

Honolulu, Hawaii

FEB 08 , 2022

RE: H.B. No. 2471  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-First State Legislature  
Regular Session of 2022  
State of Hawaii

Sir:

Your Committee on Labor & Tourism, to which was referred H.B. No. 2471 entitled:

"A BILL FOR AN ACT RELATING TO THE ADEQUATE RESERVE FUND,"

begs leave to report as follows:

The purpose of this measure is to amend the definition of "adequate reserve fund" to exclude the benefit cost rate from June 2020 through August 2021, effective for calendar years 2023 through 2030.

Your Committee received testimony in support of this measure from the Department of Labor and Industrial Relations. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that the Adequate Reserve Fund is used as a measure of the solvency of the Unemployment Compensation Trust Fund and to determine the unemployment insurance tax schedule. The ratio of the current reserve divided by the adequate reserve determines which unemployment insurance tax schedule is in effect for a calendar year. As it is currently defined, the Adequate Reserve Fund will include the anomalous outflow from 2020 to 2021 due to the coronavirus disease 2019, which created an unprecedented period of unemployment in Hawaii



and resulted in the rapid depletion of funds from the Unemployment Compensation Trust Fund.

Your Committee further finds that this measure is an attempt to stabilize unemployment rates for the years 2023 through 2030 without resorting to artificially setting the rate schedule by statute. Amending the definition of "adequate reserve fund" will allow contributory employers to replenish the Unemployment Compensation Trust Fund and help to reestablish the fund's integrity without imposing the highest contribution schedules for years as Hawaii's economy continues to recover from the pandemic.

Your Committee has amended this measure by changing the effective date to December 25, 2040, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Labor & Tourism that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2471, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2471, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.

Respectfully submitted on  
behalf of the members of the  
Committee on Labor & Tourism,

  
RICHARD H.K. ONISHI, Chair



