



# Hawaii Unemployment Insurance Trust Fund

Past, Present & Future



# Hawaii Trust Fund ... Past

# Hawaii in 2007

- Hawaii & Utah lowest unemployment rate in the nation.
- Unemployment Rate - 2.7%
- UI Trust Fund Balance - \$552 M
- Average Duration - 13.6 weeks
- At the end of 2007, the nation began one of it's worst recessions.





**Amendments to Chapter 383, HRS  
(Hawaii Employment Security Law)**

# Act 110, Session Law of Hawaii 2007

- Increased the weekly earnings disregard amount from \$50 to \$150. Claimants can earn more from Part-Time employment without reducing their UI benefits.
- 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 (TWB) at \$13,000 for calendar years 2008 through 2009. TWB reverted to 100% average annual wage for 2010 as fund fell below adequate level.
- Reduced the adequate reserve fund formula from 1.5 to 1.0 times multiplier for the calendar years 2008 through 2010 tax schedule computations.

# Act 2, Session Law of Hawaii 2010

- Extended the 75% formula for computing the maximum weekly benefit amount for 2010 and 2011.
- Reduced the taxable wage base formula from 100% 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.

# UI Trust Fund Solvency

The Hawaii Employment Security Law defines the factors used to measure the adequacy of the UI Trust Fund and how the tax rate schedule for the coming year is determined based on that adequacy level.

- ❖ Before 2007: provisions of the law set the adequate reserve amount at 1.5 times the highest benefit cost rate in the preceding 10 years. At this level, the UI Trust Fund could finance benefits for one and one-half years at the highest level of unemployment experienced in the most recent 10 years.
- ❖ In 2007, Act 110 temporarily lowered the adequate reserve fund to 1.0 times the multiplier.
- ❖ In 2010, Act 2 permanently adopted the Act 110 amendments.

# Tax Rates

An employer's Hawaii unemployment insurance tax rate is computed for each calendar year (CY) based on the employer's reserve ratio and the tax schedule in effect for the year. There are 8 schedules, from the lowest schedule A to the highest schedule H.

❖ Act 2 waived the tax rate computations for CY 2010-2011 and prescribed:

2010: Schedule D

2011: Schedule F

❖ Without Act 2, the tax schedules would have been:

2010: Schedule F

2011: Schedule H



# Hawaii UI Tax Schedules

Tax Schedule	Triggers on When Ratio of Fund Balance to Adequate Reserve is:	Estimated Average Tax Rate	Minimum Tax Rate	Maximum Tax Rate
A	more than 1.69	0.8%	0%	5.4%
B	1.3 to 1.69	1.0%	0%	5.4%
C	1.0 to 1.29	1.3%	0%	5.4%
D	0.8 to 0.99	1.7%	0.2%	5.4%
E	0.6 to 0.79	2.1%	0.6%	5.4%
F	0.4 to 0.59	2.7%	1.2%	5.4%
G	0.2 to 0.39	3.2%	1.8%	5.4%
H	less than 0.2	3.8%	2.4%	5.4%

# Taxable Wage Base

There is a maximum limit on the amount of annual wages per employee that are taxable for unemployment insurance purposes. The law, prior to 2008 set this amount, the taxable wage base, at 100% of the statewide average annual wage.

## **2007: Act 110**

- ✓ Reduced taxable wage base to \$13,000 for 2008 and 2009. Wage base reverted to 100% annual wage for 2010 as fund fell below adequate level.
- ✓ Contained a provision to increase the wage base back to the regular formula if the fund fell below the adequate reserve fund level.

## **2010: Act 2**

- ✓ 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 is \$34,200. This is a \$700 reduction from the \$34,900 wage base in 2010.

## Comparison of Act 110 and Act 2 to No Changes to UI Law

	Year	Benefits Paid (in millions)	End of Year Fund Balances (in millions)	Taxes Collected (in millions)	Taxable Wage Base	Average Tax Rate	Tax Schedule
	2007	\$108	\$552	\$108	\$35,300	0.70%	B
Current Law With Act 110 and Act 2	2008	\$212	\$431	\$59	\$13,000	0.70%	A
	2009	\$374	\$134	\$42	\$13,000	0.70%	A
	2010	\$305	-\$11	\$161	\$34,900	1.75%	D
No Changes to UI Law (Estimated)	2008	\$205	\$481	\$108	\$36,200	0.90%	B
	2009	\$361	\$263	\$101	\$37,700	0.90%	B
	2010	\$294	\$240	\$268	\$38,800	2.75%	F
Difference	2008	\$7	-\$50	-\$49	-\$23,200	-0.20%	
	2009	\$13	-\$129	-\$59	-\$24,700	-0.20%	
	2010	\$11	-\$251	-\$107	-\$3,900	-1.00%	

Difference Over Three Years (2008 - 2010):

- ✓ Benefits to unemployed increased by \$31 M (due to permanent higher earning disregard and temporary higher WBA).
- ✓ Taxes paid by employers reduced by \$215 M (due to temporary lower TWB & tax rates).

# Hawaii 2007-2010



# Hawaii Total Unemployment 2007-2010

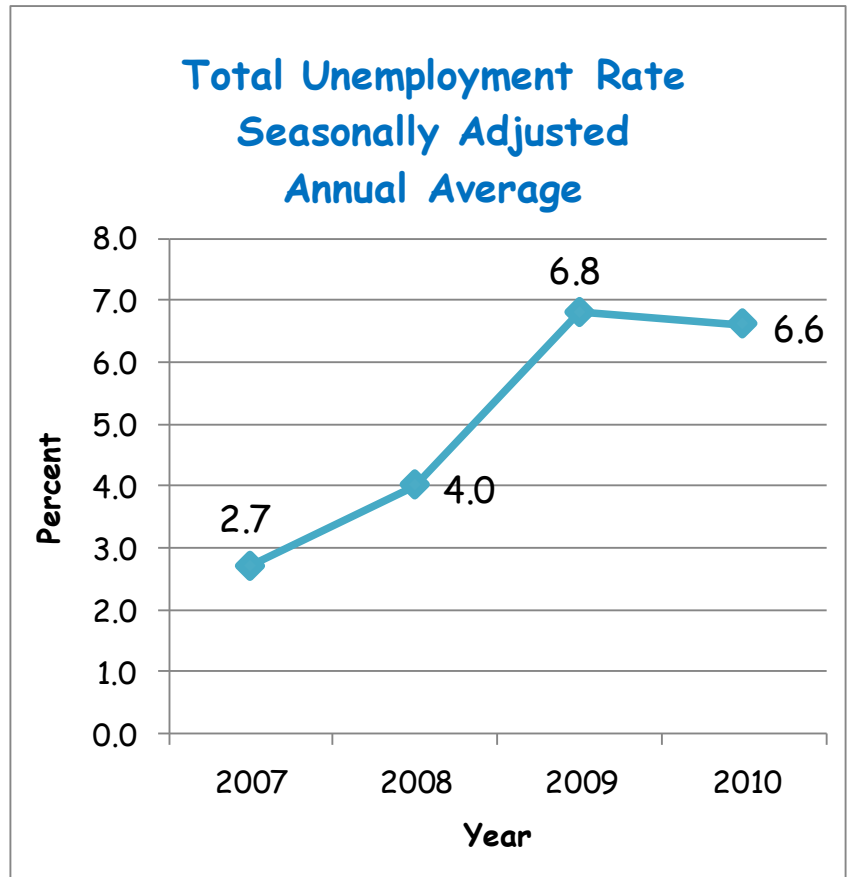
## Total Unemployed

2007: 16,900

2008: 25,850

2009: 43,100

2010: 41,600

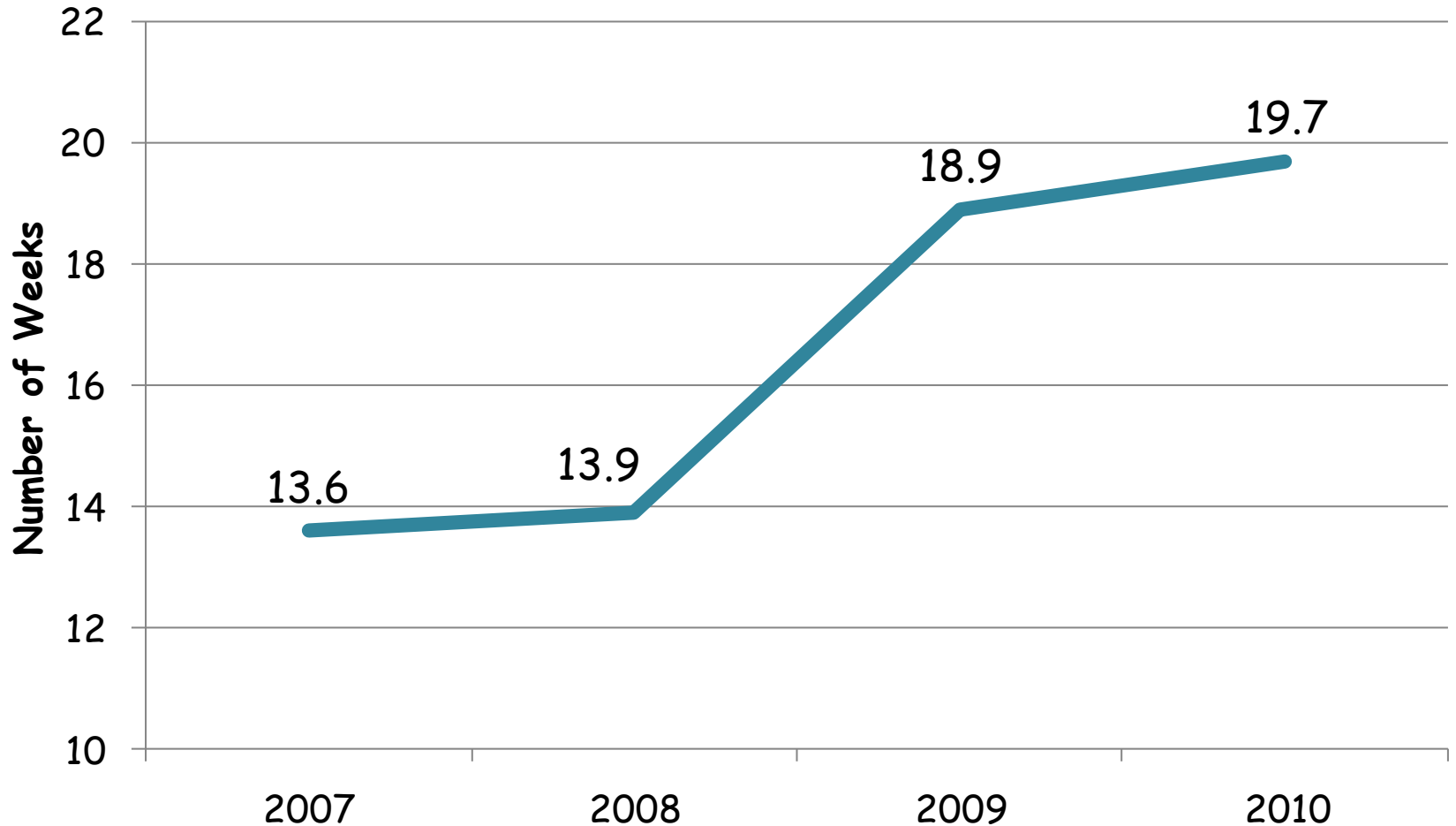




# Average Duration

(Average Number of Weeks of Benefits Paid)

2007 - 2010

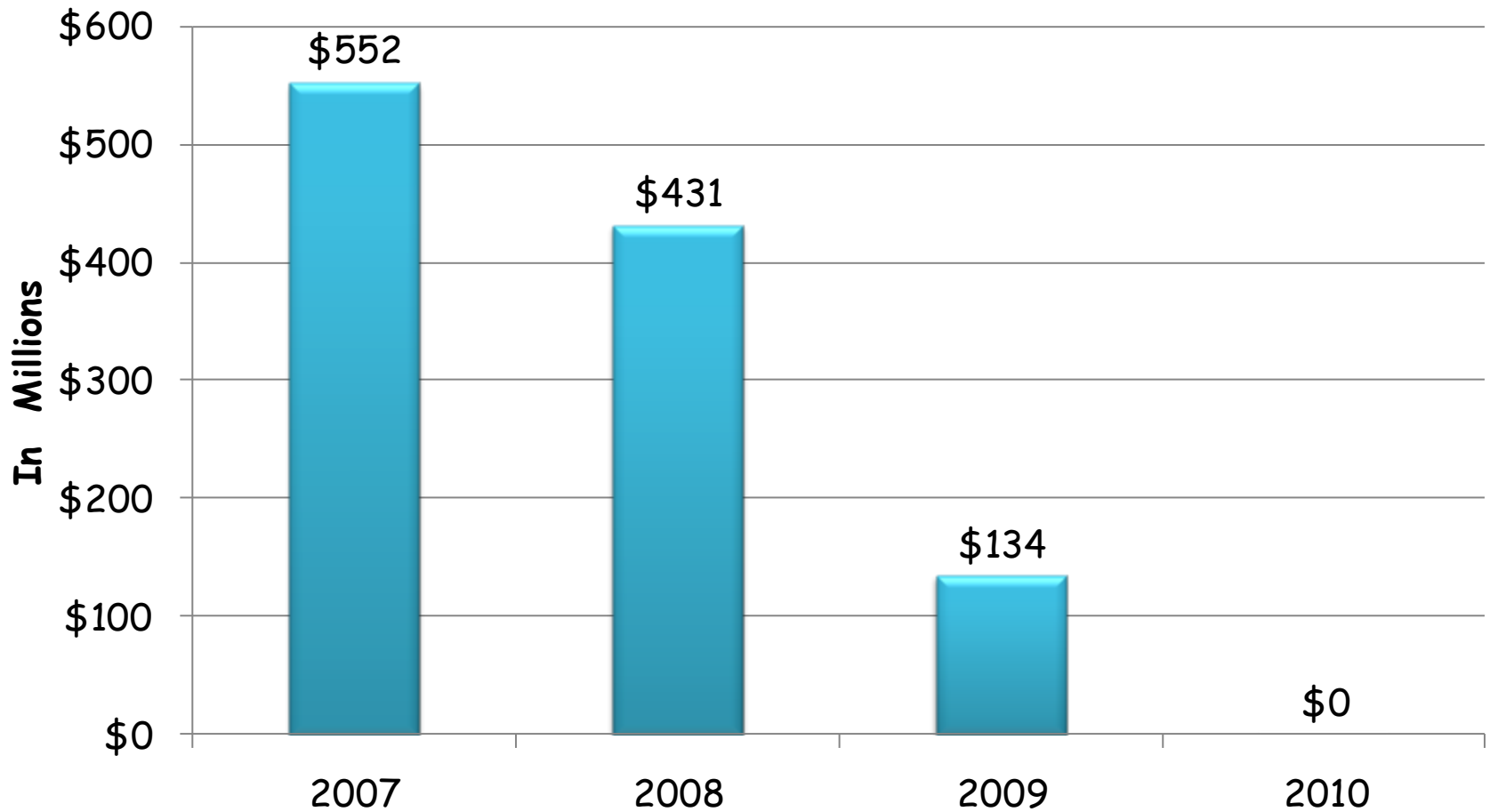


# Hawaii

## Tax Delinquent Employers

Year	Total Employers	Tax Delinquent Employers	Percent of Tax Delinquent to Total Employers
2007	31,281	1,955	6.2%
2008	31,452	1,854	5.9%
2009	31,242	2,276	7.3%
2010	30,913	2,733	8.8%

# Hawaii Year End Trust Fund Balance 2007-2010



# Hawaii in 2010

- Hawaii ranks 7<sup>th</sup> lowest unemployment rate in the nation.
- Unemployment Rate - 6.6%
- Average Duration - 19.7 weeks
- Act 2 reduced taxes for 2010 and 2011. Reduced taxes and continued high unemployment depleted the UI Trust Fund.
- Hawaii borrowed \$14.6 M in Federal Title XII loans.

# Hawaii Trust Fund ... Present





# Hawaii in June 2011

- Hawaii ranks 8th lowest unemployment rate in the nation.
- Unemployment Rate - 6.0%
- Average Duration - 18.9 Weeks
- UI Trust Fund Balance - \$0
- Federal Title XII loan amount - \$18 M

# Hawaii Total Unemployment 2007-2011

## Total Unemployed

2007: 16,900

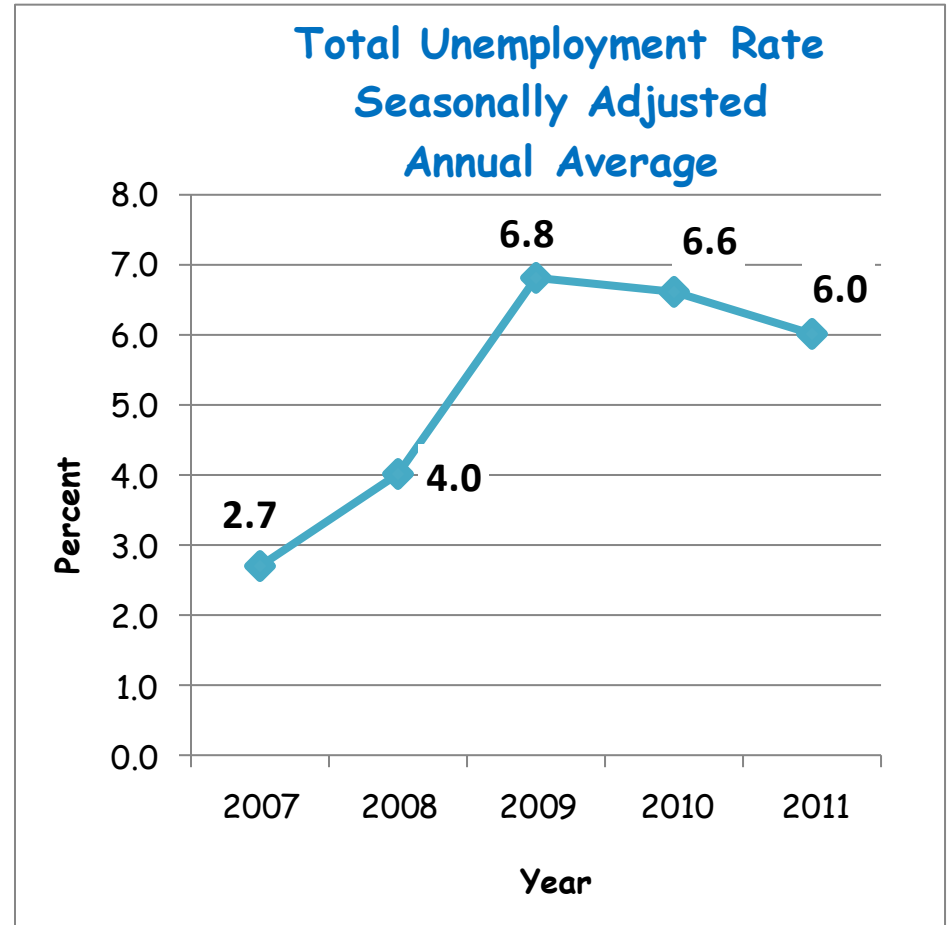
2008: 25,850

2009: 43,100

2010: 41,600

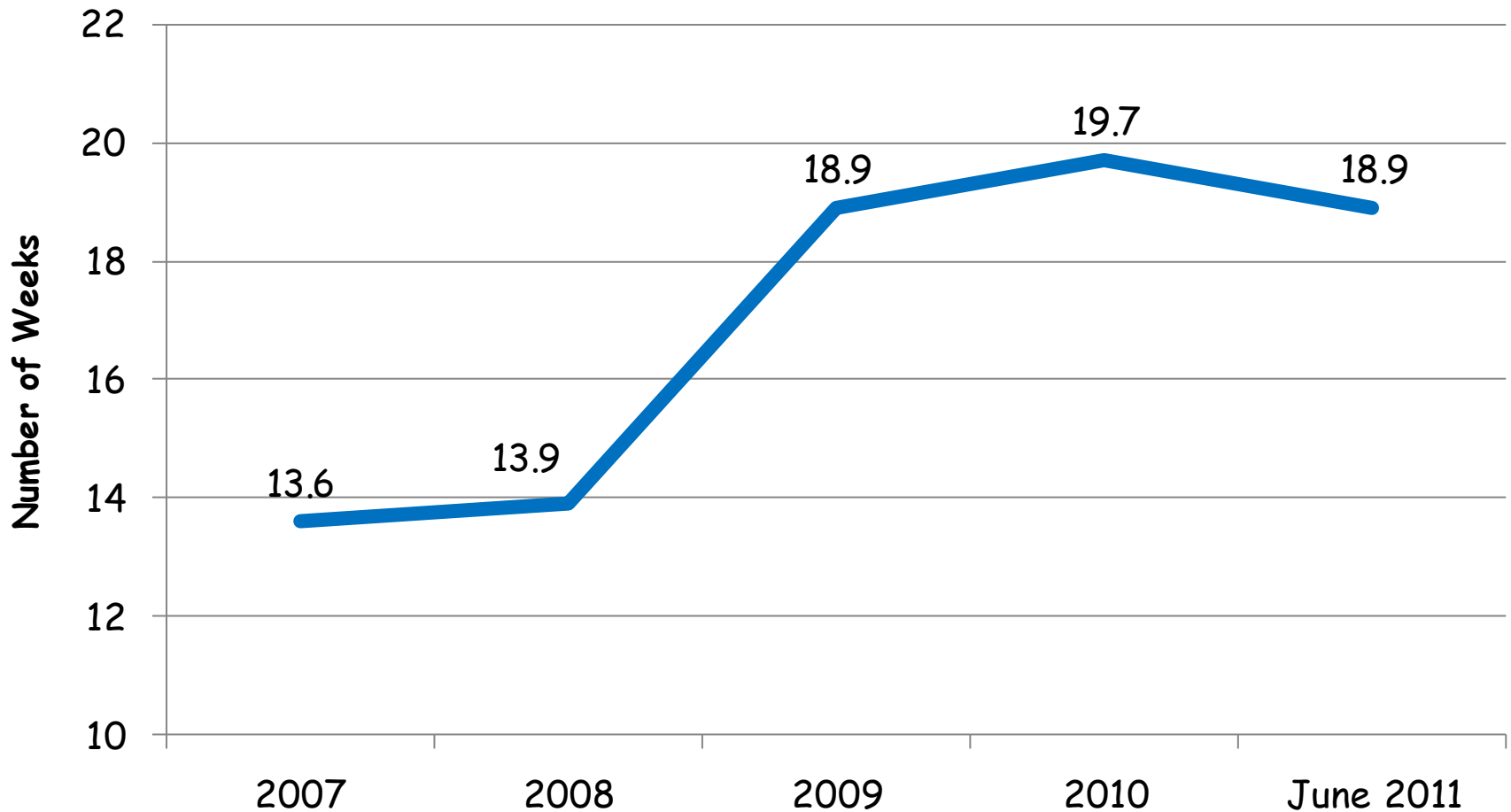
2011\*: 38,150

\* June

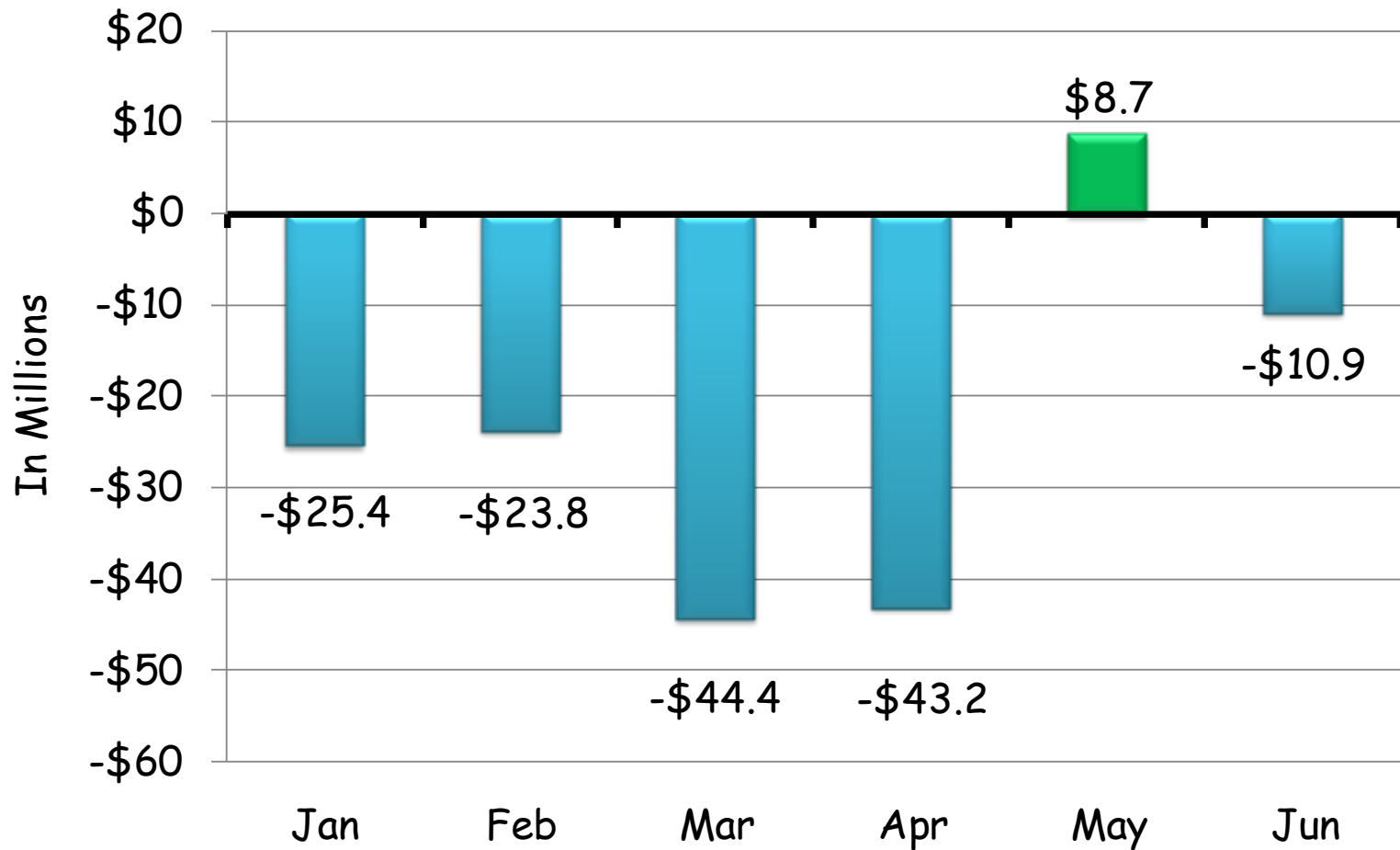


# Average Duration

(Average Number of Weeks of Benefits Paid)



# Hawaii Trust Fund Balance 2011



# Hawaii Trust Fund ... Future



# Hawaii Economic Indicators

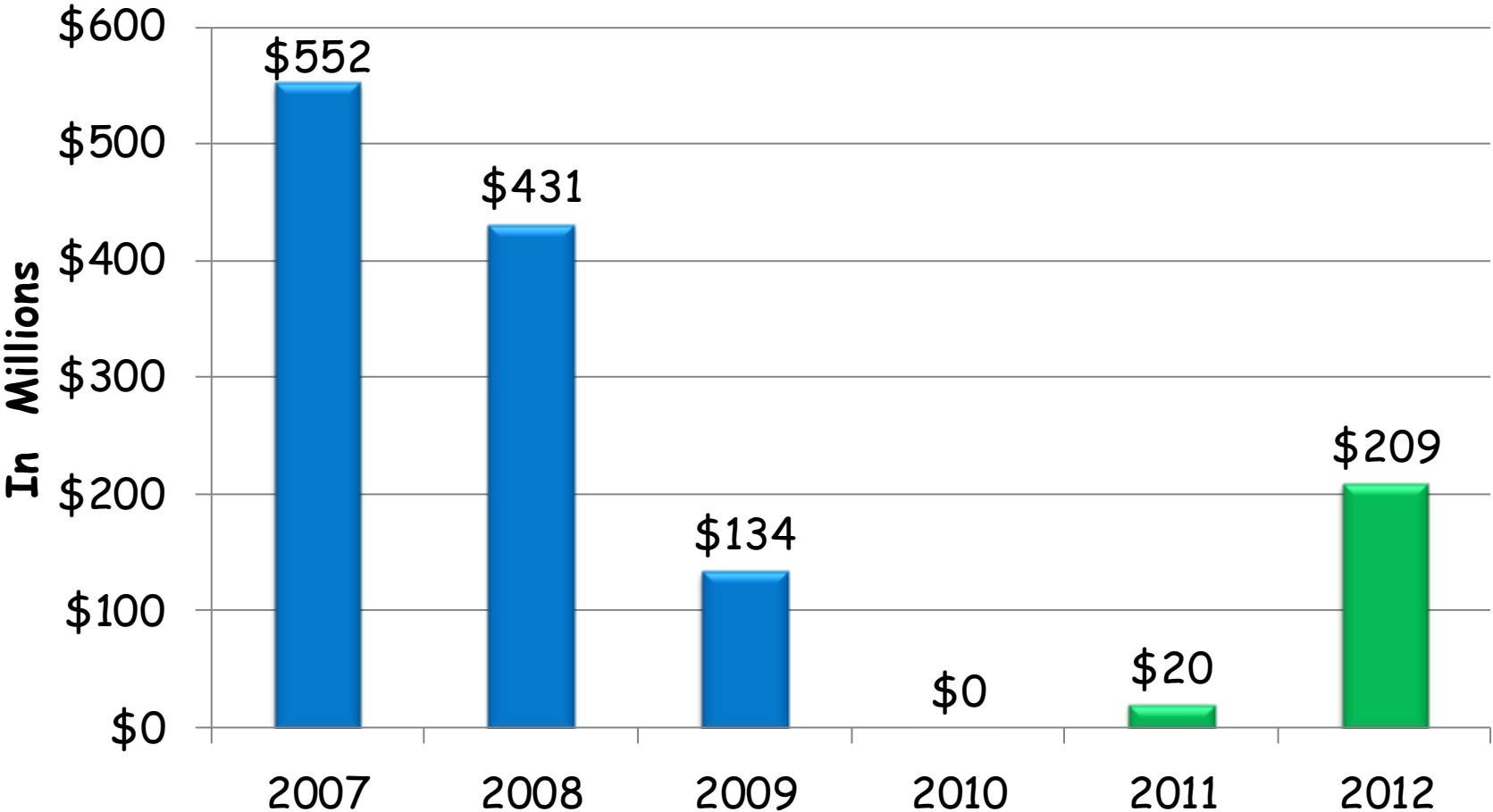
## Year-Over-Year Percent Change

	2008	2009	2010	2011	2012	2013
Payroll Jobs	-0.9	-4.5	-0.8	1.6	2.2	2.3
Employment	-0.7	-4.1	-0.2	1.3	2.3	2.3
Total Unemployment Rate	4.1%	6.8%	6.6%	6.0%	5.3%	4.8%

Source: UHERO. Figures for 2011-2013 are forecasts.

# Hawaii Year End Trust Fund Balance

2007 - 2010 Actual; 2011 - 2012 Projected



# Hawaii Trust Fund Summary

- Unemployment Rate forecast to decrease.
- Trust Fund Title XII Loan to be paid back by the end of 2011.
- Trust Fund balance projected to increase.
- Jobcounts expected to increase due to public and private construction spending and tourism.

# Internet Resources

Hawaii State Department of Labor and Industrial Relations

<http://hawaii.gov/labor>

Annual Evaluation of the Hawaii Unemployment Compensation Fund

[http://hawaii.gov/labor/reports/AFR%202010%20-%20App%20E%20Act%20110\\_123010.pdf](http://hawaii.gov/labor/reports/AFR%202010%20-%20App%20E%20Act%20110_123010.pdf)

Hawaii Employment Security Law, Chapter 383, HRS

[http://www.capitol.hawaii.gov/hrscurrent/Vol07\\_Ch0346-0398/HRS0383/HRS\\_0383-.htm](http://www.capitol.hawaii.gov/hrscurrent/Vol07_Ch0346-0398/HRS0383/HRS_0383-.htm)

Emergency Unemployment Compensation Program in Hawaii (12/17/10 Update)

[http://hawaii.gov/labor/ui/EUC\\_Info\\_website\\_121710.pdf](http://hawaii.gov/labor/ui/EUC_Info_website_121710.pdf)

Labor Force Information (Unemployment Rate)

<http://www.HIWI.org>

# Internet Resources

Hawaii Economic Forecast

<http://www.uhero.hawaii.edu>

Unemployment Claims Data

<http://hawaii.gov/labor/rs/unemployment-claims-data-1>

Characteristics of the Insured Unemployed in Hawaii

<http://hawaii.gov/labor/rs/unemployment-insurance-statistics>

UI Data Summary by States

<http://www.oui.doleta.gov/unemploy/content/data.asp>

Comparison of State UI Laws

<http://www.workforcesecurity.doleta.gov/unemploy/statelaws.asp#Statelaw>

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