# UI Financing 101

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NASWA

NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES

# Session Objectives

Gain a general understanding of the history, rationale, and functioning of the major funding components imbedded in the UI program.

# Agenda

- Program Data Overview
- UI Financing; a Brief History
- Theory of UI Financing
- State Trust Fund Financing
- UI Administrative Financing

# Data Overview

Structural Indicators

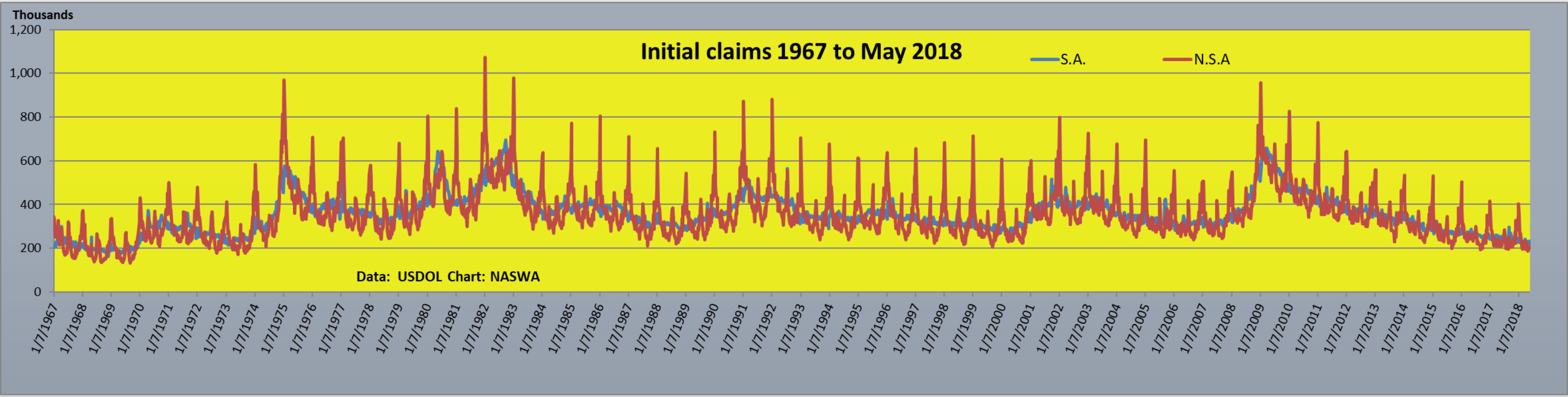
Program Impact: Benefits

Program Impact: Revenue

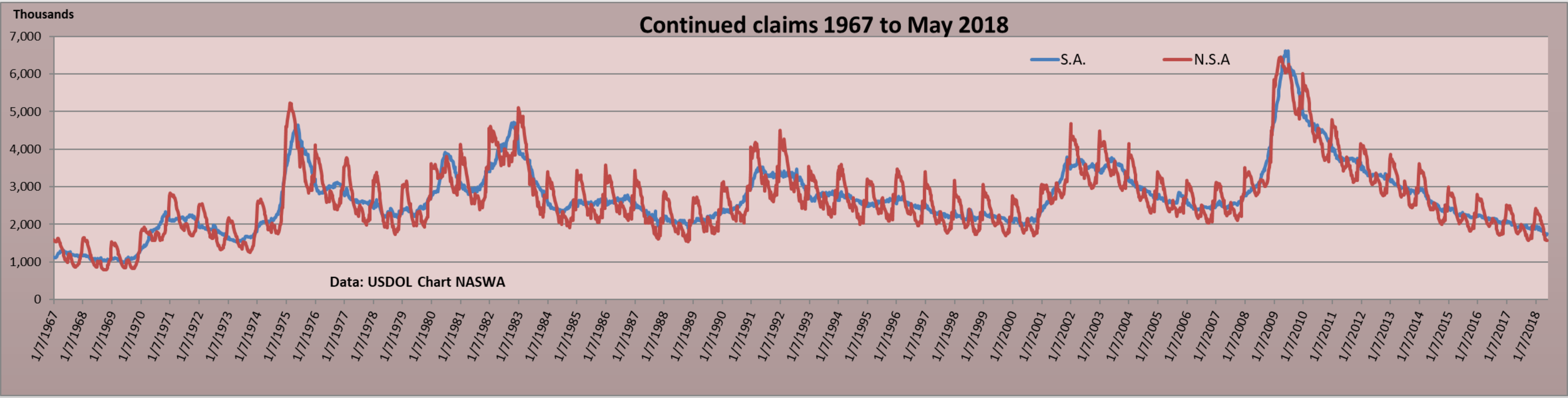
Coverage

Recipiency

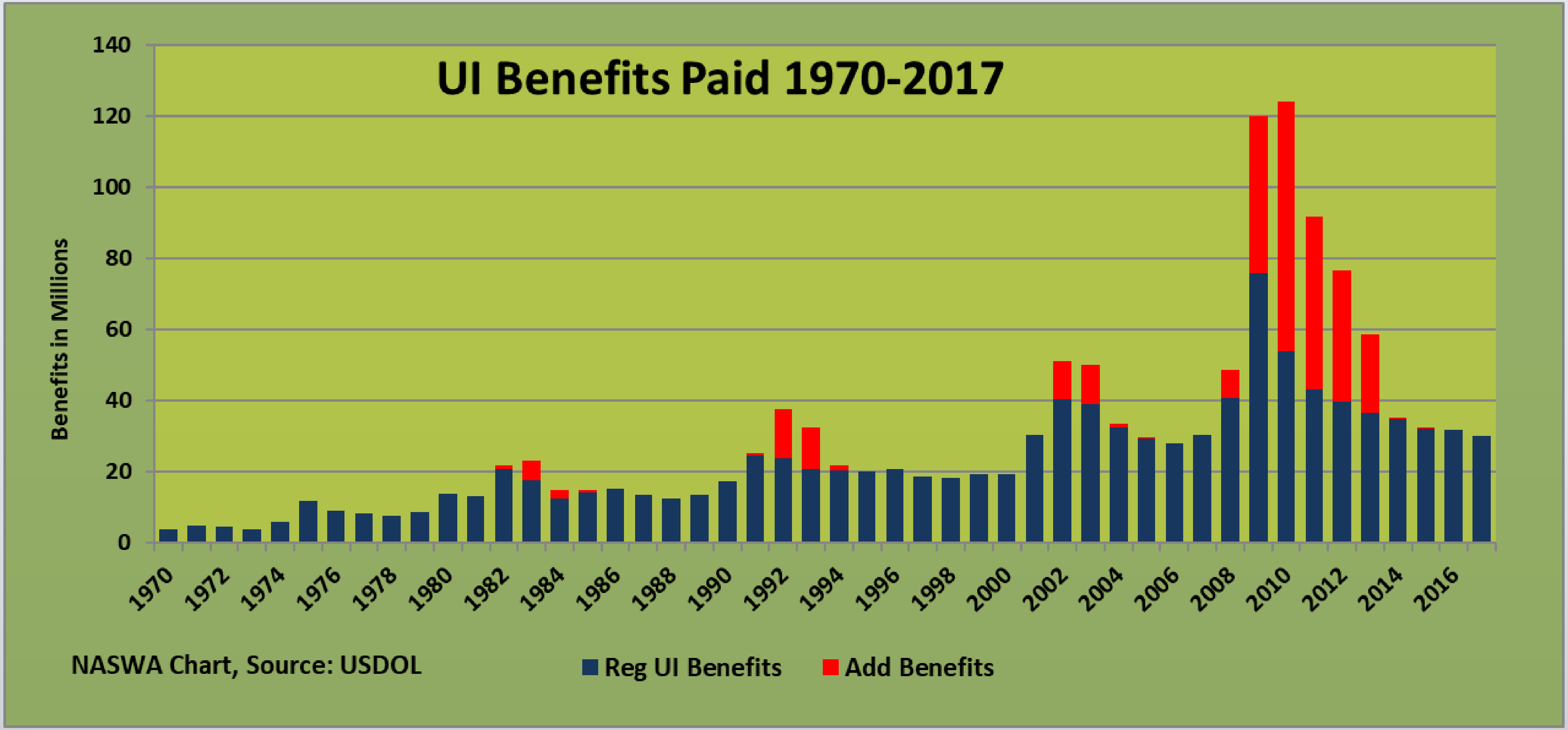
# UI Data History—Initial Claims



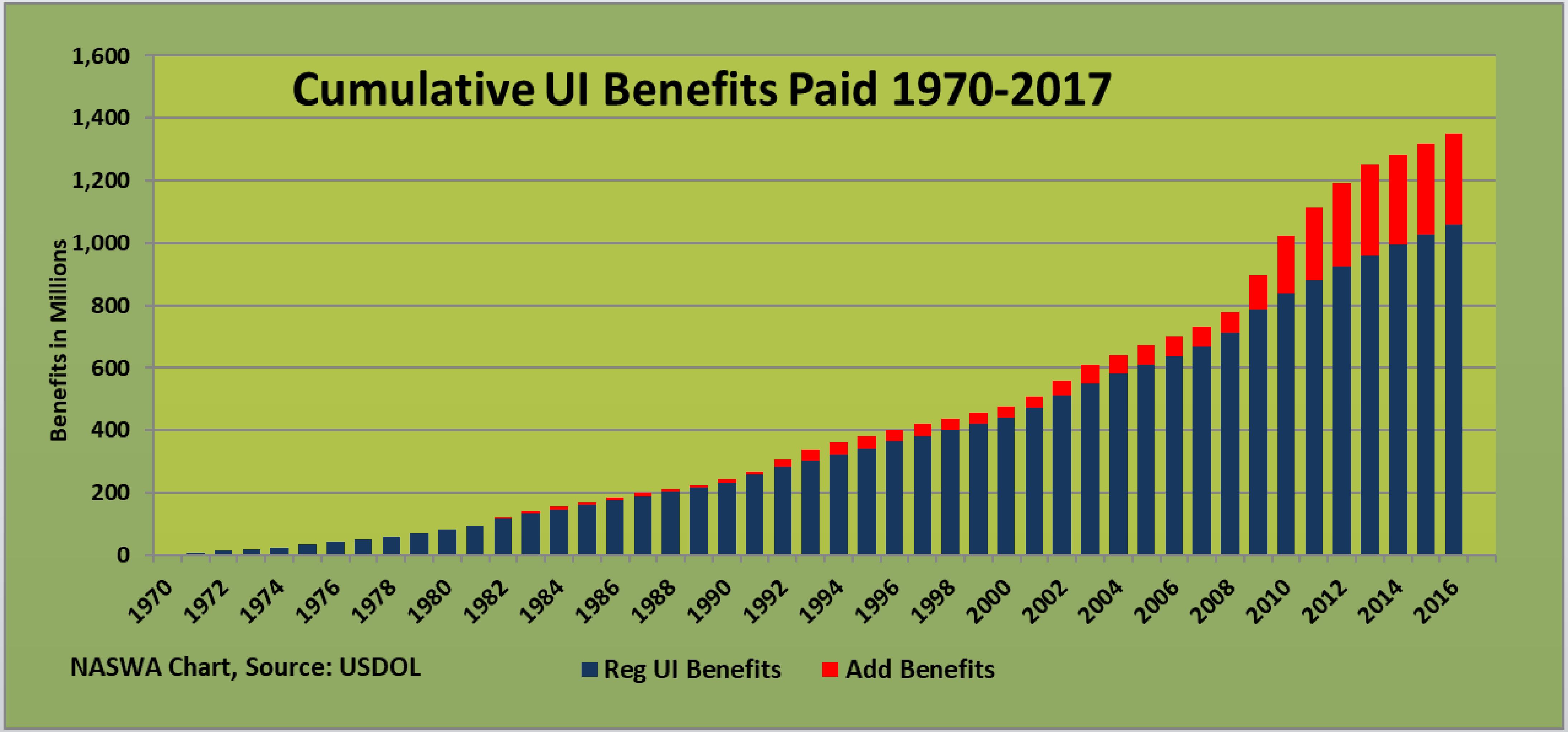
# UI Data History—Continued Claims



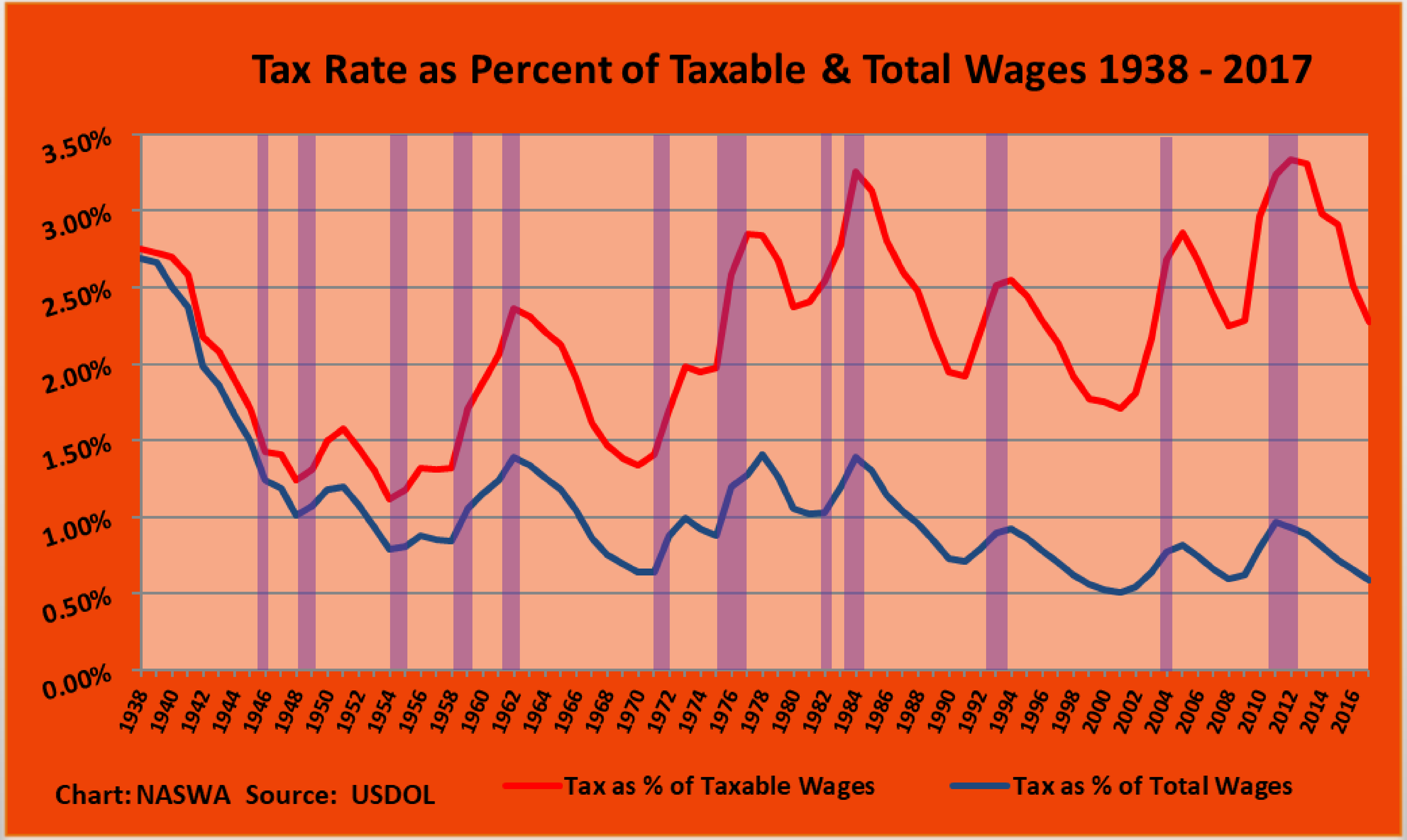
# UI Benefits Paid

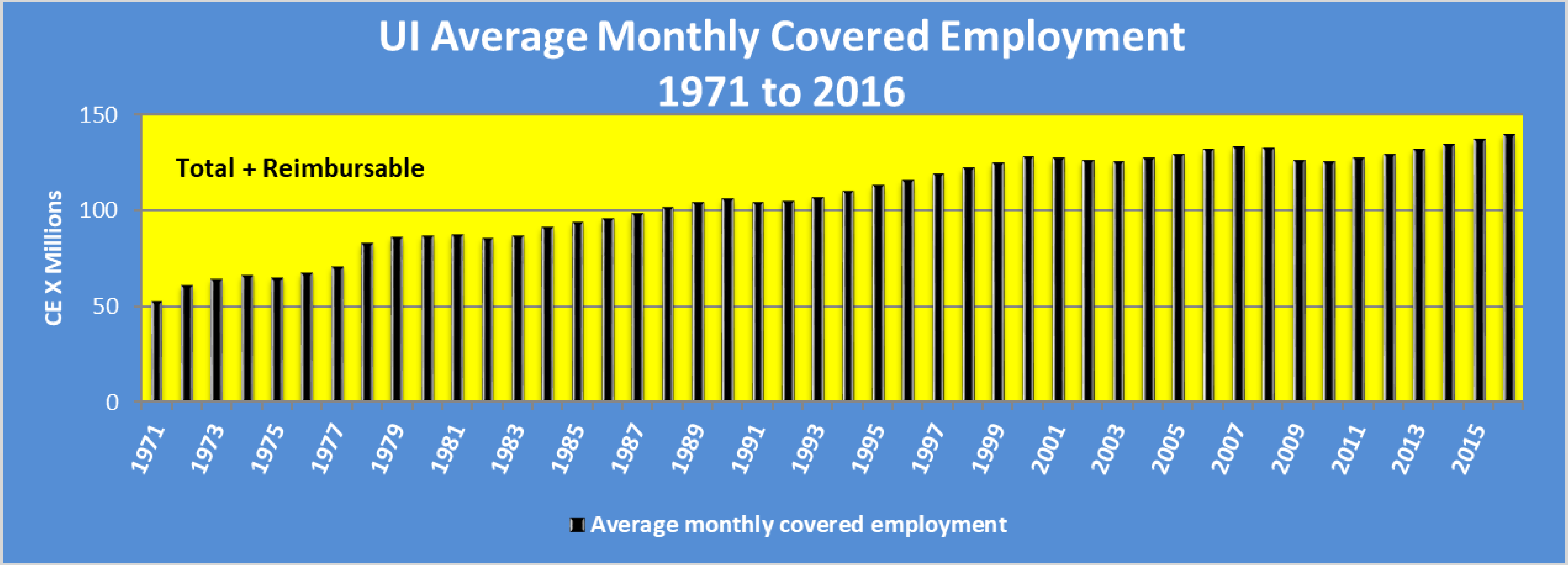


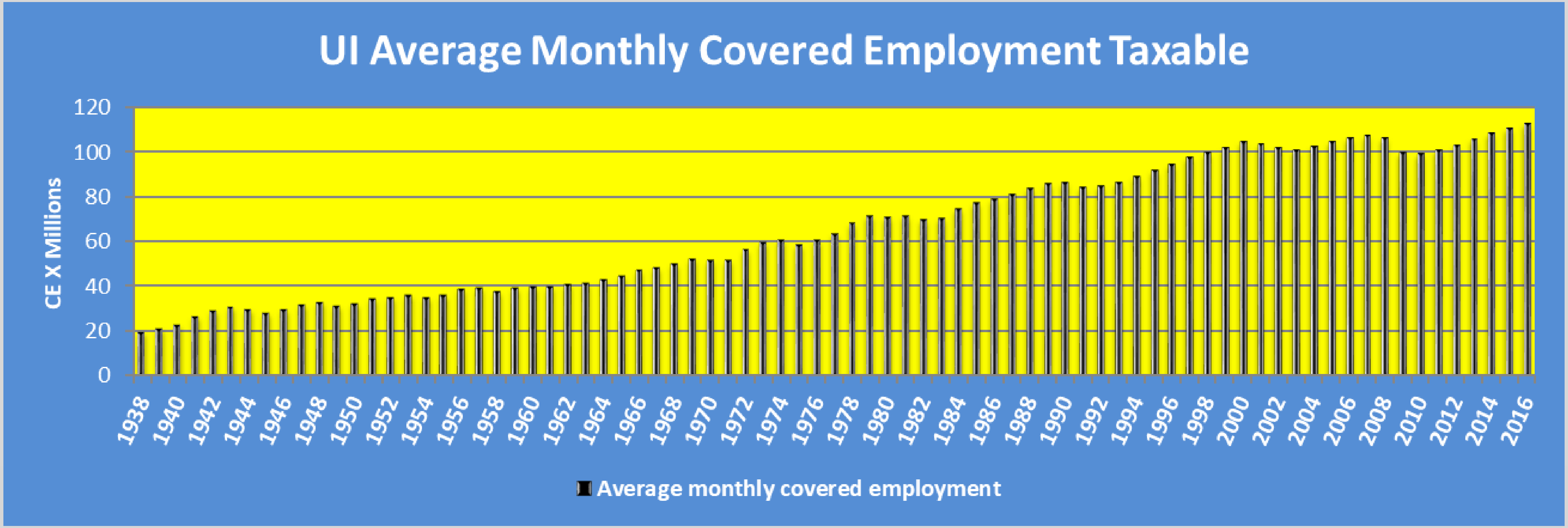
# Cumulative UI Benefits Paid 1970-2017

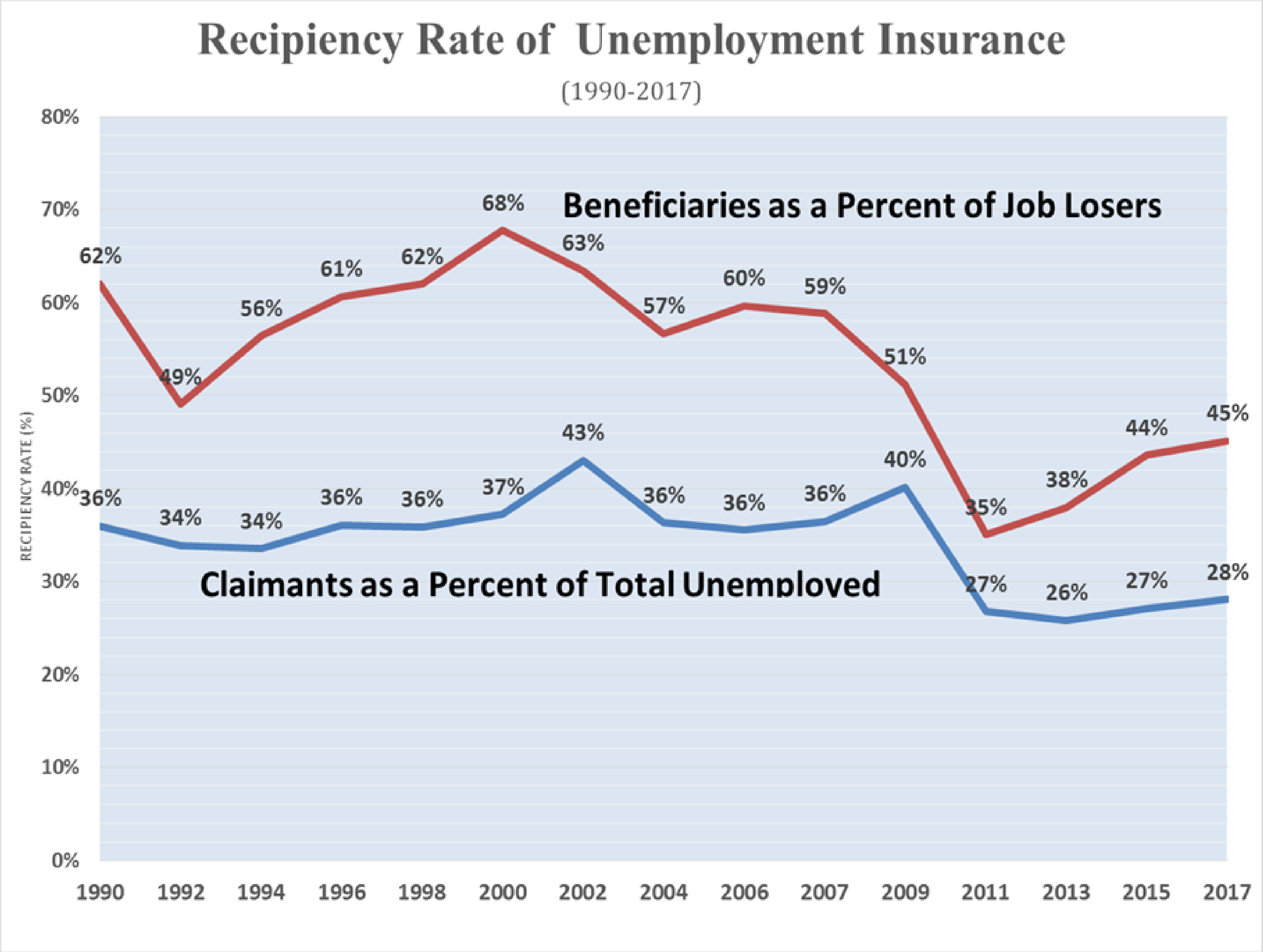


# Tax Rate: Total and Taxable with Recessions




UI Average Monthly Covered Employment
1971 to 2016
Total + Reimbursable
CE X Millions
150
100
50
0
1971
1973
1975
1977
1979
1981
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
Average monthly covered employment


UI Average Monthly Covered Employment Taxable
CE X Millions
120
100
80
60
40
20
0
1938 1940 1942 1944 1946 1948 1950 1952 1954 1956 1958 1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016
Average monthly covered employment


Recipiency Rate of Unemployment Insurance
(1990-2017)
Beneficiaries as a Percent of Job Losers
Claimants as a Percent of Total Unemployed
RECIPIENCY RATE (%)
80%
70%
60%
50%
40%
30%
20%
10%
0%
1990
1992
1994
1996
1998
2000
2002
2004
2006
2007
2009
2011
2013
2015
2017
62%
49%
56%
61%
62%
68%
63%
57%
60%
59%
51%
35%
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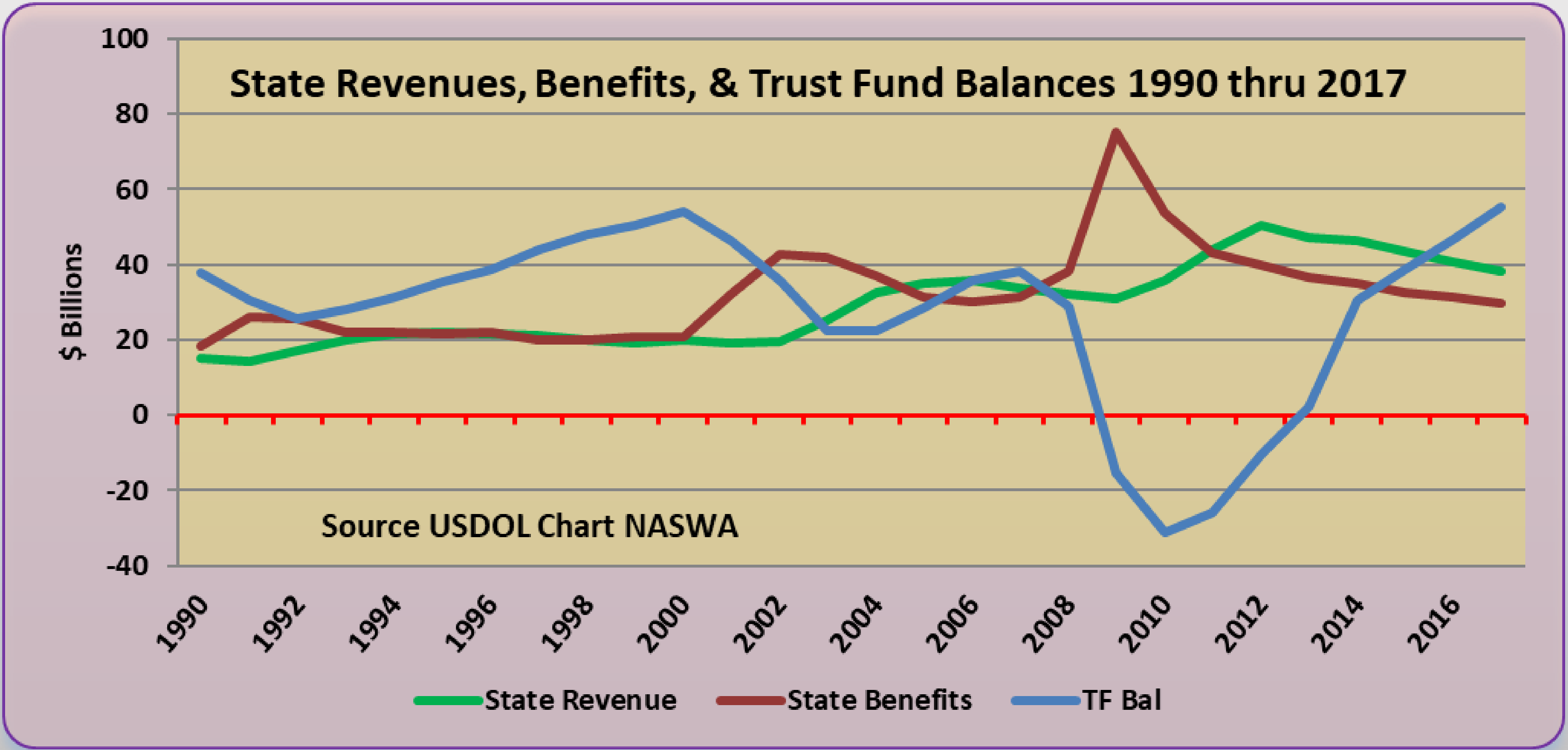
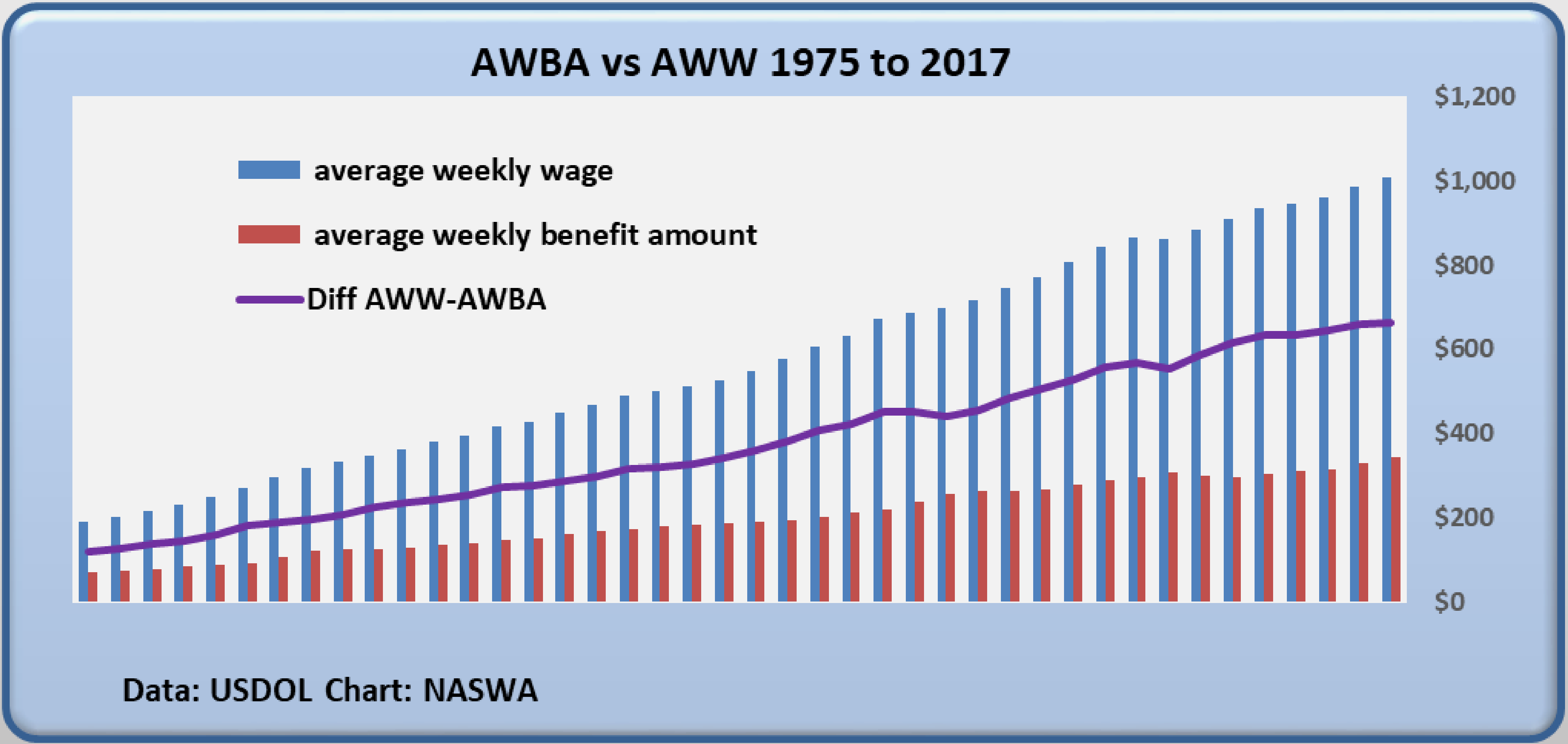
45%
36%
34%
34%
36%
36%
37%
43%
36%
36%
36%
40%
27%
26%
27%
28%

# UI Revenue, Benefits, TF Balances



# Average Weekly Wage vs Average Weekly Benefit



# UI History & Purpose

# UI History in Perspective

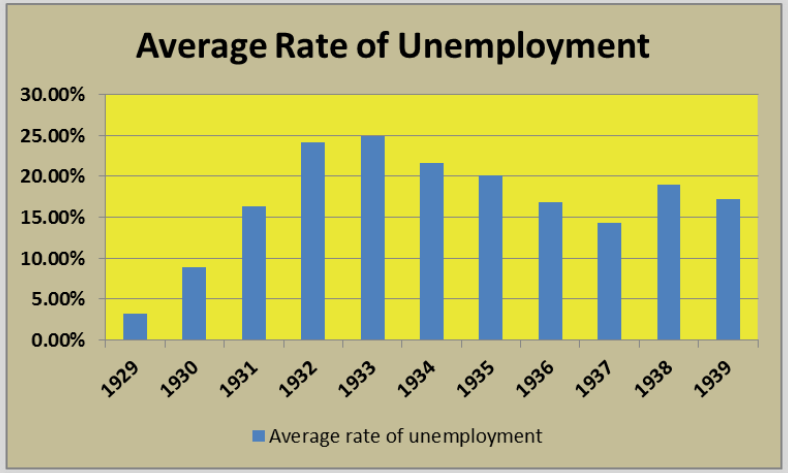
- European Experience:
  - First known plan—Basle Town Switzerland, 1789—short lived.
  - Middle of 19th Century—a few trade unions, mutual benefit societies, fraternal societies provided benefits for members.
  - Swiss community of St. Gall, 1894, established 1st compulsory plan.
  - Great Britain established first national compulsory program in 1911.
  - Italy followed in 1919, and in the 1920, seven other European counties followed suit.

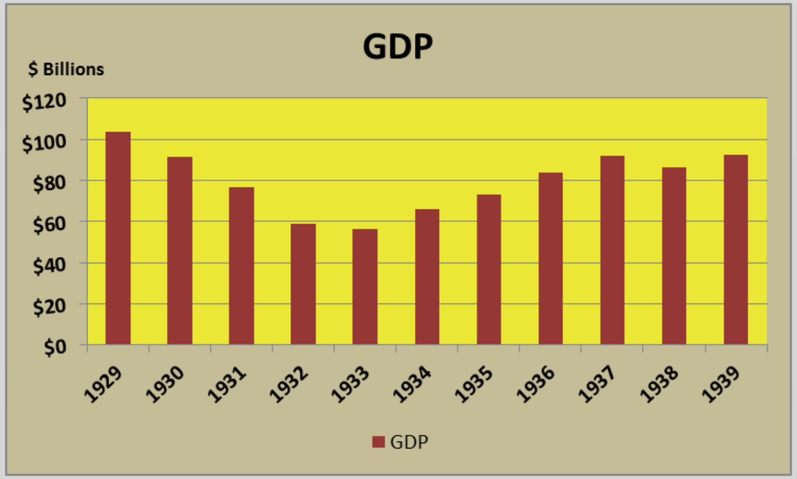
# US Activity Early 20th Century

- 1911-1920: Workmen's compensation laws enacted in most states.
- John Commons developed a plan with pooled fund and employer rates varying according to industry risk & own employment record.
- Some companies started company or joint union-company plans.
- American Federation of Labor opposed, felt workers should cope with their own problems including unemployment.

# US Activity Early 20th Century II

- Depression marked turning point in general public attitude toward unemployment insurance.
- Consequences of Depression led to focus on provision of benefits for the unemployed worker



# UI and Workforce System History

- 1930's Three areas of Focus:
  - Creation of social welfare programs
  - Wagner-Peyser Act 1933
  - Social Security Act 1935

# Wagner-Peyser Act 1933

- Three months after taking office as president, Franklin D. Roosevelt on June 6, 1933
- The Wagner-Peyser Act establishing a nationwide network of public employment service (ES) offices.
- The ES played a key role in economic recovery from the Great Depression by referring jobless workers to available private sector jobs as well as to newly created public sector jobs
- Created first public labor exchange service
- Provides labor related services to employers and job seekers
- The ES continues to serve as the foundation for the national One-Stop delivery system established by the Workforce Investment Act of 1998.

# US Activity Early 20th Century III

- Wisconsin acted as pioneer state, passing a UI law in January 1932.
  - Covered employers with 10 or more employees
  - Payroll tax on employers two percent on payroll
  - Revenue went to state controlled individual employer fund until $55 per employee was accumulated.
  - After $55, rate dropped to one percent until $75/employee.
- Employees entitled to 10 weeks of benefits, not to exceed 50 percent of average weekly wage or $10/week.

# National Interest

- If only some states had UI programs, employers paying UI taxes would be at a competitive disadvantage.
- Led to call for national legislation.
- 1933 – Wagner-Peyser Act (ES)
- 1934:
  - Wagner-Lewis bill
  - FDR formed Committee on Economic Security.
    - Chaired by Frances Perkins

# Report: Committee On Economic Security

- Issued in January 1935
- Basic objectives of UI
  - Paying benefits for periods of involuntary unemployment.
  - Stabilizing employment.
- Expand a system of public employment offices created by Wagner-Peyser Act of 1933.
- Recommended Federal-State system.
- Federal standards necessary to insure states set up UI programs (not relief).

# Report: Committee On Economic Security II

- States free to set up any type of UI program they want.
- Most benefit and tax requirements left to states:
  - Monetary entitlement
  - Disqualification provisions
  - Work search
  - Reporting

# Why a Federal-State System?

- State-only system wasn't working.
- Exclusively Federal system would be cumbersome and difficult.
- Federal-State system removes disadvantages in interstate competition while allowing wide latitude for experimentation.

# The Social Security Act

The Social Security Act of 1935 spelled out the provisions for UI:

- Title IX provided for:
  - The employer tax,
  - Specified exclusions from coverage,
  - Established standards that state systems must meet, and
  - Set up rules for developing an experience rating.
- Title III was concerned with administration.

# Federal “Requirements”

- Concerns about the constitutionality of Federal requirements led to an incentives system,
  - States are given incentives to comply with Federal law.
  - States technically have a choice whether or not to establish their unemployment compensation programs in compliance with the provisions of Federal law.
  - Federal Unemployment Tax Act (FUTA) lets employers take credit against the Federal UI tax if their states’ UI programs comply with Federal law

# Federal Unemployment Tax Act (FUTA)

- Substantial parts of Title IX (taxing provisions) were repealed and reenacted (1939) as FUTA.
- Moved the taxing provision in Title IX of the Social Security Act to the Internal Revenue Code, Chapter 23:
  - Section 3301 – Imposes tax
  - Section 3302 – Credits against tax
  - Section 3303 – Additional credit conditions (experience rating)
  - Section 3304 – Normal credit conditions

# Significant UI Amendments

Significant Amendments:

- Allowing employers to make voluntary contributions;
- The Reed Act which allows excess federal funds to be returned to states and the establishment of a loan fund to help states pay benefits when their trust funds are depleted;
- Creation of a permanent extended benefit program;
- Extension of coverage to non-profits, agriculture, state and local government workers;
- Establishment of the Trade Adjustment Assistance Program; and
- Establishment of various additional extended benefit programs.

# Significant UI Amendments II

- 2008 Supplemental Appropriations Act:
  - Emergency Unemployment Compensation (EUC 08)
- 2009 American Recovery & Reinvestment Act:
  - $500M transfer from the Employment Security Administration account

# Theory of UI Financing

# UI Financing

Central Components:

- Federal Law Authority
- FUTA
- Unemployment Trust Fund
- Public Debt
- State Financing System
- Title XII Advance
- Administrative Financing

# Federal Law Authority

- The Federal Unemployment Tax Act (FUTA) envisions a cooperative federal-state program of benefits to unemployed workers.
- FUTA imposes an excise tax on every employer equal to a specified percentage of total taxable wages paid during the calendar year.
- The tax mechanism grants a wide range of discretion to the states as long as certain minimum Federal standards are met.

# Federal Law Authority

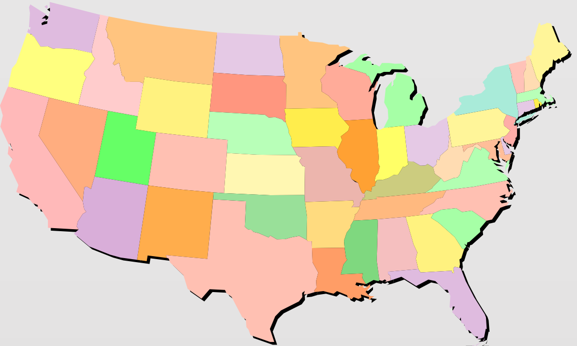
- FUTA requires employers to pay a Federal tax, currently 6.0 percent on the first $7000 paid with respect to each employee's wages.
- Employers in the state may take two credits against the tax:
  - For the amount of contributions actually paid into the state unemployment fund, and
  - An additional credit for
    - (contributions paid)-(the amount to be paid at the highest rate, up to a cap of 5.4 percent)
- To receive the additional credit, the state's <u>experience rating system</u> must conform to Federal law.

# FUTA Tax

6.0% FUTA Tax

On $7,000 wages

Acceptable UI Program

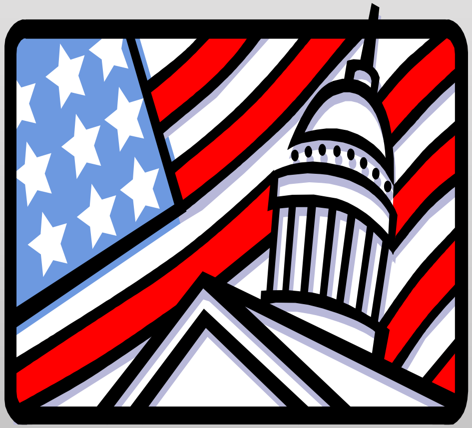


5.4% Credit

Covered Employers

.6%

On $7,000



# FUTA Tax

- The maximum FUTA tax payable for each employee receiving full credit is:

| | |
|---|---|
| Full FUTA | 6.0% x $7,000 = $420 |
| With Credit | 0.6% x $7,000 = $42 |

- If State Taxable Wage Base is $5,000:

  Total FUTA tax = (.06 x 5,000) + (6.0% x 2,000)

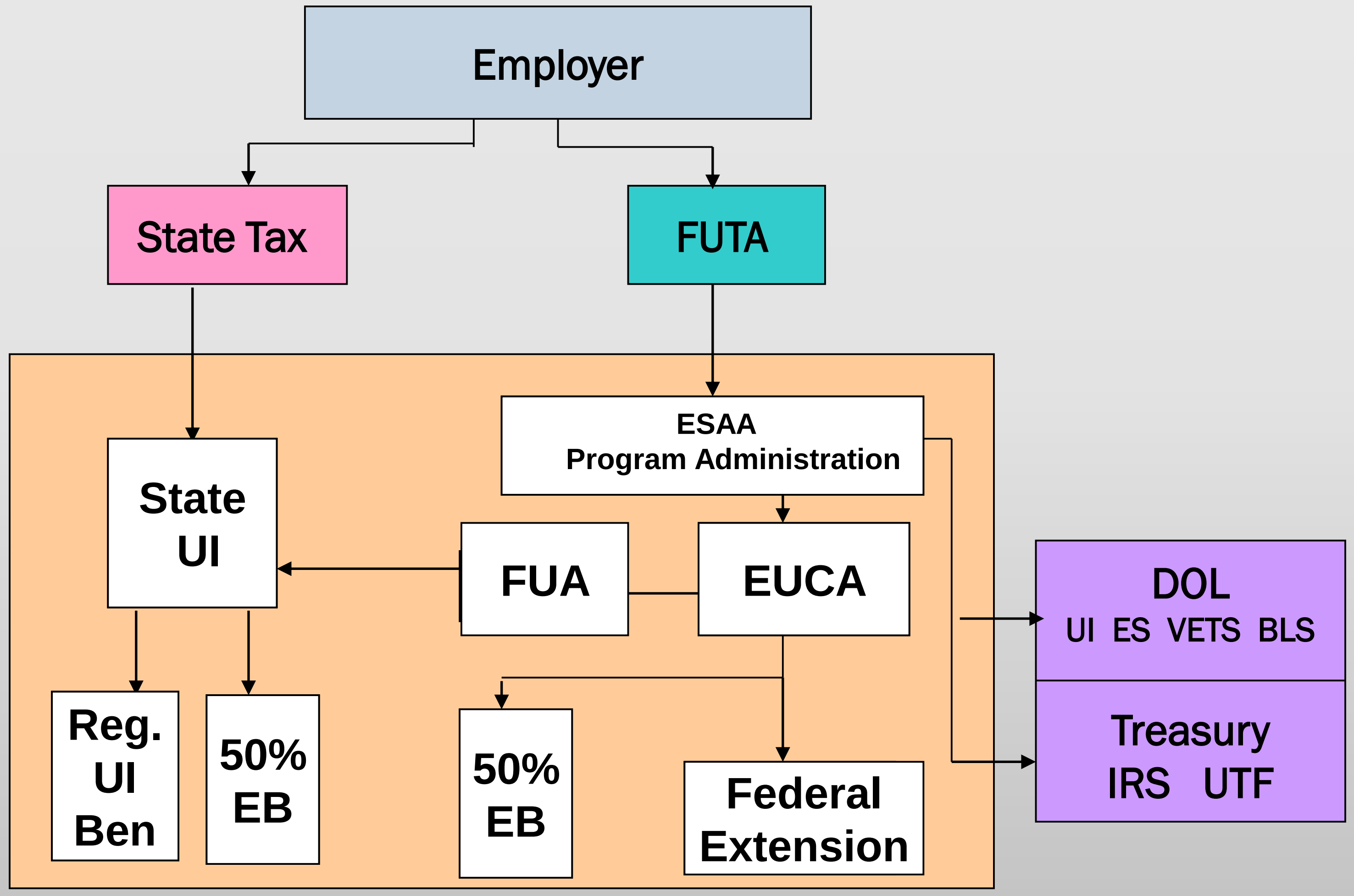
- FUTA Tax Collected once a year from taxable employers

- FUTA Tax will increase (credit reduction) if States Borrow without repaying

# History of FUTA

| FUTA Tax History | | | | | |
|---|---|---|---|---|---|
| Year | FUTA Wage Base | FUTA Rate | FUTA Credit | Final FUTA Rate | Per Employee |
| 1940 | $3,000 | 3.0% | 2.7% | 0.3% | $9 |
| 1961 | $3,000 | 3.1% | 2.7% | 0.4% | $12 |
| 1972 | $4,200 | 3.2% | 2.7% | 0.5% | $21 |
| 1978 | $6,000 | 3.4% | 2.7% | 0.7% | $42 |
| 1983 | $7,000 | 6.2% | 5.4% | 0.8% | $56 |
| 2011 | $7,000 | 6.0% | 5.4% | 0.6% | $42 |

# FUTA Accounts

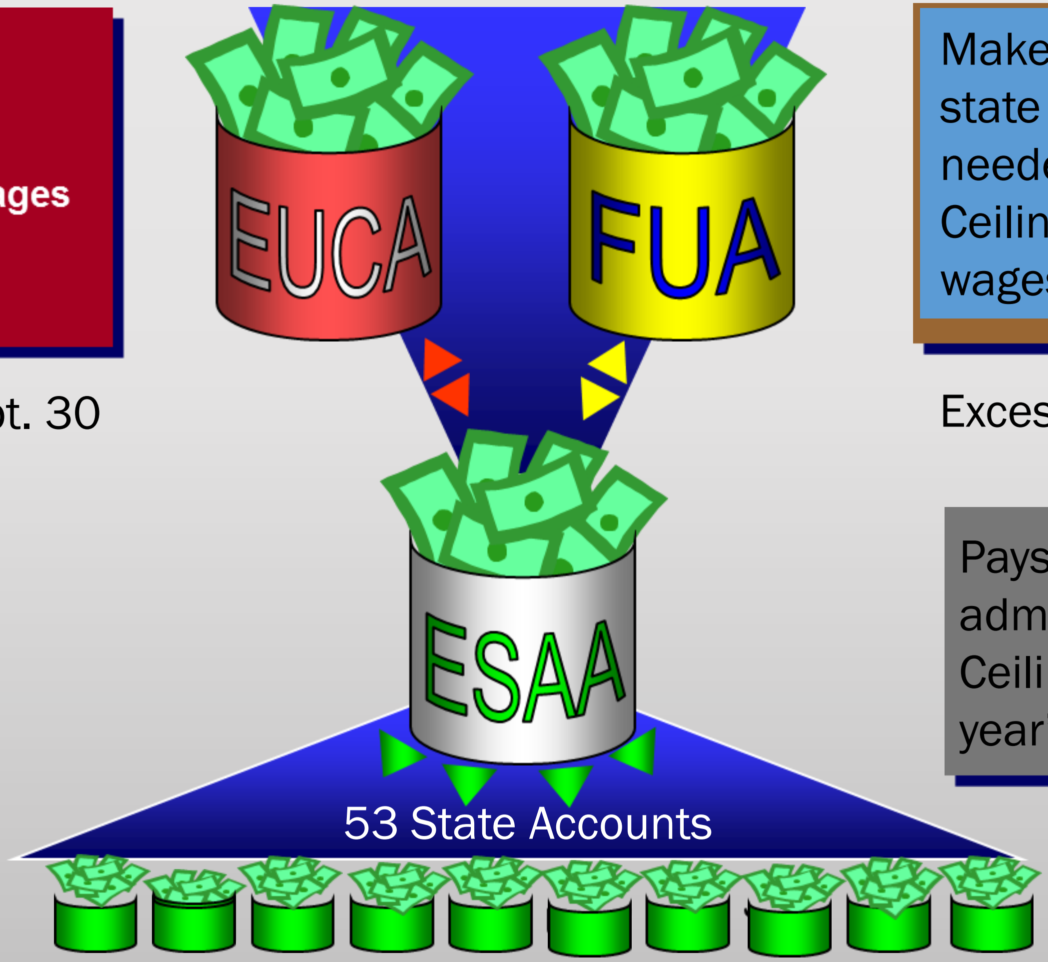


# Unemployment Trust Fund

**Pays 1/2 cost of EB**
**Ceiling = .50% of total wages**

Excess flows to ESAA Sept. 30

***When all 3 Federal accounts reach/exceed their ceilings on Sept. 30, the amount in excess of the ceiling is distributed to state accounts on Oct. 1. (Reed Act)***




Makes loans to insolvent state accounts when needed
Ceiling = .50% of total wages

Excess flows to ESAA Sept. 30

Pays for state administrative costs
Ceiling = 40% of prior year’s appropriation

# Outstanding Debt

The Extended Unemployment Compensation Account (EUCA) has an outstanding balance as of 9/30/17 of $13.69B, made up of:

- $2.61B owed to the General Fund and
- $11.08B owed to FUA/ESAA.

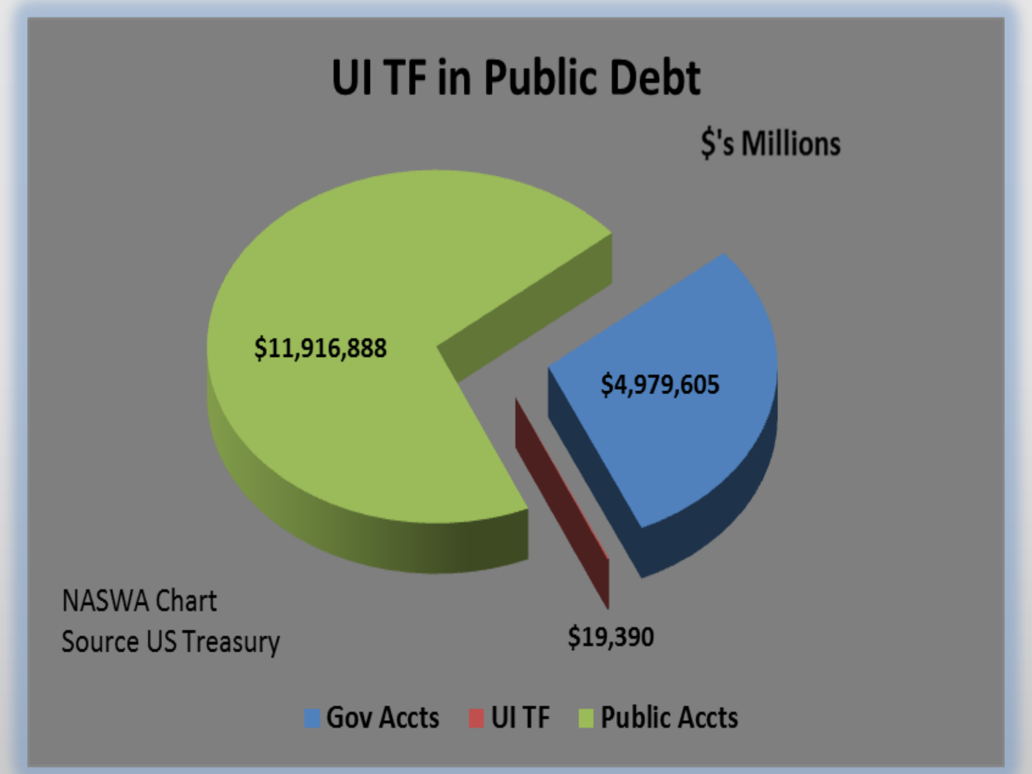
EUCA earns about $1.25 B/year.

- Without a new recession under current law will be paid off ?

*Source: FY 2019 President's Budget: UI Outlook*

# UI Trust Fund in Public Debt

- Total federal debt consists of debt held by the public & intragovernmental debt.
- The Treasury Sec. is authorized to receive and invest all funds collected by a state for the payment of UI benefits and invest such portion not required to meet current withdrawals.
- Such investment may be made only in interest-bearing obligations of the US or in obligations guaranteed as to both principal and interest by the US.



# State Trust Fund Financing Systems

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# State Benefit Financing Systems are Complex, Dynamic Systems

- The basic components of a state's UI taxing system consists of a set of tax schedules, or a single schedule that may be revised based on specific criteria set in State law.
- The tax schedule in effect in a given year is generally a function of the state's trust fund balance at a specific point in time.
- An employers tax rate is based on State's formula for determining the employers experience with unemployment.
- The more unemployment experienced by an employer, the higher their tax rate.

# State Tax Systems

- That's the simple explanation but each state has defined its system with many different adaptations and limitations on this schema, including:
  - Varying the number of years included in each separate computation,
  - Adapting special provision for new employers, or
  - Varying how benefits get charged to each employer.
- Basic experience rating standard:  All employers must be rated over the same time period using the same factor(s) which bear a direct relation to the employers' experience with unemployment.

*Employers with the same experience should pay the same tax rates.*

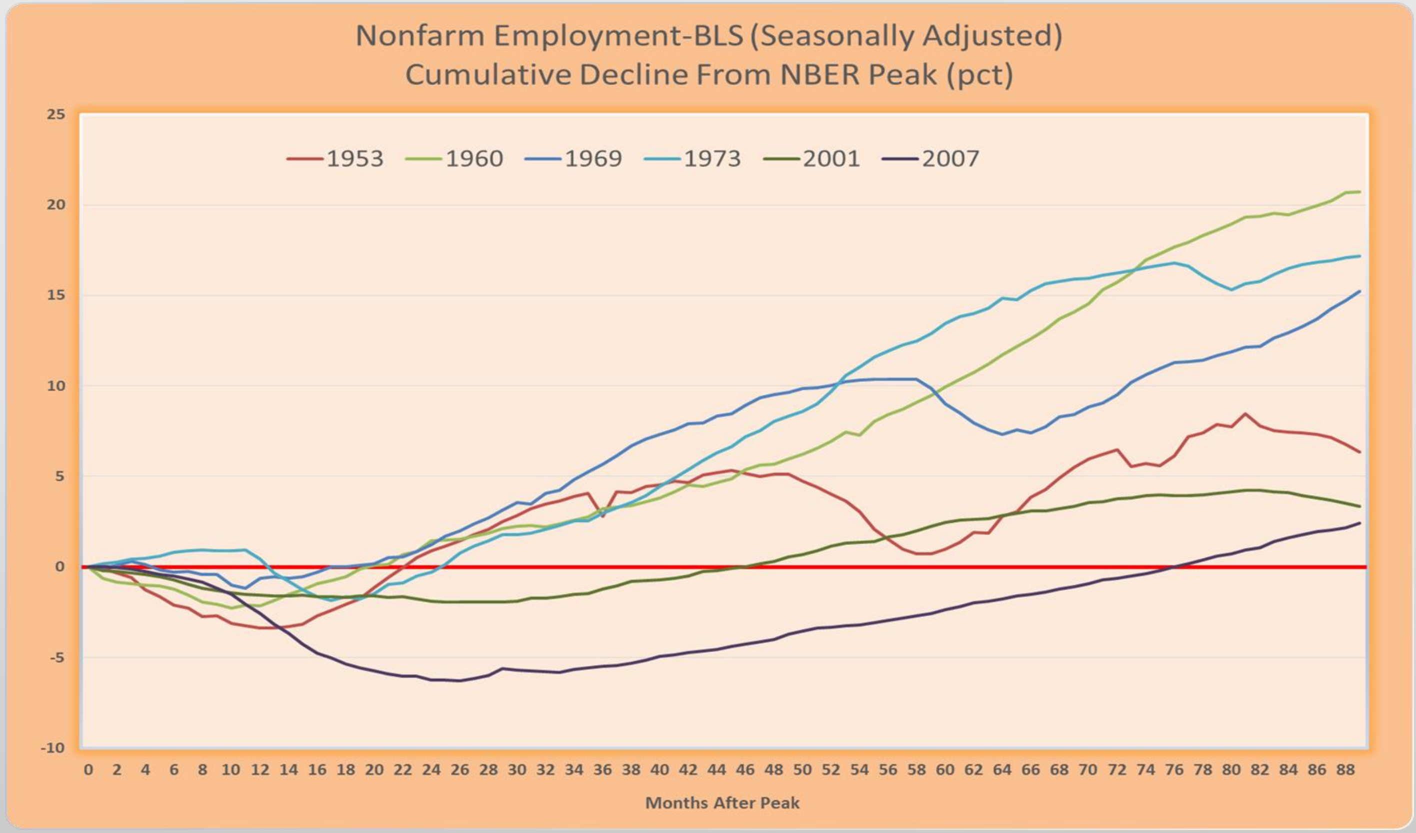
# State UI Tax Systems

State Benefit & Tax Systems are designed to be "Countercyclical"

- The demand for UI benefit payments increase as the economy slows, and even more dramatically during more severe recessions.
- Employer taxes are usually lower shortly before recessions and generally do not increase substantially during the downturn or shortly thereafter.
- Tax revenues are designed to begin to increase as the economy improves.
- Individual employers who lay off more workers face higher tax rates based on their "experience" with increased unemployment.

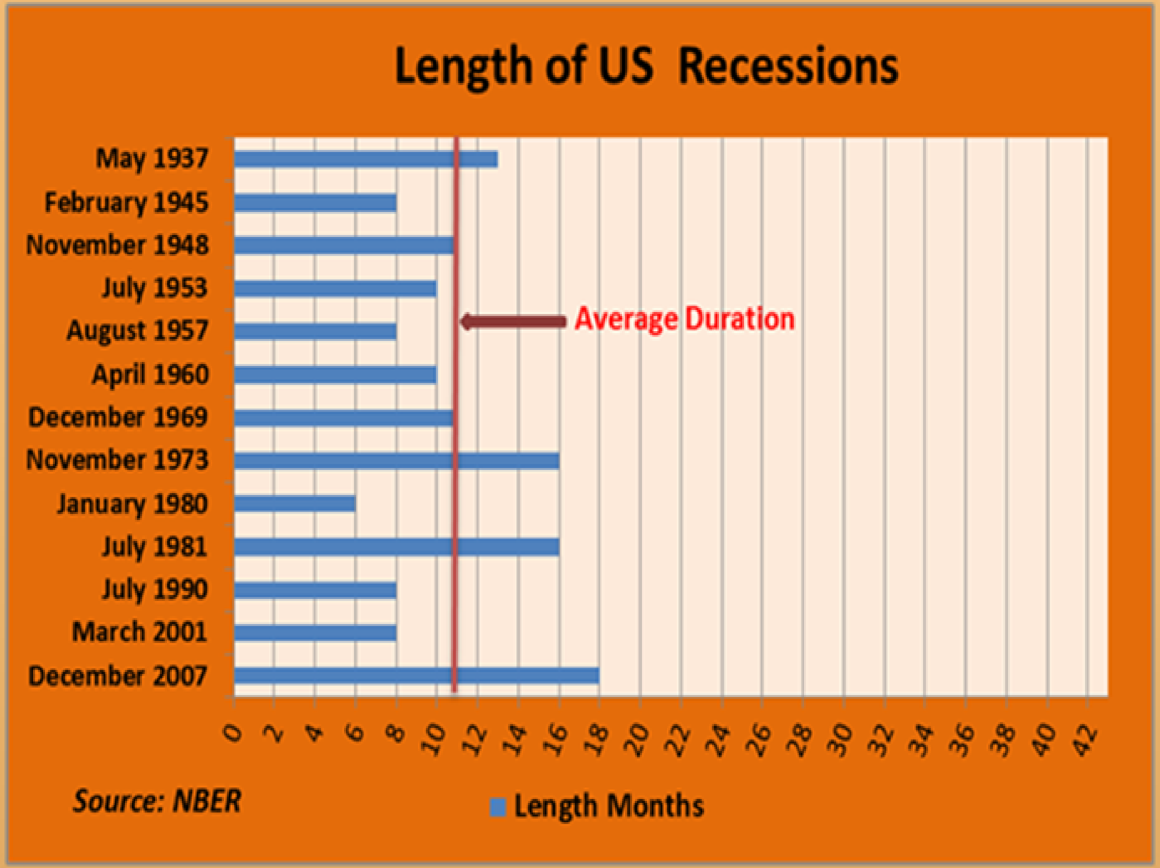
# Business Cycles

- Differences in economic recoveries can impact the timing mechanisms in a state's UI financing system.
- Many systems assume a gradual recovery over 18 to 36 months and they are designed to slowly increase employer tax rates to build trust fund balances as benefit payments decline.
- In the current expansion period neither of these are true. The length and depth of the Great Recession (Blue Line) is evident in the chart, planning for a UI tax system to cover this downturn is difficult.

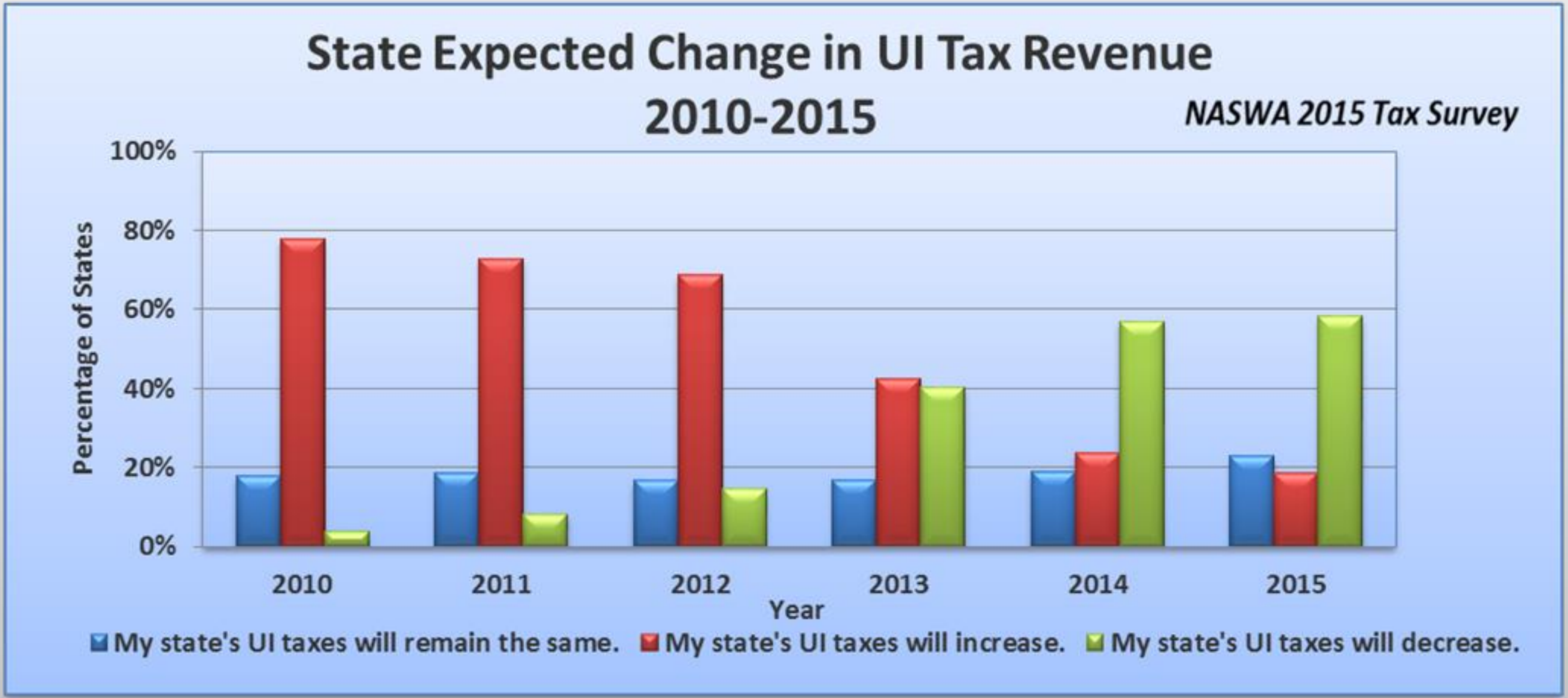


# Length of Recessions

- Understanding how economic cycles may change is important when developing a structure for a State's UI benefit and financing systems.
- The duration and amplitude of U.S. economic cycles and in turn an individual state's cycles have varied significantly.
- Planning UI Tax systems to be countercyclical can prove to be a challenge as shown by the varying lengths of recent recessions.



# Changes in UI Tax Revenue



# Experience Rating: History

- Employers state UI tax rates are influenced by their “experience with unemployment.”
- The U.S. is the only country that uses experience rating to determine employer UI tax rates.
- Experience rating has been part of the U.S. system since it was established in 1935.
- Basically, experience rating works somewhat like other types of insurance, such as auto insurance, that charge customers variable rates based on certain risk factors.

# Experience Rating

- UI benefits are primarily financed through the quarterly assessment of taxes on employer payrolls.
- Employer begins at an initial tax rate (new employer rate)
- Subsequent tax rates will vary based upon the amount of benefits charged to the employer's account.
- Employers usually need two-three years of "experience" to get an experience rating but some states give it after one year.
- States have many provisions as to what "employment" is charged to an employer and the formula used to compute their experience rating.
- Once an employer's tax rate is determined, the rate applies to the wages paid to each employee for a specific year up to the state's maximum taxable wage base.

# Federal Unemployment Tax Act (FUTA, 1935)

## Acceptable State UI Program

- The Standard Rate must be at least the value of the credit amount 5.4% (0.6% from 6.0%).

- Any reduction in awarded rates must be based on an employers experience with unemployment.

# Major Differences in State UI Tax Structures

- Four types of experience rating mechanisms.
- Thirteen states charge the most recent or principal employer, 34 charge in proportion to base period wages, 5 charge in inverse chronological order.
- Wage Base varies from $7,000 to $47,300.
- Three states have employee taxes (AK,NJ,PA).
- Twenty-eight states allow voluntary contributions.
- Three States have no benefit charging.
- Thirty States have taxes for UI Admin or Non-UI Purposes

# Primary Features of State UI Tax Systems

Taxable Wage Base

($7,000 - $45,000)

Experience Rating Method

(Reserve Ratio/ Benefit Ratio /Benefit Wage / Payroll Decline)

Tax Table Triggers

(Reserve Ratio/ Benefit Cost Multiple / Dollar Value of the Trust Fund)

# Taxable Wage Base

- Federal minimum of $7000
- Varies from State to State
- Two most common methods
  - Flat Rate-Set by Legislature
  - Indexed-Tied to other figure such as average weekly wage
- Employee Contributions
  - AK, NJ, PA

# State Taxable Wage Base

| | State Tax Rate | | Taxable Wage Base | | Contrib. per Employee |
|---|---|---|---|---|---|
| State 1 | 1.0% | * | $7,000 | = | $70 |
| State 2 | .35% | * | $20,000 | = | $70 |

Higher Base – lower Rate - Same Revenue

## Low Base – Higher Proportion of Wages

| | Wage Base | Employ. | Avg. Wage | Total Wages | Taxable Wages | % of Wages Taxed |
|---|---|---|---|---|---|---|
| Low Wage | $7,000 | 10 | $15,000 | $150,000 | $70,000 | 47% |
| High Wage | $7,000 | 10 | $80,000 | $800,000 | $70,000 | 9% |

# Indexing the Taxable Wage Base

- Twenty Four (2018) States Multiply the current year, prior year (or second prior year) average annual wage by a specified proportion – 50% - 100%.

- Five States set the Wage Base based on the size of the UI Trust Fund:

| State Reserve Ratio | Wage Base |
|---|---|
| > 1% | $7,000 |
| >.5% < 1% | $8,000 |
| < .5% | $9,000 |

- Some States may assign different wage base to a different group of employers

# Estimated State & US Tax & Total Rates

| STATE | TAXABLE WAGE BASE ($) | 2017 PERCENT OF: TAXABLE WAGES | TOTAL WAGES |
|---|---|---|---|
| United States | 7,000 | 2.27 | 0.59 |
| Alabama | 8,000 | 1.54 | 0.34 |
| Alaska | 39,800 | 1.01 | 0.62 |
| Arizona | 7,000 | 2.20 | 0.43 |
| Arkansas | 12,000 | 1.75 | 0.57 |
| California | 7,000 | 4.49 | 0.68 |
| Colorado | 12,500 | 2.00 | 0.53 |
| Connecticut | 15,000 | 3.57 | 0.84 |
| Delaware | 18,500 | 1.65 | 0.57 |
| District of Columbia | 9,000 | 2.55 | 0.36 |
| Florida | 7,000 | 1.03 | 0.20 |
| Georgia | 9,500 | 1.65 | 0.37 |
| Hawaii | 44,000 | 1.04 | 0.71 |
| Idaho | 37,800 | 1.42 | 0.95 |
| Illinois | 12,960 | 3.07 | 0.76 |
| Indiana | 9,500 | 1.94 | 0.50 |
| Iowa | 29,300 | 1.58 | 0.85 |
| Kansas | 14,000 | 1.53 | 0.49 |
| Kentucky | 10,200 | 3.00 | 0.72 |
| Louisiana | 7,700 | 1.55 | 0.32 |
| Maine | 12,000 | 1.81 | 0.60 |
| Maryland | 8,500 | 2.41 | 0.40 |
| Massachusetts | 15,000 | 3.18 | 0.76 |
| Michigan | 9,000 | 3.36 | 0.71 |
| Minnesota | 32,000 | 1.33 | 0.64 |
| Mississippi | 14,000 | 0.62 | 0.24 |

| STATE | TAXABLE WAGE BASE ($) | 2017 PERCENT OF: TAXABLE WAGES | TOTAL WAGES |
|---|---|---|---|
| Missouri | 13,000 | 1.25 | 0.38 |
| Montana | 31,400 | 1.14 | 0.71 |
| Nebraska | 9,000 | 0.89 | 0.21 |
| Nevada | 29,500 | 1.99 | 1.12 |
| New Hampshire | 14,000 | 0.88 | 0.24 |
| New Jersey | 33,500 | 1.89 | 0.82 |
| New Mexico | 24,300 | 1.13 | 0.57 |
| New York | 10,900 | 2.93 | 0.52 |
| North Carolina | 23,100 | 0.95 | 0.42 |
| North Dakota | 35,100 | 2.19 | 1.34 |
| Ohio | 9,000 | 2.97 | 0.67 |
| Oklahoma | 17,700 | 0.98 | 0.40 |
| Oregon | 38,400 | 2.20 | 1.42 |
| Pennsylvania | 9,750 | 5.88 | 1.24 |
| Puerto Rico | 7,000 | 2.78 | 0.84 |
| Rhode Island | 22,400 | 2.76 | 1.16 |
| South Carolina | 14,000 | 1.77 | 0.61 |
| South Dakota | 15,000 | 0.69 | 0.27 |
| Tennessee | 8,000 | 1.17 | 0.20 |
| Texas | 9,000 | 2.60 | 0.51 |
| Utah | 33,100 | 0.59 | 0.34 |
| Vermont | 17,300 | 3.90 | 1.50 |
| Virgin Islands | 23,500 | 1.82 | 1.07 |
| Virginia | 8,000 | 1.57 | 0.28 |
| Washington | 45,000 | 1.07 | 0.61 |
| West Virginia | 12,000 | 2.84 | 0.93 |
| Wisconsin | 14,000 | 2.04 | 0.66 |
| Wyoming | 25,400 | 1.50 | 0.74 |

# Employer Tax Rates

- Standard or New Employer Rate
  - May vary based on industry
  - Retain until requirements for a calculated rate are met
  - Generally three years for experience rate
- Successor Rate
  - Transferred with ownership of business
  - May be optional or mandatory
  - Partial or total

# Individual Factors Impacting Tax Rates

- Contributions paid in
- Benefits charged to reserve
- Acquisition or liquidation
- Significant change in average payroll amount
- Penalty assessments

# Communalized Factors Impacting Rates

- Trust Fund balance
  - Applied to applicable rate table
  - Generally Set Annually
- Industry sector experience
  - Construction
  - Manufacturing
  - Mining

# UI Experience Rating Formulae

| | | |
|---|---|---|
| Reserve Ratio:<br>-31 | = | <u>Beg. Balance+(Contributions-Benefits)</u><br>Taxable Wages |
| Benefit Ratio:<br>-19 | = | <u>Benefits Charged (previous 3 years)</u><br>Taxable Wages |
| Benefit Wage Ratio:<br>-2 | = | <u>Benefit Wages</u><br>Taxable Wages |
| Payroll Decline:<br>-1 | = | <u>Average Difference in Qtr. Payroll)</u><br>Taxable Wages |

# Assigning State Tax Rates

In addition to the type of experience rating method, states differ in the type of employer ranking employed in the assignment of tax rates:

- Twelve states assign UI tax rates by using a relative ranking of all employers, called the Array Method.
- Forty One states use fixed intervals of their experience rating measure (e.g. reserve ratio) to place employers in tax rate groups.

# Experience Rated Tax System

1) Taxable Wage Base = $10,000

| Experience | % of Taxable Wages |
|---|---|
| Good Experience- Low Rates | .5 |
| | 1.0 |
| | 1.5 |
| | 2.0 |
| | 2.5 |
| | 3.0 |
| | 4.0 |
| Bad Experience- High Rates | 4.5 |
| | 5.4 |

2) Employer Experience Factor

# Experience Rated Tax System

## Schedule of Rates Based on Measure of Trust Fund Balance

High Fund/Low Rates

Low Fund/High Rates

**Employer Experience Factor**

Good Experience-Low Rates

| | | | | |
|---|---|---|---|---|
| .5 | .6 | .7 | .8 | .9 |
| 1.0 | 1.1 | 1.2 | 1.3 | 1.4 |
| 1.5 | 1.6 | 1.7 | 1.8 | 1.9 |
| 2.0 | 2.1 | 2.2 | 2.3 | 2.4 |
| 2.5 | 2.6 | 2.7 | 2.8 | 2.9 |
| 3.0 | 3.1 | 3.2 | 3.3 | 3.4 |
| 4.0 | 4.1 | 4.2 | 4.3 | 4.4 |
| 4.5 | 4.5 | 4.6 | 4.7 | 4.8 |
| 5.4 | 5.5 | 5.6 | 5.7 | 5.8 |

Bad Experience-High Rates

# Sample State Unemployment Insurance Tax Table

UI Financing 101 UWC 2016

State Reserve Ratio Tax Schedule Triggers

| Employer Reserve Ratio Intervals (% of Taxable Wages) | | >3.7% | 3.7% < to > 3.4% | 3.4% < to > 2.7% | 2.7% < to > 2.0% | 2.0% < to > 1.5% | 1.5% < to > 1.0% | < 1.0% |
|---|---|---|---|---|---|---|---|---|
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| 10.0 and | Over | .03 | .05 | .10 | .60 | .90 | 1.20 | 2.70 |
| 9.0 | 9.9 | .06 | .10 | .20 | .90 | 1.20 | 1.50 | 2.70 |
| 8.0 | 8.9 | .09 | .20 | .40 | 1.20 | 1.50 | 1.80 | 2.70 |
| 7.0 | 7.9 | .10 | .40 | .60 | 1.50 | 1.80 | 2.10 | 2.70 |
| 6.0 | 6.9 | .30 | .60 | .80 | 1.80 | 2.10 | 2.40 | 2.70 |
| 5.0 | 5.9 | .50 | .80 | 1.10 | 2.10 | 2.40 | 2.70 | 3.00 |
| 4.0 | 4.9 | .80 | 1.10 | 1.40 | 2.40 | 2.70 | 3.00 | 3.30 |
| 3.0 | 3.9 | 1.20 | 1.40 | 1.70 | 2.70 | 3.00 | 3.30 | 3.60 |
| 2.0 | 2.9 | 1.50 | 1.70 | 2.00 | 3.00 | 3.30 | 3.60 | 3.90 |
| 1.0 | 1.9 | 1.80 | 2.00 | 2.40 | 3.30 | 3.60 | 3.90 | 4.20 |
| 0.0 | 0.9 | 2.40 | 2.40 | 3.30 | 3.60 | 3.90 | 4.20 | 4.50 |
| -.1 | -.5 | 3.30 | 3.30 | 3.60 | 3.90 | 4.20 | 4.50 | 4.80 |
| -.6 | -1.0 | 4.20 | 4.20 | 4.20 | 4.20 | 4.50 | 4.80 | 5.10 |
| -1.1 | -2.0 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.10 | 5.30 |
| Under | -2.0 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 |

# Reserve Ratio Experience Rating

| Table 2-3: RESERVE-RATIO FORMULA STATES | | | | | |
|---|---|---|---|---|---|
| State | Years of Benefits and Contributions Used | Years of Payrolls Used[1] | State | Years of Benefits and Contributions Used | Years of Payrolls Used[1] |
| AZ | All past years | Average of 3 years, ending 6 months before computation date | AR | All past years | Average last 3 or 5 years, whichever is lower[2] |
| CA | All past years | Average of 3 years, ending 6 months before computation date | CO | All past years | Average 3 years |
| DC | All since July 1, 1939 | Average of 3 years, ending 3 months before computation date | GA | All past years | Average 3 years |
| HI | All past years | Average 3 years | ID | All since Jan.1, 1940 | Average 4 years |
| IN | All past years | Aggregate 3 years | KS | All past years | Average 3 years |
| KY | All past years | Aggregate 3 years | LA | All since Oct.1, 1941 | Average 3 years |
| ME | All past years | Average 3 years | MA | All past years | Last year |
| MO | All past years | Average 3 years | MT | All years since Oct. 1, 1981 | Average 3 years |
| NE | All past years | Average 4 years | NV | All past years | Average 3 years |
| NH | All past years; last 5 years under specified conditions | Average 3 years | NJ | All past years | Average last 3 or 5 years, whichever is higher |
| NY | All past years | Average of 5 years, ending 3 months before computation date | NC | All past years | Aggregate 3 years |

# Benefit-Ratio Calculations, Benefit-Wage Ratio

| Table 2-4: BENEFIT-RATIO FORMULA STATES | | | | | |
|---|---|---|---|---|---|
| State | Years of Benefits Used | Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted) | State | Years of Benefits Used | Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted) |
| AL | Last 3 fiscal years | Last 3 fiscal years | CT | Last 3 years | Last 3 years, ending 6 months before computation date |
| FL | Last 3 years | Last 3 years, ending June 30th | IL | Last 3 years | Last 3 years |
| IA | Last 5 years | Last 5 years | MD | Last 3 years | Last 3 years |
| MI[1] | Last 5 years | Last 5 years | MN | Last 4 years | Last 4 years |
| MS | Last 3 years | Last 3 years | NM | Last 3 years | Last 3 years |
| OR | Last 3 years | Last 3 years | PA[1] | All past years | Average 3 years |
| SC | Last 3 years | Last 3 years | TX | Last 3 years | Last 3 years |

| Table 2-5: BENEFIT-WAGE-RATIO FORMULA STATES | | |
|---|---|---|
| State | Years of Benefits Used | Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date) |
| DE | Last 3 years | Last 3 years |
| OK | Last 3 years | Last 3 years |

# Range of Tax Rate Schedules

**Table 2-10: FUND REQUIREMENTS AND RANGE OF RATES**

| State | Most Favorable Schedule | | | Least Favorable Schedule | | |
|---|---|---|---|---|---|---|
| | When Fund Balance | Range of Rates | | When Fund Balance | Range of Rates | |
| | | Minimum | Maximum | | Minimum | Maximum |
| AL | ≥125% of desired level | 0.14% | 5.4% | <70% of desired level | 0.59% | 6.74% |
| AK | Law authorizes agency to set rates | ≥1.0% | ≥5.4% | Law authorizes agency to set rates | ≥1.0% | ≥5.4% |
| AZ | ≥12% of taxable payrolls | 0.02% | 5.4% | <3.0% of taxable payrolls | 0.02% | ≥5.4% |
| AR[1] | Based on reserve ratio | 0.0% | 6.0% | Based on reserve ratio | 0.9% | 6.0% |
| CA | >1.8% of taxable payrolls | 0.1% | 5.4% | <0.6% of taxable payrolls | 1.5% | 6.2% |
| CO | Fund reserve ≥1.4 | 0.51% | 6.28% | Fund reserve <0.0 | 0.75% | 10.39% |
| CT | Based on benefit ratio | 0.5% | 5.4% | Based on benefit ratio | 0.5% | 5.4% |
| DE | Dependent upon the state experience factor | 0.1% | 8.0% | Dependent upon the state experience factor | 0.1% | 8.0% |
| DC | >3.0% of payrolls | 0.1% | 5.4% | <0.8% of payrolls | 1.9% | 7.4% |
| FL | Current adjusted benefit ratio | 0.1% | 5.4% | Current adjusted benefit ratio | 0.1% | 5.4% |

# Additional Surcharges, Surtaxes, Adjustments

| Table 2-11: SURCHARGES, SURTAXES, AND ADJUSTMENTS | | | |
|---|---|---|---|
| **State** | **Name** | **Amount** | **Purpose** |
| AL | Shared Cost Assessment[1] | Varies | Social Cost |
| AK | Solvency Adjustment Surcharge[1] | -0.4% - 1.1% | Solvency |
| AR | Extended Benefit Tax | When in effect, 0.1% | Extended Benefits |
| | Stabilization Tax | -0.1% - 0.8% | Solvency |
| CO | Solvency Surcharge | Varies | Solvency |
| CT | Fund Balance Tax Rate | Up to 1.4% | Solvency |
| DE | Supplemental Assessment Rate | 0.2% | Solvency |
| IL | Fund Building Factor | 0.4% - 0.55% | Solvency |
| | Additional Surcharge | 0.3% | Solvency |

# Misc. Dates & New Employer Rates

| Table 2-12: COMPUTATION, FUND TRIGGER, EFFECTIVE DATES, AND NEW EMPLOYERS | | | | | |
|---|---|---|---|---|---|
| **State** | **Computation Date** | **Fund Trigger Date** | **Effective Date for New Rates** | **Years Needed to Qualify for Experience Rating**[1] | **Reduced Rate for New Employers**[2] |
| IL | June 30 | June 30 | Jan. 1 | 3[1] | Average industry rate up to 5.4% |
| IN | June 30 | Sept. 30 | Jan. 1 | 3[1] | 2.5%; 1.6% for government employers |
| IA | July 1 | July 1 | Jan. 1 | 3 | 1.0% - 3.0% based upon the rate schedule in effect; 7.0% - 9.0% for construction |
| KS | June 30 | June 30 | Jan. 1 | 2 | 2.7%; construction employers receive 6.0% |
| KY | July 31 | Sept. 30 | Jan. 1 | 3 | 2.7%; foreign and domestic construction firms receive maximum rate |
| LA | June 30 | Sept. 1 | Jan. 1 | 3 | Up to 6.2% based on average industry rate |
| ME | June 30 | Sept. 30 | Jan. 1 | 2 | Greater of predetermined yield or 1% |
| MD | July 1 | Sept. 30 | Jan. 1 | 2 | 2.6%; foreign contractors assigned average industry rate |
| MA | Sept. 30 | Sept. 30 | Jan. 1 | 1 | 2.83%; construction employers receive 8.62% |

| State | 2018 WAGE BASE | 2017 WAGE BASE | 2016 WAGE BASE | 2015 WAGE BASE |
|---|---|---|---|---|
| Alabama | $8,000 | $8,000 | $8,000 | $8,000 |
| Alaska | 39,500 | 39,800 | 39,700 | 38,700 |
| Arizona | 7,000 | 7,000 | 7,000 | 7,000 |
| Arkansas | 10,000 | 12,000 | 12,000 | 12,000 |
| California | 7,000 | 7,000 | 7,000 | 7,000 |
| Colorado | 12,600 | 12,500 | 12,200 | 11,800 |
| Connecticut | 15,000 | 15,000 | 15,000 | 15,000 |
| Delaware | 16,500 | 18,500 | 18,500 | 18,500 |
| DC | 9,000 | 9,000 | 9,000 | 9,000 |
| Florida | 7,000 | 7,000 | 7,000 | 7,000 |
| Georgia | 9,500 | 9,500 | 9,500 | 9,500 |
| Hawaii | 45,900 | 44,000 | 42,200 | 40,900 |
| Idaho | 38,200 | 37,800 | 37,200 | 36,000 |
| Illinois | 12,960 | 12,960 | 12,960 | 12,960 |
| Indiana | 9,500 | 9,500 | 9,500 | 9,500 |
| Iowa | 29,900 | 29,300 | 28,300 | 27,300 |
| Kansas | 14,000 | 14,000 | 14,000 | 12,000 |
| Kentucky | 10,200 | 10,200 | 10,200 | 9,900 |
| Louisiana | 7,700 | 7,700 | 7,700 | 7,700 |
| Maine | 12,000 | 12,000 | 12,000 | 12,000 |
| Maryland | 8,500 | 8,500 | 8,500 | 8,500 |
| Massachusetts | 15,000 | 15,000 | 15,000 | 15,000 |
| Michigan | *9,500 | *9,500 | *9,500 | *9,500 |
| Minnesota | 32,000 | 32,000 | 31,000 | 30,000 |
| Mississippi | 14,000 | 14,000 | 14,000 | 14,000 |
| Missouri | 12,500 | 13,000 | 13,000 | 13,000 |
| Montana | 32,000 | 31,400 | 30,500 | 29,500 |

| State | 2018 WAGE BASE | 2017 WAGE BASE | 2016 WAGE BASE | 2015 WAGE BASE |
|---|---|---|---|---|
| Nebraska | 9,000 | 9,000 | 9,000 | 9,000 |
| Nevada | 30,500 | 29,500 | 28,200 | 27,800 |
| New Hampshire | 14,000 | 14,000 | 14,000 | 14,000 |
| New Jersey | 33,700 | 33,500 | 32,600 | 32,000 |
| New Mexico | 24,200 | 24,300 | 24,100 | 23,400 |
| New York | 11,100 | 10,900 | 10,700 | 10,500 |
| North Carolina | 23,500 | 23,100 | 22,300 | 21,700 |
| North Dakota | 35,500 | 35,100 | 37,200 | 35,600 |
| Ohio | 9,500 | 9,000 | 9,000 | 9,000 |
| Oklahoma | 17,600 | 17,700 | 17,500 | 17,000 |
| Oregon | 39,300 | 38,400 | 36,900 | 35,700 |
| Pennsylvania | 10,000 | 9,750 | 9,500 | 9,000 |
| Puerto Rico | 7,000 | 7,000 | 7,000 | 7,000 |
| Rhode Island | **23,000 | 22,400 | 22,000 | 21,200 |
| South Carolina | 14,000 | 14,000 | 14,000 | 14,000 |
| South Dakota | 15,000 | 15,000 | 15,000 | 15,000 |
| Tennessee | 7,000 | 8,000 | 8,000 | 9,000 |
| Texas | 9,000 | 9,000 | 9,000 | 9,000 |
| Utah | 34,300 | 33,100 | 32,200 | 31,300 |
| Vermont | 17,600 | 17,300 | 16,800 | 16,400 |
| Virgin Islands | 24,200 | 23,500 | 23,000 | 22,900 |
| Virginia | 8,000 | 8,000 | 8,000 | 8,000 |
| Washington | 47,300 | 45,000 | 44,000 | 42,100 |
| West Virginia | 12,000 | 12,000 | 12,000 | 12,000 |
| Wisconsin | 14,000 | 14,000 | 14,000 | 14,000 |
| Wyoming | 24,700 | 25,400 | 25,500 | 24,700 |

Source: American Payroll Association

# Other Factors Affecting Employers Tax Rate

# Covered Wages

Wages Include:

- Any remuneration in the form of salaries, wages, tips, commissions, fees, bonuses, vacation allowances, whether paid to full-time, part-time, or temporary employees, unless explicitly excluded.

And may include:

- Other forms of remuneration such as value of goods, lodging, food, clothing, and non-cash fringe benefits unless incidental or for the convenience of the employer.
- Section 125 (cafeteria) plan benefits

# Excluded Wages

- Services performed by a sole proprietor or a member of a partnership

- Services performed for a sole proprietor by his or her parent, spouse, or child under the age of 18

- Services performed for a church, convention or association of churches, or any other religious organization that is supervised, controlled or principally supported by a church, if the employer is operated primarily for religious purposes.

- Railroad Workers

# Benefit Charges

The Benefit Charge Function Includes:

- Distributing Benefit Charges
- Determining Non-Chargeable Benefits
- Charging Reimbursing Employers
- Applying Voluntary Contributions

# Distributing Benefit Charges

Methods approved by USDOL include charging:

- Base-period employers proportionately.
- The principal base period employer.
- The most recent base period employer.
- Base period employers in inverse chronological order.
- The most recent employer for some benefits; then charging base period employers proportionately.

# Non-Chargeable Benefits

In order to be consistent with Federal law, the benefits must be considered an unreasonable charge against the employer:

- Claimant voluntarily quit their job
- Claimant was discharged for work related misconduct
- Refusal of suitable work
- Benefit award overturned
- Combined Wage Claim charges
- Part-time work

# Reimbursing Employers

- FUTA amendments in 1970 and 1976 extended coverage and required the option of reimbursing the State trust fund for benefits paid to workers of:
  - Non-profit Organizations
  - State and Local Governments
  - Indian Tribes
- Billed quarterly or at a flat rate

# SUTA Dumping

- SUTA Dumping is a practice used by some employers to circumvent the experience rating process in order to avoid paying higher unemployment insurance taxes.
- Federal Requirements
    - SUTA Dumping Act of 2004
        - Program in place
        - Meaningful penalty
        - 581 Reporting requirement

# SUTA Dumping

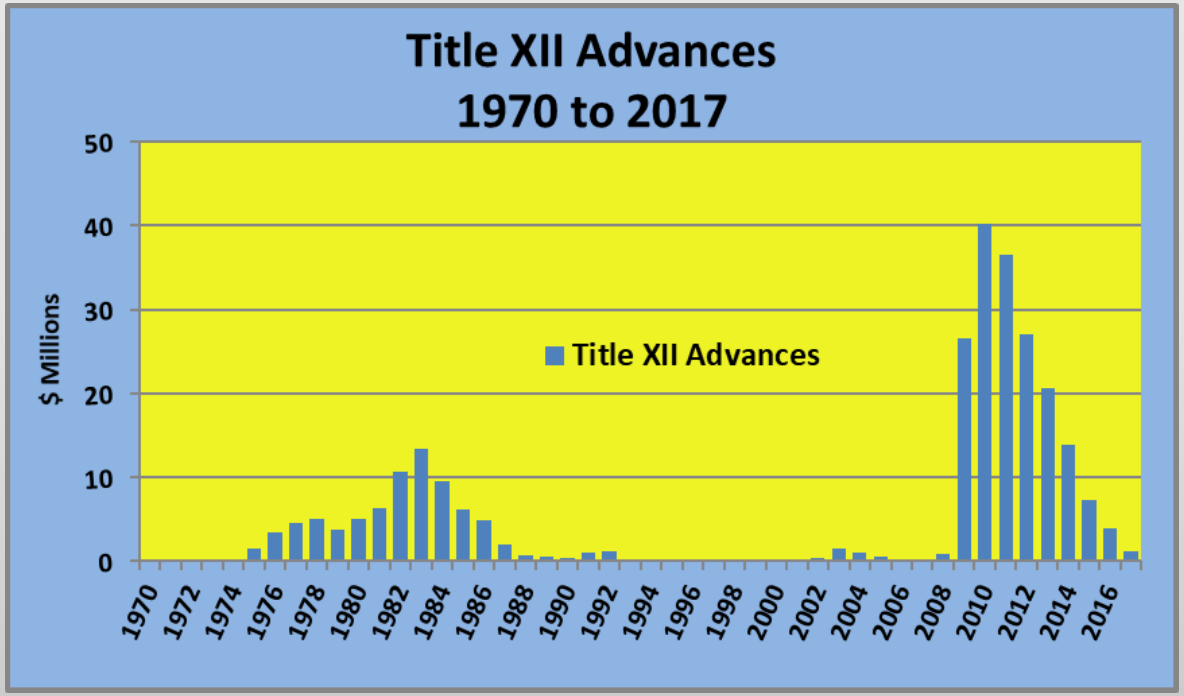
- Common SUTA Dumping Schemes:
  - Establishing multiple accounts and shuffle employees around to the account number with the lowest rate each year.
  - Acquire a business with a lower unemployment insurance rate and shuffle employees to that other business to pay the lower tax rate
- Outcome
  - Reactivation of employer accounts
  - Recalculation of employer rate
  - Transfer of contribution and wages among accounts
  - Application of penalty rate

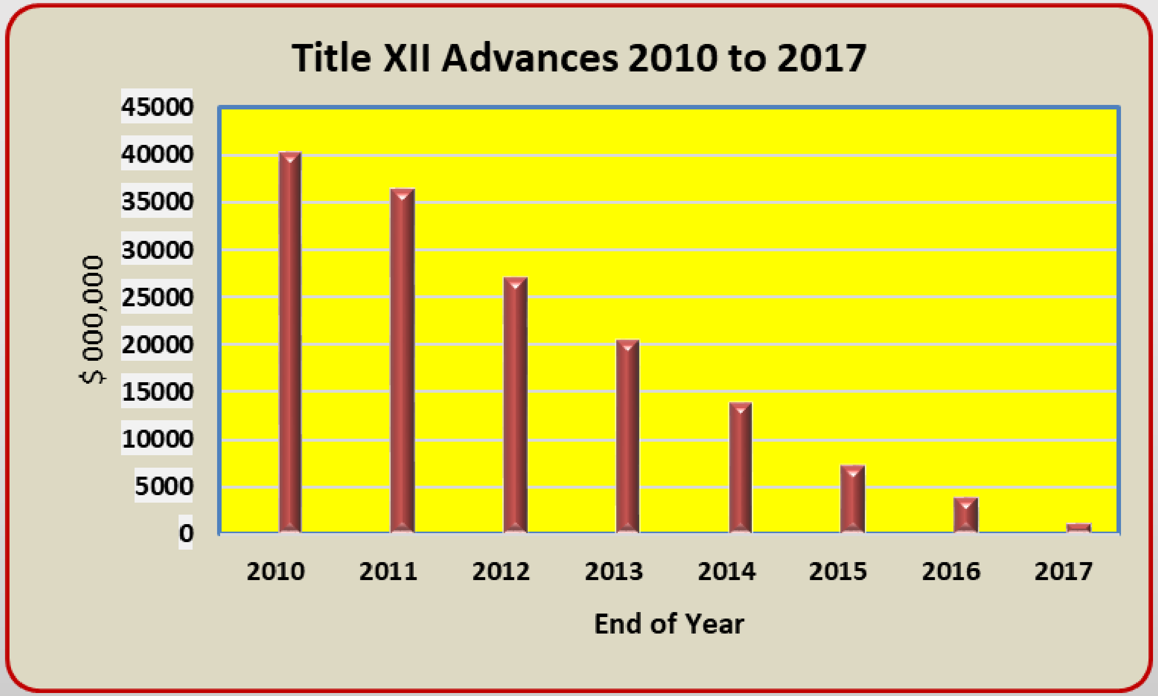
# Title XII Advances

# Title XII Advances

- The SSA allows states to borrow from the FUA (UTF) to pay: "cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration."
- Advances must be requested in writing, or electronically using the Loan & Repayment Application System (LARAS).
- Advances requests must satisfy the following requirements:
  - The request must cover a 3 month period and may not be submitted earlier than the first of the month preceding the first month of the three-month period covered by the request.
  - The request must include an estimate of the amount of advance that will be required by the state for the payment of compensation in each month of the three-month period covered by the request.

# Title XII Advances



# Current Title XII Advances

| Title XII Advance Activities Schedule<br>As of: June 14, 2016<br>Interest Rate: 2.22559842% | | | | |
|---|---|---|---|---|
| **State** | **Outstanding Available Balance** | **Advance Authorization Current Month** | **Gross Advance Draws Current Month** | **Interest For FY2016** |
| Arizona | 0 | 0 | 0 | 0 |
| Arkansas | 0 | 0 | 0 | 0 |
| California | $2,952,429,366 | $550,000,000 | $205,000,000 | $90,848,364 |
| Connecticut | 0 | 0 | 0 | 1,072,201 |
| Delaware | 0 | 0 | 0 | 0 |
| Indiana | 0 | 0 | 0 | 503,357 |
| Kentucky | 0 | 20,000,000 | 0 | 108,317 |
| New York | 0 | 0 | 0 | 0 |
| North Carolina | 0 | 0 | 0 | 0 |
| Ohio | 280,803,035 | 0 | 0 | 10,377,208 |
| Rhode Island | 0 | 0 | 0 | 0 |
| South Carolina | 0 | 0 | 0 | 0 |
| Virgin Islands | 69,410,424 | 0 | 0 | 1,141,762 |
| Totals | 3,302,642,825 | 570,000,000 | 205,000,000 | 104,051,210 |

| Title XII Advance Activities As of June 22, 2017<br>Interest Rate: 2.21240005% | | | | |
|---|---|---|---|---|
| **State** | **Outstanding Avaliable Balance** | **Advance Authorization Current Month** | **Gross Advance Draws Current Month** | **Interest Billed for FY 2017** |
| Arizona | 0 | 0 | 0 | 0 |
| Arkansas | 0 | 0 | 0 | 0 |
| California | $290,118,005 | $550,000,000 | $336,000,000 | $47,200,800 |
| Connecticut | 0 | 0 | 0 | 0 |
| Delaware | 0 | 0 | 0 | 0 |
| Indiana | 0 | 0 | 0 | 0 |
| Kentucky | 0 | 0 | 0 | 0 |
| New York | 0 | 0 | 0 | 0 |
| North Carolina | 0 | 0 | 0 | 0 |
| Ohio | 0 | 0 | 0 | 0 |
| Rhode Island | 0 | 0 | 0 | 0 |
| South Carolina | 0 | 0 | 0 | 0 |
| Virgin Islands | 65,705,427 | 0 | 0 | 1,094,912 |
| Totals | $355,823,433 | $550,000,000 | $336,000,000 | $48,295,712 |

Balance as of June 15, 2018 is: Virgin Islands $70,011,270.25

# FUTA Credit Reduction

- If a state has outstanding loan balances on Jan 1st for two consecutive years, and does not repay the full amount of its loans by Nov 10th of the second year, the FUTA credit rate for employers will be reduced until the loan is repaid.
- The reduction schedule is 0.3% for the first year, plus 0.3% for the second year, and an additional 0.3% for each year thereafter that the state has not repaid its loan in full.
- Additional offset credit reductions may apply to a state beginning with the third and fifth taxable years if a loan balance is still outstanding and certain criteria are not met

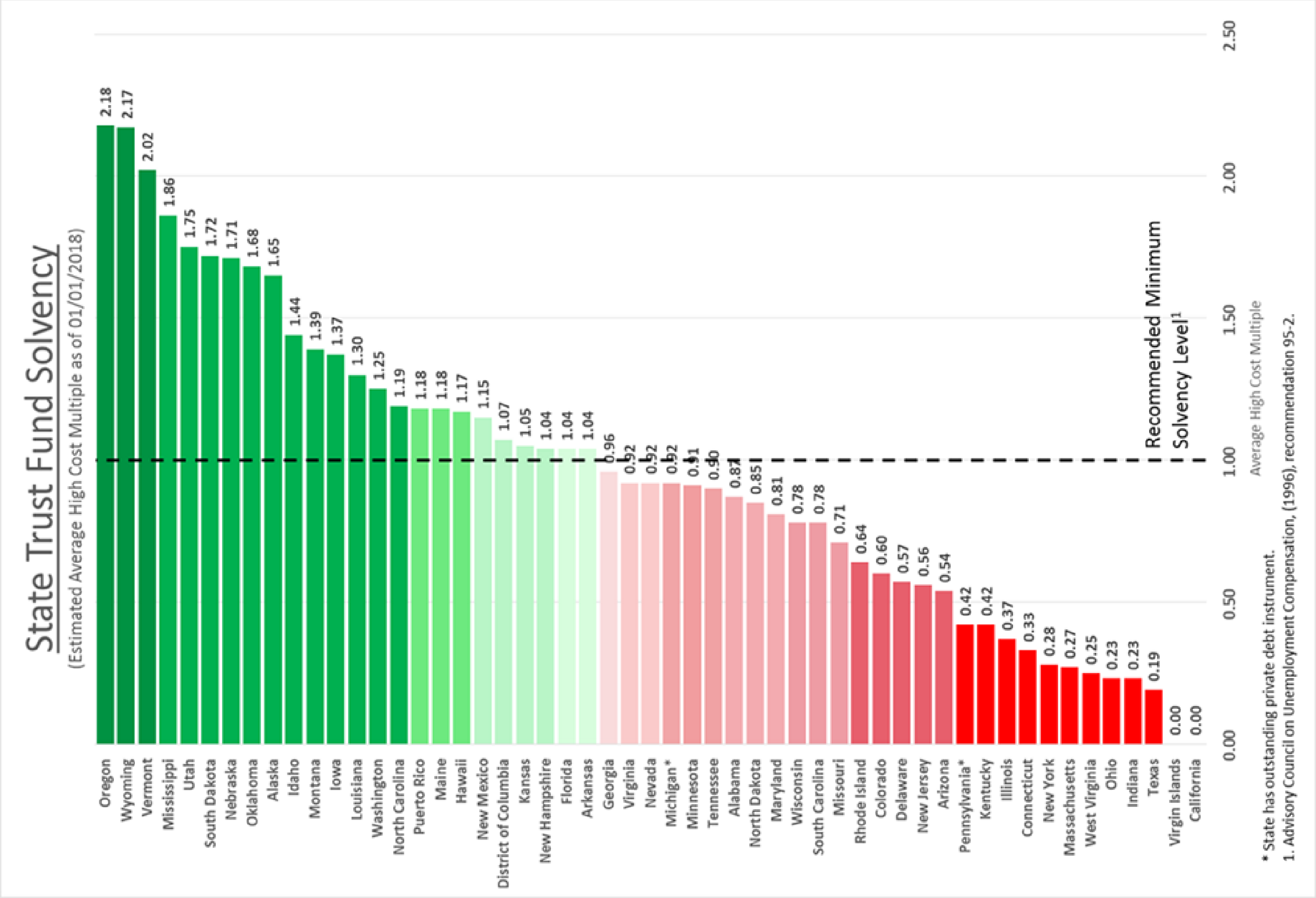
# FUTA Credit Reduction Relief

- To avoid a FUTA credit reduction for a taxable year the state must:
  - Pay the amount of the credit reduction prior to Nov 10th of the year for which avoidance is sought;
  - Repay all FUA loans received during the one-year period ending November 9th prior to November 10th;
  - Increase solvency for the taxable year through legislative action by an amount equal to or greater than the amount of the FUTA credit reduction; and
  - Not borrow before the next January 31st.

# State Trust Fund Issues

# Measures of Solvency: ACHM

- In the early 1990s, the Federal Advisory Council on UI developed the Average High Cost Multiple (AHCM).
- The AHCM is defined as how long a state could sustain payments equal to the average of the three highest benefit cost rates in the 20-year period ending with the preceding year, without additional tax revenue coming into the UI trust fund.



# UI Administrative Financing

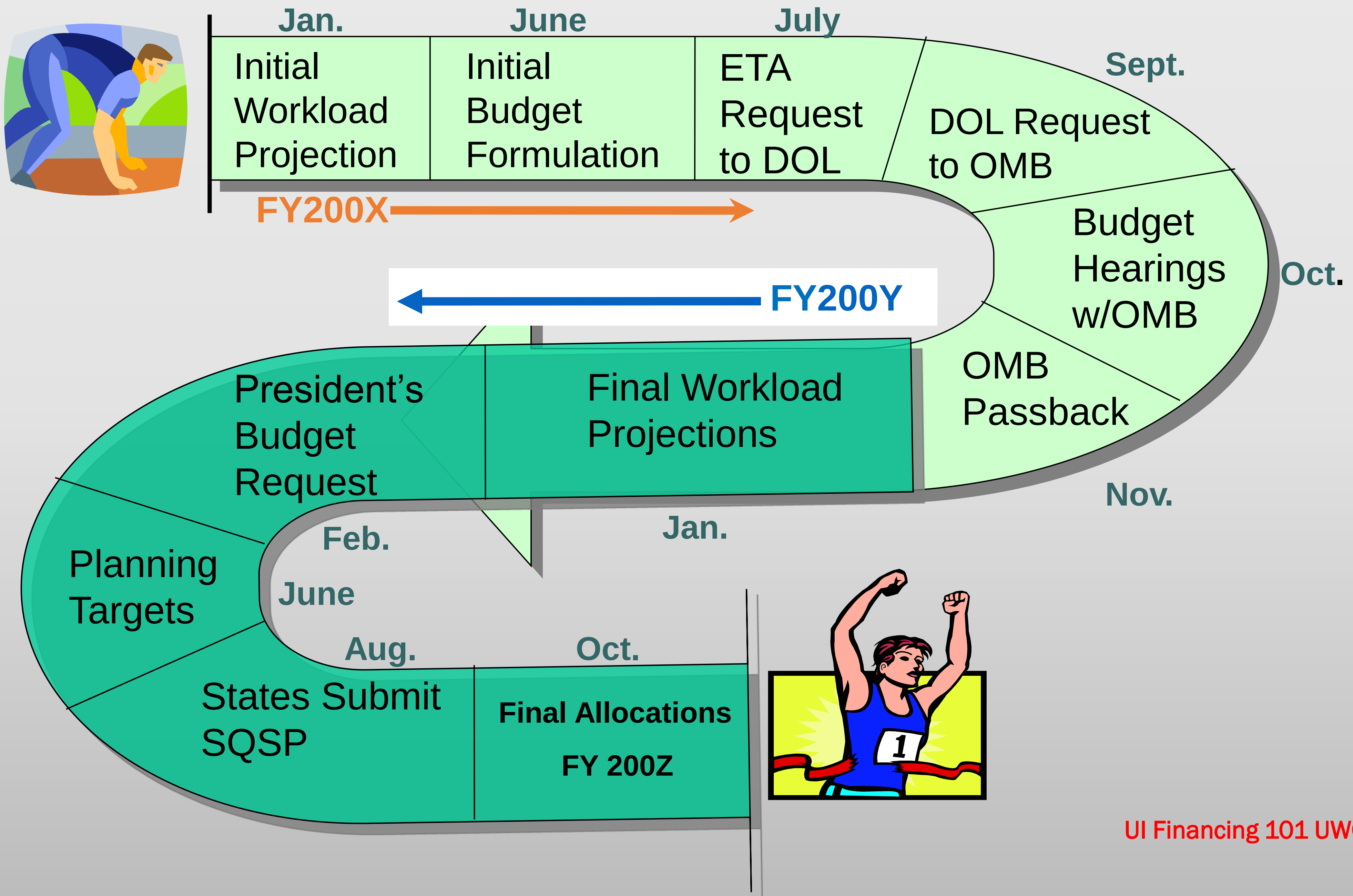
# UI Administrative Funding

Title III Section 302(a) Social Security Act: Secretary of Labor shall certify to the Secretary of Treasury such amounts as necessary for "proper and efficient administration" of each State's law.

# State Administrative Funding Overview

- Federal UI Admin Budget is a lengthy process
- Estimate is submitted as part of the Presidents Budget to Congress
- Congress modifies as necessary, then passes it in a Federal Budget or most often a Continuing Resolution.
- Budget estimate is then allocated to the states in the UI Base Budget.
- States may earn additional funds by processing workload above that assigned to them in the Base Budget

# Budget Timeline for FY 200Y



# Federal Budget Formulation

- Workload Driven
- Workloads projected using statistical methods & Administration's economic assumptions
- Key workload item: Continued Claims
- Base and Above Base
- Projected Continued Claims/52 get the Average Weekly Insured Unemployment (AWIU) trigger
- Funding in President's Request considered adequate to process workloads up to the trigger
- Funds automatically available for AWIU above trigger at $28.6M per 100,000 AWIU

# Components of Federal Administration Funding

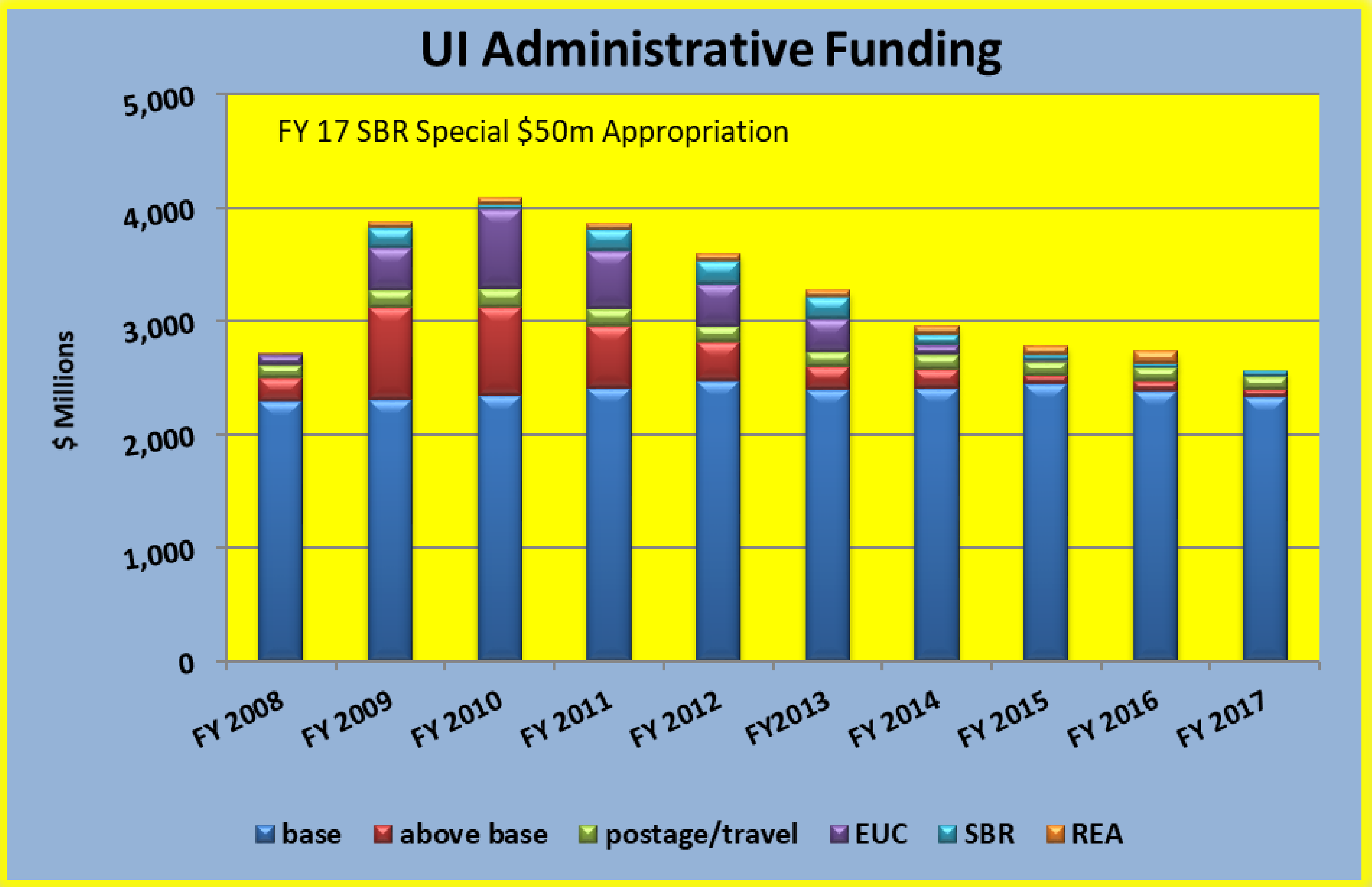
- **Base**—Computed as part of the federal budget process and allocated to states each year
- **Above Base**—Estimated as part of the federal budget process and earned by states if they process workload above base estimates
- **Postage/Travel**—allocated as part of Base
- **Supplemental Budget Requests (SBR)** funding depends on the difference between federal budget levels and actual state usage
- Funding for extended benefits or special programs
- Funding for special activities--employee misclassification, REA/RES
- Contingency funding in times of higher unemployment

# Budget Formulation

- Congress obligated to use CBO's economic  assumptions for scoring.

- CBO AWIU  projections typically different due primarily to different economic assumptions and projecting methodology.

- Funding gap created when CBO's AWIU projection higher than Administration's since Congress typically accepts the dollars requested or something lower.


UI Administrative Funding
FY 17 SBR Special $50m Appropriation
$ Millions
5,000
4,000
3,000
2,000
1,000
0
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY2013
FY 2014
FY 2015
FY 2016
FY 2017
base
above base
postage/travel
EUC
SBR
REA

# RJM Data Source for Allocation

- Resource Justification Model (RJM)
  - ✓RJM is a data collection instrument.
- States submit data from cost accounting records
  - ✓Expenditures, hours by functional activity, personnel costs
- Data is subject to review & verification

# Allocating Base Funds

Availability by activity:

Allocated base funds assigned to functional activities according to proportions reflected in RJM data and funding available for the 2.1 million AWIU base.

- Claims activities

- Tax/Wage Records

# Allocating Base Funds

## Overview

- Primary drivers of base allocation levels:
  - Each state's projected share of national UI workloads (claims, nonmons, appeals, wage records, tax accounts)
  - Each state's PS/PB rates- most recent FY
  - Time allowed for processing each budgeted workload item (MPUs, which are calculated from RJM data)- most recent FY
  - Non-personal services spending- most recent FY

# Allocating Base Funds

## Activities Funded

- Workloads
- Salaries/Benefits
- Non-personal Services
- Support
- Administrative Staff & Technical Services
- Postage

# Allocating Base Funds

Funding provided in two parts:

Base – costs associated with processing an AWIU of 2.0M FY 2018

| | |
|---|---|
| • Initial Claims | 14.012M |
| • Weeks Claimed | 104.000M |
| • Non-monetary determinations | 6.663M |
| • Appeals | 1.049M |
| • All subject employers | 8.132M |
| • All wage records | 691.760M |

# Above Base Funds

- Same PS/PB & MPUs used for above base funding

- Funds for special projects funded through SBRs taken from above base resources.

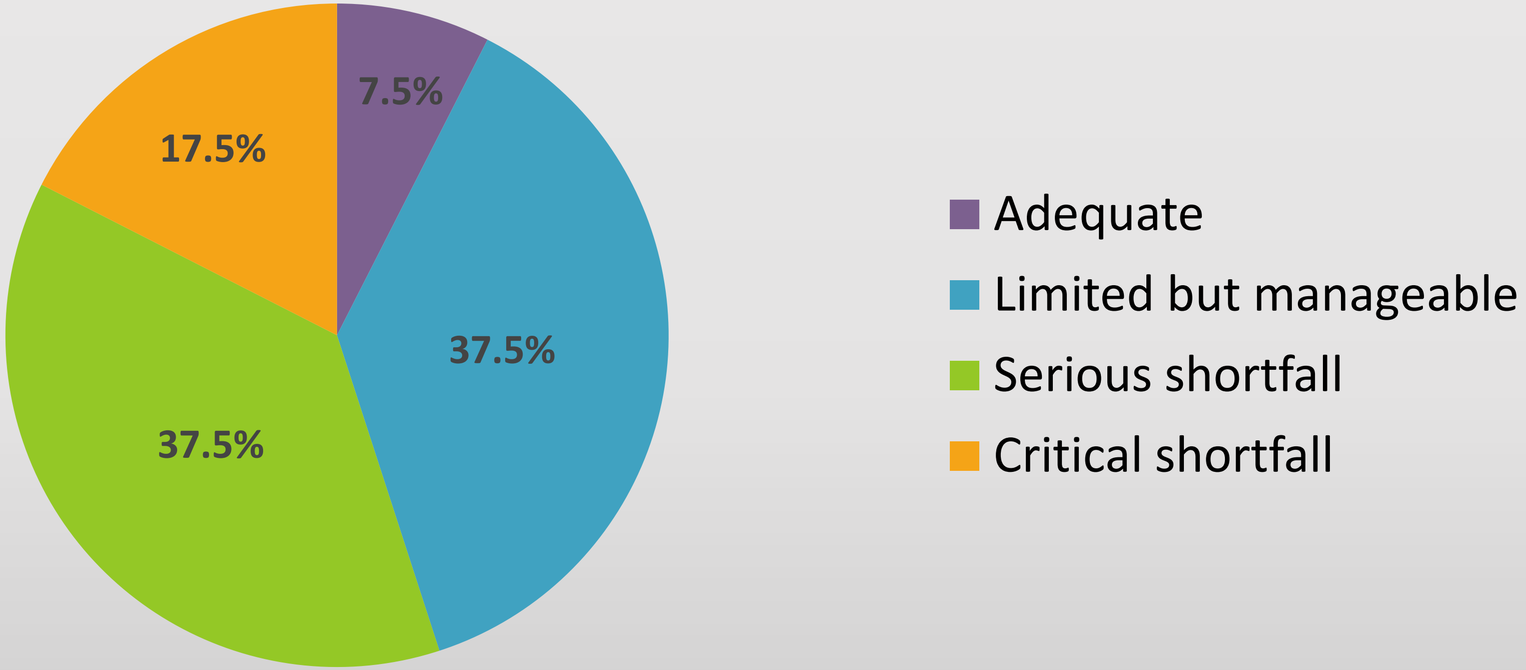
# Bottom Line Authority

- States have authority to move allocated resources among activities.

- Cannot move resources in such a way as to increase above base payment.

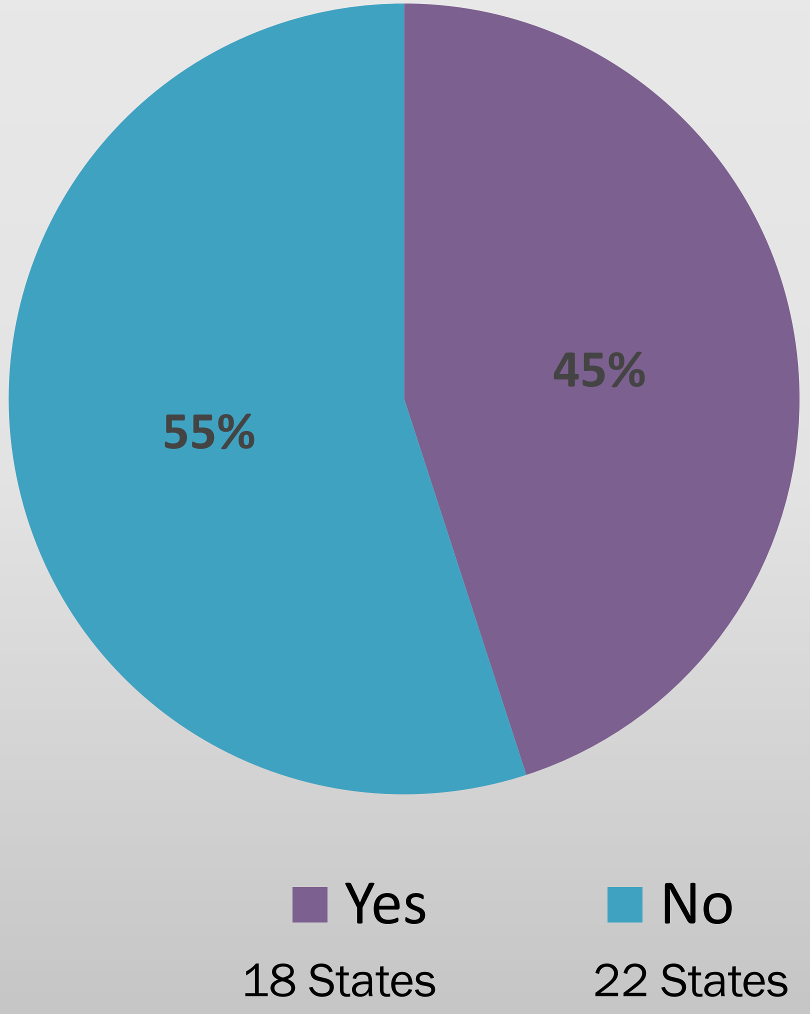
# Administrative Financing Issues

# How would you describe the current level of administrative funding in your state? (40 States)




| Value | Percent | Count |
|---|---|---|
| Adequate | 7.5% | 3 |
| Limited but manageable | 37.5% | 15 |
| Serious shortfall | 37.5% | 15 |
| Critical shortfall | 17.5% | 7 |
| | Total | 40 |

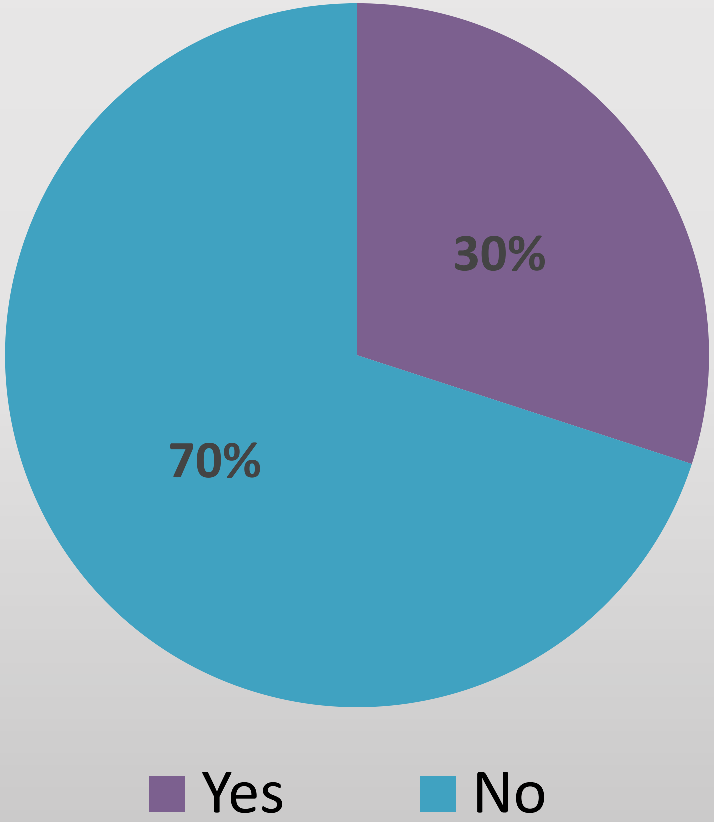
## Do you have adequate resources (other than staffing) to efficiently prevent, detect and recover fraud and overpayments?




Resources Needed:

- Need better IT system
- Training opportunities
- Expand Prison Cross-match
- New Hire crossmatch
- Identity theft detection tools

## Are you able to hire the staff you need, and to retain staff to meet your needs? (40 States)

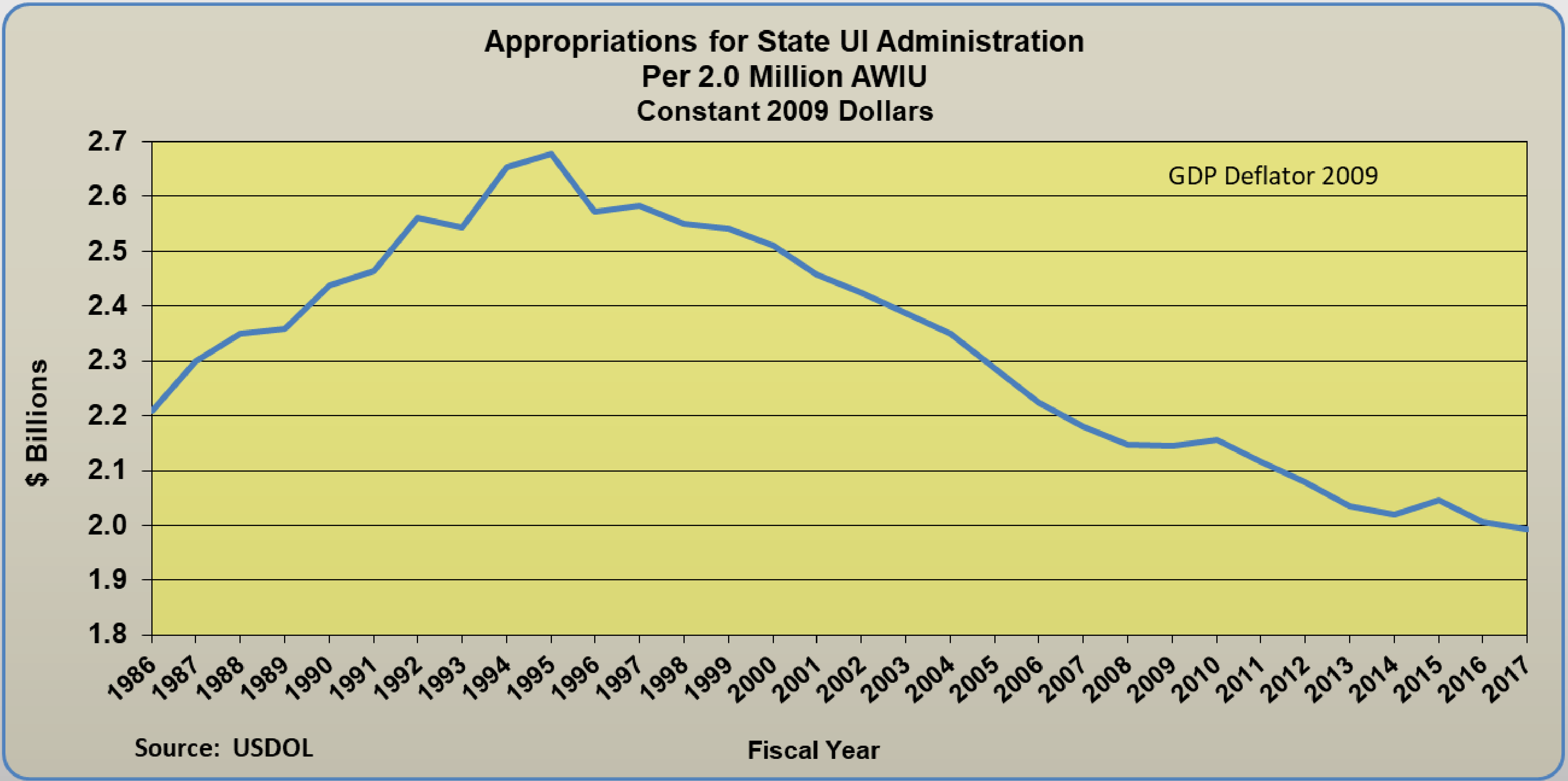



12 States 28 States

Impediments to obtain/retain appropriate staff:

- Inadequate funding
- Union Positions - Lack of State budget
- Hiring Freeze and Restrictions
- Non-competitive salary levels
- Lack of merit pay increases and benefit packages
- High fringe benefit cost rate
- Competing career advancement and higher salaries in other state departments and private sector
- Limited career paths and promotional opportunities
- Aging workforce
- Geographic location of positions
- Training needs

# Funding UI Base Administration



# Fully Funding the RJM

| USDOL<br>Comparison of State RJM Submissions and UI Base Admin Grants<br>June 29, 2018 | | | |
|---|---|---|---|
| **Fiscal Year** | **Base Allocation (in millions) *** | **State RJM ****** | **% Difference** |
| **Total FY09-17** | **$21,508.71** | **$26,092.56** | **-17.57%** |
| FY 2017 | $2,327.26 | $2,988.10 | -22.12% |
| FY2016 | $2,382.34 | $3,106.99 | -23.32% |
| FY 2015 | $2,447.02 | $2,756.92 | -11.20% |
| FY 2014 | $2,408.87 | $2,941.61 | -18.10% |
| FY 2013 | $2,409.60 | $2,986.20 | -19.30% |
| FY 2012 | $2,474.84 | $2,851.56 | -13.20% |
| FY 2011 | $2,407.47 | $2,811.47 | -14.40% |
| FY 2010 | $2,346.20 | $2,798.20 | -16.20% |
| FY 2009 **** | $2,305.11 | $2,851.51 | -19.20% |

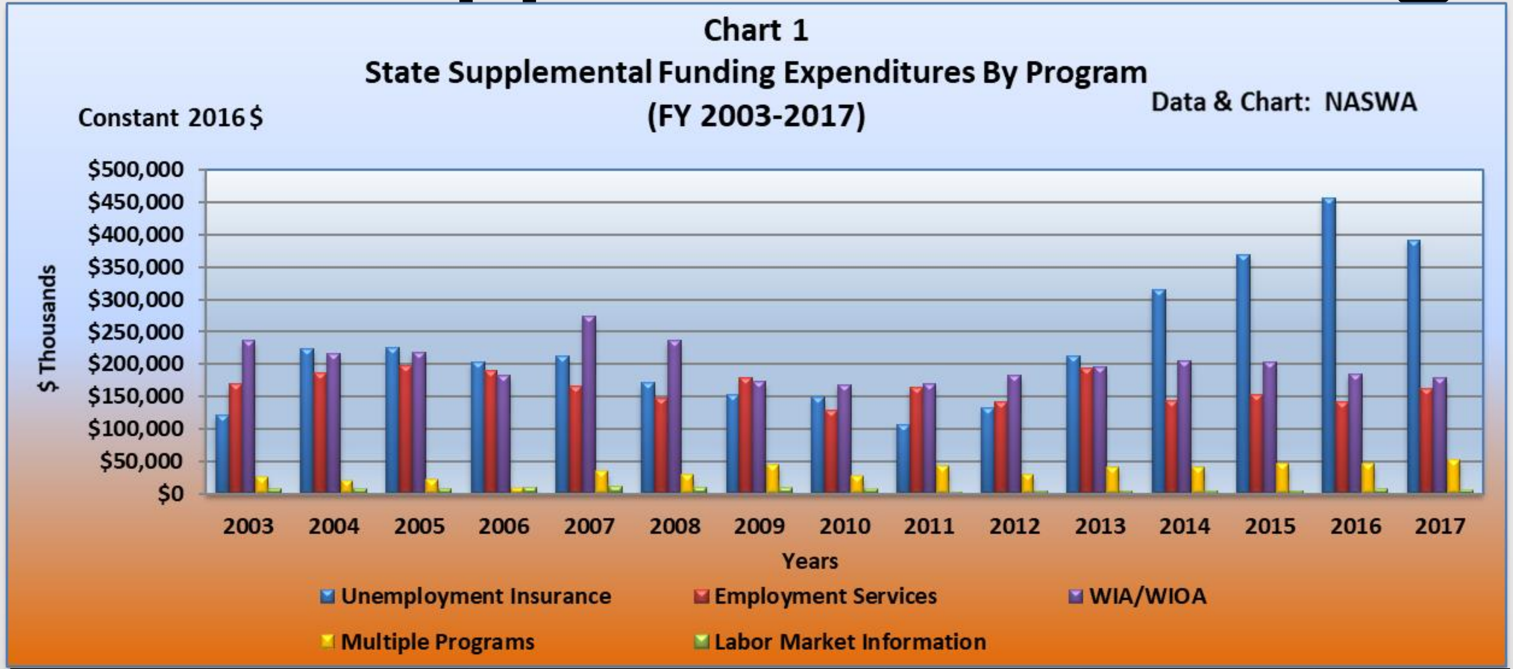
* Does not include  Above-Base, Travel, Postage or SBRs.

Does include Base restorations in all years.

** Includes state dollars.

**** Does not inlcude ARRA funding.

# State Supplemental Funding



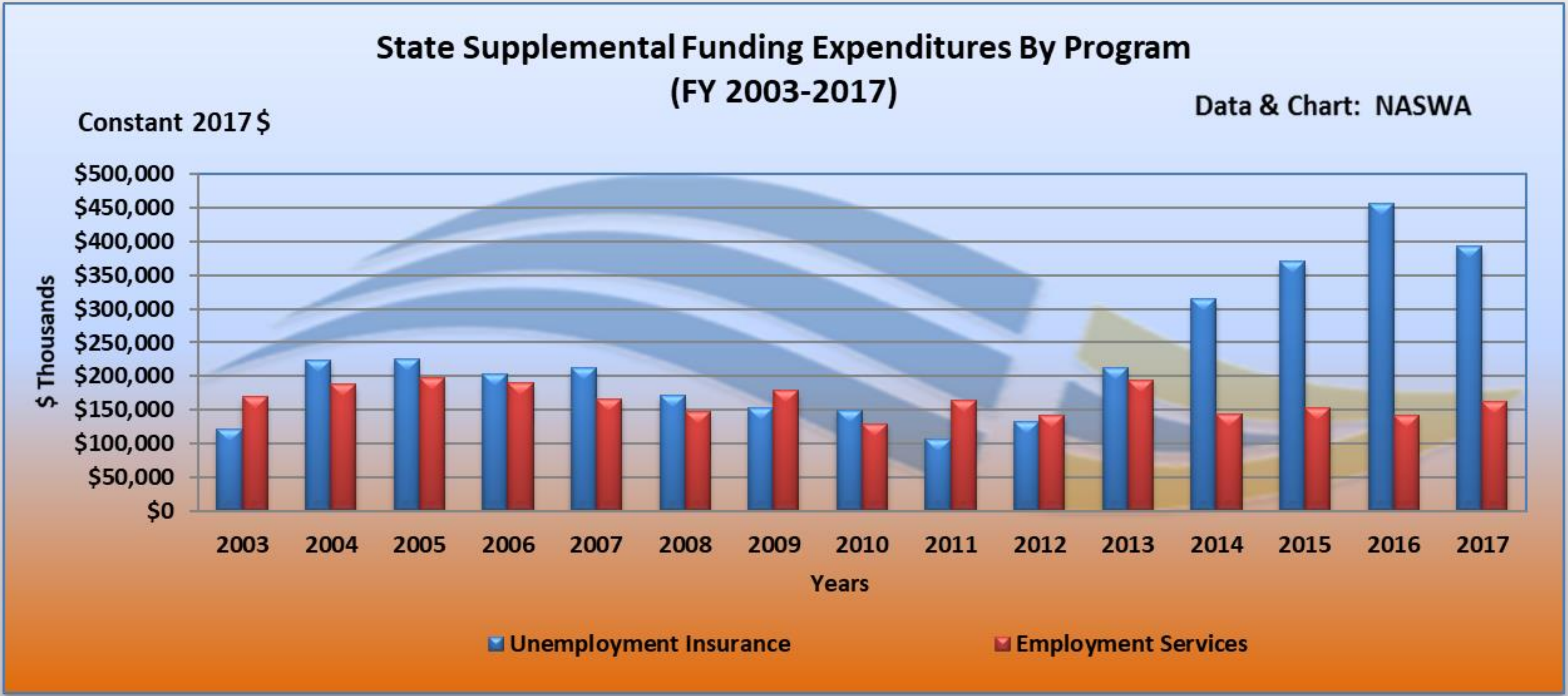

| Table 5 | | | | | | |
|---|---|---|---|---|---|---|
| State Supplementary Program Expenditures FY 2007-2017 (2017$) | | | | | | |
| Year | Unemployment Insurance | Employment Services | Labor Market Information | WIA/WIOA | Multiple Programs | Grand Total |
| 2007 | $212,330,142 | $166,541,132 | $10,919,993 | $274,035,710 | $34,272,601 | $698,099,578 |
| 2008 | 170,909,398 | 147,220,102 | 10,229,797 | 236,253,011 | 28,984,158 | 593,596,466 |
| 2009 | 153,732,288 | 178,455,141 | 9,248,046 | 173,107,447 | 43,509,290 | 558,052,212 |
| 2010 | 149,786,643 | 129,074,312 | 6,942,135 | 168,926,915 | 26,561,682 | 481,291,687 |
| 2011 | 107,194,152 | 164,609,492 | 2,495,849 | 169,551,889 | 40,478,741 | 484,330,122 |
| 2012 | 132,618,201 | 141,221,661 | 4,330,527 | 182,704,564 | 28,452,314 | 489,327,267 |
| 2013 | 213,402,531 | 194,040,792 | 4,358,921 | 195,528,885 | 38,751,607 | 646,082,736 |
| 2014 | 314,223,231 | 143,103,096 | 4,701,317 | 205,946,156 | 39,614,657 | 707,588,457 |
| 2015 | 370,074,075 | 153,577,591 | 4,693,845 | 203,612,364 | 45,933,324 | 777,891,199 |
| 2016 | 456,736,814 | 140,947,681 | 7,300,360 | 184,904,676 | 45,564,264 | 835,453,794 |
| 2017 | 392,403,768 | 162,975,216 | 5,282,144 | 178,888,287 | 51,994,762 | 791,544,177 |
| Total | $2,281,007,475 | $1,558,791,000 | $57,920,429 | $1,994,571,616 | $326,558,374 | $5,436,259,724 |

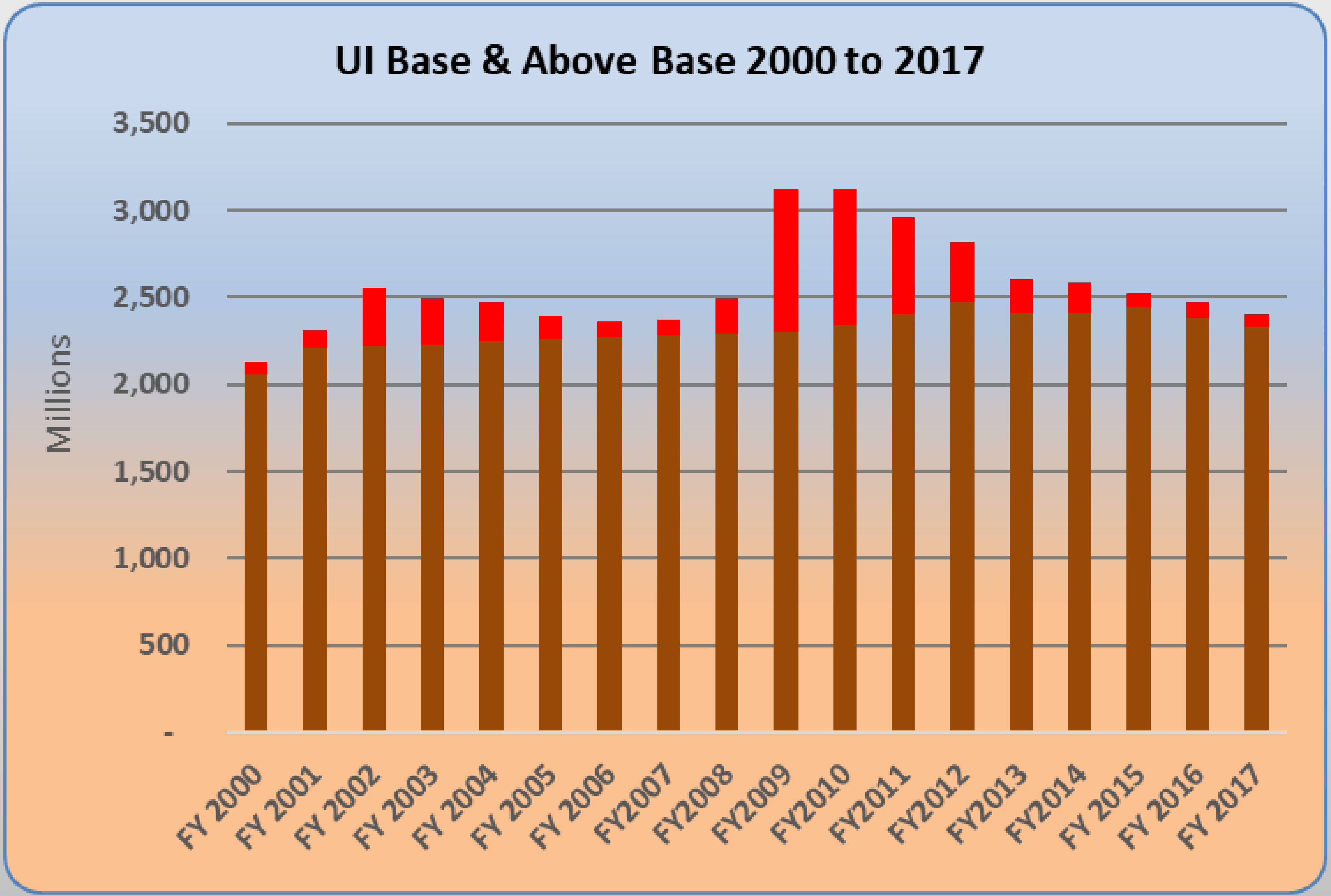
# Comparative Budget Amounts

## Omnibus FY 2017 / Omnibus FY 2018

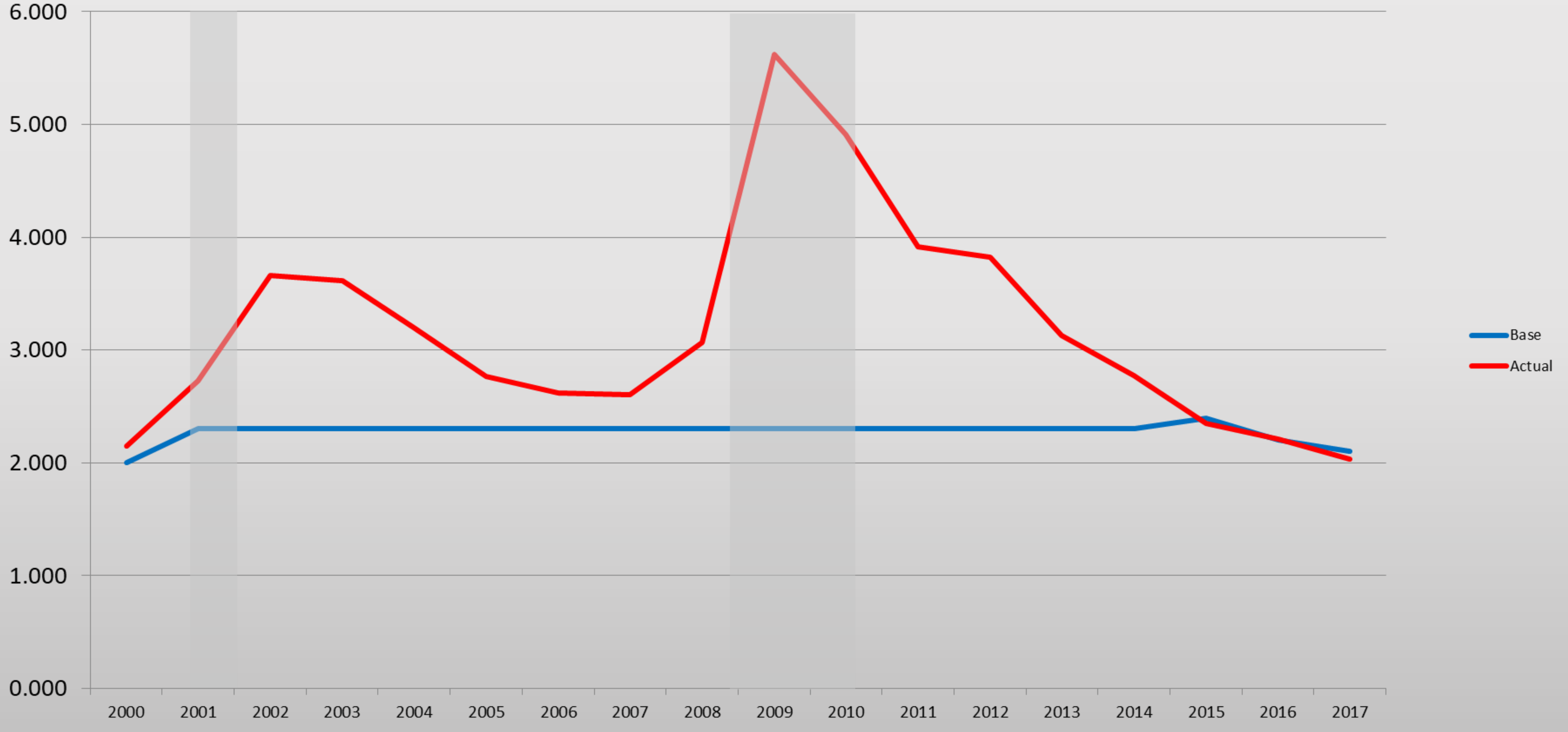
($000s)

| Programs | Funding Levels | |
|---|---|---|
| | FY 2017 Omnibus Bill | FY 2018 Omnibus Bill |
| **Wagner-Peyser State Grants** | | |
| Employment Services | 671,413 | 666,413 |
| National Activities (includes WOTC) | 19,818 | 19,818 |
| Foreign Labor Certification | 62,310 | 62,310 |
| Career Center Support /Labor Market Info (2) | 67,653 | 62,653 |
| Subtotal Wagner-Peyser | 821,194 | 811,194 |
| Training & Employment Services Total | 3,531,026 | 3,601,026 |
| **Unemployment Insurance** | | |
| Program Operations (3) | 2,687,600 | 2,639,600 |
| *State Consortia to modernize systems (4)* | *50,000* | *Not noted* |
| *REA/RES (Reemployment)* | *115,000* | *120,000* |
| *UI Integrity Center of Excellence* | *5,500* | *9,000* |
| National Activities | 14,897 | 13,897 |

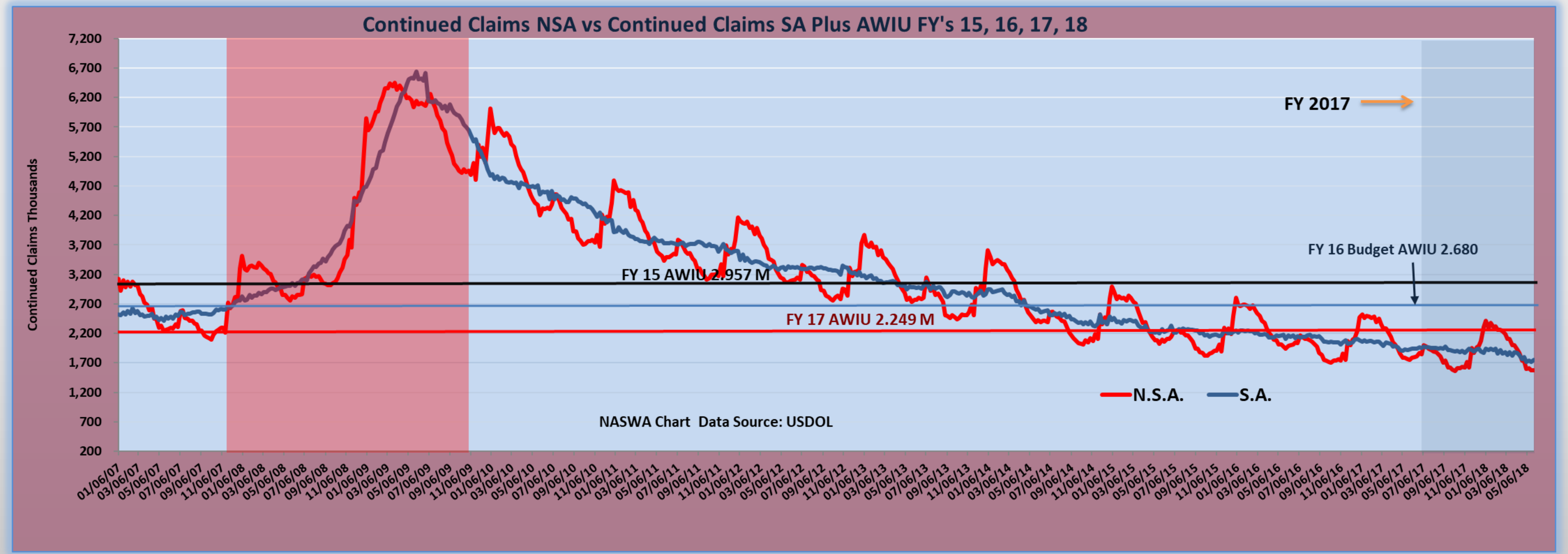

State Supplemental Funding Expenditures By Program
(FY 2003-2017)
Constant 2017 $
Data & Chart: NASWA
$ Thousands
$500,000
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$0
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Years
Unemployment Insurance
Employment Services


UI Base & Above Base 2000 to 2017
3,500
3,000
2,500
2,000
1,500
1,000
500
-
Millions
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY2007
FY2008
FY2009
FY2010
FY2011
FY2012
FY2013
FY2014
FY 2015
FY 2016
FY 2017

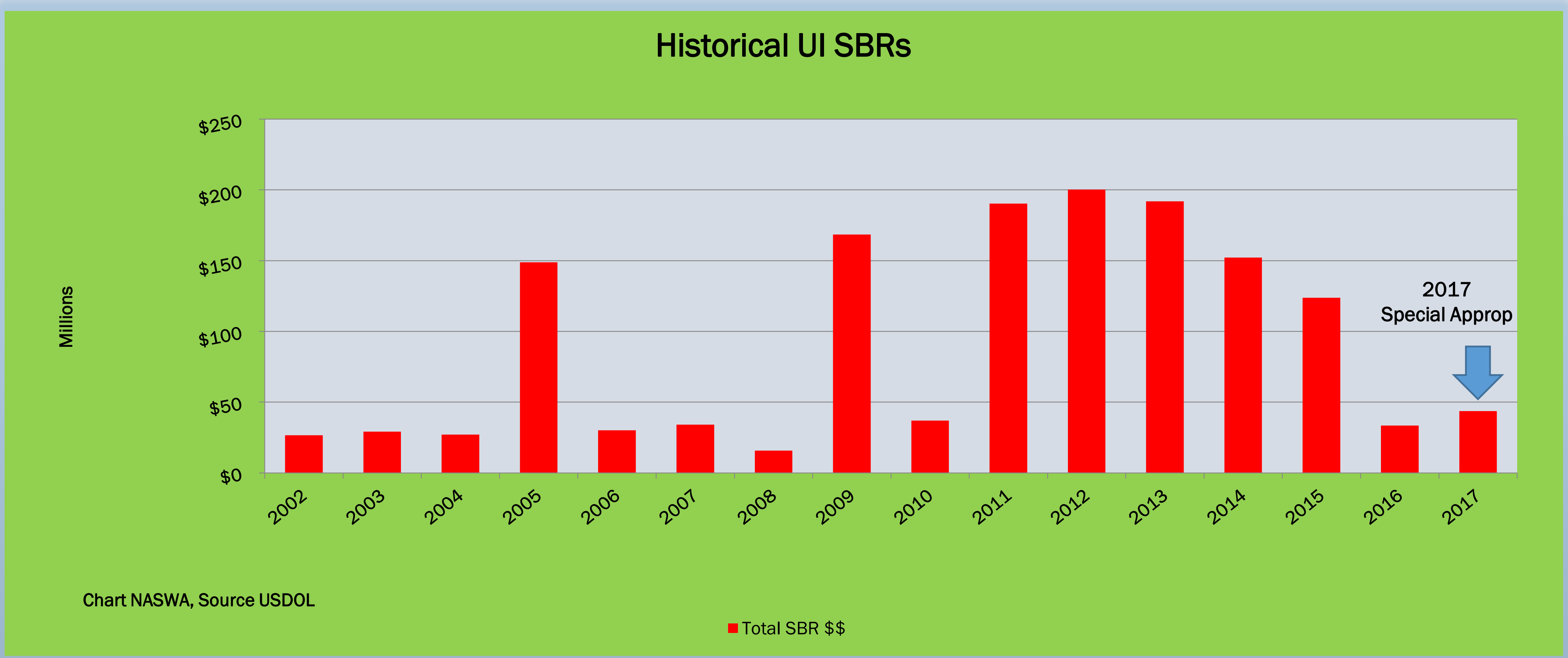
# Average Weekly Insured Unemployment (AWIU)



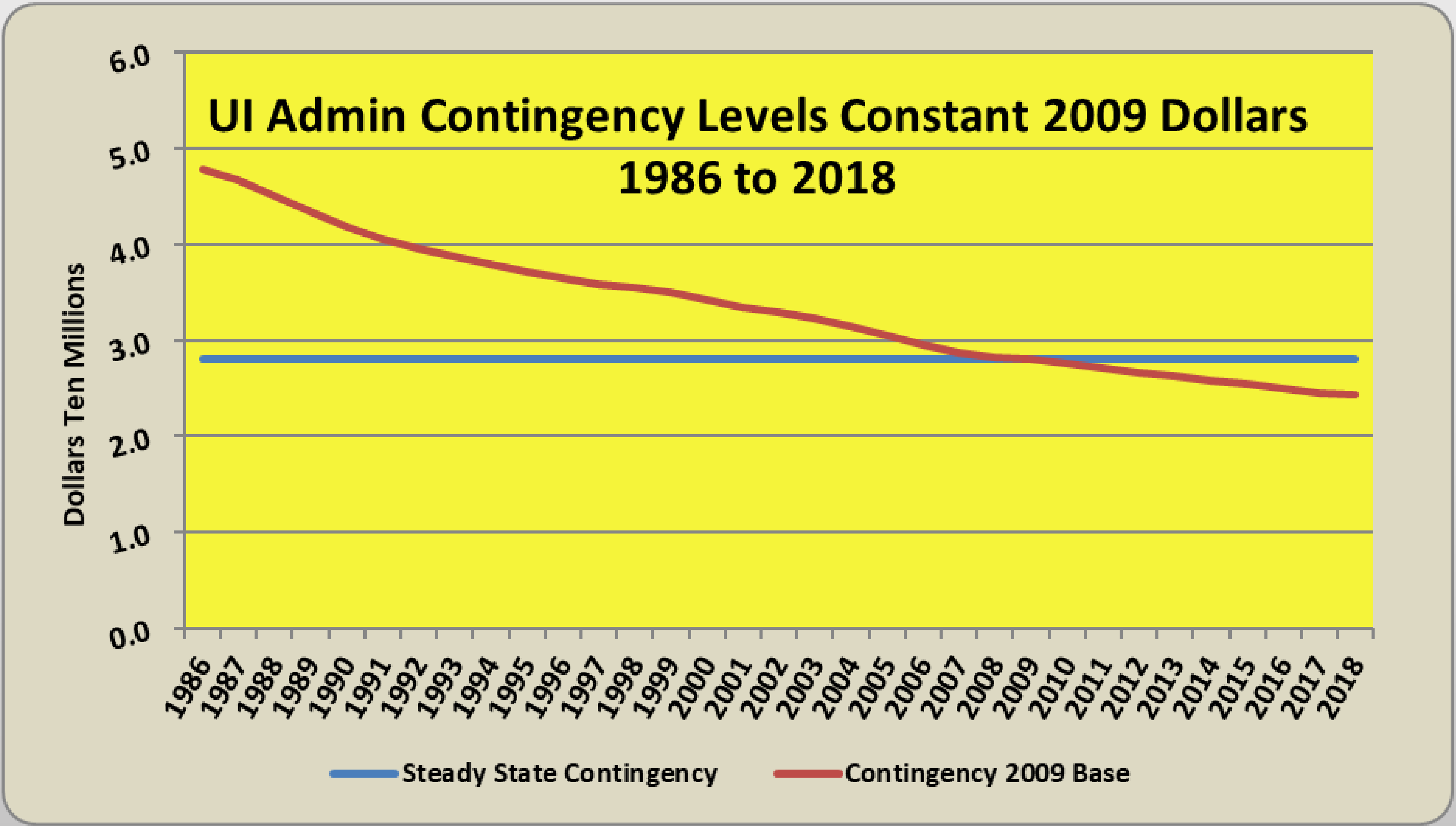
# UI Continued Claims



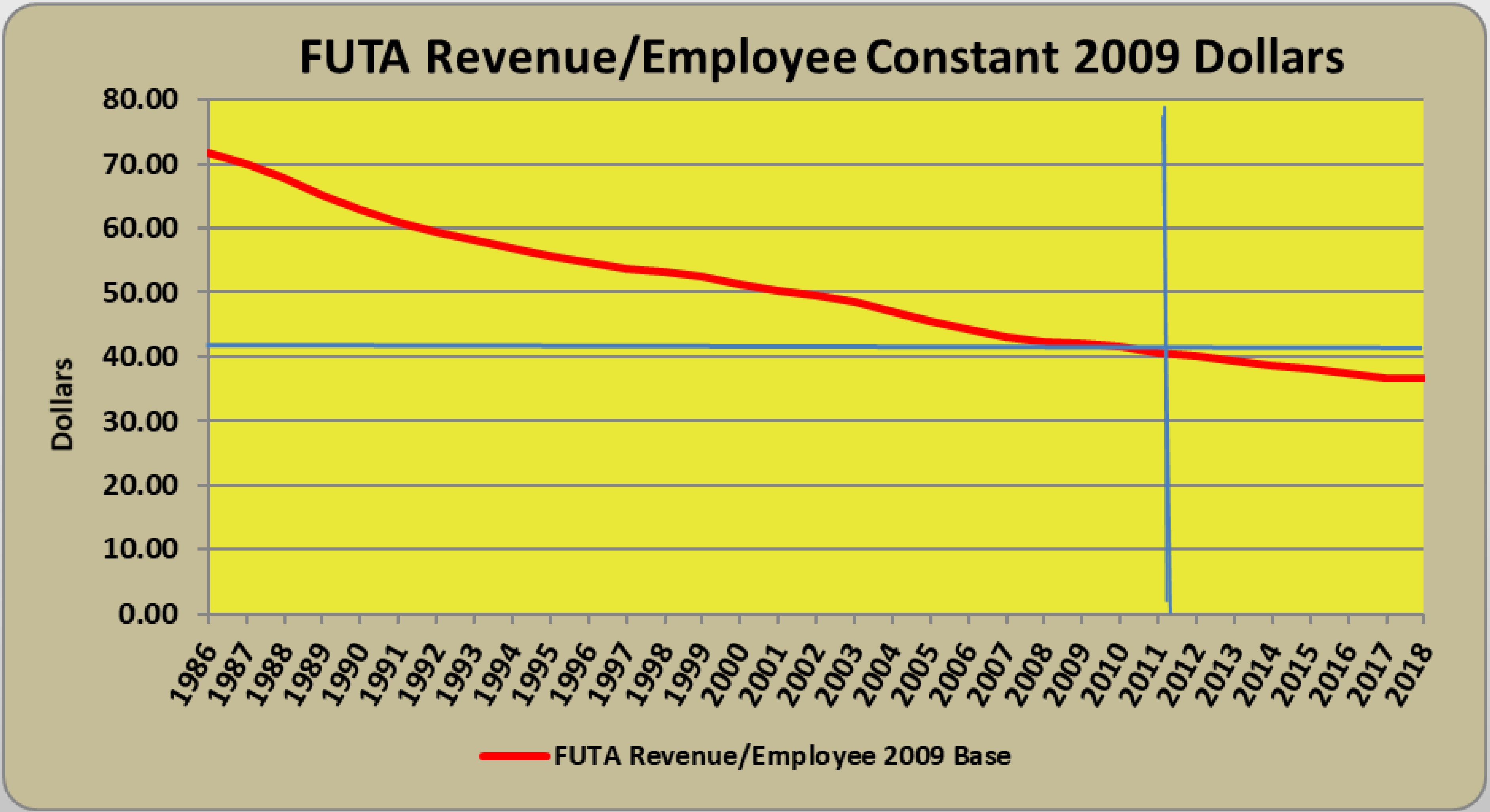
# Utilizing SBR's



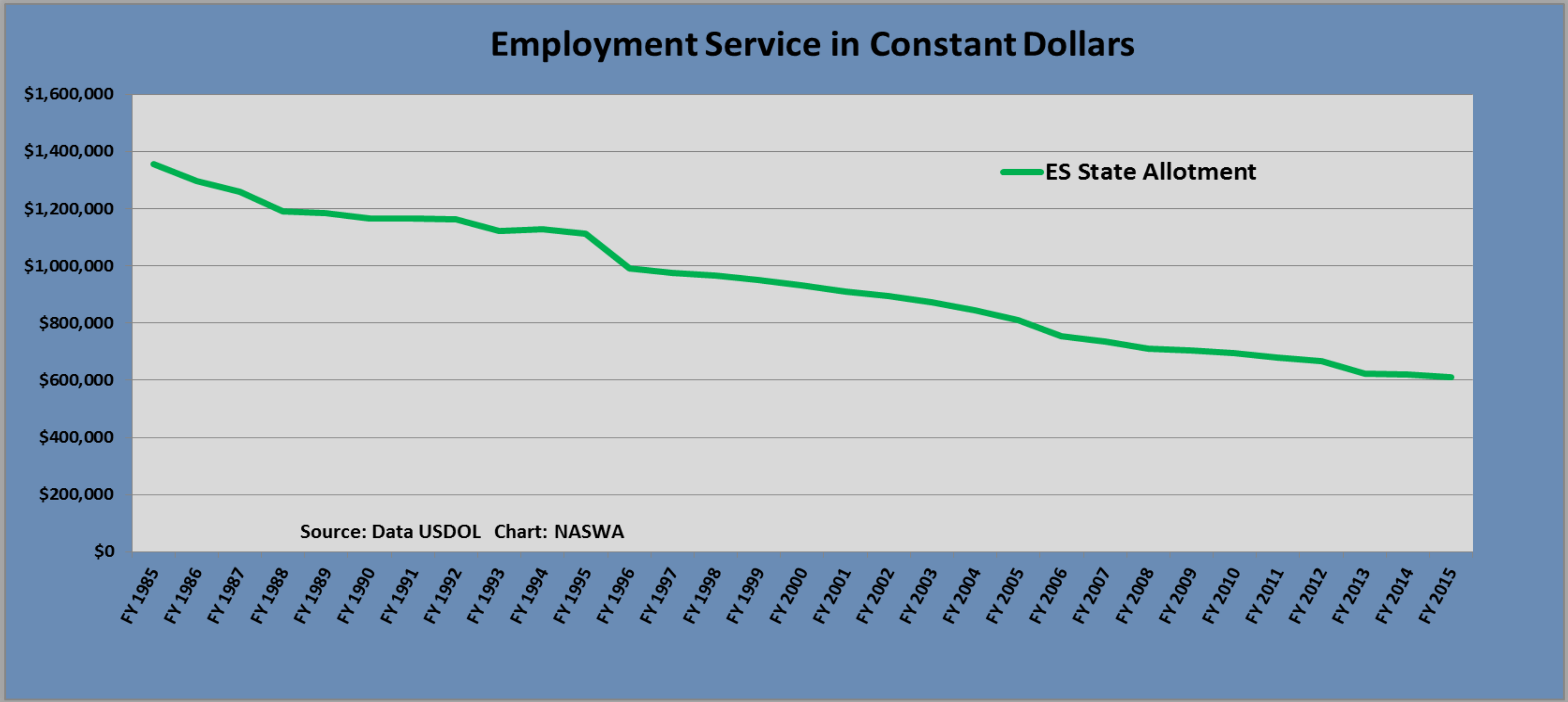
# Contingency Funding



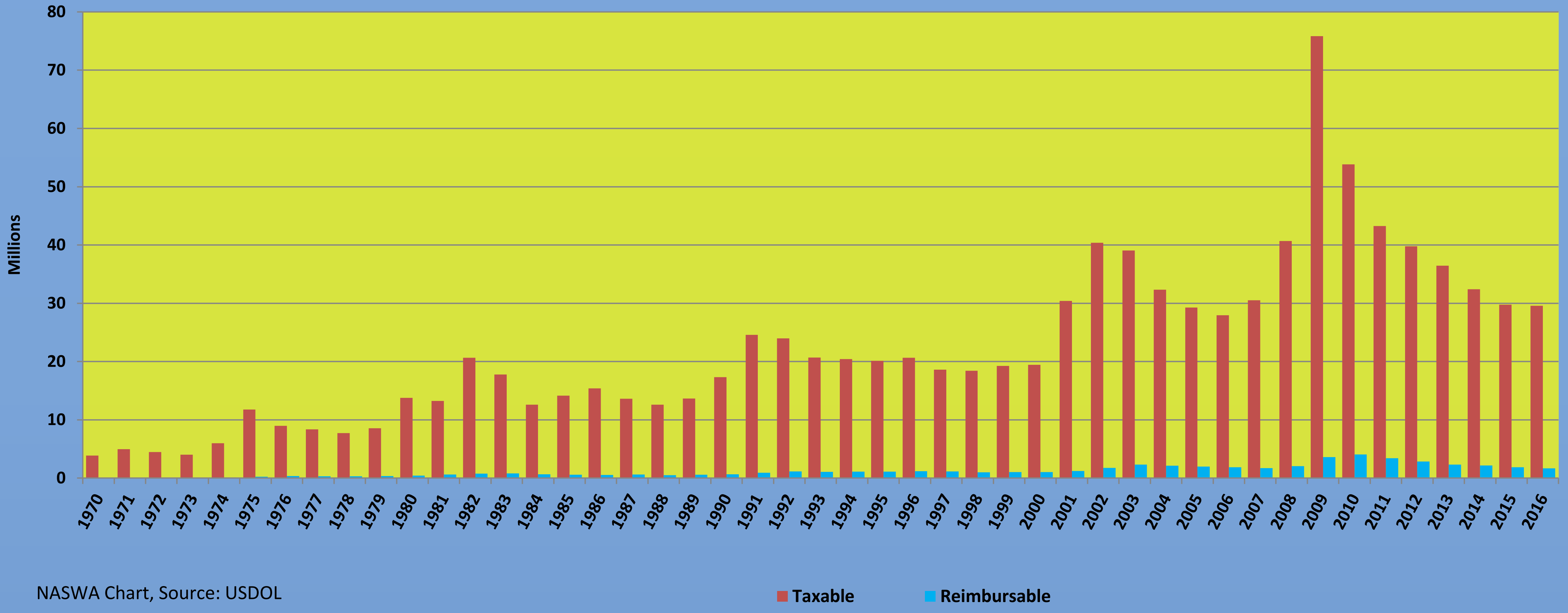
# FUTA Revenue/Employee



# Employment Service Funding



# Benefits Paid: Taxable vs Reimbursable 1970-2016



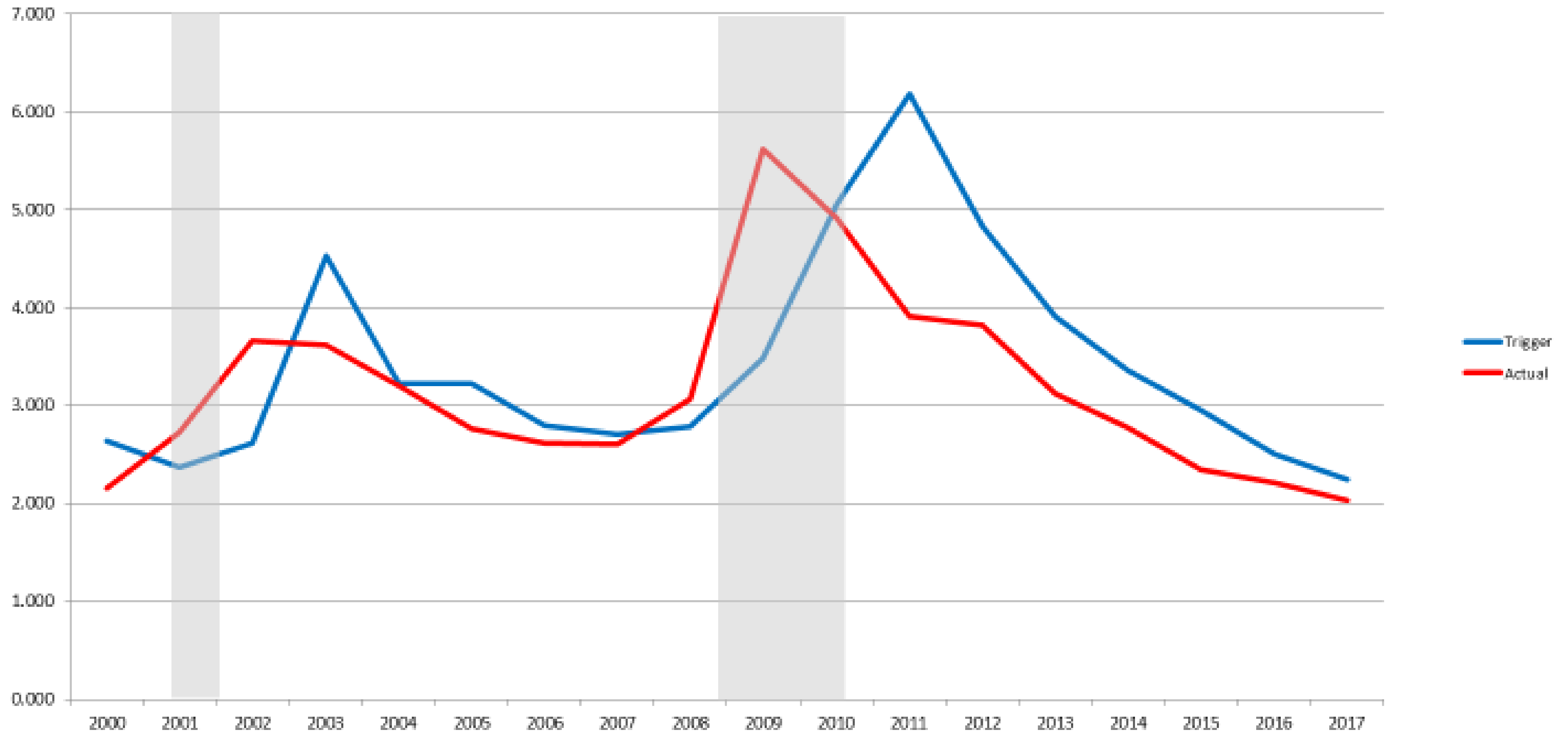

NASWA Chart, Source: USDOL

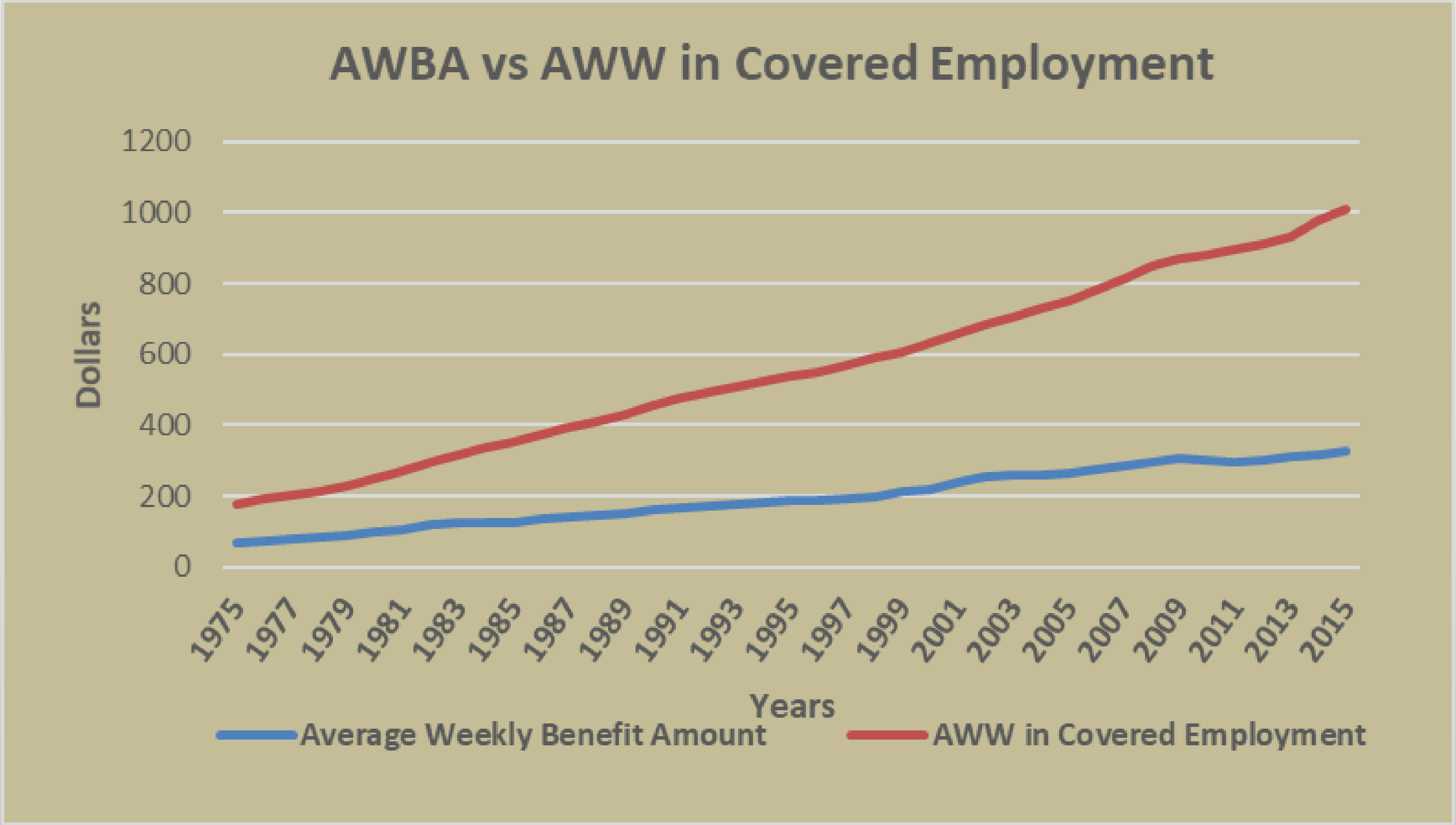
| 2016 | Benefits |
|---|---|
| Reim | 29,561,557 |
| Tax | 1,668,015 |
| % | 5.64% |

QUESTIONS

jvanerden@naswa.org

# Average Weekly Insured Unemployment (AWIU)




AWBA vs AWW in Covered Employment
1200
1000
800
600
400
200
0
Dollars
1975
1977
1979
1981
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
Years
Average Weekly Benefit Amount
AWW in Covered Employment

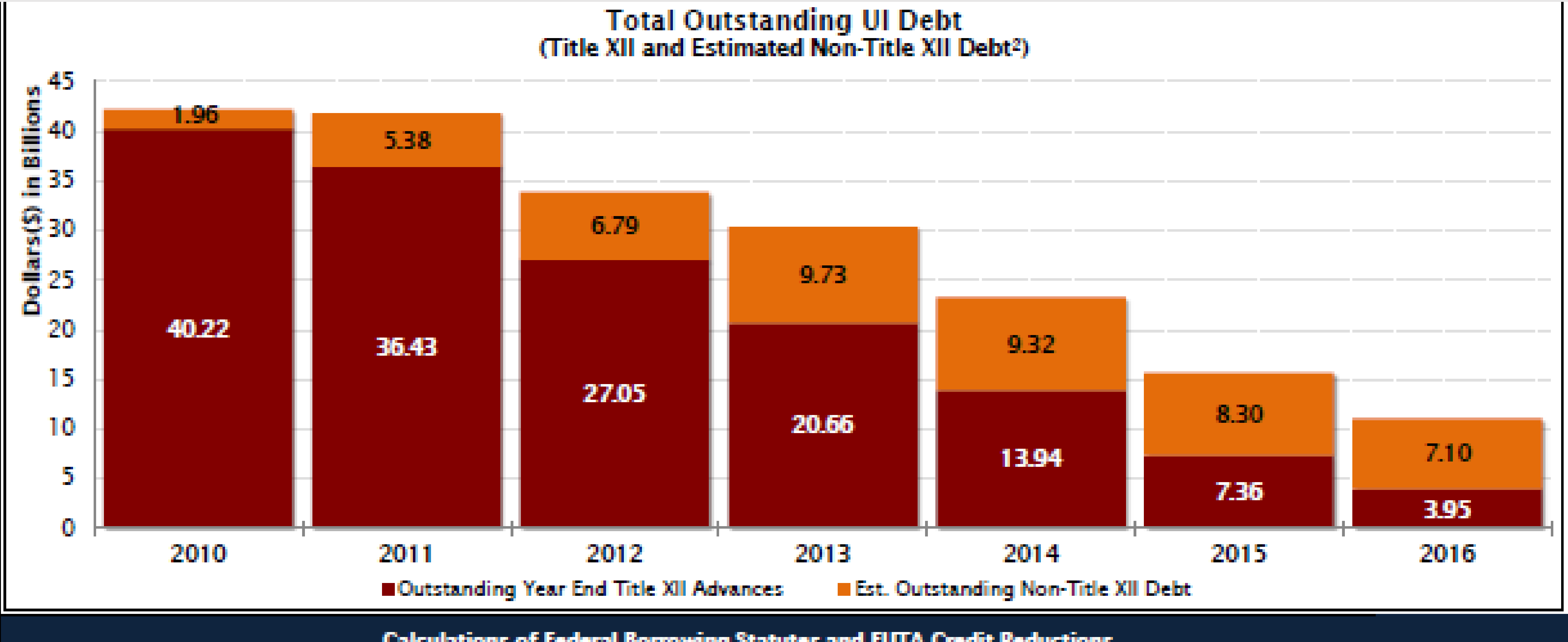
# Solvency Target

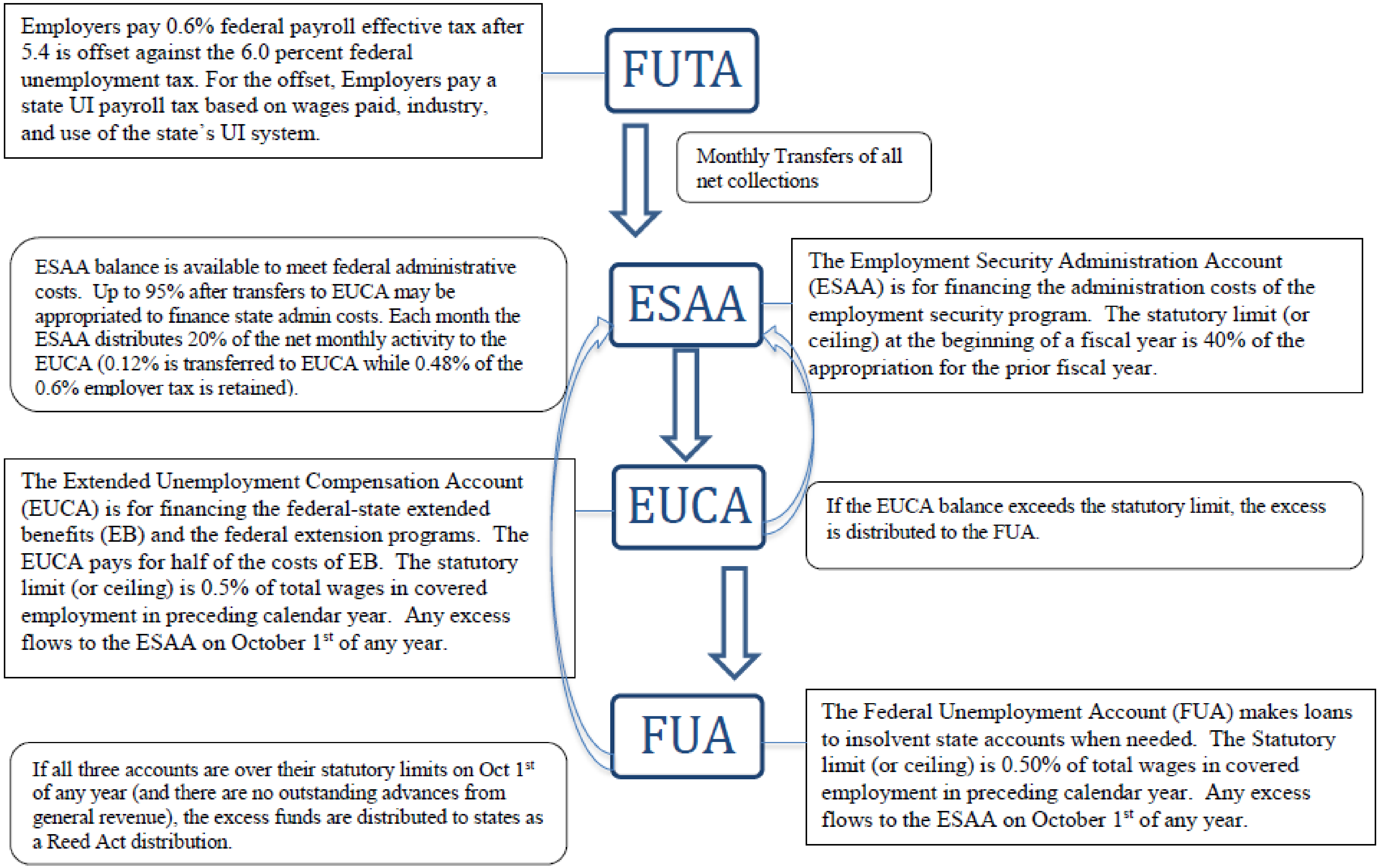
## AVERAGE HIGH COST MULTIPLE

$$\text{AHCM} = \frac{\dfrac{\text{TF Balance (as of 12/31)}}{\text{Total Wages (calendar year)}}}{\dfrac{\text{Benefits Paid for a calendar year}}{\text{Total Wages for the same calendar year}}}$$

Average of 3 highest yrs over the last 20 yrs, or last 3 recessions, whichever is longer

The AHCM represents the number of years a State can pay out benefits if it paid at the rate it paid for the average of the three highest years over the previous 20 (or over the last 3 recessions, whichever is longer) without receiving any additional revenue.


Total Outstanding UI Debt
(Title XII and Estimated Non-Title XII Debt²)
Dollars($) in Billions
45
40
35
30
25
20
15
10
5
0
1.96
40.22
5.38
36.43
6.79
27.05
9.73
20.66
9.32
13.94
8.30
7.36
7.10
3.95
2010
2011
2012
2013
2014
2015
2016
Outstanding Year End Title XII Advances
Est. Outstanding Non-Title XII Debt




Note: The Unemployment Trust Fund in the U.S. Treasury is a single trust fund with 59 accounts: the ESAA, the EUCA, the FUA, 53 state accounts, the Federal Employees Compensation Account (FECA), and two accounts connected to the Railroad Retirement Board.

PLACE HOLDER for this type of Graph