

HB 1018: An Act to revise certain provisions regarding unemployment insurance benefit eligibility of part-time workers and to provide additional unemployment insurance benefits to workers attending approved training.

The Unemployment Insurance (UI) Trust Fund has undergone continuous monitoring and careful review since South Dakota began feeling the impacts of the recession in November 2008. The Department of Labor and the Unemployment Insurance Advisory Council have made recommendations to help restore its solvency.

In April 2009, \$5.9 million in federal stimulus funds was received through the UI Modernization Incentive by adopting an alternative base period. Despite these additional funds, the balance continued to drop to such low levels that an employer surcharge triggered September 30, 2009. The surcharge has been part of South Dakota law since 1939.

The highest surcharge rate of 1.5 percent applied to base wages (\$9,500 in 2009) paid by all South Dakota employers in the fourth quarter 2009. The maximum payment per worker of \$142.50 is due on January 30, 2010. The surcharge is projected to remain in effect at the 1.5 percent rate through 2010. The base wage increased to \$10,000 in 2010, so the maximum employer payment per employee on 2010 wages will be \$150.

Currently, the Trust Fund is paying out four times the amount paid two years ago. For the week ending January 9, 2010, payments from the State Trust Fund were \$1.7 million, compared to \$1.1 million one year ago and \$644,000 two years ago. The Trust Fund now has a "negative" balance. However, federal loans are available at zero interest through 2010. South Dakota borrowed \$7.7 million from the federal treasury for benefit payments in 2009.

For the 2010 Legislative Session, the UI Advisory Council has introduced HB 1018 to expand eligibility for UI benefits which is the second part of the UI Modernization Incentive. By expanding benefit eligibility in two of four categories, South Dakota will receive \$11.7 million to the Trust Fund. If this legislation passes, the projected balance of the Trust Fund at the end of 2010 will be \$11.2 million.

The four categories to be considered include:

1. Provide benefits to workers seeking part-time work.
2. Provide dependant allowances to claimants.
3. Provide benefits to workers who quit for compelling family reasons.
4. Provide additional benefits to workers attending state-approved or WIA-funded training.

South Dakota already provides benefits to workers seeking part-time work, so there is no additional cost. In addition to that option, the Advisory Council's recommendation would provide 26 additional weeks of benefits to workers in approved training. The

projected annual cost to the Trust Fund as a result of the expanded benefits is \$800,000.

The current UI tax system will undergo further scrutiny in 2010 to develop long-term strategies for consideration by the 2011 Legislature.