STATE UNEMPLOYMENT INSURANCE: RECENT TRENDS

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GOVERNING: OUTLOOK IN THE STATES AND LOCALITIES
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PART 1: Where States Stand?

Cumulative State Budget Shortfalls by Fiscal Year (in $ billions)

Source: Center on Budget and Policy Priorities (www.cbpp.org)
PART 1: Where States Stand?

States still have to contend with surging expenditures in a number of major categories:

- Healthcare
- Education
- Public Pensions
- Emergency Management
- Infrastructure
- Transportation and
- Unemployment Insurance
FOUR MAIN PARTS

1. Where States Stand?
2. How States Ended Up Here?
3. What States Are Doing?
4. Any Model State Programs?
PART 1: Where States Stand?

- The Social Security Act of 1935 provided a tax offset incentive enticing states to enact unemployment insurance laws;
- By July 1937, all 48 states, the then territories of Alaska and Hawaii, and D.C. passed unemployment insurance laws;
PART 1: Where States Stand?

Main Objective = Automatic Economic Stabilizer

(Provide the unemployed funds to take care of essential expenditures to maintain household purchasing power and ensure economic activity during a downturn or recession)
PART 1: Where States Stand?

Average Weekly Benefit Amount (AWBA) - Q3 2009

- Lowest Three States: Mississippi ($194); Alabama ($208); Arizona ($219)
- Highest Three States: Washington ($423); Massachusetts ($423); Hawaii ($422)
- 21 States with AWBAs between $194 and $297;
- 26 States with AWBAs between $300 and $394;
- 3 States with AWBAs over $400;
- U.S. Average $311
Loans from the Federal Government (Jan. 28, 2010)

- 26 States Secured Loans, Totaling Nearly $31 Billion;
- In 2 Years, 40 States Forecasted to Borrow $90 Billion;
- Top Borrowers:
  - California ($6.9 Billion)
  - Michigan ($3.4 Billion)
  - New York ($2.5 Billion)
  - Pennsylvania ($2.2 Billion)
  - Ohio ($1.9 Billion)
PART 1: Where States Stand? Trust Fund Balances, 2000 to 2009

in billions


$0.0  $10.0  $20.0  $30.0  $40.0  $50.0

$49.9  $45.5  $25.2  $32.4  $14.2

$18.8
PART 1: Where States Stand?

State Unemployment Insurance Trust Fund Balances by AHCM Measure
3rd Quarter, 2009

Source:
PART 2: How States Ended Up Here?

Civilian Labor Force and Unemployment by State, Seasonally Adjusted
December 2009, Preliminary

Source:
PART 2: How States Ended Up Here?

- Soaring Unemployment Rates;
- Slashing UI Tax Rates (Indiana, Michigan);
- Enhancing Benefits (California, Ohio, Indiana).

UI Trust Funds Attacked at Both Ends: 
More People are Tapping Benefits while Fewer Companies are Paying Taxes to Replenish the Funds
PART 3: What are States Doing?

- Securing Loans from the Federal Government
  - 26 States Already Secured Loans
- Raising UI Tax Rates (36 States in 2010), including a per worker increase of $148 in Alabama; $187 in Nebraska; $327 in New Jersey; $467 in Idaho
PART 3: What are States Doing?

- Taxes Rising Due to Automatic Triggers, Taxable Wage Base Rises and Legislative Action;
- Cutting Benefits (7 States in 2010), including Pennsylvania, West Virginia, Virginia, New Hampshire, Hawaii.
PART 4: Model Program - Oregon

- Measures Introduced by Oregon:
  - Taxable Wage Base, $31,300 in 2009;
  - Taxable Wage Base Increases Every Year;
  - Tax Rate Higher than National Average;
  - Legislature Largely Refrains from “Tinkering” with Taxes and Benefits
PART 4: Model Program – Oregon Tax Schedules

NOTE: Each schedule has several tax rates, which are assigned to employers based upon their experience with the U.I. program. This shows the AVERAGE for each schedule.

Source: Oregon Employment Department
PART 4: Model Program - Oregon

Taxable Wage Base in the States

- 7 States at $7,000 (the Federal Minimum established in 1983);
- 15 States between $8,000 and $9,000;
- 15 States between $10,000 and $19,300;
- 13 States between $20,900 and $35,700
- Highest State = Washington ($35,700)
- U.S. Average = $11,905
Thank You

For more information, please contact

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