

STAND. COM. REP. NO. 3387

Honolulu, Hawaii

MAR 24 2022

RE: H.B. No. 2469
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Labor, Culture and the Arts, to which was referred H.B. No. 2469, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE UNEMPLOYMENT COMPENSATION TRUST FUND,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish an Unemployment Compensation Insolvency Special Fund to be administered by the Department of Labor and Industrial Relations and expended solely to resolve an Unemployment Compensation Trust Fund insolvency emergency declared by the Governor;
- (2) Permit the Governor to declare an Unemployment Compensation Trust Fund insolvency emergency and expend moneys from the Unemployment Compensation Insolvency Special Fund if the Director of Finance determines that the trust fund balance is insufficient to meet the State's obligations; and
- (3) Appropriate moneys into the Unemployment Compensation Insolvency Special Fund.



Your Committee received testimony in support of this measure from the Hawaii Food Industry Association. Your Committee received comments on this measure from the Department of Labor and Industrial Relations, Department of Budget and Finance, and Tax Foundation of Hawaii.

Your Committee finds that the Federal Unemployment Tax Act and Social Security Act (SSA) operate in tandem to provide a framework for the Federal-State Unemployment Compensation Program. Title XII of the Social Security Act provides loans to the states to pay unemployment insurance benefits when the state's unemployment compensation trust funds are insolvent. The Federal Unemployment Tax Act levies a federal tax on employers covered by a state's unemployment insurance program. The federal unemployment tax rate is 6.0 percent on the first \$7,000 of wages paid annually; however the law provides a 5.4 percent credit reduction, as long as the state remains in conformity with the unemployment insurance law and regulations and does not carry an outstanding loan balance beyond the allowable time frame. Specifically, if a state has an outstanding loan balance on January 1 for two consecutive years and does not repay the full amount of its loans by November 10 of the second year, the federal unemployment tax credit rate for employers in that state will be reduced until the loan is repaid. Therefore, employers in Hawaii will be detrimentally affected if the State depletes its Unemployment Compensation Trust Fund, takes out a loan, and does not pay the loan in full within the required time frame.

Your Committee acknowledges that section 328L-3, Hawaii Revised Statutes, establishes an Emergency and Budget Reserve Fund administered by the Director of Finance, which serves as a temporary supplemental source of funding for the State during times of emergency, severe economic downturn, or unforeseen reduction in revenues. Your Committee believes however, that establishment of the Unemployment Compensation Insolvency Special Fund will provide the State with greater flexibility to administer the Federal-State Unemployment Compensation Program, as it will not be required to receive advances from the federal government.



Your Committee has amended this measure by:

- (1) Clarifying that moneys from the Unemployment Compensation Insolvency Special Fund may also be expended as a temporary source of funding during times of emergency, severe economic downturn, or unforeseen reduction of revenues pursuant to an appropriation approved by a two-thirds majority vote of each house of the Legislature; and
- (2) Clarifying that a general or supplemental appropriations bill, as defined in article VII, section 9, of the Hawaii State Constitution, shall not be used to appropriate moneys from the Unemployment Compensation Insolvency Special Fund.

As affirmed by the record of votes of the members of your Committee on Labor, Culture and the Arts that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2469, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2469, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

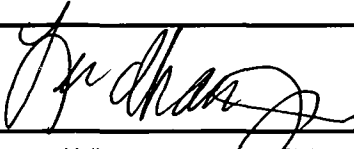
Respectfully submitted on
behalf of the members of the
Committee on Labor, Culture and
the Arts,


BRIAN T. TANIGUCHI, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Labor, Culture and the Arts
LCA

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2469, HD1	LCA, WAM	3/16/2022		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TANIGUCHI, Brian T. (C)	✓			
IHARA, Jr., Les (VC)	✓			
CHANG, Stanley	✓			
KEOHOKALOOLE, Jarrett	✓			
FEVELLA, Kurt	✓			
TOTAL	5	0	0	0
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes