

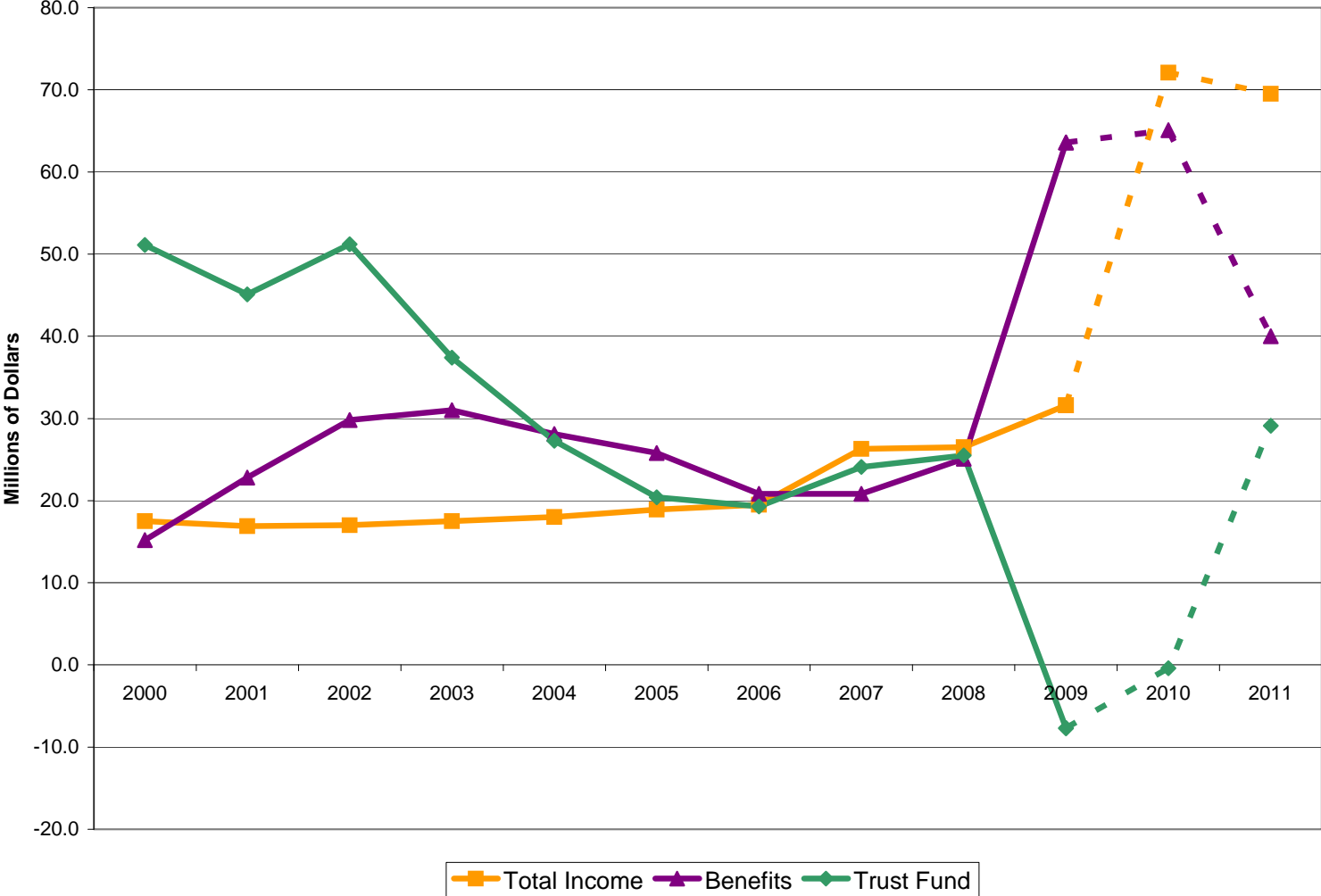
# 2010 Legislative Session

## SB 186

**An Act to change the unemployment insurance wage base and contribution rates and to declare an emergency.**

# UI Projections (Current Law)

### Unemployment Insurance Projections - Current Law



# Section 1: Wage Base

The wage base is the amount of wages on which the UI tax is paid.

## Current Law

- 2006 – \$7,000
- 2007 – \$8,500
- 2008 – \$9,000
- 2009 – \$9,500
- 2010 – \$10,000

## Proposed Law

- 2011 – \$11,000
- 2012 – \$12,000
- 2013 – \$13,000
- 2014 – \$14,000
- 2015 – \$15,000

# Neighboring States – Wage Base

	<b>2009 Wage Base</b>	<b>2010 Wage Base</b>
<b>Iowa</b>	\$23,700	\$24,500
<b>Minnesota</b>	\$26,000	\$27,000
<b>Montana</b>	\$25,100	\$26,000
<b>Nebraska</b>	\$9,000	\$9,000
<b>North Dakota</b>	\$23,700	\$24,700
<b>Wyoming</b>	\$21,500	\$22,800
<b>South Dakota</b>	\$9,500	\$10,000

*Source: U.S. Department of Labor*

# Section 2 & 3: South Dakota Tax Rates

	<b>Minimum</b>	<b>Maximum</b>
<b>2006</b>	Zero	7.0%
<b>2007 – 2009</b>	Zero	8.5%
<b>2010 Proposed</b>	Zero	9.5%

# Neighboring States – Tax Rates

	2009 Minimum Tax Rate	2009 Maximum Tax Rate	2009 Average Tax Rate	2009 Avg. Cost per Worker
Iowa	0.00%	8.0%	1.60%	\$378
Minnesota	0.56%	10.7%	1.73%	\$450
Montana	0.00%*	6.12%	1.14%	\$286
Nebraska	0.00%	5.4%	1.35%	\$122
North Dakota	0.20%	9.86%	1.00%	\$237
Wyoming	0.30%	9.10%	1.24%	\$267
<b>South Dakota</b>	<b>0.00%</b>	<b>8.5%</b>	<b>0.82%</b>	<b>\$78</b>

\* Zero Rate not available in 2010.

Source: U.S. Department of Labor

# Neighboring States – Zero Rate

- Estimated Account Balance per Employee Required for Zero Rate in 2010
    - Iowa – \$1,837
    - Nebraska – \$1,266
    - South Dakota – \$432
- 2010 Proposal - \$675

# Tax Rate Table

Current			Proposed		
2010 UI Tax Rate %	Account Balance per Employee Required for Rate	Current Reserve Ratio	Account Balance per Employee Required for Rate	Proposed Reserve Ratio	
0.0	\$432	1.6 and >	\$675	2.5 and >	
0.1	\$405	1.5 and < 1.6	\$540	2.0 and < 2.5	
*	*	*	*	*	
*	*	*	*	*	
*	*	*	*	*	
1.0	\$0	0.0 and < 0.2	\$203	0.75 and < 1.0	
1.5	-\$135	-0.5 and < 0.0	\$0	0.0 and < 0.5	
*	*	*	*	*	
*	*	*	*	*	
*	*	*	*	*	
8.0	-\$1,890	-7.0 and < -6.5	-\$1,485	-5.5 and < -5.0	
8.5	< than -\$1,890	< than -7.0	-\$1,620	-6.0 and < -5.5	
Proposed Tax	9.0		-\$1,755	-6.5 and < -6.0	
Rate Increases	9.5		< than -\$1,755	< than -6.5	



# Employer Surcharge

- South Dakota law automatically assesses a surcharge to all employers when the State UI Trust Fund falls to low levels.
  - Trigger on = End of quarter balance less than \$11 million
  - Trigger off = End of quarter balance greater than \$16.5 million
- The South Dakota surcharge is codified in SDCL 61-5-23 and has been part of unemployment insurance law since 1939.

# Section 4:

## Surcharge Rate Calculations

- Range from 0.1% of the base wage paid in the quarter at the \$11 million balance to 1.5% if the balance is \$5.5 million or less.

	<b>Current</b>	<b>Proposed</b>
<b>2010</b>	1.5% (\$150 max)	1.0% (\$100 max)
<b>2011</b>	1.5% (\$150 max)	.75% (\$82.50 max)

# Surcharge Quarterly Fluctuation

- 2006 Legislation
  - Annual to Quarterly
  - Immediate response necessary
  - Quarterly changes inequitable and unpredictable
- 2010 Proposed Legislation
  - When surcharge triggers, remains in effect for four quarters. Rates can increase, but not decrease.
    - More predictable for employers.
    - Responds to deteriorating Trust Fund balance.
    - Eliminates inequitable impacts.

# UI Projections

## Unemployment Insurance Projections - Proposed Law



# Revenue Shifts

	<b>Current</b> <b>Tax</b> <u>+ <b>Surcharge</b></u> <b>= Total Revenue</b>	<b>Proposed</b> <b>Tax</b> <u>+ <b>Surcharge</b></u> <b>= Total Revenue</b>
<b>2010</b>	\$27.9 million <u>+ \$44.2 million</u> = \$72.1 million	\$43.4 million <u>+ \$30.9 million</u> = \$74.4 million
<b>2011</b>	\$28.9 million <u>+ \$40.6 million</u> = \$69.5 million	\$47.3 million <u>+ \$21.0 million</u> = \$68.3 million

# Employer Benefit

- Tax credited to employer accounts.
- Surcharge payment credited to Trust Fund, not employer accounts.

# UI Projections

## Unemployment Insurance Totals (in millions)

YEAR	Total Income	Benefits	Trust Fund
2000	17.5	15.2	51.1
2001	16.9	22.8	45.1
2002	17.0	29.8	51.2
2003	17.5	31.0	37.4
2004	18.0	28.1	27.3
2005	18.9	25.8	20.4
2006	19.5	20.8	19.3
2007	26.3	20.8	24.1
2008	26.5	25.1	25.5
2009	31.6	63.6	-7.7
<b><i>2010</i></b>	<b><i>74.3</i></b>	<b><i>65.1</i></b>	<b><i>1.8</i></b>
<b><i>2011</i></b>	<b><i>68.3</i></b>	<b><i>40.0</i></b>	<b><i>30.1</i></b>
<b><i>2012</i></b>	<b><i>50.2</i></b>	<b><i>41.2</i></b>	<b><i>39.1</i></b>

*Italicized - Projected Data*

# Council Discussion and Action