

**Annual Evaluation of the  
Hawai'i Unemployment Compensation Trust Fund**

State of Hawai'i  
Department of Labor & Industrial Relations

December 2013

STATE OF HAWAII  
Neil Abercrombie, Governor

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
Dwight Takamine, Director  
Jade T. Butay, Deputy Director

RESEARCH AND STATISTICS OFFICE  
Phyllis Dayao, Chief

Operations Management Information Staff  
Elienne Yoshida, Supervisor  
830 Punchbowl Street, Room 304  
Honolulu, HI 96813  
(808) 586-9005

UNEMPLOYMENT INSURANCE DIVISION  
Linda Y. Uesato, Administrator

December 2013

# TABLE OF CONTENTS

	Page
<b>Executive Summary</b> .....	1
<b>Background Information</b> .....	3
• Purpose of Report	
• Fund Definition and Requirements	
<b>Status of the Unemployment Compensation Trust Fund</b> .....	4
• Status of the Fund	
• Fund Solvency	
• Tax Rates	
• Taxable Wage Base	
<b>Economic Factors</b> .....	6
• General Conditions	
• Labor Force Data	
• Insured Unemployment and Employment Covered by the UC Fund	
• Weekly Benefit Amounts and Average Duration	
<b>Experience Rating</b> .....	10
• Description	
• Charged and Noncharged Benefits	
• 2012 Employer Data	
<b>Appendixes</b>	
A Computation of Employer Contribution Rates .....	A-1
B Annual Data from 1970	
• Labor Force Data .....	A-2
• Insured Unemployment and Employment Covered by the UC Fund.....	A-3
• Weekly Benefit Amount and Average Duration .....	A-4
• Hawai'i Unemployment Compensation Trust Fund.....	A-5
• Ratio of Current to Adequate Reserve Fund.....	A-6
• Unemployment Insurance Tax Rates.....	A-7
• Total and Taxable Wages .....	A-8
• Charged and Noncharged Benefits .....	A-9
C Benefits Not Charged to Employer Accounts .....	A-10
D The Hawai'i Unemployment Compensation Trust Fund and Economic Conditions: 1970 to the Present .....	A-11

This Page Intentionally Left Blank

## EXECUTIVE SUMMARY

### Highlights

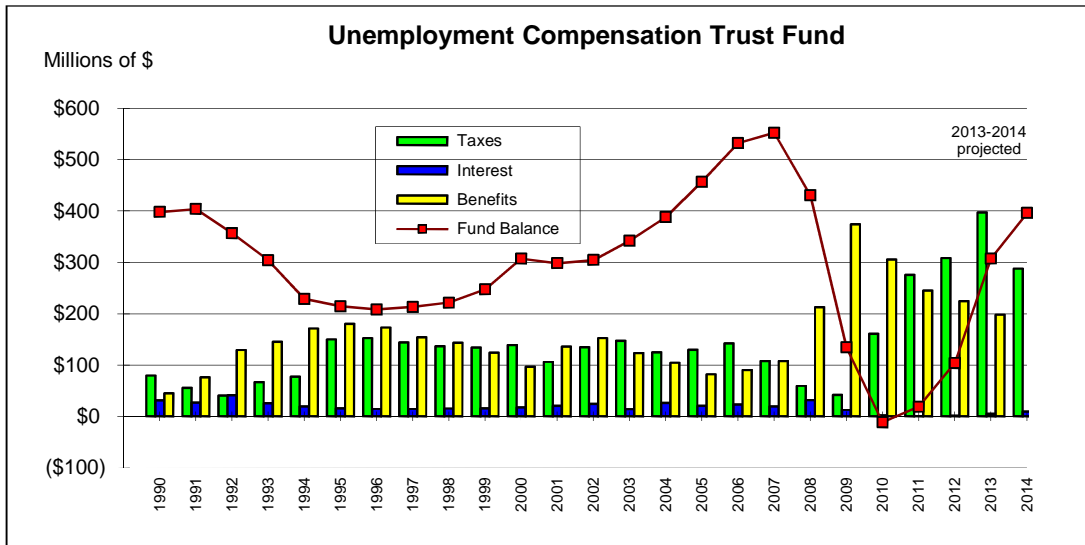
	2012	2013	2014
<b>Unemployment Compensation Trust Fund</b>			
Contributions	\$308 million	\$397 million*	\$288 million*
Interest	\$1.5 million	\$5 million*	\$9 million*
Benefits	\$225 million	\$198 million*	\$208 million*
Fund Balance (end of year)	\$104 million	\$306 million*	\$396 million*
<b>Unemployment Rates</b>			
Hawai'i Insured Unemployment Rate	2.3%	2.0%*	2.0%*
Hawai'i Total Unemployment Rate	5.8%*	4.8%*	5.0%*
U.S. Total Unemployment Rate	8.1%		
<b>Taxable Wage Base</b>	\$38,800	\$39,600	\$40,400
<b>Tax Schedule</b>	Schedule F	Schedule G	Schedule E
<b>Tax Rates</b>			
Minimum	1.2%	1.8%	0.6%
Maximum	5.4%	6.4%	6.0%
Average			
% of Taxable Wages	2.7%	3.2%*	2.1%*
% of Total Wages	1.8%	2.2%*	1.4%*
<b>Weekly Benefit Amount</b>			
Minimum	\$5	\$5	\$5
Maximum	\$523 (Jan-Mar) \$560 (Apr-Dec)	\$534	\$544
Average	\$413		
<b>Average Benefit Duration</b>	17.9 weeks		

\* estimated

### Status of the Fund

The Hawai'i Unemployment Compensation Trust Fund balance was \$315.3 million at the end of November 2013. During the first eleven months of 2013, \$391 million in taxes and \$3.2 million in interest were added to the Fund. At the same time, \$182 million in benefits were paid out from the Fund. As of November, the fund balance is 0.79 of the adequate level. This amount would finance about nine months of unemployment at the worst level experienced during the last ten years.

Assuming the calendar year 2014 insured unemployment rate averages 2.0%, or about 11,300 claims per week, the fund balance is estimated to be \$396 million at the end of 2014. With this fund balance, Schedule C would be in effect for 2015.

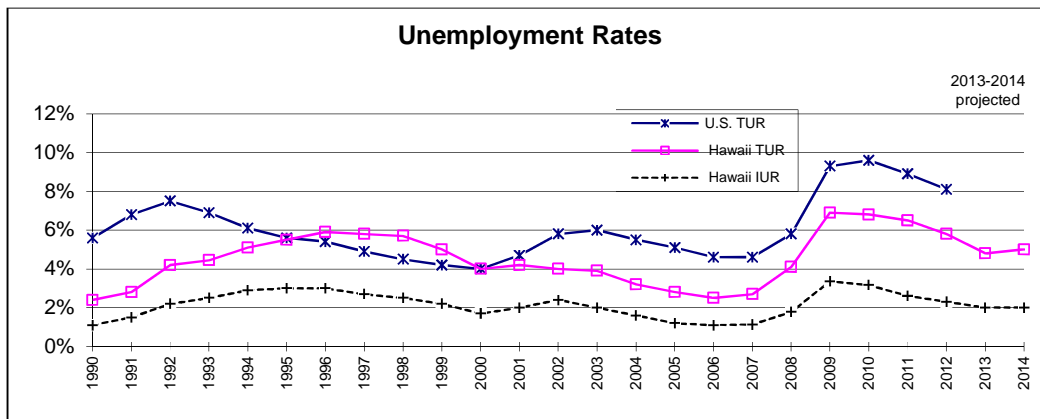


**Economic Factors**

The national unadjusted total unemployment rate (TUR) was 7.0% as of October 2013, decreasing from the October 2012 rate of 7.5%. Hawaii’s unadjusted total unemployment rate (TUR) was 4.7% in October 2013 as compared to 5.3% in October 2012. Hawaii’s total nonagricultural wage and salary job count grew in 2013, averaging 610,600 for the ten months ending October 2013. This is an 8,000 increase from the average of 602,600 for the same period in 2012.

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 Trust Fund. The IUR averaged 2.28% in 2012. It is at 1.90% as of November 2013.

*Projections in this report assume stable unemployment levels in Hawaii through 2014. Trust fund estimates are based on an insured unemployment rate (IUR) of 2.0% in 2013 and in 2014.*



**2014 Tax Schedule and Taxable Wage Base**

Taxes will decrease in calendar year 2014 due an improved fund balance of \$315 million at the end of November 2013. Tax schedule E will be in effect for the calendar year 2014. Tax rates will range from 0.6% to 6.0%. The average tax rate is estimated to be 2.1%. The taxable wage base (maximum annual wages taxable per employee) will be \$40,400 in 2014.

## BACKGROUND INFORMATION

### Purpose of Report

This report is produced to meet the requirements of section 383–126.5, Hawai'i Revised Statutes, which calls for an *annual evaluation of the adequacy of the Hawai'i Unemployment Compensation Trust 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 Hawai'i state law.** The Hawai'i Employment Security Law (Hawai'i Revised Statutes, chapter 383) establishes the Unemployment Compensation Trust 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 6.0% 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 0.6%) 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 Trust 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 6.0% 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 Hawai'i 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 Hawai'i's Unemployment Compensation Trust Fund.

**Self-financing of benefits by governmental and/or nonprofit employers.** Sections 383-62 and 62.5, Hawai'i 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 TRUST FUND

### Status of the Fund

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

The fund balance was \$315.3 million at the end of November 2013 compared to \$103.7 million at the end of 2012. During the first eleven months of 2013, \$391 million in taxes and \$3.2 million in interest were added to the Fund. At the same time, \$182 million in benefits were paid out from the Fund.

*Projections through 2014: For this report, the insured unemployment rate is projected to average 2.0% in 2013 and in 2014. This would result in a benefit outgo of about \$208 million in 2014. Taxes and interest are projected at about \$297 million in 2014. On the basis of this forecasted level of unemployment, the fund balance would be about \$396 million by the end of 2014 and Tax Schedule C would be in effect for 2015.*

### HAWAII UNEMPLOYMENT COMPENSATION TRUST FUND (in millions of \$)

Year	Taxes	Interest	Benefits	Fund Balance	Federal Loan Balance
2010	\$160.9	\$1.9	\$305.2	-\$11.6	\$14.6
2011	\$275.7	\$0.2	\$245.3	\$18.9	\$0.0
2012	\$308.2	\$1.5	\$225.0	\$103.7	\$0.0
2013					
Jan	\$20.4	\$0.0	\$19.7	\$104.4	\$0.0
Feb	\$33.5	\$0.0	\$15.7	\$122.2	\$0.0
Mar	\$1.0	\$0.7	\$15.5	\$108.3	\$0.0
Apr	\$45.2	\$0.0	\$18.5	\$135.0	\$0.0
May	\$89.3	\$0.0	\$16.6	\$207.8	\$0.0
Jun	\$0.9	\$1.1	\$15.4	\$193.9	\$0.0
Jul	\$45.0	\$0.0	\$18.3	\$220.7	\$0.0
Aug	\$68.6	\$0.0	\$15.4	\$273.9	\$0.0
Sep	\$1.0	\$1.5	\$16.3	\$259.8	\$0.0
Oct	\$33.6	\$0.0	\$15.9	\$277.5	\$0.0
Nov	\$52.5	\$0.0	\$14.6	\$315.3	\$0.0
<i>Projected</i>					
2013	\$397	\$5	\$198	\$307	
2014	\$288	\$9	\$208	\$396	

### Fund Solvency

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

The Hawai'i 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 2014 tax schedule computation, the adequate amount is



\$401,223,802. The current reserve fund (actual fund assets as of November 30, 2013) is \$315,321,135. At this fund level, Schedule E will be in effect for 2014.

## **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 G for 2011. Act 6 (2012 Legislative Session) set the 2012 tax schedule at F; under the normal computations, it would have been Schedule H.

Minimum, maximum, and average tax rates are shown on page A-7; Appendix B. Taxes are estimated to average about 2.1% of taxable wages during calendar year 2014 with Schedule E in effect. From 1985 to 2012 the maximum tax rate on each tax schedule was 5.4%. Under Act 263 (2012 Legislative Session) the maximum tax rates on each schedule were increased as shown on Appendix A.

## **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. From 2012, the 100% formula is in effect. The taxable wage base for calendar year 2014 will be \$40,400, an \$800 increase from the \$39,600 wage base in 2013.

Setting the wage base at the average annual wage results in approximately 68% 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 resulted in about 66% 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.

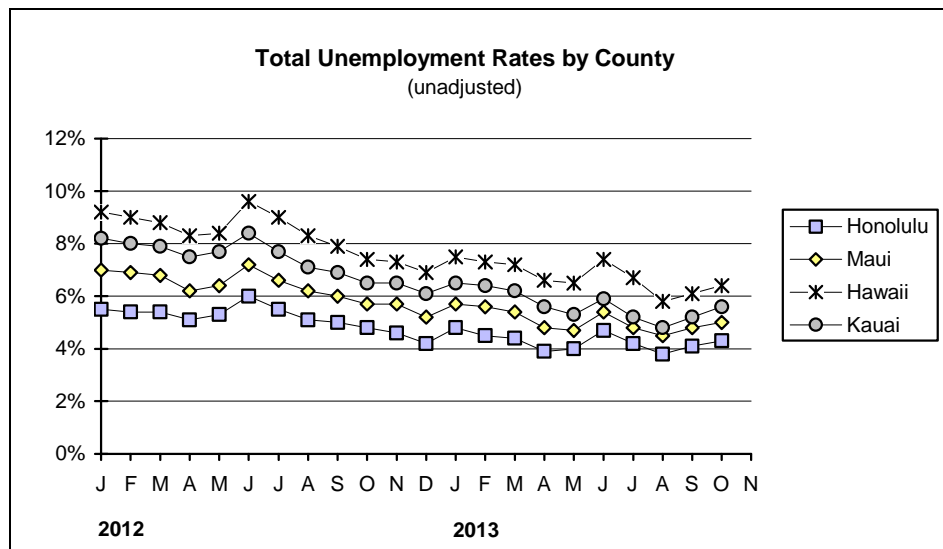
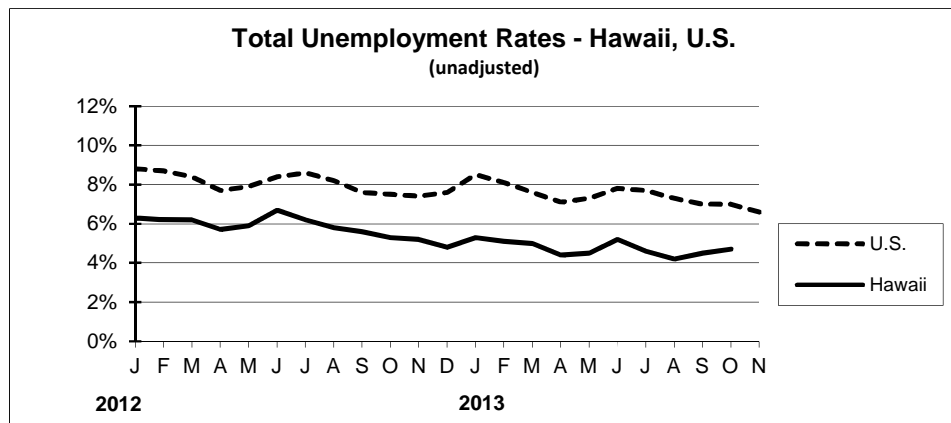
## ECONOMIC FACTORS

### General Conditions

Hawaii's and the national unemployment rates have improved during 2013. The national unadjusted total unemployment rate (TUR) was 7.0% for October 2013, decreasing from the October 2012 rate of 7.5%. Hawaii's unadjusted TUR was 4.7% in October 2013 as compared to 5.3% in October 2012. As shown in the chart below, Hawaii's unemployment rate ranged from a high of 6.7% in June 2012, to a low of 4.2% in August 2013. For the month of October 2013, unemployment rates were 4.3% for Honolulu, 5.0% for Maui County, 6.4% for Hawaii County, and 5.6% for Kauai County.

Hawaii's total nonagricultural wage and salary job count averaged 610,600 for the ten months ending October 2013. This is an 8,000 increase from the 602,600 average for the same period in 2012. Comparing October 2012 to October 2013, the total job count is up from 611,100 to 618,000. This is a 6,900 or 1.1% increase. Most industrial sectors experienced increases in jobs. The three sectors with the largest job growth were Leisure and Hospitality; Trade, Transportation, and Utilities; and Educational and Health Services.

*Outlook:* This report assumes stable unemployment levels for Hawaii through 2014.



**Labor Force Data**

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

Employment in Hawai'i increased from an annual average 613,650 in calendar year 2012 to 616,450 during the first ten months in 2013. Unemployment decreased from an average of 37,900 in 2012 to 30,750 for the January through October 2013 period.

Hawai'i's total unemployment rate (TUR) averaged 4.8% over the first ten months of 2013, improving from the calendar year 2012 average of 5.8%.

The total unemployment rate for the U.S. averaged 7.5% for the first ten months of 2013, decreasing from the calendar year 2012 average of 8.1%.

*Projections for this publication assume the Hawai'i total unemployment rate will average 4.8% in 2013 and 5.0% in 2014.*

**LABOR FORCE DATA**

Unadjusted

Year	<i>Hawai'i</i>			U.S. Total Unemployment Rate
	Employment	Unemployment	Total Unemployment Rate	
2011	614,800	42,950	6.5%	8.9%
2012	613,650	37,900	5.8%	8.1%
2013				
Jan	614,150	34,500	5.3%	8.5%
Feb	616,000	33,050	5.1%	8.1%
Mar	611,450	31,900	5.0%	7.6%
Apr	618,100	28,700	4.4%	7.1%
May	619,350	28,950	4.5%	7.3%
Jun	619,050	33,750	5.2%	7.8%
Jul	615,250	30,000	4.6%	7.7%
Aug	616,150	27,000	4.2%	7.3%
Sep	617,150	29,100	4.5%	7.0%
Oct	617,900	30,350	4.7%	7.0%
<i>Projected</i>				
2013			4.8%	
2014			5.0%	

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

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

The average monthly number of employees covered by the Fund was 438,486 in 2012, increasing from 429,306 in 2011. Covered employees increased slightly to an average of 446,720 during the first six months of 2013.

The insured unemployment rate (IUR) is average weekly unemployment insurance claims as a percent of covered employees. The IUR was 1.90% as of November 2013, compared to the 2012 average of 2.28%. The average weekly number of claims filed under the regular state program was 12,389 in 2012. The number of weekly claims averaged 10,923 as of November 2013.

Projections for the IUR: average of 2.0% for 2013 and for 2014.

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

Year	Insured Unemployment		Employees Covered By the Fund
	Rate (IUR)	Average Weekly Claims*	
2011	2.61%	14,220	429,306
2012	2.28%	12,389	438,486
2013			
Jan	1.99%	11,238	443,081
Feb	2.00%	11,293	445,031
Mar	2.01%	11,351	447,431
Apr	2.00%	11,326	447,381
May	2.00%	11,352	448,133
Jun	2.01%	11,393	449,285
Jul	2.01%	11,482	
Aug	2.02%	11,518	
Sep	1.99%	11,320	
Oct	1.93%	11,108	
Nov	1.90%	10,923	
<i>Projected</i>			
2013	2.0%	11,300	
2014	2.0%	11,300	

\*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 increase to \$544 for the calendar year 2014*—\$10 more than the \$534 maximum in 2013. 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. The computation returned to 70% for January through March 2012. Act 6 of the 2012 Legislative Session changed the computation back to 75% for claims filed from April through December 2012. From 2013 the formula returns to 70%.

*Average weekly benefits* received by claimants averaged \$416 for the 12-month period ending November 2013 as compared to an average of \$413 for calendar year 2012. 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 16.6 weeks for the twelve-month period ending November 2013. This is a decrease from the 2012 annual average of 17.9 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 Trust 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 2012, 10% of all benefits paid were not charged to an individual employer account. Noncharged benefits are financed by Unemployment Compensation Trust Fund interest income or by employers as a whole by triggering a higher tax schedule due to a lower fund balance.

### 2012 Employer Data

The following tables show 2012 employment, wage, benefit, and contribution data for employers who contribute to the Unemployment Compensation Trust Fund and for whom a tax rate was computed for calendar year 2013. Information on employers who were covered under the Hawai'i unemployment insurance program during 2012, but were no longer covered as of January 1, 2013, are not included in these tables. Data are shown by reserve ratio, county, size of firm, and industry groups. The reserve ratio tables show 2012 data by reserve ratios as of the end of 2012. Also shown on those tables are the 2013 tax rates assigned to each reserve ratio group.

Fifteen percent of all employers were in the highest reserve ratio group with ratios of 0.1500 and higher. These 4,500 employers were assigned the minimum 1.8% tax rate for 2013. Seven percent of the employers were assigned the maximum 6.4% tax rate, mostly due to delinquent filing of tax reports.

## Employer Data

### 2012 Employers and Wage Data by Reserve Ratio

Reserve Ratio End of 2012	2013 Tax Rate	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
.1500 and over	1.8%	4,481	15	29,815	7	1,068,794	6	702,966	6
.1400 to .1499	2.0%	1,139	4	17,196	4	599,299	3	408,153	3
.1300 to .1399	2.2%	1,512	5	26,826	6	878,436	5	630,179	5
.1200 to .1299	2.4%	2,757	9	40,654	9	1,562,453	9	1,028,691	9
.1100 to .1199	2.6%	2,405	8	60,141	14	2,391,050	14	1,643,897	14
.1000 to .1099	2.8%	2,293	8	47,560	11	1,998,680	11	1,327,165	11
.0900 to .0999	3.0%	2,503	8	47,832	11	1,950,621	11	1,378,326	12
.0800 to .0899	3.2%	1,546	5	37,567	9	1,455,426	8	1,012,484	8
.0700 to .0799	3.4%	712	2	23,769	5	979,311	6	714,324	6
.0600 to .0699	3.6%	515	2	13,871	3	625,259	4	428,446	4
.0500 to .0599	3.8%	357	1	8,831	2	390,042	2	261,812	2
.0300 to .0499	4.2%	578	2	16,551	4	665,190	4	473,339	4
.0000 to .0299	4.6%	658	2	12,165	3	553,783	3	367,891	3
-.0000 to -.0499	5.0%	601	2	7,569	2	359,703	2	233,073	2
-.0500 to -.0999	5.4%	387	1	5,137	1	224,966	1	153,040	1
-.1000 to -.4999	5.6%	1,134	4	11,888	3	634,760	4	409,506	3
-.5000 to -.9999	5.8%	413	1	3,722	1	217,977	1	142,282	1
-1.0000 to -1.4999	6.0%	146	0	2,480	1	164,029	1	103,100	1
-1.5000 to -1.9999	6.2%	93	0	853	0	47,374	0	32,675	0
-2.0000 and less	6.4%	150	0	456	0	23,868	0	17,066	0
New & Reactive	4.6%	3,980	13	14,003	3	480,803	3	373,501	3
N&R Neg Reserve	6.4%	253	1	178	0	5,069	0	4,451	0
Delinquent	6.4%	1,883	6	6,724	2	206,536	1	175,998	2
Total		30,496	100	435,789	100	17,483,431	100	12,022,365	100

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

**2012 Benefit and Contribution Data by Reserve Ratio**

Reserve Ratio End of 2012	2013 Tax Rate	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
.1500 and over	1.8%	2,366	809	3,175	2	0.45	9,537	3	1.36
.1400 to .1499	2.0%	1,012	310	1,322	1	0.32	5,876	2	1.44
.1300 to .1399	2.2%	1,050	760	1,810	1	0.29	9,505	3	1.51
.1200 to .1299	2.4%	1,975	1,168	3,142	2	0.31	18,534	6	1.80
.1100 to .1199	2.6%	4,217	3,454	7,670	4	0.47	33,518	11	2.04
.1000 to .1099	2.8%	4,789	1,564	6,353	3	0.48	29,132	9	2.20
.0900 to .0999	3.0%	7,529	2,035	9,564	5	0.69	32,902	11	2.39
.0800 to .0899	3.2%	5,834	1,662	7,496	4	0.74	26,670	9	2.63
.0700 to .0799	3.4%	5,807	1,355	7,162	4	1.00	20,518	7	2.87
.0600 to .0699	3.6%	5,234	768	6,002	3	1.40	13,211	4	3.08
.0500 to .0599	3.8%	4,869	498	5,367	3	2.05	8,670	3	3.31
.0300 to .0499	4.2%	10,444	1,164	11,608	6	2.45	16,994	5	3.59
.0000 to .0299	4.6%	9,586	1,027	10,613	5	2.88	13,817	4	3.76
-.0000 to -.0499	5.0%	11,711	840	12,551	6	5.39	9,929	3	4.26
-.0500 to -.0999	5.4%	8,401	426	8,827	4	5.77	7,473	2	4.88
-.1000 to -.4999	5.6%	38,978	1,383	40,362	20	9.86	21,376	7	5.22
-.5000 to -.9999	5.8%	20,105	322	20,427	10	14.36	7,512	2	5.28
-1.0000 to -1.4999	6.0%	18,610	234	18,844	9	18.28	5,565	2	5.40
-1.5000 to -1.9999	6.2%	5,741	64	5,805	3	17.77	1,701	1	5.21
-2.0000 and less	6.4%	4,152	64	4,217	2	24.71	916	0	5.37
New & Reactive	4.6%	761	53	814	0	0.22	14,914	5	3.99
N&R Neg Reserve	6.4%	549	22	571	0	12.83	218	0	4.90
Delinquent	6.4%	5,337	332	5,670	3	3.22	3,077	1	1.75
Total		179,057	20,315	199,371	100	1.66	311,566	100	2.59

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



**2012 Employers and Wage Data by County**

County	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
O'ahu	16,555	54	227,917	52	9,193,134	53	6,165,808	51
Maui	3,859	13	39,186	9	1,440,834	8	1,087,932	9
Hawai'i	3,714	12	35,953	8	1,250,242	7	960,128	8
Kaua'i	1,676	5	19,655	5	690,197	4	528,025	4
Interstate	4,692	15	113,079	26	4,909,024	28	3,280,473	27
Total	30,496	100	435,789	100	17,483,431	100	12,022,365	100

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

**2012 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* %
O'ahu	92,828	8,851	101,679	51	1.65	153,710	49	2.49
Maui	16,978	1,967	18,944	10	1.74	30,885	10	2.84
Hawai'i	19,158	1,467	20,624	10	2.15	27,627	9	2.88
Kaua'i	10,628	1,169	11,796	6	2.23	15,602	5	2.95
Interstate	39,466	6,861	46,327	23	1.41	83,742	27	2.55
Total	179,057	20,315	199,371	100	1.66	311,566	100	2.59

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

### 2012 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	19,590	64	32,174	7	1,375,242	8	896,927	7
5 to 9	4,726	15	32,965	8	1,280,633	7	860,801	7
10 to 19	2,854	9	39,582	9	1,551,184	9	1,042,714	9
20 to 49	1,949	6	59,667	14	2,366,235	14	1,606,187	13
50 to 99	743	2	51,146	12	2,065,835	12	1,428,606	12
100 to 249	418	1	64,489	15	2,607,618	15	1,805,953	15
250 or more	216	1	155,768	36	6,236,684	36	4,381,176	36
Total	30,496	100	435,789	100	17,483,431	100	12,022,365	100

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

### 2012 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	21,498	1,441	22,939	12	2.56	23,993	8	2.68
5 to 9	16,425	1,513	17,938	9	2.08	22,445	7	2.61
10 to 19	21,185	1,676	22,862	11	2.19	28,364	9	2.72
20 to 49	31,431	2,872	34,304	17	2.14	44,857	14	2.79
50 to 99	24,159	2,934	27,093	14	1.90	38,680	12	2.71
100 to 249	29,926	3,044	32,970	17	1.83	48,167	15	2.67
250 or more	34,432	6,834	41,267	21	0.94	105,061	34	2.40
Total	179,057	20,315	199,371	100	1.66	311,566	100	2.59

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

## 2012 Employers 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	393	1	6,077	1	221,755	1	157,322	1
Utilities	34	0	3,600	1	324,734	2	143,134	1
Construction	3,047	10	28,103	6	1,855,201	11	1,135,260	9
Manufacturing	860	3	12,811	3	531,440	3	368,728	3
Wholesale Trade	1,865	6	16,825	4	861,468	5	542,343	5
Retail Trade	2,905	10	68,726	16	2,129,093	12	1,649,003	14
Transportation & Warehousing	785	3	24,457	6	1,073,271	6	720,640	6
Information	494	2	7,464	2	431,658	2	242,257	2
Finance & Insurance	998	3	17,709	4	1,118,906	6	623,704	5
Real Estate, Rental & Leasing	1,549	5	11,251	3	499,976	3	336,543	3
Professional, Scientific, & Technical Services	3,970	13	22,317	5	1,476,945	8	784,745	7
Management of Companies & Enterprises	171	1	946	0	84,833	0	34,492	0
Administrative & Support; Waste Management & Remediation Services	2,106	7	50,253	12	1,596,486	9	1,266,561	11
Educational Services	513	2	4,363	1	122,512	1	94,698	1
Health Care & Social Assistance	2,863	9	33,569	8	1,481,434	8	884,002	7
Arts, Entertainment & Recreation	522	2	8,715	2	216,502	1	178,782	1
Accommodation & Food Services	2,832	9	96,435	22	2,789,754	16	2,329,770	19
Other Services (except Public Administration)	3,271	11	20,646	5	632,681	4	510,328	4
Unknown	1,318	4	525	0	31,782	0	20,053	0
Total	30,496	100	435,789	100	17,483,431	100	12,022,365	100

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

**2012 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	3,707	167	3,874	2	2.5	5,215	2	3.31
Utilities	283	50	333	0	0.2	2,196	1	1.53
Construction	82,093	2,535	84,628	42	7.5	49,768	16	4.38
Manufacturing	5,968	572	6,540	3	1.8	9,199	3	2.49
Wholesale Trade	4,412	777	5,189	3	1.0	12,130	4	2.24
Retail Trade	8,076	2,422	10,498	5	0.6	33,921	11	2.06
Transportation & Warehousing	6,078	2,514	8,592	4	1.2	16,736	5	2.32
Information	5,483	484	5,967	3	2.5	6,358	2	2.62
Finance & Insurance	2,538	517	3,055	2	0.5	12,008	4	1.93
Real Estate, Rental & Leasing	2,996	582	3,578	2	1.1	8,748	3	2.60
Professional, Scientific, & Technical Services	9,089	872	9,961	5	1.3	19,740	6	2.52
Management of Companies & Enterprises	584	38	622	0	1.8	864	0	2.50
Administrative & Support; Waste Management & Remediation Services	21,204	3,367	24,572	12	1.9	38,415	12	3.03
Educational Services	861	96	957	0	1.0	2,501	1	2.64
Health Care & Social Assistance	5,686	1,062	6,748	3	0.8	20,153	6	2.28
Arts, Entertainment & Recreation	1,650	231	1,881	1	1.0	4,449	1	2.49
Accommodation & Food Services	13,953	3,318	17,271	9	0.7	56,707	18	2.43
Other Services (except Public Administration)	4,165	702	4,867	2	1.0	11,858	4	2.32
Unknown	230	7	237	0	1.2	599	0	2.99
<b>Total</b>	<b>179,057</b>	<b>20,315</b>	<b>199,371</b>	<b>100</b>	<b>1.7</b>	<b>311,566</b>	<b>100</b>	<b>2.59</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 Hawai'i 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, the maximum tax rate on the tax schedule in effect for the calendar year 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 Trust 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.

Contribution Rate Schedules										Tax Schedule Computation	
Reserve Ratio	A	B	C	D	E	F	G	H			
	Contribution Rates (%)									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	5.6			
-.1000 to -.4999	2.9	3.1	3.6	4.6	5.0	5.4	5.6	5.8			
-.5000 to -.9999	3.4	3.6	4.2	5.2	5.4	5.6	5.8	6.0			
-1.0000 to -1.4999	4.1	4.2	4.8	5.4	5.6	5.8	6.0	6.2			
-1.5000 to -1.9999	4.7	4.8	5.4	5.6	5.8	6.0	6.2	6.4			
-2.0000 and less	5.4	5.4	5.6	5.8	6.0	6.2	6.4	6.6			

Note: from 1985 to 2012 maximum tax rate on each schedule was 5.4%

**APPENDIX B**  
**Annual Data from 1970**

**LABOR FORCE DATA**  
unadjusted

Year	<i>Hawai'i</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	617,800	15,700	2.5%	4.6%
2007	620,100	17,100	2.7%	4.6%
2008	617,650	26,400	4.1%	5.8%
2009	593,850	44,050	6.9%	9.3%
2010	603,900	43,900	6.8%	9.6%
2011	614,800	42,950	6.5%	8.9%
2012	613,650	37,900	5.8%	8.1%

Source: Hawai'i Workforce Informer web page ([www.hiwi.org](http://www.hiwi.org))  
U.S. Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov))

## 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%
2010	3.2%	17,302	423,429	-3%
2011	2.6%	14,220	429,306	1%
2012	2.3%	12,389	438,486	2%

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	\$406	19.7
2011	\$549	\$405	18.4
2012	\$523 (Jan-Mar) \$560 (Apr-Dec)	\$413	17.9
2013	\$534		
2014	\$544		

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 TRUST 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	\$103.8	\$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
2010	\$160.9	\$1.9	\$305.2	-\$11.6
2011	\$275.7	\$0.2	\$245.3	\$18.9
2012	\$308.2	\$1.5	\$225.0	\$103.7

Source: ETA 2112, UI Financial Transaction Summary, Unemployment Fund

**Fund Balance Notes:**

- 2002: Includes \$30.8 million, special Federal Reed Act distribution.
- 2009: Includes \$30.5 million in Federal ARRA (American Recovery & Reinvestment Act) and \$7.8 million in adjustments - \$2.2 million receipts minus \$10.0 million in Reed Act withdrawals.
- 2010: Includes minus \$3.6 million in Reed Act withdrawals.

## 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**	
2012	2.22%	\$16,709,152,489	\$370,943,185	\$37,507,312	0.10	F**	
2013	2.22%	\$17,299,166,791	\$384,041,503	\$117,461,110	0.31	G	
2014	2.22%	\$18,073,144,220	\$401,223,802	\$315,321,135	0.79	E	

*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 Trust 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; 2012: Act 6 (2012 Legislative Session) set schedule at 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%	1.8%	1.2%
2011	1.2%	5.4%	2.6%	1.7%
2012	1.2%	5.4%	2.7%	1.8%
2013	1.8%	6.4%	3.2%	2.2% est
2014	0.6%	6.0%	2.1%	1.4% 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%.

**APPENDIX B continued**

**TOTAL AND TAXABLE WAGES**

<b>Year</b>	<b>Total Wages</b>	<b>% change</b>	<b>Taxable Wages</b>	<b>% change</b>	<b>% Taxable of Total Wages</b>	<b>Taxable Wage Base</b>
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	\$16,292,046,023	-2%	\$10,916,560,473	85%	67%	\$34,900
2011	\$16,728,000,105	3%	\$10,989,382,103	1%	66%	\$34,200
2012	\$17,543,283,316	5%	\$12,051,835,343	10%	67%	\$38,800
2013						\$39,600
2014						\$40,400

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	\$374.2	\$331.6	89%	\$42.6	11%
2010	\$304.8	\$276.2	91%	\$28.7	9%
2011	\$244.6	\$221.1	90%	\$23.6	10%
2012	\$222.7	\$201.1	90%	\$21.6	10%

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<sup>1</sup> based on wages from an employer from whom the claimant voluntarily quit work without good cause ;
- 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>

---

<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 Hawai'i Unemployment Compensation Trust 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. Hawai'i 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 Hawai'i.
- 1975** Hawai'i 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 Hawai'i'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, Hawai'i 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 Hawai'i'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 Kaua'i. 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 Hawai'i 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, Hawai'i'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 Hawai'i economies. The tourism and construction industries were especially hard hit. Recessionary conditions on the Mainland and in Hawai'i 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 Hawai'i claimants.



**2010-2011**

The EUC08 program was extended twice in 2010 and is scheduled to end January 3, 2012. Claimants who exhaust their regular or EUC08 tier benefits will not be able to begin a new tier after that date. Claimants may continue to receive benefits under their current tier until June 9, 2012.

Act 2 was enacted during the 2010 Legislative Session resulting in: extending the 75% formula for computing the maximum weekly benefit amount (MWBA) for 2010 and 2011; reducing the taxable wage base formula to 90% of the statewide average annual wage for 2010 and 2011; permanently reducing the adequate reserve fund definition by eliminating the 1.5 times multiplier; and setting the tax schedules at D for 2010 and F for 2011, rather than applying the computed tax schedules which would have been F and G respectively.

Economic conditions slowly improved throughout this period with the IUR declining from 3.4% in January 2010 to 2.4% in November 2011. However, benefit outgo continued to exceed contributions through the first half of 2011. The unemployment fund was depleted in December 2010 requiring Hawai'i to borrow federal Title IX loan funds to continue paying benefits. From December 2010 through August 2011, \$163 million in federal loans were received. All loans were repaid by August 2011.

**2012**

The EUC08 program was extended from June 2012 to end on January 2, 2013.

Effective January 2012 the MWBA formula returned to the 70% computation. However, it was only in effect from January through March as Act 6 (2012 Legislative Session) changed the formula back to 75% from April to the end of 2012. Act 6 also changed the 2012 tax schedule to F. The highest schedule, H, should have been in effect for 2012 as the fund balance had dropped to less than \$38 million at the end of November 2012.

The unemployment fund was depleted at the end of March 2012 requiring borrowing from the federal loan fund. Borrowing continued during the month of April 2012 with all loans repaid by the end of the month. Improving economic conditions during the second half of 2012 resulted in the fund balance increasing to over \$100 million by the end of November.

**2013**

The EUC08 program was extended from January 2, 2013 to January 1, 2014 by the American Tax Payer Relief Act of 2012.

Under Act 263 (2012 Legislative Session), the maximum tax rates on the tax schedules were increased from 5.4% on each schedule to increasing rates from 5.4% for Schedule A to 6.6% for Schedule H. See Appendix A for rates on each schedule.

Act 100, passed by the 2013 State Legislature and approved by the Governor on June 1, 2013, reclassified the Unemployment Compensation Fund as a trust fund as recommended by the state auditor.