

State Unemployment Funds: Going for Broke?

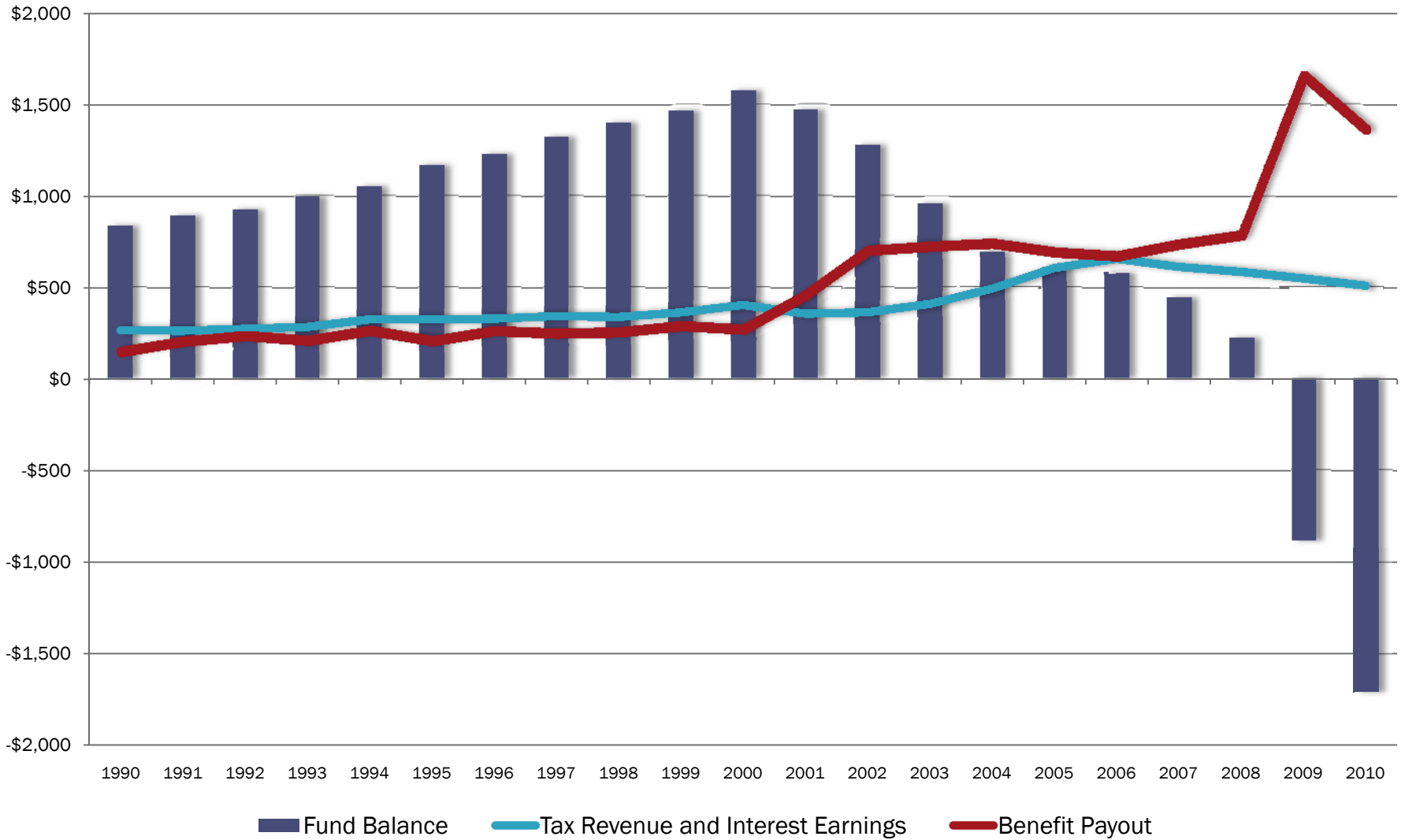
The Indiana Experience

Presented by Margaret (Peggy) Piety
Indiana Legislative Services Agency



Indiana Unemployment Insurance Trust Fund

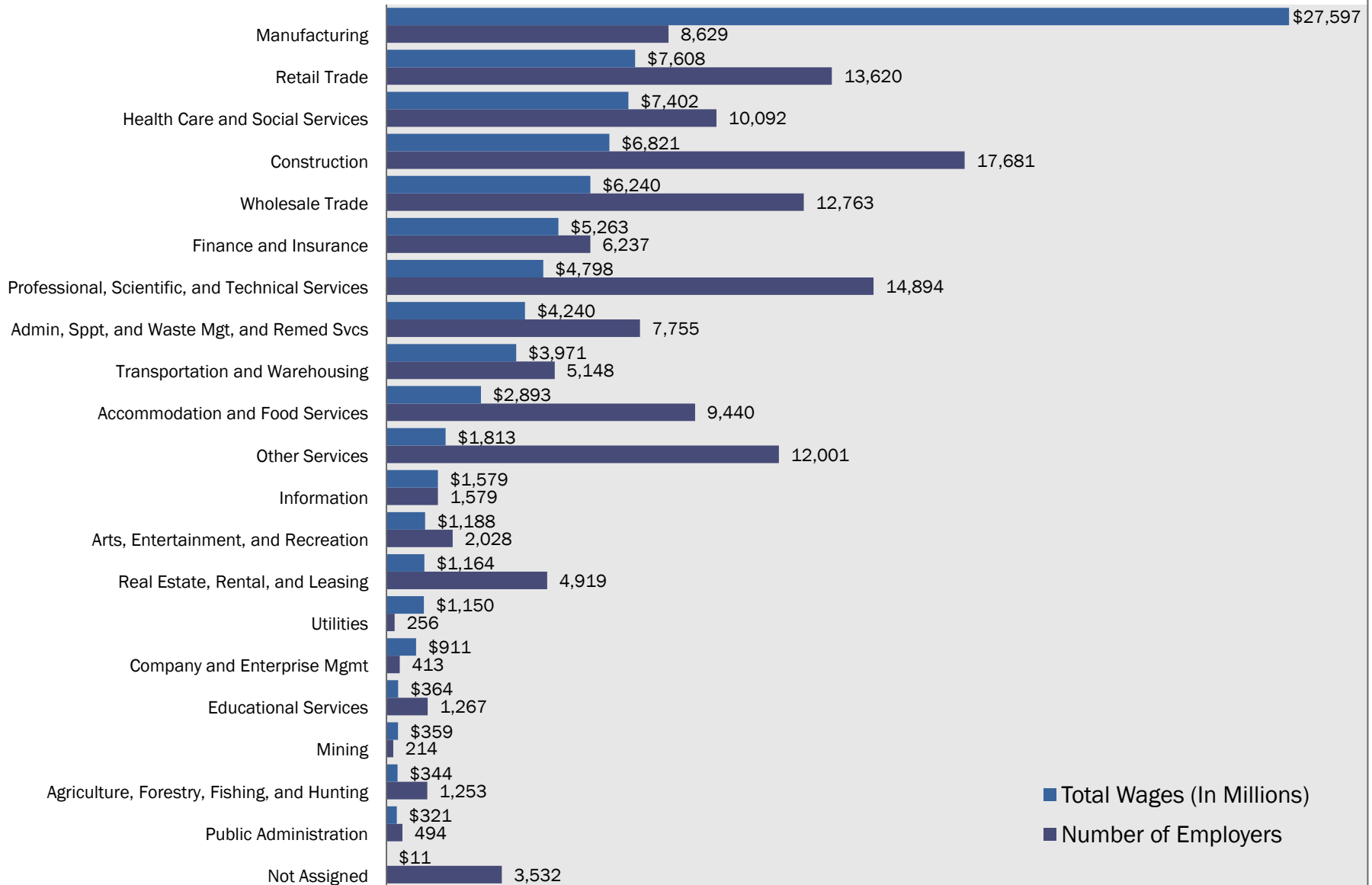
(In Millions)



Data Source: Department of Workforce Development

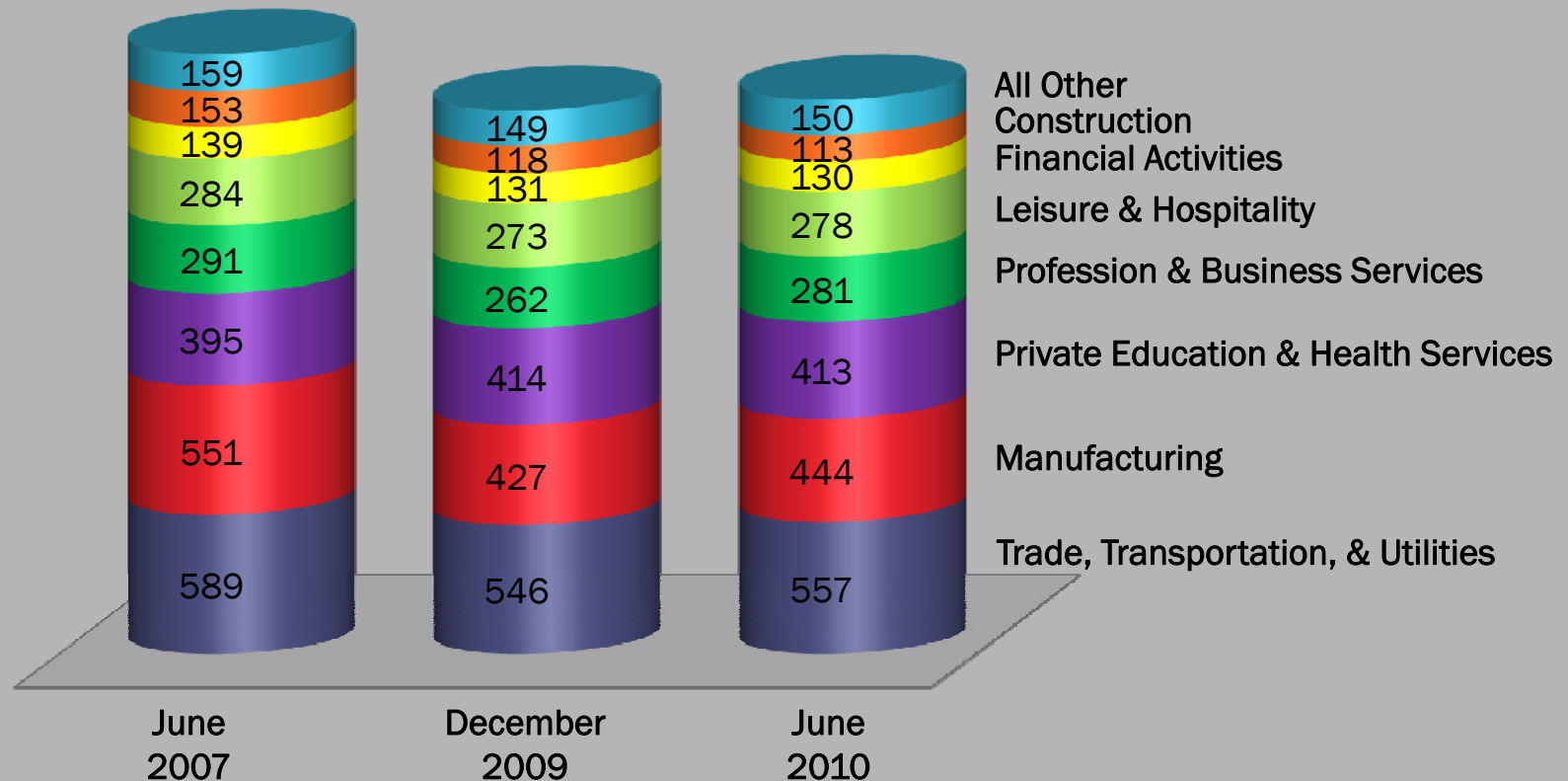
2009 Characteristics of the Workforce

NAICS Category Sorted by Total Wages



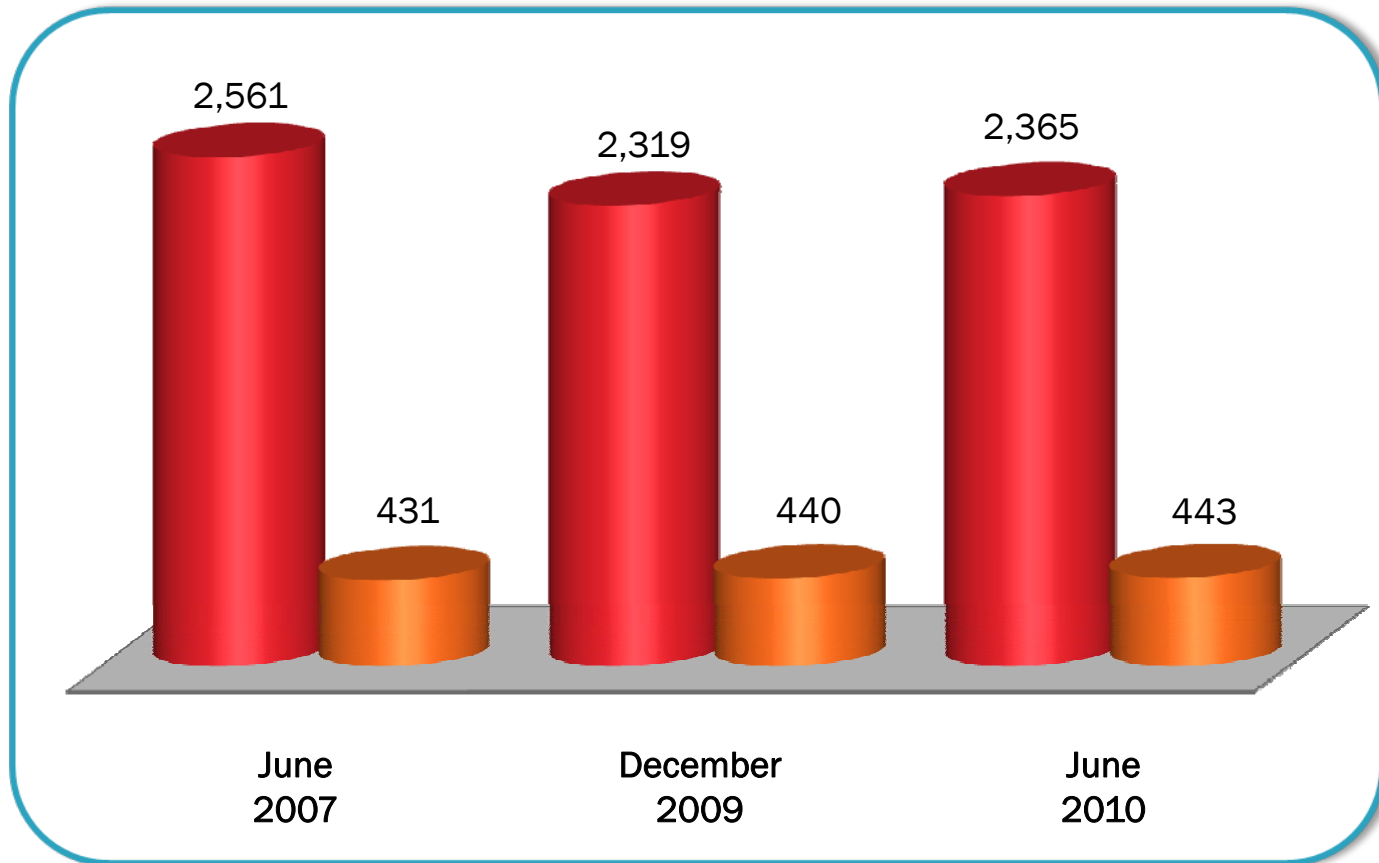
Change in Number of Employees

Selected Private Industries



Change in Number of Employees

Private versus Government Sector Employment



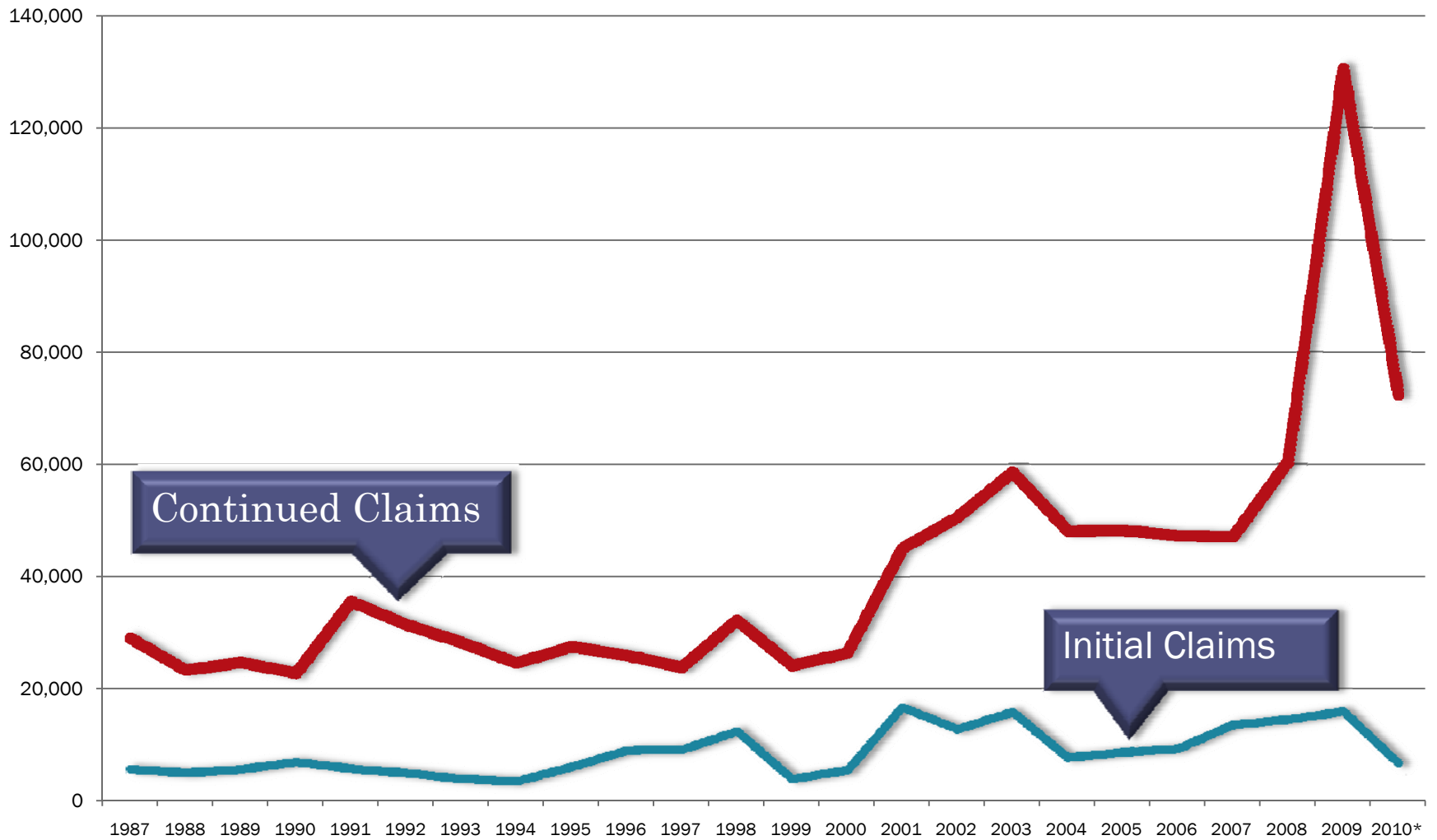
■ Private ■ Government

Indiana Unemployment Rate

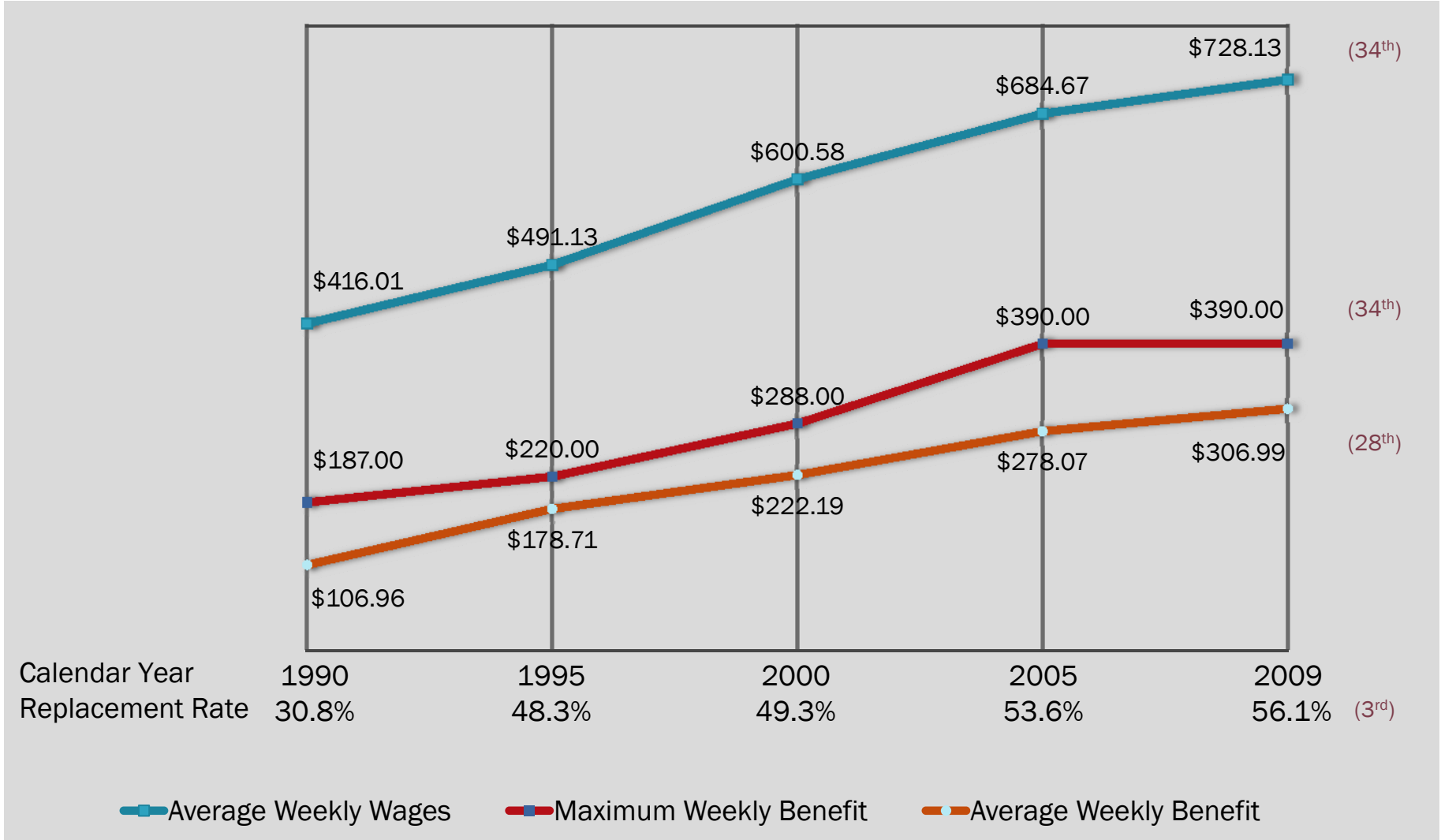
Average Annual Rate



Indiana Unemployment Claims



Indiana Unemployment Benefits



Unemployment Tax System

Contribution Variables

Current

Taxable Wage Base: \$7,000

24 Separate Rates

4 Tax Schedules

Reserve Ratio

Rates Range: 1.1% to 5.6%

After 2010

Taxable Wage Base: \$9,500

28 Separate Rates

9 Tax Schedules

Reserve Ratio

2011 Rates Range: 0.7% to 11.5%
2012+ Rates Range: 0.75% to 12.2%

Unemployment Tax System

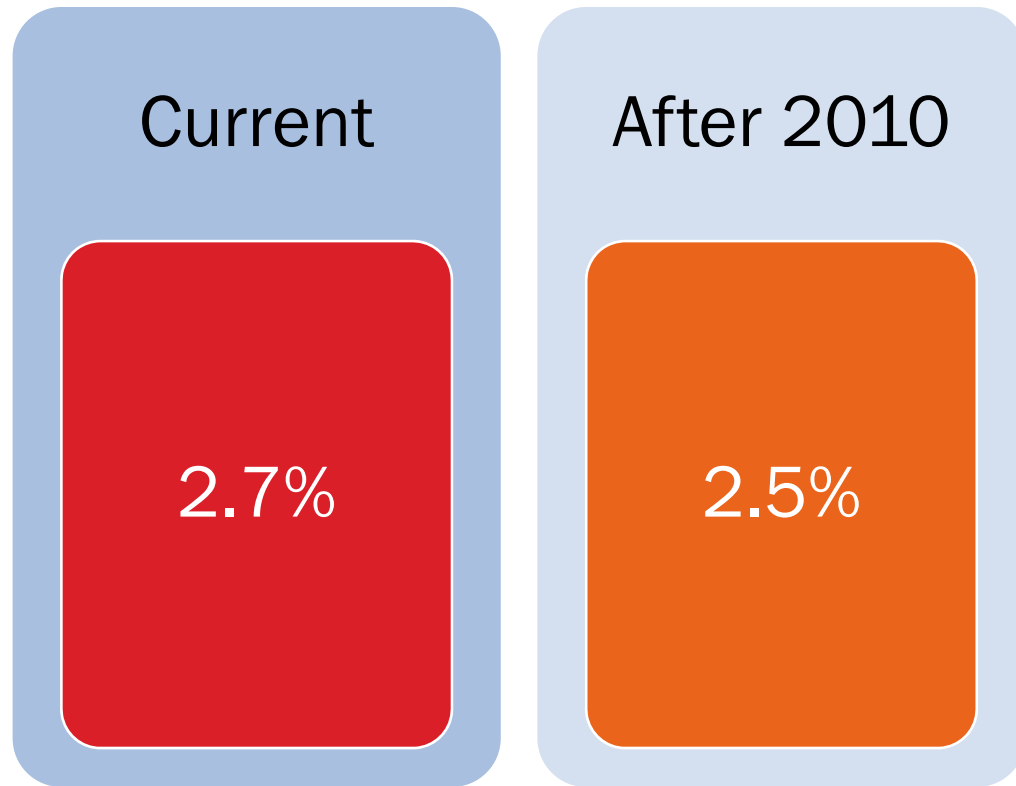
New Employer Tax Rate (Applies to First 36 Months)

Current

2.7%

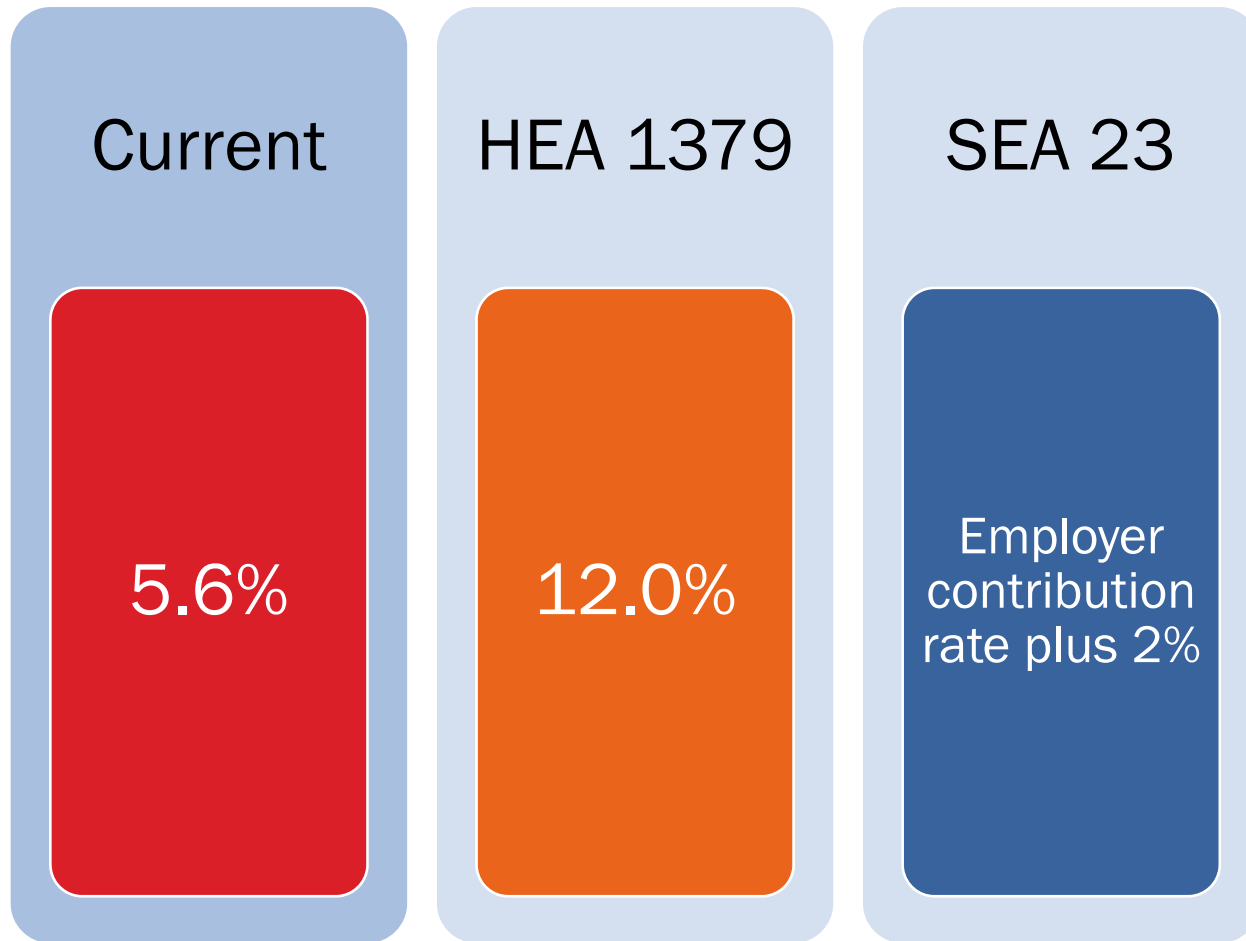
After 2010

2.5%



Unemployment Tax System

Delinquent Employer Tax Rate



Unemployment Tax System Contributions and Benefits

2009

Employer Contributions: \$521.4 M

Benefits Paid: \$1,865.3 M

2011

Est. Added Contributions: \$295.1 M

2012

Est. Added Contributions: \$343.5 M

Legislation to Address Shortfall

HEA 1379 (P.L. 175-2009)

Employer Funding

- Increased taxable wage base to \$9,500
- Expanded definition of "employing unit"
- Restricted new experience accounts
- New tax schedules and rates (Schedule B in first year)
- One-time voluntary contribution by debit balance employers

Legislation to Address Shortfall

HEA 1379 (P.L. 175-2009)

Benefits and Claims

- Changes to extended benefits
- One work application each week; department waiver
- Changes to minimum wage credits
- Changes to "discharge for just cause" and "gross misconduct"
- Benefit reductions under certain conditions
- Changes to definition of "unsuitable" work based on length of time benefits paid
- Compliance center

Legislation to Address Shortfall

HEA 1379 (P.L. 175-2009)

Other Provisions

- Unemployment Insurance Oversight Committee
- ALJ training, monitoring, and discipline
- Transfer of excess P&I fund balance to Trust Fund
- Hoosier Workers First Training Program
- Study whether to implement changes for federal stimulus funding

Legislation to Address Shortfall

SEA 23 (P.L. 110-2010)

Employer Funding

- Delayed for one year new tax schedules and rates
- Change to delinquent employer contribution rate
- Repealed voluntary contribution provision

Legislation to Address Shortfall

SEA 23 (P.L. 110-2010)

Benefits and Claims

- Removed one work application each week requirement
- Jury service not disqualifier for unemployment benefits
- Removed compliance center provision
- Charged 50% of overpayments to uncooperative employer's experience account

Legislation to Address Shortfall

SEA 23 (P.L. 110-2010)

Other Provisions

- ALJ must be licensed attorney
- Study indexing of benefits and taxable wage base
- Helping Indiana Restart Employment (HIRE) program using TANF emergency funds
- Worker classification
- Tax credits/job creation incentives

Immediate Issues

Repayment of Interest

- Estimated Interest Liability: \$53 M - \$87 M
- Cannot be Paid from the UI Trust Fund
- Payment Options:
 - Budget/State General Fund
 - Employer Surcharge

FUTA Credit Reduction

- State began borrowing in December 2008
- Reduction starts in January 2011
- Credit reduced 0.3% each year

Longer Term Strategies

Restore balance in contribution/benefit structure of state unemployment system

Indexing of benefits and taxable wage base

Changes to claim review/overpayment collections

Employee tax

Array system tax rate assignment