



Department of Labor and Industrial Relations'  
Presentation to the 2009 Legislature

## ***Solvency of the Unemployment Trust Fund***

1/29/09



## ***Administration Proposal***

1. 2009 – Fund is solvent  
NO NEED TO RAISE TAXES  
(Keep money circulating in the economy to stimulate quicker recovery)
2. Make permanent the ADEQUATE RESERVE MULTIPLIER OF 1.0 (which is 1 year's worth of benefits in reserve) and AVERAGE WEEKLY BENEFIT OF 75% (instead of 70%)
3. Taxes will automatically be adjusted based on fund balance in November of each year.



## Current Status of the Fund

- The fund balance at the end of 2008 was \$430 million.
- Average of \$17.7 million per month in benefit payouts for 2008.
- For 2009: Solvent - No need to raise taxes.
- For 2010: Present legislative schedule will automatically increase taxes in 2010.



## Current Status of the Fund

(continued)

- Estimated Adequate Reserve Level = \$330-\$380 million at the end of 2009 (reserve of 1 year's benefit)
- Fund balance conservatively estimated / projected at \$172 million or less for the end of 2009.
- Under Act 110, since the fund drops below the adequate reserve level, then the tax schedule will shift from "A" to possibly "E" - "G" for calendar year 2010.

2009

Schedule "A"

\$13,000 taxable wage base

Est. average tax per employee

\$90

2010

→ Schedule "E" - "G"

→ \$37,900 taxable wage base

(Automatic change under Act 110)

→ Est. average tax per employee

\$830-\$1,250



## Average UI Employee Taxes

*(UI Taxes on an employee with annual wages at or above taxable wage base at average tax rate)*

YEAR	Tax Wage Base (TWB)	X	TAX SCHEDULE	=	AVG. TAXES AT TWB
2007	\$35,300	X	Schedule B 0.8%	=	<b>\$280</b>
2008 (Act 110)	\$13,000	X	Schedule A 0.7%	=	<b>\$90</b>
Projection 2009 (Based on fund balance at end of 2008)	\$13,000	X	Schedule A 0.7%	=	<b>\$90</b>
Projection 2010 at 6.0 UI Rate	\$37,900	X	Schedule E 2.2%	=	<b>\$830</b>
Projection 2010 at 7.0 UI Rate	\$37,900	X	Schedule F 2.75%	=	<b>\$1,040</b>
Projection 201 at 8.0 UI Rate	\$37,900	X	Schedule G 3.3%	=	<b>\$1,250</b>



## ***HISTORICAL OVERVIEW***



The Unemployment Insurance program is a federal-state partnership created by Social Security Act of 1935, based upon federal law but administered by state employees under state law.



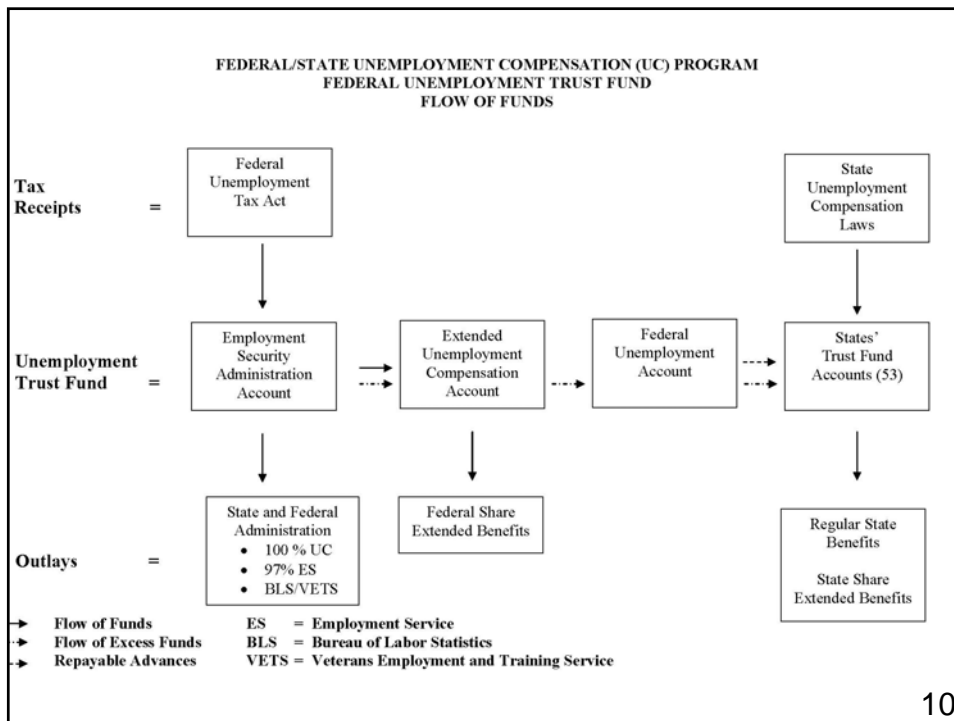
### ***Federal Requirements***

- Ensure conformity
- Determine administrative fund requirements and provide money to states for administrative costs
- Set policy, monitor state performance
- Provide assistance
- Hold and invest all money in the UI Trust Fund



## Program Funding

- Funded entirely by employer taxes
  - Federal Unemployment Tax Act (FUTA) pays for:
    - administrative costs
    - federal share of extended benefits
    - federal supplemental & emergency programs
    - loans
- State Unemployment Tax Act (SUTA) HRS Ch. 383 pays for:
  - Unemployment Compensation benefits





## PRE-ACT 110



## PRE-ACT 110

Prior to 2008

- Adequate Reserve Fund (ARF) - 1.5
- Earnings Disregard - \$50
- Maximum Weekly Benefit Amount  
70% of Average weekly wage
- Taxable Wage Base  
100% of Average annual wage



## ***ACT 110***



## ***ACT 110***

For 2008, 2009, 2010

- Adequate Reserve Fund (ARF) - 1.0
- Earnings Disregard - \$150
- Maximum Weekly Benefit Amt 75% of average weekly wage
- Taxable Wage Base - \$13,000
- If Adequate Reserve Fund falls below 1.0
- Taxable wage base 100% of average annual wage (est. \$37,900 for 2010)



## ***POST ACT 110***



## ***POST ACT 110***

After 2010

- Adequate Reserve Fund (ARF) - 1.5
- Earnings Disregard - \$150
- Maximum Weekly Benefit Amt 70% of average weekly wage
- Taxable Wage Base 100% of average annual wage (est. \$38,100 for 2011)





# ***FREE UI FEDERAL LOAN PROVISIONS***



## ***Free UI Federal Loan Provisions***

The Governor may request a loan from the Secretary of Labor.

- Loans are from the Federal Unemployment Account (FUA).
- Repayment by October 31 of same year, no interest
- Repayment in second year interest incurred

### **Interest**

- Charged on all loans
- Rate varies
- Credited to the FUA in the state Unemployment Trust Fund
- Due on the last day of the fiscal year
- No payment from the state Unemployment Trust Fund

### **Penalty for non-payment of loan**

- Incremental loss of 5.4% credit

### **Penalty for non-payment of interest**

- Loss of 5.4% credit
- Loss of administrative cost



# ***EXTENDED UNEMPLOYMENT COMPENSATION (EUC)***



## ***Emergency Unemployment Compensation (EUC)***

Public Law 110-252, Supplemental Appropriations Act of 2008 and Public 110-449, Unemployment Compensation Extension Act

- Effective July 6, 2008 through March 31, 2009
- Final week ending date payable August 29, 2009
- 20 weeks of federally funded benefits for first tier state and 33 weeks for second tier states

EUC Current Workload (not regular UI claims)

- Initial Claims 200+ per week
- Weekly Claim 5,000+ per week
- Benefits Paid per month \$7.9 million



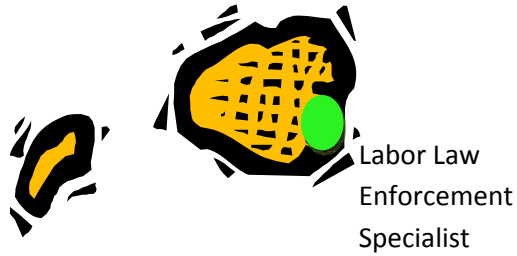
## ***CONCLUSION***



## ***CONCLUSION***

- We have been previously prudent in maintaining the trust fund.
- 2009: Fund is solvent. No need to raise taxes. Keep money circulating in the local economy to stimulate a quick recovery along with stimulus package.
- 2010: Present legislative schedule will automatically increase taxes in 2010.

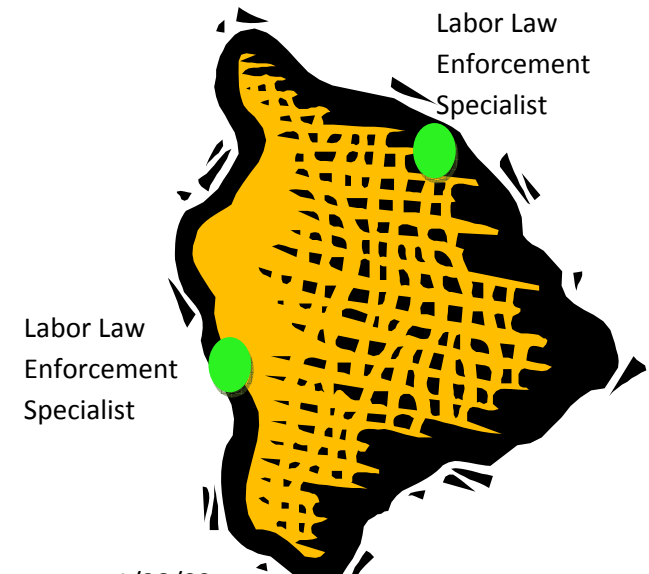
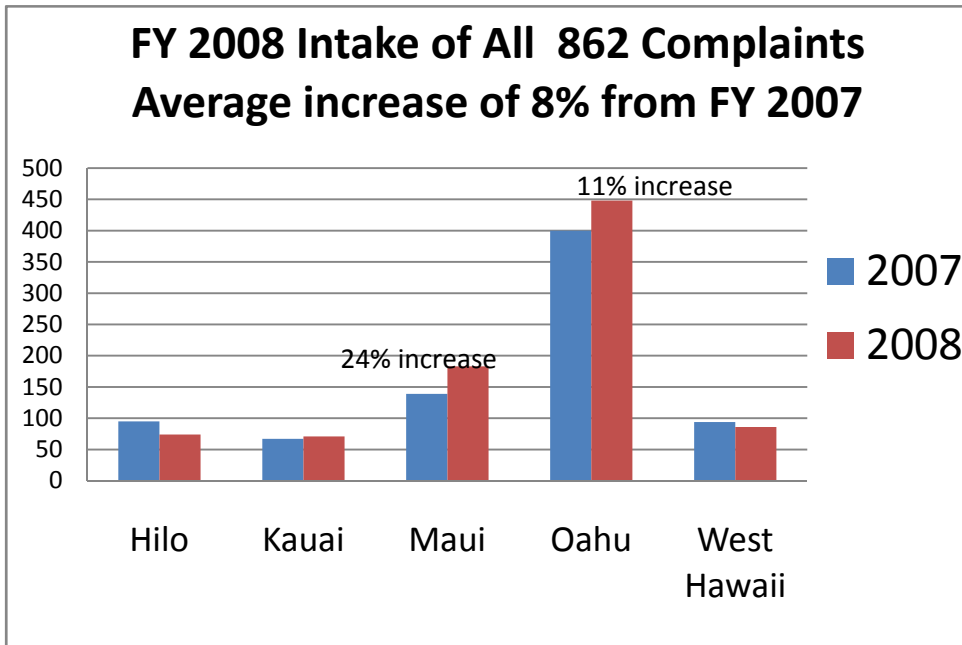
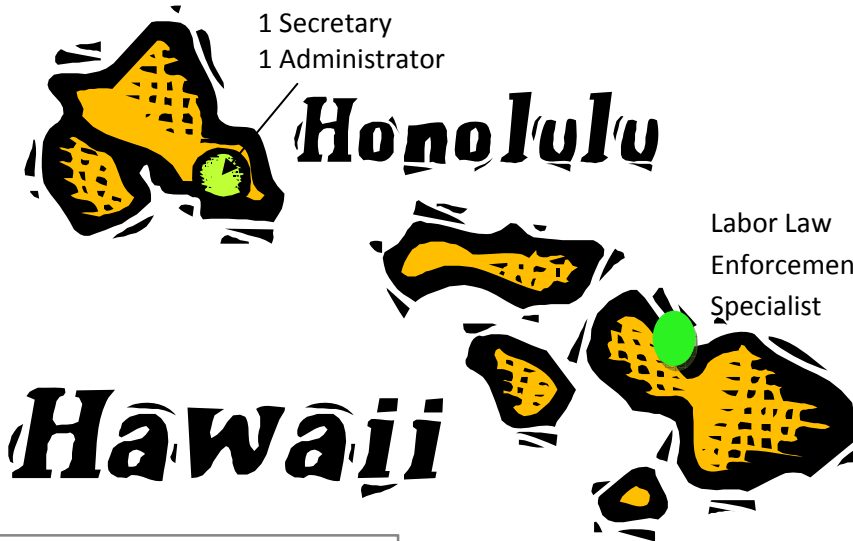
# DLIR - Wage Standards Division Snapshot



- Labor Law Enforcement Specialists (LLES)
- 3 Intake and Certification Branch LLES (Removed in 20% reduction)
- 8 Compliance Branch LLES
- 2 Hearings Officer LLES on Oahu serve the entire state
- 2 Technical Services and Support Office LLES serve the whole state
- 3 Clerical Services serve the whole state
- 1 Secretary
- 1 Administrator

## Laws Administered and Enforced:

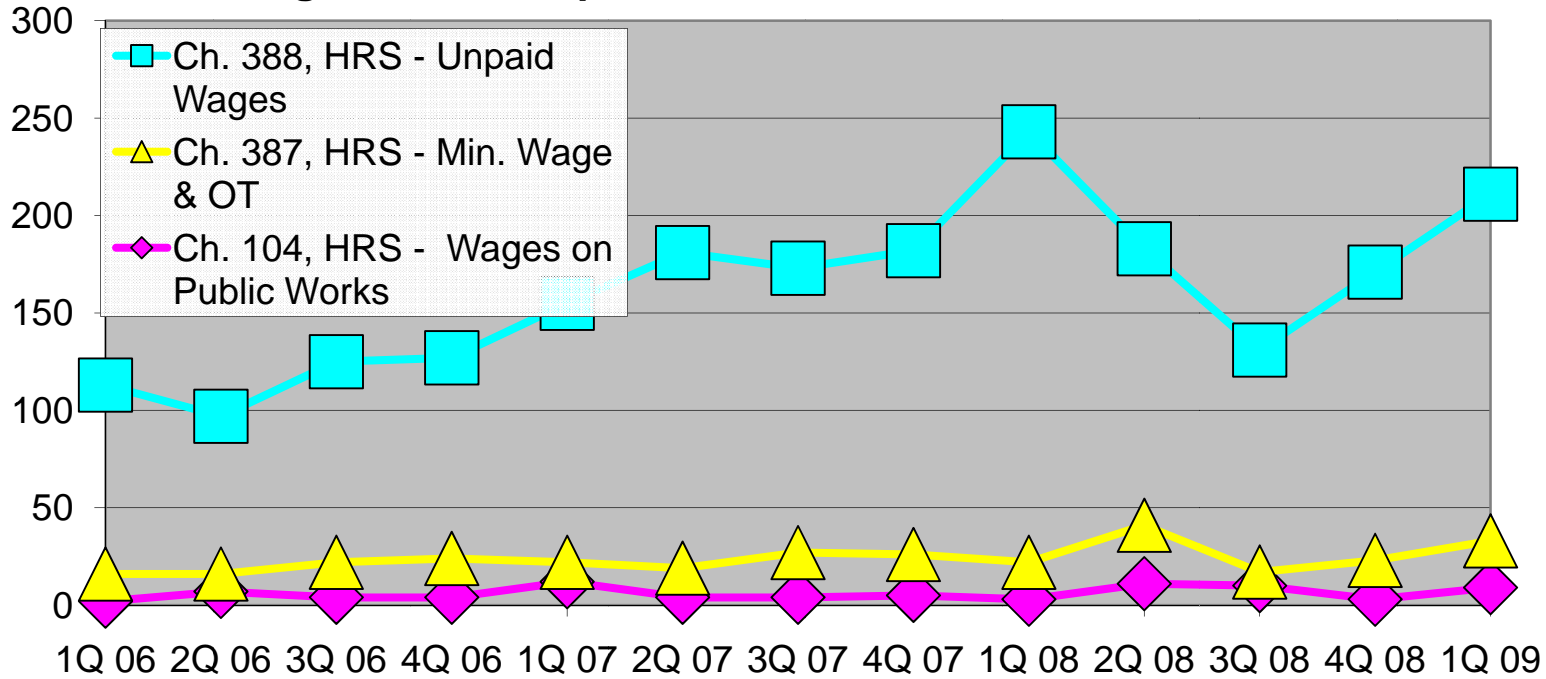
- Chapter 390, Child Labor Law
- Chapter 387, HRS Wage and Hour Law
- Chapter 388, HRS Payment of Wages and Other Compensation Law
- Chapter 104, HRS Wages and Hours of Employees on Public Works Law (Little Davis-Bacon)
- Chapter 378-Part III, Unlawful Termination
- Chapter 398, Family Leave Law
- Chapter 378- Part II – Lie Detector Tests



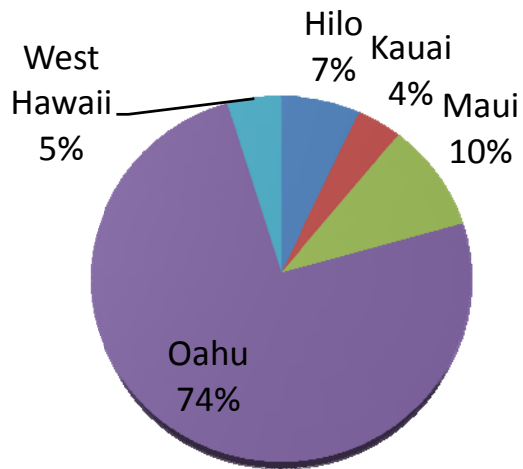
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# DLIR - Wage Standards Division Snapshot

## Wage Claim Complaints Filed from FY 06 to FY 1Q 2009



### Distribution of 10,369 Work Permits issued to 16 and 17 year olds in FY 08



Number of Claims Filed in FY 2001 through 2008

