3 this definition, means wages as defined in section 383-10. For  
4 the purpose of determining the highest benefit cost rate, the  
5 benefit cost rate for the first twelve-consecutive-calendar-  
6 month period beginning with the first day of the first month of  
7 the ten-year period and for each succeeding twelve-consecutive-  
8 calendar-month period beginning with the first day of each  
9 subsequent month shall be computed.

10       Effective for the calendar [~~year~~] years 1992 through 2007,  
11 and from calendar year 2011 and thereafter, "adequate reserve  
12 fund" means an amount that is equal to one and one-half times  
13 the amount derived by multiplying the benefit cost rate that is  
14 the highest during the ten-year period ending on November 30 of  
15 each year by the total remuneration paid by all employers, with  
16 respect to all employment for which contributions are payable  
17 during the last four calendar quarters ending on June 30 of the  
18 same year, as reported on contribution reports filed on or  
19 before October 31 of the same year. "Remuneration", as used in  
20 this definition, means wages as defined in section 383-10. For  
21 the purpose of determining the highest benefit cost rate, the  
22 benefit cost rate for the first twelve-consecutive-calendar-

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1 month period beginning with the first day of the first month of  
2 the ten-year period and for each succeeding twelve-consecutive-  
3 calendar-month period beginning with the first day of each  
4 subsequent month shall be computed."

5 SECTION 5. The department of labor and industrial  
6 relations shall submit a report to the legislature no later than  
7 twenty days prior to the convening of the regular session of  
8 2011 detailing the effect of this Act on the unemployment  
9 compensation fund. The report shall include but not be limited  
10 to the:

- 11 (1) Effects of the temporary increase in benefits under  
12 section 1 of this Act;
- 13 (2) Lowering of the adequate reserve from eighteen months  
14 to twelve months under section 4 of this Act on the  
15 ability of the fund to recover without depletion of  
16 the reserves, in the event of a significant rise of  
17 the unemployment rate;
- 18 (3) Recommendations to the legislature as to whether or  
19 not to make section 1 and section 4 of this Act  
20 permanent;

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- 1           (4) Historical data and information on the unemployment  
2           compensation fund, including an economic analysis of  
3           the fund adequacy from 1970 to present; and  
4           (5) An evaluation of the economic trends from 1970 and its  
5           potential effects on the solvency and adequacy of the  
6           unemployment fund.
- 7           SECTION 6. Statutory material to be repealed is bracketed  
8           and stricken. New statutory material is underscored.
- 9           SECTION 7. This Act shall take effect on January 1, 2008.

APPROVED this 30 day of MAY , 2007



GOVERNOR OF THE STATE OF HAWAII

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