

**Annual Evaluation of the
Hawaii Unemployment Compensation Fund**

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Department of Labor and Industrial Relations
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STATE OF HAWAII

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EXECUTIVE SUMMARY

Highlights

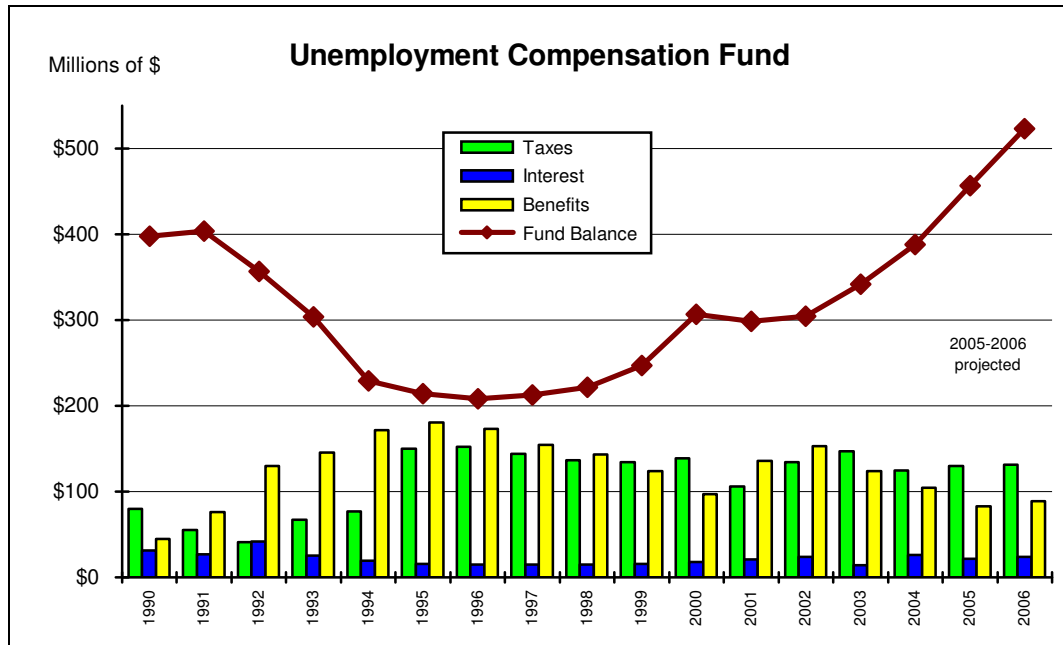
	2004	2005	2006
Unemployment Compensation Fund			
Contributions	\$125 million	\$130 million*	\$131 million*
Interest	\$26 million	\$22 million*	\$24 million*
Benefits – Regular	\$105 million	\$83 million*	\$89 million*
Fund Balance (end of year)	\$388 million	\$457 million*	\$523 million*
Unemployment Rates			
Hawaii Insured Unemployment Rate	1.6%	1.2%*	1.15%*
Hawaii Total Unemployment Rate	3.3%	2.8%*	2.8%*
U.S. Total Unemployment Rate	5.5%	5.0%*	5.0%*
Taxable Wage Base	\$31,000	\$32,300	\$34,000
Tax Schedule	Schedule C	Schedule C	Schedule C
Tax Rates			
Minimum	0.0%	0.0%	0.0%
Maximum	5.4%	5.4%	5.4%
Average			
% of Taxable Wages	1.2%	1.2%*	1.2%*
% of Total Wages	0.8%	0.8%*	0.8%*
Weekly Benefit Amount			
Minimum	\$5	\$5	\$5
Maximum	\$417	\$436	\$459
Average	\$312	\$325*	
Average Benefit Duration	15.6 weeks	14.5 weeks*	

* estimated

Status of the Fund

The Hawaii Unemployment Compensation Fund *balance was \$458 million at the end of November 2005*. During the first eleven months of 2005, \$130 million in taxes and \$16 million in interest were added to the Fund. At the same time, \$76 million in benefits were paid out from the Fund. As of November, the fund balance is at 114% of the adequate level. This amount would finance between one and a half to two years of unemployment at the worst level experienced during the last ten years.

The fund balance at the end of 2005 is projected to be \$457 million. Assuming the year 2006 insured unemployment rate averages about 1.15%, or about 6,500 claims per week, the fund balance would be \$523 million at the end of 2006. The November 2006 balance would be about 135% of the adequate reserve amount and Schedule B would be in effect for 2007.

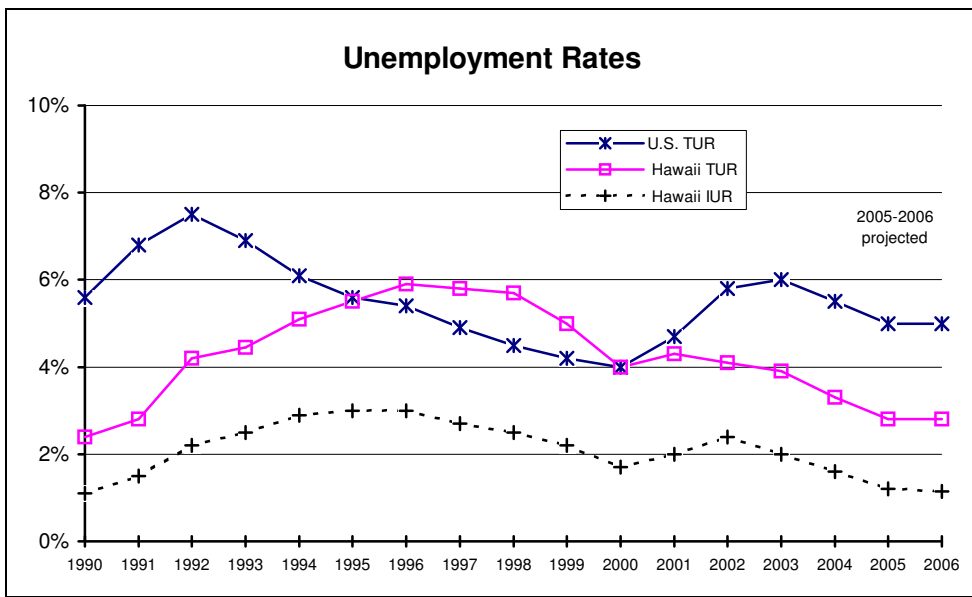


Economic Factors

The unadjusted national total unemployment rate (TUR) stood at 4.8% as of September 2005, decreasing slightly from the September 2004 rate of 5.1%. Hawaii's unadjusted TUR declined to 3.0% as of September 2005 as compared to 3.3% in September 2004. Total nonagricultural wage and salary job count is also improving in Hawaii, averaging 599,000 as of September 2005. This is an increase of 16,400 jobs over the September 2004 count of 582,600.

The IUR, a measure of the unemployed covered by Hawaii's unemployment compensation program, is used to project outgo from the Unemployment Compensation Fund. The IUR averaged 1.6% in 2004. It has dropped to 1.0% as of November 2005.

Projections in this report assume that national and Hawaii labor force numbers will reflect continuing favorable conditions. Hawaii's TUR is projected to average 2.8% in 2005 and 2006. Trust fund estimates are based on an IUR of 1.2% in 2005 and 1.15% in 2006.



2006 Tax Schedule and Taxable Wage Base

Tax Schedule C will be in effect for the year 2006. Tax rates will range from 0.0% to 5.4%. The estimated average tax rate will be 1.2%.

The taxable wage base (maximum annual wages taxable per employee) will increase by \$1,700 to \$34,000 in 2006, from \$32,300 in 2005.

BACKGROUND INFORMATION

Purpose of Report

This report is produced to meet the requirements of section 383–126.5, Hawaii Revised Statutes, which calls for an *annual evaluation of the adequacy of the Hawaii Unemployment Compensation Fund balance*, taking into account conditions in the State and national economic trends. The report is due to the Legislature no later than 20 days prior to the convening of the regular session.

Fund Definition and Requirements

Establishment of Fund in Hawaii state law. The Hawaii Employment Security Law (Hawaii Revised Statutes, chapter 383) establishes the Unemployment Compensation Fund under the administration of the Department of Labor and Industrial Relations. Unemployment insurance contributions (taxes) are collected from employers and deposited into this fund. Interest earned on the fund balance is also credited to the fund. The fund can be used *only* to pay unemployment insurance benefits or refunds of overpaid contributions.

Federal requirements. Both state and federal laws govern the unemployment insurance program. The Federal Unemployment Tax Act (FUTA), which is part of the U.S. Internal Revenue Code, provides for a federal payroll tax—currently 6.2% of the first \$7,000 in wages per year per employee. Employers receive a tax credit of 5.4% against the Federal tax (resulting in a net tax rate of 0.8%) if their state's law meets all the requirements in the federal laws. The federal tax pays for state and federal administration costs, the federal share of extended benefits, and a loan fund for states that deplete their unemployment funds.

The Social Security Act also contains many requirements relating to the unemployment insurance program.

Three important trust fund related federal requirements are as follows.

- All state unemployment compensation funds must be maintained in the U.S. Treasury as part of the federal Unemployment Trust Fund. Each state has an account in the Trust Fund and interest is paid quarterly to the account by the federal government.
- The Trust Fund can be used essentially only for the payment of unemployment benefits.
- Employers receive the full 5.4% federal tax credit only if the state's system for determining individual employer tax rates meets federal standards. For example, the state's maximum tax rate must be at least 5.4% and an employer's tax rate may be reduced from the maximum, but the reduction must be based on that employer's experience with unemployment (experience rating).

Nonconformity to federal standards can result in:

- Denial of all credit against the federal tax (employer's federal tax would be the full 6.2% on the \$7,000 wage base);
- Denial of additional credit (employer's federal tax would be the difference of the full federal tax minus their state taxes paid); and/or
- Denial of administration grants to run the state program.

To insure that Hawaii employers continue to receive full federal unemployment tax credits, and funding for the state program is not lost, federal standards must be considered in developing laws affecting Hawaii's Unemployment Compensation Fund.

STATUS OF THE UNEMPLOYMENT COMPENSATION FUND

Status of the Fund

(Historical data from 1970: Appendix B, page A-5)

The fund balance was \$458 million at the end of November 2005 compared to \$388 million at the end of 2004. During the first eleven months of 2005, \$130 million in taxes and \$16 million in interest were added to the Fund. At the same time, \$76 million in benefits were paid out from the Fund.

Projections through 2006: For this report the insured unemployment rate is projected to average 1.2% in 2005 and 1.15% in 2006. This would result in a benefit outgo of about \$89 million in 2006. Taxes and interest are projected at about \$155 million in 2006. On the basis of this forecasted level of unemployment, the fund balance would be at about \$523 million by the end of 2006. At this level, tax Schedule B would be in effect for 2007.

HAWAII UNEMPLOYMENT COMPENSATION FUND *(in millions of \$)*

Year	Taxes*	Interest	Benefits	Fund Balance
2003	\$147.0	\$14.4	\$123.6	\$342.0
2004	\$124.6	\$26.0	\$104.7	\$388.0
2005				
Jan	\$6.5	\$0.0	\$8.8	\$385.7
Feb	\$15.4	\$0.0	\$7.2	\$393.9
Mar	-\$0.1	\$5.5	\$7.0	\$392.3
Apr	\$9.5	\$0.0	\$6.7	\$395.1
May	\$30.9	\$0.0	\$7.4	\$418.6
Jun	\$0.2	\$0.0	\$6.9	\$411.9
Jul	\$11.5	\$5.6	\$6.5	\$422.5
Aug	\$25.6	\$0.0	\$7.3	\$440.8
Sep	\$0.0	\$0.0	\$6.0	\$434.9
Oct	\$9.8	\$5.1	\$6.6	\$443.1
Nov	\$20.8	\$0.0	\$6.1	\$457.9
<i>Projected</i>				
2005	\$130	\$22	\$83	\$457
2006	\$131	\$24	\$89	\$523

Fund Solvency

(Historical data from 1970: Appendix B, page A-6)

The Hawaii Employment Security Law defines the factors used to measure the adequacy of the Fund and how the tax rate schedule for the coming year is determined based on that adequacy level. Appendix A outlines the method for determining the tax schedule and how each employer's individual tax rate is computed based on the employer's benefit and contribution experience as well as the schedule in effect.

On page A-6, Appendix B, the table entitled *Ratio of Current to Adequate Reserve Fund* shows the data used in tax schedule computations since 1970. The *adequate reserve fund* is basically the amount of benefits that would be paid out during one and a half years of unemployment at the highest level experienced during the most recent ten years. For the 2006 tax schedule computation, the adequate amount is \$401,370,407. The current reserve fund (actual fund assets as of November 30, 2005) is \$457,851,939. The current reserve is 114% of the adequate reserve. Based on this computation, Schedule C will be in effect for 2006.

Tax Rates

(Historical data from 1970: Appendix B, page A-7)

One of eight tax schedules, A through H, is in effect for a calendar year as explained in Appendix A. Schedule A has the lowest tax rates, while schedule H has the highest. The average tax rate attainable from a particular tax schedule depends on the distribution of employers by reserve ratio groups. Employers tend to move to higher reserve ratio groups during periods when contributions exceed benefits. Thus more employers move into the lower tax rate groups and the average tax rate for a schedule decreases. Minimum, maximum, and average tax rates are shown on page A-7, Appendix B. Taxes are estimated to average about 1.2% of taxable wages during calendar years 2005 and 2006 with Schedule C in effect.

Taxable Wage Base

(Historical data from 1970: Appendix B, page A-8)

There is a maximum limit on the amount of taxable annual wages per employee for unemployment insurance tax purposes. The law sets this amount, the *taxable wage base*, at 100% of the statewide average annual wage. The wage base is \$32,300 for 2005. For 2006 it will be \$34,000. Setting the wage base at the average annual wage results in approximately 70% of all wages being subject to unemployment insurance taxes. The *Total and Taxable Wages* table on page A-8, Appendix B shows the taxable wage bases and the proportions of wages taxed since 1970.

The current tax schedule system was designed to work with the currently defined taxable wage base. If the wage base is lowered, the tax schedules will produce lower levels of income than they were designed to produce.

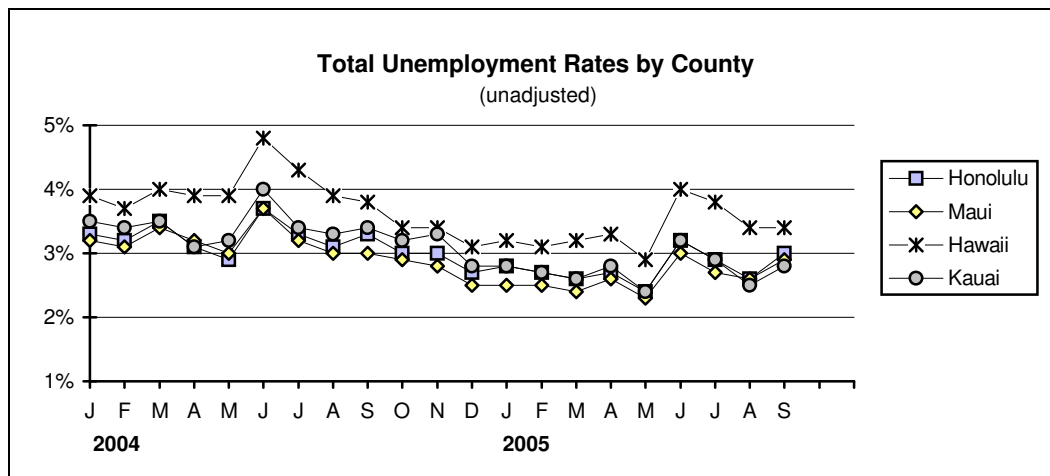
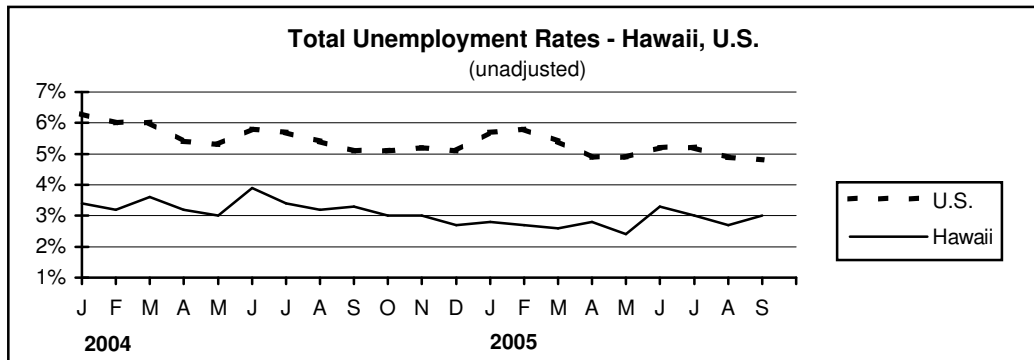
ECONOMIC FACTORS

General Conditions and Outlook

Hawaii's economy continues to compare favorably to the national economy. The state's unadjusted unemployment rate improved to 3.0% as of September 2005, down 0.3 percentage points from 3.3% in September 2004. As of September 2005, the U.S. unadjusted unemployment rate stood at 4.8%, a decrease of 0.3 percentage point from the September 2004 jobless rate of 5.1%. As shown in the chart below, all counties have experienced lower unemployment rates in 2005.

Job counts in Hawaii continue to grow. The total nonagricultural wage and salary job count as of September 2005 was 599,000. This is a 2.8% increase or 16,400 more than the 582,600 count as of September 2004. Most of the major industry sectors reflected increases. The natural resources, mining and construction sector increased at the fastest rate of 10.3%, growing by 3,100 jobs. The trade, transportation and utilities sector grew by 5,200 jobs, or 4.6%. The manufacturing, information, and government sectors each showed very small declines in jobs as compared to September 2004 levels.

Outlook: This report assumes that tourism, construction, and real estate will continue to contribute towards favorable economic conditions for Hawaii through 2006.



Labor Force Data

(Historical data from 1970: Appendix B, page A-2)

Employment in Hawaii continued to grow through 2005, averaging 613,700 for the first nine months of 2005 compared to an annual average of 595,750 for calendar year 2004. Unemployment has declined from an average of 20,050 in 2004 to an average of 17,800 for the January through September 2005 period.

Hawaii's TUR, averaged 2.8% over the first nine months of 2005, improving over the 3.3% average for 2004.

The total unemployment rate for the U.S. averaged 5.5% in 2004. It has improved to an average of 5.2% for the first nine months of 2005.

Projections for this publication assume the U.S. total unemployment rate will average 5.0% in 2005 and 2006, and Hawaii's TUR will average 2.8% in 2005 and 2006.

LABOR FORCE DATA

Unadjusted

Year	<i>Hawaii</i>			<i>U.S.</i>
	Employment	Unemployment	Total Unemployment Rate	Total Unemployment Rate
2003	588,650	23,850	3.9%	6.0%
2004	595,750	20,050	3.3%	5.5%
2005				
Jan	604,850	17,550	2.8%	5.7%
Feb	608,850	16,950	2.7%	5.8%
Mar	609,650	16,450	2.6%	5.4%
Apr	614,450	17,750	2.8%	4.9%
May	608,450	15,200	2.4%	4.9%
Jun	613,550	20,850	3.3%	5.2%
Jul	622,950	19,250	3.0%	5.2%
Aug	620,650	17,150	2.7%	4.9%
Sep	620,300	19,350	3.0%	4.8%
<i>Projected</i>				
2005			2.8%	5.0%
2006			2.8%	5.0%

Insured Unemployment and Employment Covered by the Unemployment Compensation Fund

(Historical data from 1970: Appendix B, page A-3)

The average monthly number of employees covered by the Fund was 435,079 in 2004, increasing from 422,293 in 2003. Covered employees have increased to an average of 446,100 during the first half of 2005.

The IUR is the average weekly unemployment insurance claims as a percent of covered employees. The IUR was 1.02% as of November 2005, compared to the 2004 average of 1.6%. The average weekly number of claims filed under the regular state program was 8,202 in 2004. The number of weekly claims has declined to about 5,700 as of November 2005.

Projections for the IUR: average of 1.2% for 2005 and 1.15% in 2006.

INSURED UNEMPLOYMENT RATE AND EMPLOYMENT COVERED BY THE UC FUND

Year	Insured Unemployment		Employees Covered By the Fund
	Rate (IUR)	Average Weekly Claims*	
2003	2.0%	10,327	422,293
2004	1.6%	8,202	435,079
2005			
Jan	1.29%	7,054	439,646
Feb	1.30%	7,116	442,442
Mar	1.29%	7,051	445,158
Apr	1.22%	6,694	447,338
May	1.17%	6,421	449,085
Jun	1.16%	6,400	453,213
Jul	1.15%	6,369	
Aug	1.15%	6,360	
Sep	1.11%	6,165	
Oct	1.05%	5,902	
Nov	1.02%	5,699	
<i>Projected</i>			
2005	1.2%	6,300	
2006	1.15%	6,500	

*Monthly data are for the week containing the 12th of the month and are based on 13 week moving averages.

Weekly Benefit Amounts and Average Duration

(Historical data from 1970: Appendix B, page A-4)

The *maximum weekly benefit amount* payable to claimants *will rise to \$459 for the year 2006*—a \$23 increase from the \$436 maximum in 2005. Under Hawaii's law a new maximum weekly benefit amount is computed each year as 70% of the current statewide average weekly wage. Prior to 1992, the computation used 2/3 rather than 70%.

Average weekly benefits received by claimants increased to an average of \$325 for the 12-month period ending October 2005 as compared to an average of \$312 for calendar year 2004. A weekly benefit amount is computed for each claimant based on prior earnings. Average weekly benefits usually increase when earnings do over time. Benefits may also increase rapidly when workers with higher wages experience more unemployment, and decrease when lower wage claimants represent a larger proportion of the unemployed.

Claimants may receive up to the equivalent of 26 weeks of regular benefits at their computed weekly benefit amount. However, many return to work before collecting this entire amount. The *average number of weeks of regular benefits* received per claimant was 14.5 weeks for the 12-month period ending October 2005. This is a decline of 1.1 weeks from the 2004 annual average of 15.6 weeks.

EXPERIENCE RATING

Description

Experience rating means that each employer's unemployment insurance tax rate is based on the employer's own benefit, contribution, and wage history. For each employer, an account is kept containing the amount of benefits paid to former employees and the amount of taxes paid into the Unemployment Compensation Fund. At the end of the year, a *reserve ratio* is computed for each employer and that reserve ratio determines the employer's tax rate for the coming year. Appendix A describes this procedure.

Charged and Noncharged Benefits

(Historical data from 1970: Appendix B, page A-9)

For experience rating purposes, benefits paid to former employees are usually charged to the employers' individual accounts. However, under certain conditions where the employer may be considered not responsible for the claimant's unemployment, the benefits paid to that former employee are *not* charged to the employer's account. The conditions for noncharging are described in Appendix C. In 2004, 16% of all benefits paid were not charged to an individual employer account. Noncharged benefits are financed by the Unemployment Compensation Fund's interest income or by employers as a whole by triggering a higher tax schedule due to a lower fund balance.

2004 Employer Data

The following tables show 2004 employment, wage, benefit and contribution data for employers who contribute to the Unemployment Compensation Fund and for whom a tax rate was computed for calendar year 2005. Information on employers who were covered under the Hawaii unemployment insurance program during 2004, but were no longer covered as of January 1, 2005, are not included in these tables. Data are shown by reserve ratio, county, size of firm, and industry groups. The reserve ratio tables show 2004 data by reserve ratios as of the end of 2004. Also shown on those tables are the 2005 tax rates assigned to each reserve ratio group.

Eleven percent of all employers were in the highest reserve ratio group, with ratios of 0.1500 and higher. These employers, the largest group of experience-rated employers, were assigned the minimum 0.0% tax rate for 2005. Six percent of the employers were assigned the maximum 5.4% tax rate, mostly due to delinquent filing of tax reports.

Employer Data

2004 Employment and Wage Data by Reserve Ratio

Reserve Ratio End of 2004	2005 Tax Rate	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
.1500 and over	0.0%	3,279	11	24,679	6	843,158	6	501,726	5
.1400 to .1499	0.1%	880	3	10,228	2	331,669	2	219,275	2
.1300 to .1399	0.2%	1,492	5	20,665	5	726,038	5	451,474	5
.1200 to .1299	0.4%	1,710	6	47,402	11	1,587,594	11	1,010,349	10
.1100 to .1199	0.6%	1,721	6	50,015	11	1,759,150	12	1,159,364	12
.1000 to .1099	0.8%	1,818	6	45,950	11	1,493,127	10	1,057,029	11
.0900 to .0999	1.0%	1,708	6	41,386	9	1,264,385	9	911,322	9
.0800 to .0899	1.2%	2,222	7	37,065	8	1,194,595	8	837,809	9
.0700 to .0799	1.4%	2,574	9	33,402	8	1,004,807	7	680,434	7
.0600 to .0699	1.6%	1,947	7	31,254	7	946,814	6	650,575	7
.0500 to .0599	1.8%	821	3	16,991	4	557,696	4	378,032	4
.0300 to .0499	2.0%	719	2	14,038	4	543,196	4	353,552	4
.0000 to .0299	2.4%	680	2	14,571	3	458,008	3	337,421	3
-.0000 to -.0499	2.8%	538	2	7,309	2	286,410	2	192,477	2
-.0500 to -.0999	3.2%	312	1	3,151	1	122,674	1	86,137	1
-.1000 to -.4999	3.6%	751	3	9,650	3	475,864	3	294,212	3
-.5000 to -.9999	4.2%	208	1	1,768	1	74,877	1	52,294	1
-1.0000 to -1.4999	4.8%	86	0	702	0	35,576	0	22,949	0
-1.5000 to -1.9999	5.4%	33	0	611	0	29,051	0	16,324	0
-2.0000 and less	5.4%	85	0	154	0	4,335	0	3,411	0
New & Reactive	2.4%	4,635	16	14,460	3	424,740	3	314,942	3
N&R Neg Reserve	5.4%	171	1	497	0	4,047	0	3,542	0
Delinquent	5.4%	1,486	5	10,783	2	142,146	1	128,612	1
Total		29,876	100	436,732	100	14,309,958	100	9,663,262	100

Employment, wages, and percentages may not exactly add to totals due to rounding.

2004 Benefit and Contribution Data by Reserve Ratio

Reserve Ratio End of 2004	2005 Tax Rate	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
.1500 and over	0.0%	994	464	1,458	2	0.3	549	0	0.1
.1400 to .1499	0.1%	309	197	505	1	0.2	565	0	0.3
.1300 to .1399	0.2%	829	402	1,231	1	0.3	1,325	1	0.3
.1200 to .1299	0.4%	1,776	1,329	3,105	3	0.3	4,234	4	0.4
.1100 to .1199	0.6%	2,354	1,194	3,548	4	0.3	7,417	6	0.6
.1000 to .1099	0.8%	2,538	1,241	3,779	4	0.4	8,729	7	0.8
.0900 to .0999	1.0%	2,761	1,283	4,043	4	0.4	9,739	8	1.1
.0800 to .0899	1.2%	3,703	1,319	5,022	5	0.6	10,736	9	1.3
.0700 to .0799	1.4%	2,656	1,093	3,749	4	0.6	10,805	9	1.6
.0600 to .0699	1.6%	3,530	1,410	4,940	5	0.8	10,430	9	1.6
.0500 to .0599	1.8%	3,037	858	3,895	4	1.0	6,446	6	1.7
.0300 to .0499	2.0%	5,200	799	6,000	6	1.7	6,960	6	2.0
.0000 to .0299	2.4%	6,915	965	7,880	8	2.3	7,884	7	2.3
-.0000 to -.0499	2.8%	6,645	611	7,256	8	3.8	4,832	4	2.5
-.0500 to -.0999	3.2%	5,296	322	5,618	5	6.5	2,476	2	2.9
-.1000 to -.4999	3.6%	19,068	840	19,908	21	6.8	10,461	9	3.6
-.5000 to -.9999	4.2%	4,344	132	4,477	5	8.6	2,204	2	4.2
-1.0000 to -1.4999	4.8%	1,890	42	1,932	2	8.4	1,129	1	4.9
-1.5000 to -1.9999	5.4%	1,210	35	1,246	1	7.6	856	1	5.2
-2.0000 and less	5.4%	687	19	707	1	20.7	175	0	5.1
New & Reactive	2.4%	266	52	317	0	0.1	7,611	7	2.4
N&R Neg Reserve	5.4%	333	75	409	0	11.5	163	0	4.6
Delinquent	5.4%	1,522	179	1,699	2	1.3	951	1	0.7
Total		77,864	14,861	92,724	100	1.0	116,678	100	1.2

Benefits, contributions, and percentages may not exactly add to totals due to rounding.

* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line
 Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

2004 Employment and Wage Data by County

County	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Oahu	17,599	59	233,637	53	7,809,316	55	5,136,661	53
Maui	3,676	12	39,610	9	1,184,749	8	882,172	9
Hawaii	3,647	12	43,723	10	1,136,866	8	861,626	9
Kauai	1,535	5	17,752	4	482,656	3	370,136	4
Interstate	3,419	11	102,009	23	3,696,370	26	2,412,667	25
Total	29,876	100	436,732	100	14,309,958	100	9,663,262	100

2004 Benefit and Contribution Data by County

County	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Oahu	41,226	7,518	48,743	53	0.9	60,011	51	1.2
Maui	7,410	1,432	8,842	10	1.0	11,553	10	1.3
Hawaii	8,147	1,411	9,559	10	1.1	11,426	10	1.3
Kauai	3,812	601	4,413	5	1.2	5,736	5	1.5
Interstate	17,269	3,898	21,167	23	0.9	27,951	24	1.2
Total	77,864	14,861	92,724	100	1.0	116,678	100	1.2

Benefits, contributions, and percentages may not exactly add to totals due to rounding.

* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line
 Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

2004 Employment and Wage Data by Size of Firm

Employment Size	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Less than 5	18,749	63	31,465	7	1,126,519	8	752,591	8
5 to 9	4,735	16	33,117	8	1,032,423	7	691,273	7
10 to 19	2,992	10	41,505	10	1,345,864	10	889,086	9
20 to 49	2,013	7	61,857	14	2,068,240	14	1,380,739	14
50 to 99	749	3	51,765	12	1,806,992	13	1,204,945	12
100 to 249	424	1	62,975	14	2,054,355	15	1,429,708	15
250 or more	214	1	154,048	35	4,875,564	34	3,314,920	34
Total	29,876	100	436,732	100	14,309,958	100	9,663,262	100

2004 Benefit and Contribution Data by Size of Firm

Employment Size	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Less than 5	8,030	1,212	9,242	10	1.2	10,131	9	1.3
5 to 9	6,683	1,132	7,816	8	1.1	9,025	8	1.3
10 to 19	9,846	1,621	11,467	12	1.3	12,032	10	1.4
20 to 49	13,734	2,554	16,288	18	1.2	19,417	17	1.4
50 to 99	11,830	2,151	13,981	15	1.2	16,359	14	1.4
100 to 249	10,541	2,214	12,754	14	0.9	18,129	16	1.3
250 or more	17,200	3,976	21,176	23	0.6	31,583	27	1.0
Total	77,864	14,861	92,724	100	1.0	116,678	100	1.2

Benefits, contributions, and percentages may not exactly add to totals due to rounding.

* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line
 Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

2004 Employment and Wage Data by NAICS Industry

Industry	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Natural Resources & Mining	433	1	8,599	2	239,652	2	187,601	2
Utilities	35	0	2,723	1	200,034	1	87,303	1
Construction	2,892	10	35,990	8	1,506,989	11	921,518	10
Manufacturing	1,024	3	15,169	3	499,082	3	347,950	4
Wholesale Trade	1,890	6	16,316	4	683,156	5	424,462	4
Retail Trade	3,389	11	68,492	16	1,765,832	12	1,348,305	14
Transportation & Warehousing	761	3	24,786	6	927,939	6	608,389	6
Information	498	2	10,734	2	529,782	4	299,940	3
Finance & Insurance	994	3	18,390	4	1,087,649	8	523,311	5
Real Estate, Rental & Leasing	1,665	6	12,106	3	444,907	3	290,584	3
Professional, Scientific, & Technical Services	3,401	11	21,016	5	1,079,380	8	580,776	6
Management of Companies & Enterprises	178	1	855	0	88,911	1	27,210	0
Administrative & Support; Waste Management & Remediation Services	1,937	6	41,827	10	1,031,032	7	825,915	9
Educational Services	466	2	5,576	1	144,132	1	112,993	1
Health Care & Social Assistance	2,682	9	32,725	7	1,227,770	9	719,125	7
Arts, Entertainment & Recreation	478	2	9,398	2	209,226	1	170,662	2
Accommodation & Food Services	2,685	9	90,962	21	2,116,048	15	1,763,578	18
Other Services (except Public Administration)	3,232	11	20,784	5	518,357	4	415,966	4
Unknown	1,236	4	284	0	10,081	0	7,674	0
Total	29,876	100	436,732	100	14,309,958	100	9,663,262	100

Employment, wages, and percentages may not exactly add to totals due to rounding.

2004 Benefit and Contribution Data by NAICS Industry

Industry	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Natural Resources & Mining	4,106	209	4,315	5	2.3	2,850	2	1.5
Utilities	70	8	77	0	0.1	508	0	0.6
Construction	30,330	2,262	32,592	35	3.5	24,702	21	2.7
Manufacturing	2,891	474	3,365	4	1.0	3,946	3	1.1
Wholesale Trade	1,668	523	2,191	2	0.5	4,142	4	1.0
Retail Trade	4,281	1,986	6,267	7	0.5	11,462	10	0.9
Transportation & Warehousing	3,496	906	4,402	5	0.7	5,918	5	1.0
Information	2,529	447	2,975	3	1.0	3,523	3	1.2
Finance & Insurance	1,864	680	2,544	3	0.5	3,976	3	0.8
Real Estate, Rental & Leasing	1,809	530	2,339	3	0.8	3,200	3	1.1
Professional, Scientific, & Technical Services	4,256	699	4,954	5	0.9	6,794	6	1.2
Management of Companies & Enterprises	200	5	205	0	0.8	393	0	1.4
Administrative & Support; Waste Management & Remediation Services	8,222	2,128	10,350	11	1.3	12,334	11	1.5
Educational Services	430	192	622	1	0.6	1,128	1	1.0
Health Care & Social Assistance	2,895	1,009	3,904	4	0.5	7,319	6	1.0
Arts, Entertainment & Recreation	950	265	1,215	1	0.7	1,903	2	1.1
Accommodation & Food Services	5,342	1,911	7,252	8	0.4	18,051	15	1.0
Other Services (except Public Administration)	2,475	626	3,100	3	0.7	4,420	4	1.1
Unknown	52	3	56	0	0.7	109	0	1.4
Total	77,864	14,861	92,724	100	1.0	116,678	100	1.2

Benefits, contributions, and percentages may not exactly add to totals due to rounding.

* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line
Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

APPENDIX A Computation of Employer Contribution Rates

An employer's Hawaii unemployment insurance tax rate is computed once a year based on the employer's reserve ratio and the tax schedule (one of eight possible schedules, A through H) in effect for the year. The tax rates corresponding to each tax schedule and reserve ratio group are shown below in the **Contribution Rate Schedules** table.

Employers not chargeable with benefits for the 12-month period prior to the rate computation date are ineligible for an experience (reserve ratio) computation and are assigned the tax rate corresponding to a zero reserve ratio; if the ineligible employer has a negative reserve balance, a rate of 5.4% is assigned.

Computation of Employer Reserve Ratio:

Reserve Ratio = $\frac{\text{all contributions paid by the employer minus all benefits charged to the employer}}{\frac{1}{3} \text{ of the sum of the employer's taxable payrolls for the last 3 consecutive calendar years.}}$

Determination of Tax Schedule:

(a) Compute Adequate Reserve:

Adequate Reserve = 1.5 times highest benefit cost rate occurring during the last 10 years, times total wages for last completed fiscal year ending June 30.

Benefit cost rate = $\frac{\text{total benefits paid during a 12 consecutive month period}}{\text{total wages for the last 4 completed calendar quarters ending at least 5 months before the end of the 12 consecutive month period.}}$

(b) Compute ratio of Current Reserve to Adequate Reserve:

Ratio = $\frac{\text{Current Reserve (Unemployment Compensation Fund balance as of November 30)}}{\text{Adequate Reserve.}}$

(c) Determine Tax Schedule based on ratio of current to adequate reserve as shown below.

Contribution Rate Schedules									Tax Schedule Computation	
Reserve Ratio	A	B	C	D	E	F	G	H	Ratio of Current to Adequate Reserve	Tax Schedule
	Contribution Rates (%)									
.1500 and over	0.0	0.0	0.0	0.2	0.6	1.2	1.8	2.4	More than 1.69	A
.1400 to .1499	0.0	0.0	0.1	0.4	0.8	1.4	2.0	2.6	1.3 to 1.69	B
.1300 to .1399	0.0	0.0	0.2	0.6	1.0	1.6	2.2	2.8	1.0 to 1.29	C
.1200 to .1299	0.0	0.1	0.4	0.8	1.2	1.8	2.4	3.0	0.80 to 0.99	D
.1100 to .1199	0.0	0.2	0.6	1.0	1.4	2.0	2.6	3.2	0.60 to 0.79	E
.1000 to .1099	0.1	0.3	0.8	1.2	1.6	2.2	2.8	3.4	0.40 to 0.59	F
.0900 to .0999	0.3	0.5	1.0	1.4	1.8	2.4	3.0	3.6	0.20 to 0.39	G
.0800 to .0899	0.5	0.7	1.2	1.6	2.0	2.6	3.2	3.8	Less than 0.20	H
.0700 to .0799	0.7	0.9	1.4	1.8	2.2	2.8	3.4	4.0		
.0600 to .0699	0.9	1.1	1.6	2.0	2.4	3.0	3.6	4.2		
.0500 to .0599	1.1	1.3	1.8	2.2	2.6	3.2	3.8	4.4		
.0300 to .0499	1.3	1.5	2.0	2.6	3.0	3.6	4.2	4.8		
.0000 to .0299	1.7	1.9	2.4	3.0	3.4	4.0	4.6	5.2		
-.0000 to -.0499	2.1	2.3	2.8	3.4	3.8	4.4	5.0	5.4		
-.0500 to -.0999	2.5	2.7	3.2	4.0	4.4	5.0	5.4	5.4		
-.1000 to -.4999	2.9	3.1	3.6	4.6	5.0	5.4	5.4	5.4		
-.5000 to -.9999	3.4	3.6	4.2	5.2	5.4	5.4	5.4	5.4		
-1.0000 to -1.4999	4.1	4.2	4.8	5.4	5.4	5.4	5.4	5.4		
-1.5000 to -1.9999	4.7	4.8	5.4	5.4	5.4	5.4	5.4	5.4		
-2.0000 and less	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4		

APPENDIX B
Annual Data from 1970

LABOR FORCE DATA
unadjusted

Year	<i>Hawaii</i>			<i>U.S.</i>
	Employment	Unemployment	Total Unemployment Rate	Total Unemployment Rate
1970	305,650	15,900	4.9%	4.9%
1971	313,450	23,350	6.9%	5.9%
1972	324,050	26,950	7.7%	5.6%
1973	338,350	26,250	7.2%	4.9%
1974	345,350	29,650	7.9%	5.6%
1975	351,100	31,850	8.3%	8.5%
1976	372,250	38,000	9.3%	7.7%
1977	386,150	32,400	7.7%	7.1%
1978	394,300	28,250	6.7%	6.1%
1979	406,450	24,350	5.7%	5.8%
1980	419,750	21,250	4.8%	7.1%
1981	428,500	23,200	5.1%	7.6%
1982	432,450	27,250	5.9%	9.7%
1983	444,000	27,900	5.9%	9.6%
1984	451,400	25,700	5.4%	7.5%
1985	459,400	24,400	5.0%	7.2%
1986	473,500	22,350	4.5%	7.0%
1987	492,700	18,550	3.6%	6.2%
1988	503,750	15,700	3.0%	5.5%
1989	515,250	12,550	2.4%	5.3%
1990	537,600	13,400	2.4%	5.6%
1991	547,350	15,700	2.8%	6.8%
1992	551,550	24,450	4.2%	7.5%
1993	556,350	25,400	4.4%	6.9%
1994	555,750	30,050	5.1%	6.1%
1995	557,050	32,450	5.5%	5.6%
1996	561,700	35,050	5.9%	5.4%
1997	566,750	34,900	5.8%	4.9%
1998	570,150	34,150	5.7%	4.5%
1999	576,300	30,350	5.0%	4.2%
2000	583,200	24,550	4.0%	4.0%
2001	586,750	26,250	4.3%	4.7%
2002	584,050	24,750	4.1%	5.8%
2003	588,650	23,850	3.9%	6.0%
2004	595,750	20,050	3.3%	5.5%

Source: Hawaii Workforce Informer web page (www.hiwi.org) Note: Data from 1976 revised in 2005

APPENDIX B continued

INSURED UNEMPLOYMENT AND EMPLOYMENT COVERED BY THE UC FUND

Year	Insured Unemployment		Employees Covered by the Fund	
	Rate	Average Weekly Claims	Number	% change
1970	2.4%	6,124	221,498	
1971	3.9%	10,789	225,633	2%
1972	4.8%	12,737	231,338	3%
1973	3.7%	10,527	246,201	6%
1974	4.2%	12,443	252,421	3%
1975	5.2%	16,939	255,772	1%
1976	6.3%	19,427	258,485	1%
1977	4.7%	14,998	267,018	3%
1978	3.4%	10,569	285,172	7%
1979	2.7%	9,798	302,404	6%
1980	2.9%	10,740	309,424	2%
1981	3.0%	11,681	311,997	1%
1982	3.5%	13,411	306,395	-2%
1983	3.5%	12,919	309,752	1%
1984	2.9%	11,104	317,669	3%
1985	2.6%	9,696	328,268	3%
1986	2.2%	8,548	337,832	3%
1987	1.7%	7,045	358,801	6%
1988	1.5%	6,452	371,952	4%
1989	1.1%	5,041	393,693	6%
1990	1.1%	5,547	416,341	6%
1991	1.5%	7,909	415,883	0%
1992	2.2%	11,520	415,275	0%
1993	2.5%	12,721	409,338	-1%
1994	2.9%	14,752	406,316	-1%
1995	3.0%	15,324	402,645	-1%
1996	3.0%	14,854	401,001	0%
1997	2.7%	13,356	400,817	0%
1998	2.5%	12,605	398,354	-1%
1999	2.2%	10,684	401,109	1%
2000	1.7%	8,413	414,768	3%
2001	2.0%	11,545	416,770	0%
2002	2.4%	11,979	414,417	-1%
2003	2.0%	10,327	422,293	2%
2004	1.6%	8,202	435,079	3%

Source: Unemployment Insurance Fact Book

Note: Insured unemployment data includes private industry, state and county governments, and nonprofit organizations; it also includes extended benefits for 1971, 1972, 1975 through 1978, and 1980. Employment data is for private industry only.

APPENDIX B continued

WEEKLY BENEFIT AMOUNT AND AVERAGE DURATION

Year	Weekly Benefit Amount		Average Benefit Duration (weeks)
	Maximum	Average	
1970	\$79	\$58	15.0
1971	\$86	\$63	18.3
1972	\$90	\$66	19.9
1973	\$93	\$68	16.0
1974	\$98	\$72	16.2
1975	\$104	\$76	16.4
1976	\$112	\$84	18.9
1977	\$120	\$89	16.4
1978	\$126	\$91	16.2
1979	\$134	\$93	13.5
1980	\$144	\$103	13.7
1981	\$157	\$114	14.2
1982	\$169	\$124	14.8
1983	\$178	\$123	15.8
1984	\$188	\$136	14.8
1985	\$194	\$134	14.6
1986	\$200	\$140	14.3
1987	\$212	\$150	13.4
1988	\$223	\$162	13.5
1989	\$239	\$170	12.0
1990	\$256	\$189	11.4
1991	\$275	\$206	13.0
1992	\$306	\$235	14.8
1993	\$322	\$246	17.6
1994	\$337	\$259	17.4
1995	\$344	\$262	16.0
1996	\$347	\$261	17.8
1997	\$351	\$259	17.1
1998	\$356	\$258	16.4
1999	\$364	\$266	16.5
2000	\$371	\$273	15.4
2001	\$383	\$282	12.8
2002	\$395	\$280	19.2
2003	\$407	\$298	15.7
2004	\$417	\$312	15.6
2005	\$436		
2006	\$459		

Source: Unemployment Insurance Fact Book

Note: Data are for all claim programs, including federal programs.

APPENDIX B continued

HAWAII UNEMPLOYMENT COMPENSATION FUND

(in millions of \$)

Year	Taxes	Interest	Benefits	Fund Balance
1970	\$13.6	\$ 2.1	\$14.7	\$44.1
1971	\$15.3	\$ 2.1	\$28.3	\$33.3
1972	\$22.0	\$ 1.4	\$30.9	\$25.8
1973	\$24.6	\$ 1.2	\$26.7	\$25.0
1974	\$26.5	\$ 1.1	\$35.3	\$17.3
1975	\$39.4	\$ 0.7	\$52.0	\$ 5.3
1976	\$48.8	\$ 0.1	\$66.1	-\$11.9
1977	\$63.3	\$ 0.0	\$50.2	\$ 1.3
1978	\$73.6	\$ 0.6	\$38.3	\$37.2
1979	\$68.9	\$ 3.3	\$31.4	\$78.0
1980	\$58.2	\$ 7.0	\$42.6	\$100.6
1981	\$53.4	\$ 9.9	\$57.5	\$106.3
1982	\$54.9	\$11.5	\$71.1	\$101.6
1983	\$70.9	\$11.5	\$61.0	\$123.0
1984	\$67.8	\$13.4	\$63.4	\$140.9
1985	\$60.2	\$15.7	\$54.3	\$162.5
1986	\$65.4	\$12.9	\$49.3	\$191.5
1987	\$75.1	\$24.0	\$42.6	\$248.0
1988	\$51.3	\$22.5	\$44.2	\$277.7
1989	\$64.0	\$25.6	\$35.4	\$331.9
1990	\$79.5	\$31.3	\$45.0	\$397.7
1991	\$55.2	\$26.8	\$76.0	\$403.8
1992	\$40.9	\$41.7	\$129.6	\$356.7
1993	\$67.0	\$25.5	\$145.4	\$303.9
1994	\$77.0	\$19.6	\$171.6	\$228.9
1995	\$150.0	\$15.7	\$180.4	\$214.2
1996	\$152.4	\$14.9	\$173.3	\$208.2
1997	\$144.2	\$14.7	\$154.2	\$212.9
1998	\$136.8	\$15.1	\$143.3	\$221.5
1999	\$134.1	\$15.7	\$124.1	\$247.2
2000	\$138.9	\$17.8	\$96.9	\$307.0
2001	\$106.3	\$21.1	\$136.1	\$298.2
2002	\$134.6	\$24.2	\$152.7	\$304.3
2003	\$147.0	\$14.4	\$123.6	\$342.0
2004	\$124.6	\$26.0	\$104.7	\$388.0

Source: ETA2112, UI Financial Transaction Summary, Unemployment Fund

APPENDIX B continued

RATIO OF CURRENT TO ADEQUATE RESERVE FUND

Rate Year	High Cost Rate	Total Wages	Adequate Reserve Fund	Current Reserve Fund	Ratio of Current to Adequate Reserve	Rate Schedule in Effect	Fund Solvency Contribution Rate
1970	1.75%	\$1,184,552,472	\$31,094,502	\$43,936,906	1.41	II	
1971	1.75%	\$1,431,300,051	\$37,571,626	\$46,163,790	1.23	II	
1972	1.75%	\$1,560,306,438	\$40,958,044	\$36,349,934	0.89	I	
1973	2.02%	\$1,643,467,385	\$49,797,062	\$28,304,965	0.57	I	
1974	2.02%	\$1,821,684,864	\$55,197,051	\$27,420,364	0.50	I	
1975	2.02%	\$2,015,606,435	\$61,072,875	\$20,073,147	0.33	I	
1976	2.18%	\$2,247,956,108	\$73,508,165	\$10,730,152	0.15	-	
1977	2.86%	\$2,389,822,190	\$102,523,372	-\$7,426,119	-0.07	-	
1978	2.86%	\$2,578,562,218	\$110,620,319	\$5,992,114	0.05	-	
1979	2.86%	\$2,859,429,314	\$81,779,678	\$39,159,914	0.48		+1.6%
1980	2.86%	\$3,314,556,620	\$94,796,319	\$80,341,186	0.85		+0.8%
1981	2.86%	\$3,769,977,490	\$107,821,356	\$104,980,243	0.97		+0.4%
1982	2.86%	\$4,111,362,943	\$117,584,980	\$112,290,817	0.95		+0.4%
1983	2.86%	\$4,292,985,503	\$122,779,385	\$106,708,377	0.87		+0.8%
1984	2.86%	\$4,498,499,775	\$128,657,094	\$127,176,245	0.99		+0.4%
1985	2.86%	\$4,801,506,793	\$137,323,094	\$147,004,681	1.07		0.0%
1986	2.86%	\$5,037,888,349	\$144,083,607	\$166,408,163	1.15		0.0%
1987	2.76%	\$5,500,278,375	\$151,807,683	\$195,095,469	1.29		0.0%
1988	1.94%	\$6,093,516,291	\$118,214,216	\$246,416,114	2.08		-0.5%
1989	1.68%	\$6,864,348,520	\$115,321,055	\$274,840,914	2.38		-0.5%
1990	1.68%	\$7,756,988,055	\$130,317,399	\$334,252,180	2.56		-0.5%
1991	1.68%	\$8,753,700,993	\$147,062,177	\$401,647,674	2.73		-0.5%
1992	1.68%	\$9,561,673,898	\$240,954,182	\$411,119,192	1.71	A	
1993	1.66%	\$9,996,218,073	\$248,905,830	\$370,277,128	1.49	B	
1994	1.49%	\$10,315,548,416	\$230,552,507	\$315,881,780	1.37	B	
1995	1.65%	\$10,384,936,463	\$257,027,177	\$241,892,817	0.94	D	
1996	1.73%	\$10,401,361,958	\$269,915,343	\$226,972,601	0.84	D	
1997	1.78%	\$10,391,160,430	\$277,443,983	\$222,340,367	0.80	D	
1998	1.78%	\$10,554,781,603	\$281,812,669	\$226,036,037	0.80	D	
1999	1.78%	\$10,782,123,532	\$287,882,698	\$233,020,224	0.81	D	
2000	1.78%	\$11,025,705,500	\$294,386,337	\$256,407,449	0.87	D	
2001	1.78%	\$11,661,028,670	\$311,349,465	\$313,480,166	1.01	C	
2002	1.78%	\$12,294,711,901	\$328,268,808	\$317,703,649	0.97	C*	
2003	1.78%	\$12,412,503,464	\$331,413,842	\$309,477,079	0.93	D	
2004	1.78%	\$13,070,239,827	\$348,975,403	\$352,679,746	1.01	C	
2005	1.78%	\$13,820,414,010	\$369,005,054	\$389,302,103	1.06	C	
2006	1.78%	\$15,032,599,530	\$401,370,407	\$457,851,939	1.14	C	

Rate year: Year during which rate schedule or Fund Solvency Rate is in effect.

High Cost Rate: Highest benefit cost rate (benefits as a percent of total wages) in the last ten years.

Total Wages: For last four calendar quarters ending June 30 of calendar year prior to rate year.

Adequate Reserve Fund: From 1970 through 1978, and from 1992 adequate reserve equals 1.5 times high cost rate times total wages. From 1979 through 1991, adequate reserve equals high cost rate times total wages.

Current Reserve Fund: Unemployment Compensation Fund assets on November 30 of calendar year immediately preceding rate year.

Rate Schedule in Effect: Effective July 1, 1974 through March 31, 1975 all employers' tax rates were increased by 0.5%, up to a maximum of 3.0%; from April 1975 through the end of 1976, all employers paid 3.0% tax rate; for 1977 and 1978 all employers paid 3.5% tax rate. *For 2002, schedule C remained in effect due to special legislation.

APPENDIX B continued

UNEMPLOYMENT INSURANCE TAX RATES

Year	Tax Rates (Percent of Taxable Wages)			Taxes as a Percent of Total Wages
	Minimum	Maximum	Average	
1970	0.4%	3.0%	1.2%	0.8%
1971	0.4%	3.0%	1.4%	1.0%
1972	0.8%	3.0%	1.9%	1.3%
1973	0.8%	3.0%	1.8%	1.2%
1974	0.8%/1.3%	3.0%	1.9%	1.2%
1975	1.3%/3.0%	3.0%	2.6%	1.7%
1976	3.0%	3.0%	2.9%	1.9%
1977	3.5%	3.5%	3.5%	2.4%
1978	3.5%	3.5%	3.5%	2.4%
1979	1.8%	4.5%	2.8%	1.9%
1980	1.0%	4.5%	2.1%	1.4%
1981	0.6%	4.5%	1.8%	1.2%
1982	0.6%	4.5%	1.8%	1.3%
1983	1.0%	4.5%	2.3%	1.6%
1984	0.6%	4.5%	1.9%	1.3%
1985	0.2%	5.4%	1.6%	1.1%
1986	0.2%	5.4%	1.7%	1.2%
1987	0.2%	5.4%	1.7%	1.2%
1988	0.0%	5.4%	1.3%	0.6%
1989	0.0%	5.4%	1.3%	0.9%
1990	0.0%	5.4%	1.3%	0.9%
1991	0.0%	5.4%	1.3%	0.5%
1992	0.0%	5.4%	0.6%	0.4%
1993	0.0%	5.4%	1.0%	0.7%
1994	0.0%	5.4%	1.1%	0.8%
1995	0.2%	5.4%	2.2%	1.6%
1996	0.2%	5.4%	2.1%	1.5%
1997	0.2%	5.4%	1.9%	1.4%
1998	0.2%	5.4%	1.8%	1.3%
1999	0.2%	5.4%	1.7%	1.2%
2000	0.2%	5.4%	1.7%	1.2%
2001	0.0%	5.4%	1.1%	0.8%
2002	0.0%	5.4%	1.2%	0.8%
2003	0.2%	5.4%	1.7%	1.2%
2004	0.0%	5.4%	1.2%	0.8%
2005	0.0%	5.4%	1.2% <i>est</i>	0.8% <i>est</i>
2006	0.0%	5.4%	1.2% <i>est</i>	0.8% <i>est</i>

Source: Quarterly Covered Employment and Wages

Note for 1974 and 1975: Minimum tax rate was 0.8% until July 1, 1974 then all employers' rates were increased by 0.5%, up to a maximum of 3.0%. The additional 0.5% was in effect until April 1, 1975 when all employers' rates became 3.0%.

Note for 2002: Tax Schedule C remained in effect by special legislation.

APPENDIX B continued

TOTAL AND TAXABLE WAGES

Year	Total Wages	% change	Taxable Wages	% change	% Taxable of Total Wages	Taxable Wage Base
1970	\$1,518,727,161		\$1,032,646,028		68%	\$5,500
1971	\$1,588,451,281	5%	\$1,101,177,779	7%	69%	\$6,000
1972	\$1,707,659,488	8%	\$1,171,863,417	6%	69%	\$6,300
1973	\$1,935,415,073	13%	\$1,310,016,575	12%	68%	\$6,500
1974	\$2,129,778,886	10%	\$1,418,777,880	8%	67%	\$6,800
1975	\$2,319,971,771	9%	\$1,537,695,558	8%	66%	\$7,300
1976	\$2,471,414,660	7%	\$1,634,221,510	6%	66%	\$7,800
1977	\$2,669,873,342	8%	\$1,890,965,749	16%	71%	\$9,300
1978	\$3,084,161,546	16%	\$2,153,653,091	14%	70%	\$9,800
1979	\$3,551,357,801	15%	\$2,443,433,910	13%	69%	\$10,400
1980	\$3,934,930,405	11%	\$2,689,241,050	10%	68%	\$11,200
1981	\$4,227,065,294	7%	\$2,921,073,895	9%	69%	\$12,200
1982	\$4,349,032,222	3%	\$3,030,663,748	4%	70%	\$13,100
1983	\$4,599,981,090	6%	\$3,198,088,181	6%	70%	\$13,800
1984	\$4,891,168,412	6%	\$3,430,347,509	7%	70%	\$14,600
1985	\$5,245,375,308	7%	\$3,661,947,705	7%	70%	\$15,100
1986	\$5,686,112,648	8%	\$3,922,702,338	7%	69%	\$15,600
1987	\$6,402,054,956	13%	\$4,391,057,014	12%	69%	\$16,500
1988	\$7,192,157,365	12%	\$3,314,009,708	-25%	46%	\$8,700
1989	\$8,130,492,059	13%	\$5,518,167,643	67%	68%	\$18,600
1990	\$9,237,628,172	14%	\$6,226,942,266	13%	67%	\$19,900
1991	\$9,599,527,870	4%	\$3,342,374,834	-46%	35%	\$7,000
1992	\$10,155,519,160	6%	\$7,042,429,428	111%	69%	\$22,700
1993	\$10,291,898,574	1%	\$7,251,815,678	3%	70%	\$23,900
1994	\$10,309,424,610	0%	\$7,394,972,486	2%	72%	\$25,000
1995	\$10,320,158,899	0%	\$7,411,024,845	0%	72%	\$25,500
1996	\$10,443,561,580	1%	\$7,420,054,226	0%	71%	\$25,800
1997	\$10,675,517,263	2%	\$7,483,098,627	1%	70%	\$26,000
1998	\$10,899,921,524	2%	\$7,560,072,702	1%	69%	\$26,400
1999	\$11,180,959,288	3%	\$7,748,893,876	2%	69%	\$27,000
2000	\$11,945,344,421	7%	\$8,209,730,134	6%	69%	\$27,500
2001	\$12,299,179,723	3%	\$8,455,669,862	3%	69%	\$28,400
2002	\$12,701,746,952	3%	\$8,701,690,997	3%	69%	\$29,300
2003	\$13,376,170,472	5%	\$9,155,378,879	5%	68%	\$30,200
2004	\$14,461,560,596	8%	\$9,752,243,796	7%	67%	\$31,000
2005						\$32,300
2006						\$34,000

Source: Wages from ES-202

APPENDIX B continued

CHARGED AND NONCHARGED BENEFITS

(in millions of \$)

Year	Total Benefits	Charged Benefits	% of Total	Noncharged Benefits	% of Total
1970	\$14.7	\$8.8	60%	\$5.9	40%
1971	\$27.9	\$18.2	65%	\$9.7	35%
1972	\$28.0	\$18.2	65%	\$9.8	35%
1973	\$26.3	\$15.7	60%	\$10.6	40%
1974	\$34.9	\$21.3	61%	\$13.7	39%
1975	\$47.0	\$30.1	64%	\$16.8	36%
1976	\$57.5	\$43.1	75%	\$14.4	25%
1977	\$45.1	\$44.3	98%	\$0.9	2%
1978	\$36.0	\$35.6	99%	\$0.4	1%
1979	\$30.5	\$30.2	99%	\$0.3	1%
1980	\$40.7	\$40.2	99%	\$0.5	1%
1981	\$56.7	\$56.1	99%	\$0.6	1%
1982	\$70.5	\$69.9	99%	\$0.6	1%
1983	\$60.9	\$59.7	98%	\$1.2	2%
1984	\$62.4	\$61.8	99%	\$0.6	1%
1985	\$53.9	\$53.4	99%	\$0.5	1%
1986	\$48.4	\$47.8	99%	\$0.6	1%
1987	\$43.6	\$36.6	84%	\$7.0	16%
1988	\$44.1	\$35.3	80%	\$8.8	20%
1989	\$35.4	\$26.9	76%	\$8.5	24%
1990	\$44.2	\$30.9	70%	\$13.3	30%
1991	\$76.5	\$56.6	74%	\$19.9	26%
1992	\$129.1	\$101.7	79%	\$27.4	21%
1993	\$144.8	\$105.9	73%	\$38.9	27%
1994	\$170.5	\$137.9	81%	\$32.6	19%
1995	\$178.9	\$148.0	83%	\$30.9	17%
1996	\$171.7	\$145.5	85%	\$26.2	15%
1997	\$153.8	\$131.5	85%	\$22.3	15%
1998	\$142.4	\$121.9	86%	\$20.5	14%
1999	\$123.2	\$104.4	85%	\$18.8	15%
2000	\$96.1	\$79.6	83%	\$16.4	17%
2001	\$132.9	\$109.9	83%	\$22.9	17%
2002	\$144.7	\$120.0	83%	\$24.6	17%
2003	\$122.2	\$102.9	84%	\$19.3	16%
2004	\$103.7	\$87.5	84%	\$16.2	16%

Source: ETA-204, Experience Rating Report
Includes regular program benefits only; does not include extended benefits

APPENDIX C

Benefits Not Charged to Employer Accounts

The following types of unemployment insurance benefits are not charged to individual employer's unemployment insurance accounts:

- a. Benefits paid to a claimant based on wages from an employer from whom the claimant voluntarily quit work without good cause¹;
- b. Benefits paid to a claimant based on wages from an employer from whom the claimant was discharged for misconduct connected with work;
- c. Benefits paid to a claimant based on wages from an employer from whom the claimant left work voluntarily for a good cause that was not attributable to the employer;
- d. Benefits paid to an individual who during that individual's base period earned wages for part-time employment with an employer, are not charged to that employer if the employer continues to employ the individual to the same extent while the individual is receiving benefits as during the individual's base period;
- e. Benefits paid to an individual for the period that individual is enrolled in and is in regular attendance at an approved training course;
- f. One-half of Extended Benefits (EB) (the other half of EB is financed with federal unemployment tax funds)²;
- g. Benefits paid to an individual who qualifies to receive benefits by meeting the minimum earnings and employment requirements only by combining the individual's employment and wages earned in two or more states³;
- h. Benefits overpaid to a claimant as a result of ineligibility or disqualification, unless the overpayment resulted from the employer's failure to furnish information as required;
- i. Benefits paid to an individual based on wages from an employer from whom the individual is separated as a direct result of a major disaster.⁴

¹Benefits described in a, b, and c were chargeable from July 15, 1976 through October 4, 1986.

²EB was chargeable from January 1, 1985 through October 4, 1986.

³Benefits described in g and h became nonchargeable from July 15, 1976.

⁴Effective from September 13, 1992.

APPENDIX D

The Hawaii Unemployment Compensation Fund and Economic Conditions: 1970 to the Present

- 1970** The 1970s began with a low Insured Unemployment Rate (IUR) of slightly above 2% and high fund reserves in excess of \$40 million.
- 1971** Unemployment increased throughout 1971 in the aftermath of the Mainland recession, and due partly to a lengthy dock strike in the second half of the year. The EB program was initiated allowing an additional 13 weeks of unemployment insurance benefits to be paid to claimants who exhaust their 26 weeks of regular benefits during periods of high unemployment. Hawaii paid extended benefits from October 1971 through December 1972. Increasing unemployment and additional benefits paid out under the EB program caused benefit outgo to increase and the fund balance to decline.
- 1972** The fund continued to decline as additional dock strikes and continuing EB payments caused benefit outgo to remain high.
- 1973** Unemployment decreased slightly causing the fund balance to remain relatively level.
- 1974** The IUR began to climb again as Mainland recessionary conditions started affecting Hawaii.
- 1975** Hawaii began a new EB period beginning in February 1975 as unemployment continued to increase. This EB period continued until March 1978 (except for a short break in the program during August 1977).
- 1976** The IUR reached a peak of 7% in the first half of 1976. During the 1974 through 1976 period the fund balance was drastically reduced by the unprecedented high level of unemployment and corresponding high benefit outgos. The fund was depleted in 1976. Benefits continued to be paid during the year through the use of \$22.5 million in federal loans to the fund.
- 1977** The economy began to improve slightly, although construction strikes caused unemployment to temporarily increase at the end of 1977 and early 1978. In order to rejuvenate the fund, tax rates, which had been gradually increasing during the 1970s, were set at a uniform rate of 3.5% for 1977.
- 1978** The flat 3.5% tax rate continued to be in effect. As the economy improved, the IUR steadily declined until it leveled off at about 3% during the second half of the year. With the increased income and declining outgo, the fund balance was brought out of its negative levels and the federal loan was repaid late in 1978.
- 1979** Varied tax rates for employers (experience rating) was reinstated; this caused fund income to decline slightly from the high 1978 level. Benefits remained relatively low, resulting in a further increase in the fund balance to \$78 million by the end of 1979.
- 1980** Employer tax rates were again decreased based on the healthy fund reserves. Although Hawaii's unemployment remained low, an EB period was triggered on by high national unemployment. This EB period was from July 1980 to January 1981. Fund income exceeded outgo and reserves reached \$100.6 million by the end of 1980.

APPENDIX D continued

1981-1984

Unemployment was very stable with the IUR fluctuating only between 2.5% and 3.5%, weathering airline, construction, and other strikes occurring during this time. The fund balance was kept at about the adequate reserve level throughout the period

1985 Tax schedules were adjusted to include a maximum tax rate of 5.4% in order to allow employers to continue to receive full tax credits under the Federal Unemployment Tax Act (FUTA).

1986-1987

The tourism and construction industries were in a boom period resulting in declining unemployment and a growing fund balance.

1988 The high fund balance resulted in the triggering of a negative Fund Solvency Rate for the first time. Also, a one-year special law provision cut the Taxable Wage Base to 50% of the statewide average annual wage.

1989 Unemployment continued to decline with the IUR reaching an all time low of 0.96% in December 1989. The fund continued to be more than twice the adequate reserve level allowing the negative 0.5% Fund Solvency Rate to remain in effect.

1990 Despite Mainland recessionary conditions, Hawaii tourism and construction continued to do well through 1990. Although a hotel strike during March caused a temporary rise in unemployment, the average IUR for the year remained level with 1989.

1991 The Persian Gulf War triggered a slowdown in March as tourist traffic declined dramatically and unemployment jumped. Mainland recessionary conditions began affecting Hawaii's economy as unemployment remained high through the year especially in the construction and tourism related industries. A one-year special provision cut the taxable wage base to \$7,000.

1992 A new tax schedule system was implemented and the lowest tax schedule (A) was in effect for 1992. Hurricane Iniki hit the islands in September 1992 resulting in major damage and high unemployment on Kauai. Mainland and Japanese recessionary conditions continued to weaken the tourist and construction sectors. The end-of-year fund balance declined from the previous year for the first time since 1982. Emergency Unemployment Compensation (EUC) benefits were paid to claimants from November 1991 through April 1994. These benefits, paid to claimants who exhausted their regular state benefits, were 100% federally funded.

1993-1994

Tax Schedule B was in effect for 1993 and 1994, keeping the average unemployment tax rate at a low 1%. At the same time the tourism and construction sectors remained sluggish causing large benefit payouts from the fund.

1995-1998

The economy remained flat from 1995 through 1998, with benefit levels declining slightly each year. The fund balance stabilized at around \$210 million and tax Schedule D stayed in effect from 1995 through 1998.

1999-2000

The economy was on the rise with insured unemployment dropping below 2% and the fund balance reaching \$300 million levels, triggering tax Schedule C for 2001.

APPENDIX D continued

2001-2002

In the aftermath of terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001, the number of unemployed increased and the fund balance began to drop. Special legislation provided Hawaii claimants exhausting regular benefits between September 11, 2001 and June 30, 2002 with 13 weeks of additional benefits and kept tax Schedule C in effect for calendar year 2002. A special federally-funded program, Temporary Extended Unemployment Compensation (TEUC) also provided an additional 13 weeks of benefits to claimants, effective from March 10 to December 31, 2002.

2003-2004

The federal TEUC program was extended to December 31, 2003 with a transition period for the continuation of payments to individuals, who have balances as of the end of December, to March 31, 2004. Effective from April 20, 2003 through December 28, 2003, displaced airline and related workers who exhaust their 26 weeks of regular benefits may receive up to 39 weeks of additional federally-funded TEUC-A benefits. Throughout 2004, Hawaii's unemployment dropped significantly resulting in a growing trust fund.

2005

Tourism, construction and real estate contributed to a very healthy economy where the insured unemployment dropped to 1.0% by the last quarter of 2005, and the fund balance grew to nearly \$458 million by November 2005.