

Unemployment Insurance Advisory Council Meeting



January 7, 2015

UI Trust Fund Projection – 2014 & 2015 as of December 29, 2014

UI Financial Projections - Quarterly Summary (in Millions)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2014					
Contributions/Interest In	\$4.9	\$19.2	\$12.3	\$7.8	\$44.3
Benefits Out	\$12.1	\$5.7	\$3.5	\$5.6	\$26.8
Trust Fund	\$58.7	\$72.6	\$81.4	\$84.6	\$84.6
2015					
Contributions/Interest In	\$3.8	\$14.7	\$9.3	\$6.1	\$33.9
Benefits Out	\$14.0	\$6.9	\$4.7	\$6.4	\$32.0
Trust Fund	\$74.4	\$82.2	\$86.8	\$86.5	\$86.5

* Actual data through November 2014.

Short-time Compensation (STC)

- Also known as worksharing or shared work.
- Allows employers to maintain their workforce by reducing hours worked in lieu of layoffs. Affected workers receive a partial unemployment benefit for hours lost.
- Estimated 225 employers would use the program.

Short-time Compensation (STC)

- Employer participation is voluntary.
- Employers reduce hours in lieu of layoffs.
- Employers may not reduce health or retirement benefits of those impacted.
- Employees receive a prorated share of benefits they would have received if totally unemployed.
- Employees must be available for work.
- Employees may participate in state-approved training programs.

STC Example

An employee normally works full time, 40 hours a week at \$15/hour, earning \$600/week. The employee's wage credits qualify for a weekly unemployment benefit amount (WBA) of \$300.

The employer reduces work hours by 40% equaling 16 hours. The employee works and earns wages equaling \$360.

STE Example

- Under current UI law, employee's earnings are greater than their WBA. The employee is not eligible for benefits.
- Under the Short-Time Compensation/Workshare program, the employee receives \$120 in benefits in addition to wages earned. The employer account is charged for the benefit.

STC Participation

28 states have a worksharing program:

- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- District of Columbia
- Florida
- Iowa
- Kansas
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Missouri
- Nebraska
- New Hampshire
- New York
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- Rhode Island
- Texas
- Vermont
- Virginia
- Washington
- Wisconsin

STC State Plans

- 21 States allow employers to submit one-year STC plans; 7 States allow STC plans for a maximum of six-months.
- Minimum reduction of staff
 - 2 employees (14)
 - 10% of workforce (7)
 - 3 employees (2)
 - 5 employees (2)
 - 15% of workforce (1)
 - 20 employees (1)
 - 50 employees (1)
- Required reduction of work
 - 10 – 50% (7)
 - 20 – 40% (6)
 - 10 – 40% (5)
 - 10 – 60% (5)
 - 20 – 50% (3)
 - 10 – 50% (1)
 - 15 – 45% (1)

STC State Plans

- The majority of states do not have any special financing. One state adds a one to two percent surtax if the employer's reserve is negative; another applies an additional one percent tax above the current rate.
- Most states require employers to be current on the submittal of reports and payments before eligible.
- Several states do not allow employers with a negative reserve or new employers who are not eligible to be experienced-rated to participate.
- A few states charge all benefits to the STC employer regardless of their base period charging rules.

Common Paymaster

- Related corporations or companies reporting payroll under one unemployment insurance tax account.
- The common paymaster is responsible for the reporting of wages and payment of contributions and is considered the chargeable employer for any benefits paid.
- Estimated cost and participation is indeterminable.

Common Paymaster Example

- An employee works concurrently for two related corporations, ABC Corp. and XYZ Corp. The employee earns \$20,000 a year from each employer. Both employers have a UI tax of 1.0 percent. Taxes are assessed on the first \$15,000 in wages.

Common Paymaster Example

	ABC Corp. Wages	XYZ Corp. Wages	Total Wages	UI Tax Due Under Current Law	UI Tax Due Under Common Paymaster
1 st Qtr 2015	\$5,000	\$5,000	\$10,000	\$100	\$100
2 nd Qtr 2015	\$5,000	\$5,000	\$10,000	\$100	\$50
3 rd Qtr 2015	\$5,000	\$5,000	\$10,000	\$100	
4 th Qtr 2015	\$5,000	\$5,000	\$10,000		
				\$300	\$150

- Under current UI law, each employer would pay \$150 in contributions.
- Under common paymaster, each employer would pay \$75 in contributions.

Common Paymaster Participation

25 states allow common paymaster arrangements:

- Arizona
- California
- Florida
- Georgia
- Illinois
- Indiana
- Louisiana
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Missouri
- Nebraska
- New Jersey
- New Mexico
- New York
- North Carolina
- Oklahoma
- Oregon
- South Carolina
- Tennessee
- Washington
- West Virginia
- Wisconsin