

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

**State of Hawaii
Department of Labor & Industrial Relations**

December 2002

STATE OF HAWAII
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EXECUTIVE SUMMARY

Highlights

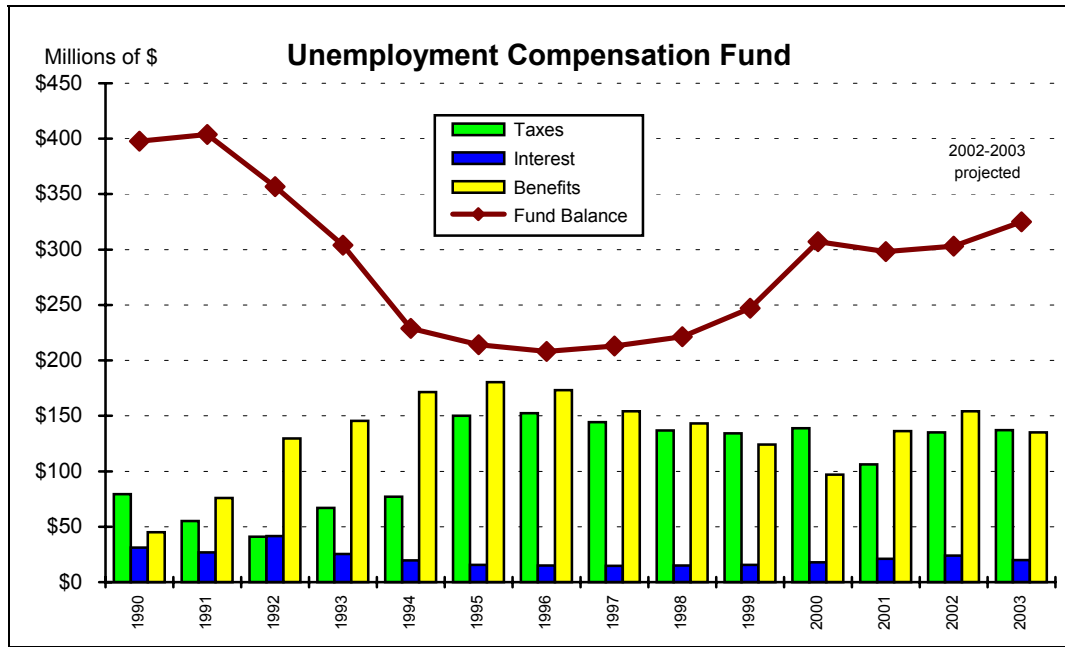
	2001	2002	2003
Unemployment Compensation Fund			
Contributions	\$106 million	\$135 million*	\$137 million*
Interest	\$21 million	\$24 million*	\$20 million*
Benefits – Regular	\$136 million	\$146 million*	\$135 million*
Benefits – State Additional		\$8 million*	
Fund Balance (end of year)	\$298 million	\$303 million*	\$325 million*
Unemployment Rates			
Hawaii Insured Unemployment Rate	2.0%	2.3%*	2.0%*
Hawaii Total Unemployment Rate	4.6%	4.3%*	4.2%*
U.S. Total Unemployment Rate	4.8%	5.8%*	5.5%*
Taxable Wage Base	\$28,400	\$29,300	\$30,200
Tax Schedule	Schedule C	Schedule C	Schedule D
Tax Rates			
Minimum	0.0%	0.0%	0.2%
Maximum	5.4%	5.4%	5.4%
Average			
% of Taxable Wages	1.2%	1.2%*	1.6%*
% of Total Wages	0.8%	0.8%*	1.2%*
Weekly Benefit Amount			
Minimum	\$5	\$5	\$5
Maximum	\$383	\$395	\$407
Average	\$282	\$280*	
Average Benefit Duration	12.8 weeks	19 weeks*	

* estimated

Status of the Fund

The Hawaii Unemployment Compensation Fund *balance was \$309 million at the end of November 2002*. During the first eleven months of 2002, \$104 million in taxes, \$31 million in federal Reed Act funds, and \$19 million in interest were added to the Fund. At the same time, \$143 million in benefits were paid out from the Fund. As of November, the fund balance is at 93% of the adequate level. This amount would finance slightly less than one and a half years of unemployment at the worst level experienced during the last ten years.

The fund balance at the end of 2002 is projected to be \$303 million. Assuming the year 2003 insured unemployment rate averages about 2.0%, or about 10,500 claims per week, the fund balance will be \$325 million at the end of 2003. The November 2003 balance will be just slightly less than 100% of the adequate reserve amount and Schedule D, or possibly Schedule C, will be in effect for 2004.



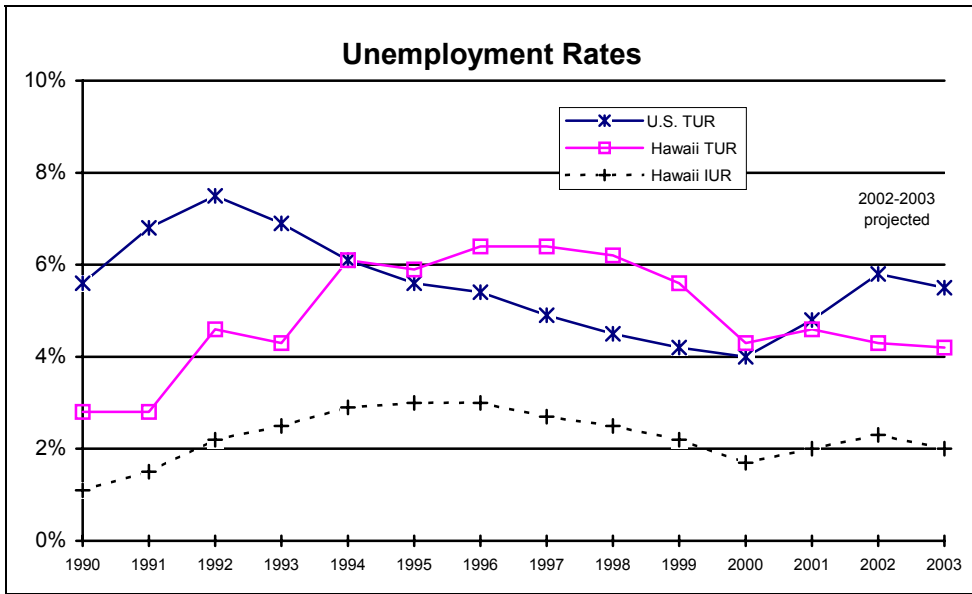
Economic Outlook

The national economy continues to struggle. For the first ten months of 2002, the unadjusted national total unemployment rate (TUR) averaged 5.8%, a percentage point higher than the 2001 annual average rate of 4.8%.

Hawaii's total unemployment rate (TUR) has dropped to 4.0% as of October 2002. It averaged 4.4% for the first ten months of 2002 as compared to the 2001 annual average rate of 4.6%. Job prospects have been weak, however, with total nonagricultural jobs for the first ten months of 2002 averaging 5,550 less than during the same period in 2001.

The insured unemployment rate (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 2.0% in 2001. It has dropped to 1.8% as of November 2002.

Projections in this report assume that national and Hawaii labor force numbers will reflect improving conditions. Hawaii's total unemployment rate (TUR) is projected to average 4.3% in 2002 and 4.2% in 2003. Trust fund estimates are based on an insured unemployment rate (IUR) of 2.3% in 2002 and 2.0% in 2003.



2003 Tax Schedule and Taxable Wage Base

Tax schedule D will be in effect for the year 2003. Tax rates will range from 0.2% to 5.4%. The estimated average tax rate will be 1.6%.

The taxable wage base (maximum annual wages taxable per employee) will increase by \$900 to \$30,200 in 2003, from \$29,300 in 2002.

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. The unemployment insurance program is governed by both state and federal laws. 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 \$309 million at the end of November 2002 compared to \$298.2 million at the end of 2001. During the first eleven months of 2002, \$104 million in taxes, \$31 million in federal Reed Act funds, and \$19 million in interest, were added to the Fund. At the same time, \$143 million in benefits were paid out from the Fund.

Projections through 2003: For this report the insured unemployment rate is projected to average 2.0% in 2003. This would result in a benefit outgo of about \$135 million in 2003. Taxes and interest are projected at about \$157 million in 2003. On the basis of this forecasted level of unemployment, the fund balance would be at about \$325 million by the end of 2003. At this level, tax schedule D would continue to be in effect for 2004. However, schedule C would be very close to triggering on.

HAWAII UNEMPLOYMENT COMPENSATION FUND

(in millions of \$)

Year	Taxes*	Interest	Benefits	Fund Balance
2000	\$138.9	\$17.8	\$96.9	\$307.0
2001	\$106.3	\$21.1	\$136.1	\$298.2
2002				
Jan	\$5.6	\$0.0	\$20.8	\$283.0
Feb	\$10.5	\$0.0	\$17.6	\$275.9
Mar	\$30.8*	\$9.9	\$15.7	\$300.8
Apr	\$13.0	\$0.0	\$17.0	\$296.8
May	\$20.9	\$0.0	\$12.8	\$304.8
Jun	\$0.0	\$4.8	\$9.1	\$300.5
Jul	\$11.4	\$0.0	\$12.3	\$299.5
Aug	\$18.6	\$0.0	\$9.4	\$308.7
Sep	\$0.1	\$4.8	\$10.0	\$303.6
Oct	\$9.8	\$0.0	\$9.0	\$304.5
Nov	\$13.7	\$0.0	\$8.6	\$309.5
<i>Projected</i>				
2002	\$135	\$24	\$154	\$303
2003	\$137	\$20	\$135	\$325

*Includes special distribution of \$30.8 million in federal Reed Act funds.

Fund Solvency

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

The Hawaii Employment Security Law defines the factors used to determine the adequacy of the Fund and how the tax rate schedule for the coming year is computed 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 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 2003 tax schedule computation, the adequate amount is \$331,413,842. The current reserve fund (actual fund assets as of November 30, 2002) is \$309,477,079. The current reserve is 93% of the adequate reserve. Based on this computation, Schedule D will be in effect for 2003.

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 year 2002 with Schedule C in effect and 1.6% in 2003 with Schedule D in effect.

Taxable Wage Base

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

There is a maximum limit on the amount of annual wages taxable 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 was \$29,300 in 2002. For 2003 it will be \$30,200. Setting the wage base at the average annual wage results in approximately two-thirds 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.

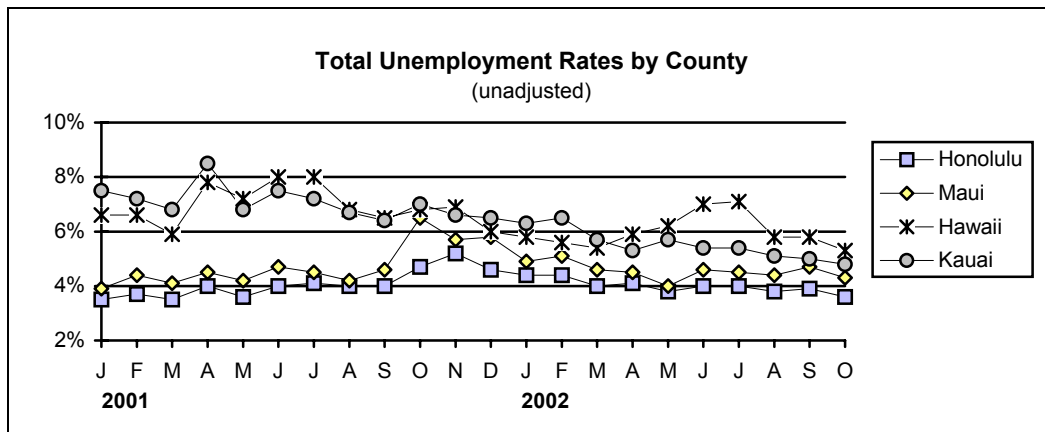
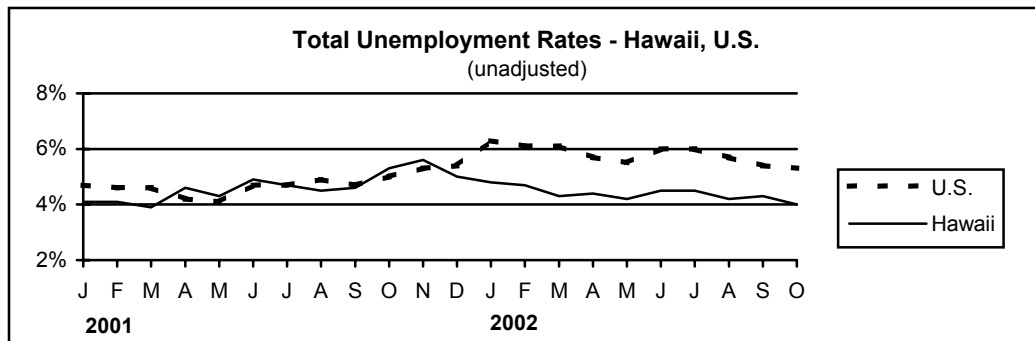
ECONOMIC OUTLOOK

General Conditions and Outlook

The national and Hawaii economies experienced a surge in unemployment immediately following the September 11, 2001 terrorist attacks. However, they are recovering at different rates. The U.S. unemployment rate averaged 5.8% in the first ten months of 2002, a percentage point higher than the 4.8% average for 2001. Hawaii's unemployment rate has gravitated downward to a 4.4% average in the first ten months of 2002, compared to our 4.6% average for 2001. Hawaii's jobless rate had been higher than the nation's since 1995.

While the state's unemployment has shown improvement, job prospects have been weak. Hawaii's total nonagricultural wage and salary count averaged 548,550 during January through October 2002—5,550 less than during the same period in 2001. Four of seven major industries contracted—trade; transportation, communication and utilities (TCU); services; and manufacturing. Trade had the largest decline of 4,250 jobs. The TCU group contributed the second largest numerical reduction of 3,900 jobs, but the greatest percent decrease at 9%.

Outlook: This report assumes U.S. and Hawaii economies will reflect improving conditions in 2003. We anticipate the beginnings of a slow recovery for the nation in the wake of terrorism alarms, threat of war, corporate scandals, technology shakeout, and turmoil in the stock market. In Hawaii, low interest rates will keep construction activity strong, while tourism is helped by the implementation of more air security and safety measures.



Labor Force Data

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

Employment in Hawaii has dropped slightly in 2002, averaging 572,200 for the first ten months of 2002 compared to an annual average of 577,450 for calendar year 2001. Unemployment has also declined from an average of 28,100 in 2001 to an average of 26,250 for the January through October 2002 period.

Hawaii's total unemployment rate (TUR), which averaged 4.6% in 2001, averaged 4.4% over the first ten months of 2002.

The total unemployment rate for the U.S. averaged 4.8% in 2001. It has increased to an average of 5.8% for the first ten months of 2002.

Projections for this publication assume the U.S. total unemployment rate will average 5.8% in 2002 and 5.5% in 2003, and Hawaii's TUR will average 4.3% in 2002 and 4.2% in 2003.

LABOR FORCE DATA

Unadjusted

Year	Hawaii			U.S. Total Unemployment Rate
	Employment	Unemployment	Total Unemployment Rate	
2000	569,900	25,500	4.3%	4.0%
2001	577,450	28,100	4.6%	4.8%
2002				
Jan	578,250	28,900	4.8%	6.3%
Feb	574,700	28,650	4.7%	6.1%
Mar	574,500	25,900	4.3%	6.1%
Apr	573,750	26,350	4.4%	5.7%
May	570,500	24,900	4.2%	5.5%
Jun	571,000	26,900	4.5%	6.0%
Jul	575,100	27,200	4.5%	6.0%
Aug	571,000	24,750	4.2%	5.7%
Sep	565,350	25,400	4.3%	5.4%
Oct	567,800	23,500	4.0%	5.3%
<i>Projected</i>				
2002			4.3%	5.8%
2003			4.2%	5.5%

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 averaged 416,770 in 2001, increasing slightly from 414,768 in 2000. Covered employees have declined to about 409,000 during the first half of 2002.

The insured unemployment rate (IUR), average weekly unemployment insurance claims as a percent of covered employees, was 1.8% as of November 2002, compared to the 2001 average of 2.0%. The average weekly number of claims filed under the regular state program was 11,545 in 2001. The number of weekly claims has dropped to about 9,600 as of November 2002.

Projections for the IUR: average of 2.3% for 2002 and 2.0% for 2003.

INSURED UNEMPLOYMENT RATE AND EMPLOYMENT COVERED BY THE UC FUND

Year	Insured Unemployment		Employees Covered By the Fund
	Rate (IUR)	Average Weekly Claims*	
2000	1.7%	8,413	414,768
2001	2.0%	11,545	416,770
2002			
Jan	3.22%	17,021	403,948
Feb	3.13%	16,513	406,002
Mar	2.94%	15,546	408,681
Apr	2.84%	15,030	408,230
May	2.60%	13,777	411,070
Jun	2.42%	12,831	416,116
Jul	2.26%	11,944	
Aug	2.09%	11,032	
Sep	1.98%	10,432	
Oct	1.88%	9,899	
Nov	1.82%	9,577	
<i>Projected</i>			
2002	2.3%	12,000	
2003	2.0%	10,500	

*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 \$407 for the year 2003—a \$12 increase from the \$395 maximum in 2002. 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 declined slightly to an average of \$277 for the 12-month period ending October 2002 as compared to an average of \$282 for calendar year 2001. A weekly benefit amount is computed for each claimant based on prior earnings. Average weekly benefits usually increase as earnings increase over time. It increases faster when workers with higher wages experience more unemployment and decreases 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 19 weeks for the twelve-month period ending October 2002.

Due to special state legislation, State Additional Benefits equal to 13 times a claimant's weekly benefit amount were available to claimants who exhausted their regular benefits between September 11, 2001 and June 30, 2002. A Temporary Extended Unemployment Compensation (TEUC) program is providing 13 weeks of federally funded benefits to claimants who exhaust their regular program benefits during the period March 10, 2002 through December 31, 2002.

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 of 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 is *not* charged to the employer's account. The conditions for noncharging are described in Appendix C. In 2001, 17% of all benefits paid were not charged to an individual employer account. Noncharged benefits are financed by Unemployment Compensation Fund interest income or by employers as a whole by triggering a higher tax schedule due to a lower fund balance.

2001 Employer Data

The following tables show 2001 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 2002. Information on employers who were covered under the Hawaii unemployment insurance program during 2001, but were no longer covered as of January 1, 2002, are not included in these tables. Data are shown by reserve ratio, county, size of firm, and industry groups. The reserve ratio tables show 2001 data by reserve ratios as of the end of 2001. Also shown on those tables are the 2002 tax rates assigned to each reserve ratio group.

Twelve percent of all employers were in the highest reserve ratio group, with ratios of 0.1500 and over. These employers, the largest group of experience rated employers, were assigned the minimum 0.0% tax rate for 2002. Five percent of the employers were assigned the maximum 5.4% tax rate, most due to delinquent filing of tax reports. In general, employer reserve ratios improved, moving employers to lower tax rate (higher reserve ratio) groups for 2002 as compared to 2001.

Employer Data

2001 Employment and Wage Data by Reserve Ratio

Reserve Ratio <i>End of 2001</i>	2002 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%	3,322	12	27,859	7	865,518	7	529,862	6
.1400 to .1499	0.1%	1,022	4	14,106	3	370,932	3	258,671	3
.1300 to .1399	0.2%	1,488	5	20,546	5	557,868	5	383,525	5
.1200 to .1299	0.4%	1,741	6	36,358	9	1,192,727	10	755,359	9
.1100 to .1199	0.6%	1,617	6	49,888	12	1,621,507	13	1,045,496	13
.1000 to .1099	0.8%	1,531	5	43,977	11	1,238,226	10	902,143	11
.0900 to .0999	1.0%	1,636	6	37,463	9	1,065,198	9	759,757	9
.0800 to .0899	1.2%	2,174	8	33,690	8	923,770	8	636,976	8
.0700 to .0799	1.4%	2,234	8	36,257	9	979,764	8	720,467	9
.0600 to .0699	1.6%	1,589	6	23,026	6	669,190	6	464,026	6
.0500 to .0599	1.8%	767	3	19,215	5	515,282	4	380,399	5
.0300 to .0499	2.0%	803	3	14,812	4	427,021	4	302,528	4
.0000 to .0299	2.4%	685	2	8,741	2	259,401	2	184,916	2
-.0000 to -.0499	2.8%	569	2	9,090	2	278,238	2	203,816	2
-.0500 to -.0999	3.2%	331	1	3,825	1	130,752	1	91,864	1
-.1000 to -.4999	3.6%	825	3	8,426	2	349,592	3	217,439	3
-.5000 to -.9999	4.2%	271	1	3,672	1	169,107	1	106,898	1
-1.0000 to -1.4999	4.8%	97	0	514	0	25,621	0	15,887	0
-1.5000 to -1.9999	5.4%	40	0	538	0	24,546	0	15,743	0
-2.0000 and less	5.4%	89	0	223	0	8,605	0	6,245	0
New & Reactive	2.4%	4,267	15	10,938	3	269,023	2	203,296	2
N&R Neg Reserve	5.4%	180	1	178	0	4,213	0	3,655	0
Delinquent	5.4%	1,178	4	4,330	1	72,868	1	65,559	1
Total		28,456	100	407,671	100	12,018,969	100	8,254,528	100

2001 Benefit and Contribution Data by Reserve Ratio

Reserve Ratio End of 2001	2002 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%	1,676	755	2,431	2	0.5	929	1	0.2
.1400 to .1499	0.1%	559	450	1,009	1	0.4	471	1	0.2
.1300 to .1399	0.2%	912	698	1,611	1	0.4	1,084	1	0.3
.1200 to .1299	0.4%	1,528	1,232	2,760	2	0.4	3,098	3	0.4
.1100 to .1199	0.6%	4,705	1,921	6,626	6	0.6	6,214	7	0.6
.1000 to .1099	0.8%	5,411	1,902	7,312	6	0.8	6,508	7	0.7
.0900 to .0999	1.0%	4,345	1,975	6,320	5	0.8	7,168	8	0.9
.0800 to .0899	1.2%	3,921	1,853	5,774	5	0.9	7,860	8	1.2
.0700 to .0799	1.4%	5,279	2,031	7,310	6	1.0	10,882	12	1.5
.0600 to .0699	1.6%	3,757	1,467	5,224	4	1.1	6,878	7	1.5
.0500 to .0599	1.8%	3,728	1,308	5,036	4	1.3	5,950	6	1.6
.0300 to .0499	2.0%	5,167	2,541	7,708	6	2.5	5,363	6	1.8
.0000 to .0299	2.4%	5,178	735	5,913	5	3.2	3,925	4	2.1
-.0000 to -.0499	2.8%	8,521	944	9,464	8	4.6	5,020	5	2.5
-.0500 to -.0999	3.2%	5,073	337	5,410	5	5.9	2,667	3	2.9
-.1000 to -.4999	3.6%	18,791	859	19,650	16	9.0	7,610	8	3.5
-.5000 to -.9999	4.2%	10,866	322	11,187	9	10.5	4,379	5	4.1
-1.0000 to -1.4999	4.8%	2,051	83	2,134	2	13.4	740	1	4.7
-1.5000 to -1.9999	5.4%	1,988	24	2,012	2	12.8	819	1	5.2
-2.0000 and less	5.4%	1,457	25	1,482	1	23.77	332	0	5.3
New & Reactive	2.4%	257	72	329	0	0.2	4,950	5	2.4
N&R Neg Reserve	5.4%	187	16	202	0	5.5	154	0	4.2
Delinquent	5.4%	1,824	390	2,214	2	3.4	839	1	1.3
Total		97,182	21,938	119,120	100	1.4	93,839	100	1.1

* Cost Rate: Total Benefits divided by Taxable Wages
Tax Rate: Contributions divided by Taxable Wages

2001 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	17,186	60	231,568	57	6,839,199	57	4,633,184	56
Maui	3,290	12	37,082	9	993,244	8	759,684	9
Hawaii	3,216	11	33,835	8	875,152	7	670,528	8
Kauai	1,458	5	15,683	4	387,190	3	297,170	4
Interstate	3,306	12	89,502	22	2,924,184	24	1,893,963	23
Total	28,456	100	407,671	100	12,018,969	100	8,254,528	100

2001 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	54,663	12,142	66,805	56	1.4	50,191	53	1.1
Maui	8,446	2,497	10,943	9	1.4	9,713	10	1.3
Hawaii	10,004	2,048	12,051	10	1.8	9,361	10	1.4
Kauai	4,495	779	5,274	4	1.8	4,375	5	1.5
Interstate	19,574	4,472	24,046	20	1.3	20,200	22	1.1
Total	97,182	21,938	119,120	100	1.4	93,839	100	1.1

* Cost Rate: Total Benefits divided by Taxable Wages
 Tax Rate: Contributions divided by Taxable Wages

2001 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	17,756	62	30,583	8	937,073	8	623,329	8
5 to 9	4,548	16	31,681	8	887,798	7	601,853	7
10 to 19	2,936	10	40,982	10	1,179,062	10	790,410	10
20 to 49	1,907	7	58,397	14	1,719,769	14	1,174,506	14
50 to 99	693	2	47,710	12	1,465,474	12	989,298	12
100 to 249	408	1	61,250	15	1,807,313	15	1,251,678	15
250 or more	208	1	137,069	34	4,022,480	33	2,823,453	34
Total	28,456	100	407,671	100	12,018,969	100	8,254,528	100

2001 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	10,978	1,577	12,555	11	2.0	8,439	9	1.4
5 to 9	7,227	1,495	8,722	7	1.4	7,670	8	1.3
10 to 19	10,683	2,186	12,868	11	1.6	10,204	11	1.3
20 to 49	16,902	3,240	20,142	17	1.7	15,758	17	1.3
50 to 99	11,598	2,915	14,513	12	1.5	13,084	14	1.3
100 to 249	14,198	3,310	17,508	15	1.4	14,944	16	1.2
250 or more	25,597	7,215	32,812	28	1.2	23,739	25	0.8
Total	97,182	21,938	119,120	100	1.4	93,839	100	1.1

* Cost Rate: Total Benefits divided by Taxable Wages
 Tax Rate: Contributions divided by Taxable Wages

2001 Employment and Wage Data by Industry

Industry	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Agriculture	786	3	11,655	3	299,524	2	238,539	3
Construction, Mining	2,537	9	23,241	6	1,085,162	9	681,022	8
Manufacturing	1,019	4	16,987	4	573,748	5	372,837	5
Transportation, Communication, Utilities	1,374	5	42,105	10	1,650,418	14	990,044	12
Wholesale Trade	2,196	8	20,044	5	711,388	6	455,426	6
Retail Trade	5,473	19	111,228	27	2,086,240	17	1,712,492	21
Finance, Insurance, Real Estate	3,319	12	31,812	8	1,300,537	11	774,919	9
Services	10,664	37	150,264	37	4,300,496	36	3,020,942	37
Other	1,088	4	335	0	11,457	0	8,308	0
Total	28,456	100	407,671	100	12,018,969	100	8,254,528	100

2001 Benefit and Contribution Data by Industry

Industry	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Agriculture	7,054	536	7,590	6	3.2	3,858	4	1.6
Construction, Mining	33,777	2,242	36,019	30	5.3	19,489	21	2.9
Manufacturing	4,313	639	4,952	4	1.3	3,878	4	1.0
Transportation, Communication, Utilities	8,772	3,518	12,290	10	1.2	8,386	9	0.8
Wholesale Trade	2,287	947	3,234	3	0.7	4,207	4	0.9
Retail Trade	9,532	4,912	14,444	12	0.8	14,547	16	0.8
Finance, Insurance, Real Estate	3,849	1,633	5,482	5	0.7	6,307	7	0.8
Services	27,526	7,504	35,030	29	1.2	32,984	35	1.1
Other	73	7	80	0	1.0	183	0	2.2
Total	97,182	21,938	119,120	100	1.4	93,839	100	1.1

* Cost Rate: Total Benefits divided by Taxable Wages
 Tax Rate: Contributions divided by Taxable Wages

APPENDIXES

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 = all contributions paid by the employer minus all benefits charged to the employer, divided by 1/3 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 = total benefits paid during a 12 consecutive month period, divided by 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 = Current Reserve (Unemployment Compensation Fund balance as of November 30) divided by 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			
	Contribution Rates (%)									Ratio of Current to Adequate Reserve	Tax Schedule
.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	370,000	40,000	9.8%	7.7%
1977	388,000	31,000	7.3%	7.1%
1978	388,000	32,000	7.7%	6.1%
1979	395,000	26,000	6.3%	5.8%
1980	418,000	21,000	4.9%	7.1%
1981	427,000	24,000	5.4%	7.6%
1982	430,000	31,000	6.7%	9.7%
1983	442,000	30,000	6.5%	9.6%
1984	445,000	27,000	5.6%	7.5%
1985	452,000	27,000	5.6%	7.2%
1986	468,000	24,000	4.8%	7.0%
1987	494,000	20,000	3.8%	6.2%
1988	502,000	16,000	3.1%	5.5%
1989	511,000	13,000	2.5%	5.3%
1990	527,000	15,000	2.8%	5.6%
1991	557,750	16,000	2.8%	6.8%
1992	557,450	26,650	4.6%	7.5%
1993	560,900	25,100	4.3%	6.9%
1994	545,000	35,150	6.1%	6.1%
1995	542,650	33,800	5.9%	5.6%
1996	555,750	37,850	6.4%	5.4%
1997	556,650	38,050	6.4%	4.9%
1998	557,200	37,150	6.2%	4.5%
1999	559,600	33,200	5.6%	4.2%
2000	569,900	25,500	4.3%	4.0%
2001	577,450	28,100	4.6%	4.8%

Source: Labor Force Data Book; LOIHI web page (www.loihi.state.hi.us)

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%

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		
2003	\$407		

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

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	
2000	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	

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%	1.2%	0.8%
2002	0.0%	5.4%	1.2% est	0.8% est
2003	0.2%	5.4%	1.6% est	1.2% est

Source: ES-202

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						\$29,300
2003						\$30,200

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%

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 (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.

⁴ Effective 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 IUR (Insured Unemployment Rate) 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 Extended Benefits 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 Extended Benefits program caused benefit outgo to increase and the fund balance to decline.
- 1972** The fund continued to decline as additional dock strikes and continuing Extended Benefits 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 Extended Benefits 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 Extended Benefits 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.
- 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.

APPENDIX D continued

- 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.
- 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 federal program, Temporary Extended Unemployment Compensation (TEUC) also provided an additional 13 weeks of benefits to claimants, effective from March 10 to December 31, 2002. The insured unemployment rate declined to 1.8% by the November 2002 and the fund balance was back up above \$300 million. Tax schedule D is in effect for calendar year 2003.