

Honolulu, Hawaii

Feb 26, 2010

RE: H.B. No. 2702

H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2702 entitled:

"A BILL FOR AN ACT RELATING TO EMPLOYMENT SECURITY,"

begs leave to report as follows:

The purpose of this bill as received by your committee is to assist employers and employees by adjusting the unemployment insurance (UI) contribution rates for employers and the benefit amounts paid to employees from the UI trust fund while maintaining adequate reserves in the UI trust fund. Specifically, this bill:

- (1) Sets, for calendar year 2010, the employer contribution rate at schedule E;
- (2) Sets, for calendar year 2011, the employer contribution rate at schedule F;
- (3) Provides for the maximum weekly benefit amount to be maintained at:
 - (A) 75 percent for the first eight weeks of unemployment;
 - (B) 70 percent for the second eight weeks of unemployment; and



- (C) 66 and two-thirds percent for the remaining weeks of eligibility;
- (4) Permanently establishes the Adequate Reserve Fund at one times the product of the benefit cost rate multiplied by the total remuneration paid; and
- (5) Requiring that the UI contribution rate schedules be determined semi-annually rather than annually beginning in 2012.

This measure further authorizes special assessments to be made upon employers to pay the interest costs on loans received from the United States Secretary of Labor to pay expected UI benefit claims.

Prior to the hearing, your Committee made available to the public a proposed House Draft 1 (HD1). As amended the purpose of the proposed HD1 is to improve the UI system by, among other things:

- (1) Requiring the Department of Labor and Industrial Relations (DLIR) to conduct a study on the cost and feasibility of changing from annual to semi-annual the contribution rate schedules for unemployment contributions;
- (2) Providing for fixed reserve ratios for calendar years 2010 and 2011 for employers commencing operations in 2010 and employers currently in operation who hire new employees or rehire employees that were laid-off prior to January 1, 2010; and
- (3) Requiring DLIR to review the auditor's study conducted in 1982 regarding the financing mechanisms of the unemployment compensation fund for relevant recommendations and report its findings to the Legislature.

DLIR and the National Federation of Independent Businesses submitted comments regarding the proposed HD1.

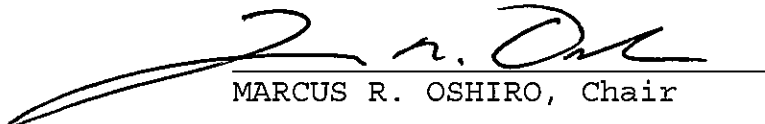
Your Committee has amended this bill by adopting the language contained in the proposed HD1 and has further amended the measure by:



- (1) Providing that the fixed reserve ratios for calendar years 2010 and 2011 only apply to new employers;
- (2) Adding language appropriating an unspecified amount of funds from the Special Unemployment Insurance Administration Fund for the studies conducted by DLIR;
- (3) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (4) Making technical, nonsubstantive changes for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2702, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2702, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



