Utah Unemployment Insurance (UI) Trust Fund
(Workforce Services Legislative Interim Report – June 24, 2010

CURRENT STATUS OF UTAH'S UNRMPLOYMENT TRUST FUND

- Utah has $370 million remaining in their UI Trust Fund, currently the fifth highest amount in the country, however down almost $500 million from two years ago.
- Utah's Trust Fund may go insolvent as early as the fall of 2011 if benefit costs remain relatively high for the next 2 years.
- Utah's UI Trust last went insolvent in 1982 and 1983, to which Utah borrowed money from the federal government and repaid the loan in less than one year.
- Currently 35 states UI Trust Funds have gone insolvent resulting in $40 billion dollars in interest-free loans from the federal government.

WHY UTAH'S UI TRUST FUND MAY GO INSOLVENT

- The current recession will likely be the longest post World War II recession.
- Utah's average annual UI benefit payout was about $100 million per year for 2005, 2006, and 2007; we will pay out about $415 million per year in 2009, 2010 and 2011.
- Declines in taxable payrolls are resulting in decreased UI tax revenues.

OPTIONS FOR HELPING THE SOLVENCY OF THE UTAH UI TRUST FUND

- Modifications to the UI tax statutes that define the funding levels of the Trust Fund and the formula:
- Modifications to the UI benefit statutes that determine Weekly Benefit Amounts
- DWS is currently working with the DWS Employment Advisory Council to provide recommendations for potential legislative changes.

CURRENT DWS INITIATIVES TO HELP PRESERVE UTAH'S UI TRUST FUND

- *Enhanced Integrity Effort:* Increase our focus on the detection and collection of UI benefit overpayments. Utah has 12 data cross-matches for detecting overpayments; the department estimates this will save the trust fund $3.5 million annually.
- *Utah Back To Work Pilot:* DWS has developed an initiative to provide Utah employers with an opportunity to re-employ approximately 2500 Unemployment Insurance (UI) claimants a wage subsidy of up to $2,000 per participant for each employee they hire. ARRA funds will be used to fund the temporary subsidy, the department estimates this may save the UI trust fund about $3.5 million.
- *Department of Labor Grant:* DWS was awarded a $1.3 million federal grant that will be focused on helping 10,000 UI claimants most likely to exhaust their UI benefits. Claimants would receive counseling, more in-depth assessments of any barriers preventing re-employment, help developing a work plan, and referral to appropriate training or skills enhancement. The department estimates we can save the trust fund about $4 million.

FEDERAL LOANS

- The Recovery Act waived the charging of interest on federal advances to insolvent state UI programs from February 2009 to January 2011. Interest cannot be repaid, either directly or indirectly, from the repaying state's UI trust fund. Typically, a state is required to establish a "surcharge" to the UI tax to fund the interest paid on the loan.