

Unemployment Insurance Advisory Council Meeting



August 29, 2014

Opening Remarks

UI Trust Fund Projection – 2014 & 2015 as of August 21, 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	\$7.7	\$44.0
Benefits Out	\$12.1	\$5.7	\$5.1	\$7.9	\$30.7
Trust Fund	\$58.7	\$72.6	\$77.1	\$76.9	\$76.9
2015					
Contributions/Interest In	\$3.9	\$15.2	\$9.5	\$6.2	\$34.8
Benefits Out	\$13.1	\$6.5	\$5.2	\$7.2	\$32.0
Trust Fund	\$67.7	\$76.4	\$80.6	\$79.7	\$79.7

* Actual data through July 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
- Louisiana
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Missouri
- New Hampshire
- New Jersey
- New York
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- Rhode Island
- Texas
- Vermont
- Washington
- Wisconsin

Common Paymaster

- Related corporations or companies reporting payroll under one unemployment insurance tax account
- 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 \$14,000 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 2014	\$5,000	\$5,000	\$10,000	\$100	\$100
2 nd Qtr 2014	\$5,000	\$5,000	\$10,000	\$100	\$40
3 rd Qtr 2014	\$5,000	\$5,000	\$10,000	\$80	
4 th Qtr 2014	\$5,000	\$5,000	\$10,000		
				\$280	\$140

- Under current UI law, each employer would pay \$140 in contributions.
- Under common paymaster, each employers would pay \$70 in contributions.

Common Paymaster Participation

24 states have common paymaster arrangements:

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

New Business