

UNEMPLOYMENT INSURANCE

Recycle?

Renew?

Reform?



State of the UI Program

- The UI program is cumbersome, complex, and complicated.
- The infrastructure in the majority of states is outdated and a patchwork of “fixes”.
- The variability of state laws have created a nightmare for claimants attempting to navigate the process; especially for combined wage claims.
- Lack of federal funding to support and maintain a modern approach to self-service, improved call center operations, and sustained face-to-face contact in local offices have caused program deterioration.
- Realistically, there is no quick fix or miracle cure.
- To move forward will require collaboration, compromise, and commitment.

Recycle? Renew? Reform?

How do we move forward?

- Should we **recycle** strategies from other programs- use lessons learned from other partners such as Housing, Supplemental Nutritional Assistance, or Temporary Assistance to Needy Families.
- Is this a time of **renewal**? Is America and its political representatives ready to pledge a commitment of dollars to the continued support of the unemployed? Are we moving toward recovery and rebirth or slipping into another decline?
- Can program **reform** be realized through the modernization of administrative rules, incentives, or new accountability measures?

Challenges

There are some huge elephants in the room!

- Trust fund solvency- NASWA Trust Fund Solvency Survey, 12/2009 (<http://www.workforceatm.org/sections/pdf/2010/FINALSOLVENCYSURVEY.pdf>)
- Thirty-five states have increased their unemployment insurance (UI) taxes on employers in 2010. The survey was completed by all 50 states and Puerto Rico.
- Of the 51 state programs surveyed, 28 states (AK, AL, AZ, CO, GA, HI, IA, ID, IL, KS, MA, MD, ME, MN, MT, ND, NE, NH, NJ, NY, OH, OR, PA, PR, VA, VT, WI and WY) indicated the tax schedule in their state will see an increase in 2010 compared to 2009.
- Seven states (AR, FL, IN, NH, TN, VT and WV) have enacted legislation to increase their “taxable wage base,” the level of wages subject to a payroll tax on employers.
- None of the 51 state programs surveyed reported their state legislature enacted a solvency tax in 2009. However, some states already had an existing statute on the books.

Challenges

There are some huge elephants in the room!

- **Administrative Financing-**
 - **Thirty-two states trust funds have gone broke as of July 7, 2010 (DOL)**
 - **Thirty-five states are projected to borrow in 2010 with 40 states borrowing by 2012 (DOL)**
- **Deficit Funding-** A state uses borrowed funds to pay for UI benefits.
- **Forward Funding-** A state builds up its trust fund reserves in anticipation of increased outlays.
- **Pay-as-you-go Financing-** A state taxes at a rate equal to the amount of benefits paid (reimbursable system).

Potential Solutions to Explore

- Increase the role of reemployment services to connect unemployed workers to the workforce.
- Examine the success of the Employment Service in assisting the unemployed enter employment and fund it accordingly.
- Provide incentives to states to modernize their administrative rules and statutes while allowing greater flexibility in the areas to modernize.
- Update the budgeting models used by OMB and DOL to reflect actual expenditures and inflation reported by state programs and fund states accordingly.
- Restrict the use of FUTA funds to finance only UI and workforce related programs. Toss out the strategy of using FUTA as an offset to other budget increases.
- Stabilize the UI program by providing regulations regarding minimum trust fund levels.

Summary (but not the last word)

- Several daunting challenges face the UI system.
- Through collaboration, interested stakeholders in the UI system can renew their commitment to reform and improve the UI system. Some compromises might be needed to effect change.
- Technology infrastructures must be upgraded and modernized to accommodate the many changes in the program due to the escalating number of Tiers and additional benefits authorized by Congress.
- We have to get the money figured out! States have ample documentation of the costs related to operating UI programs. To build a culture of excellence and accountability, it must be funded appropriately.

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