

STAND. COM. REP. NO.

1802

Honolulu, Hawaii

APR 04 2025

RE: H.B. No. 202
H.D. 1
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 202, H.D. 1, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to amend the Hawaii employment security law.

More specifically, this measure amends the definition of "adequate reserve fund" by increasing the multiplier used to calculate its amount from the existing factor of one, to:

- (1) One and one-quarter for calendar year 2026; and
- (2) One and one-half for calendar year 2027 and thereafter.

Your Committee received written comments in support of this measure from the Department of Labor and Industrial Relations.

Your Committee received written comments in opposition to this measure from ABC Stores; ALTRES; Anna Miller's Restaurants; Armstrong Produce; The Chamber of Commerce of Hawaii; Grassroot Institute of Hawaii; Gyotaku Restaurants; Hawaii Automobile Dealers Association; Hawaii Energy Marketers Association; Hawaii Food Industry Association; Hawaii Restaurant Association;



Il Gelato Hawaii; Japanese Chamber of Commerce and Industry of Hawaii; Maui Chamber of Commerce; NFIB Hawaii; Pets Pacifica, Inc.; Pop's Inc., d.b.a. Popeyes Louisiana Kitchen; Retail Merchants of Hawaii; Seal Masters of Hawaii; Society for Human Resource Management - Hawaii; Suisan; Tiki's Grill and Bar; Valley Isle Produce Inc., d.b.a. VIP Foodservice and Island Grocery Depot; Zippy's Restaurants; and five individuals.

Your Committee received written comments on this measure from the Hawaii Bankers Association and Tax Foundation of Hawaii.

Your Committee finds that the adequate reserve fund is a benchmark that is designed to ensure there are enough reserves in the unemployment compensation trust fund to pay unemployment insurance benefits. 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 adequate reserve fund is calculated by multiplying the product of the highest benefit cost rate during the most recent ten-year period times the total wages paid for the last completed fiscal year by a certain factor.

Your Committee also finds that the United States Department of Labor provided guidance that an adequate reserve fund multiplier of one and one-half times was the minimum necessary for the unemployment compensation trust fund to withstand a severe spell of unemployment. However, in 2010, this multiplier was reduced to a factor of one, weakening the unemployment compensation trust fund's reserve balance and leaving it more vulnerable to crises. Your Committee further finds that the surge in unemployment caused by the coronavirus disease 2019 pandemic rapidly depleted the unemployment compensation trust fund, forcing the State to borrow approximately \$700,000,000 from the United States Department of Labor to pay out the claimed unemployment insurance benefits. According to the Department of Labor and Industrial Relations, had the adequate reserve fund's multiplier factor not been reduced, the unemployment compensation trust fund would not have been as severely impacted.

Your Committee has amended this measure by:

- (1) Changing the multiplier used to calculate the adequate reserve fund to unspecified amounts; and



- (2) Requiring the Department of Labor and Industrial Relations to conduct an actuarial study to determine whether an increase in the multiplier used to calculate the adequate reserve fund is necessary to maintain sufficient reserves in the unemployment compensation trust fund to pay unemployment insurance benefits.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 202, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 202, H.D. 1, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



