

Compendium of Budget Information for the 2014 General Session

Social Services Appropriations Subcommittee

Agency: Workforce Services

Line Item: Unemployment Compensation Fund

Function

The Unemployment Compensation Fund provides cash benefits to certain unemployed individuals. Such benefits are funded almost exclusively through a dedicated tax paid by employers. Additional benefits may be paid by the federal government.

Background

Participating Unemployment Insurance employers contribute taxes to that portion of the Unemployment Compensation Fund commonly known as the Unemployment Insurance Trust Fund. Tax rates are unique to individual employers and are set according to statutory formula. That formula considers an employer's unemployment benefits payment history, the health of the Unemployment Insurance Trust Fund, and the default rate of other employers along with other socialized costs. The rate is calculated as follows:

$$(\text{employer benefit cost} / \text{taxable wages} \times \text{reserve factor}) + \text{social rate}$$

The reserve factor is a multiplier that is adjusted up or down depending upon the health of the Unemployment Insurance Trust Fund. In bad economic times, the fund is drawn down and the reserve factor goes up. In a good economy, the fund may thrive, in which case the reserve goes down. When the UI Trust Fund has a balance that is sufficient to pay between 18 and 24 months of benefits, the reserve factor is 1.

The social cost factor is added to all participants rates as a means to cover costs that cannot be charged to any one employer. An example of such as cost is benefits paid to former employees or a business that has closed. This factor is determined using the experienced social cost for the past four years.

DWS pays up to \$479 per week in benefits to unemployed individuals. The benefit amount depends upon a person's earnings history. Benefits are paid for between ten and twenty-six weeks, not including any federally funded extension.

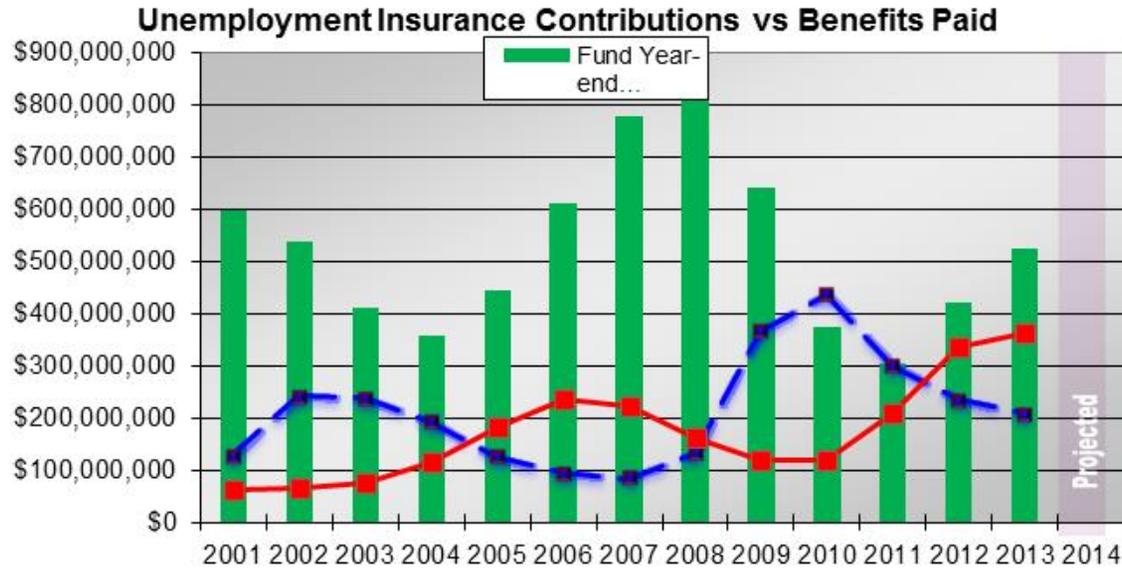
Beneficiaries are required to seek work in every week for which they receive benefits, and must document and report their job-search activity. Failure to do so may result in benefit denial, reduction, or even repayment requirements.

Statutory Authority

Language regarding the fund is contained in Utah Code UCA 35A-4-201 and UCA 35A-4-501. UCA 35A-4-102 declares that in consideration of "the public good, and the general welfare of the citizens of this state" there is required the "establishment and maintenance of free public employment offices" and "the compulsory setting aside of unemployment reserves to be used for the benefit of unemployed persons."

Performance

The Department of Workforce Services measures the performance and health of the Unemployment Compensation Fund by monitoring its Trust Fund portion. The figure from DWS below shows the counter-cyclical nature of benefits paid and revenue received by the Trust Fund.

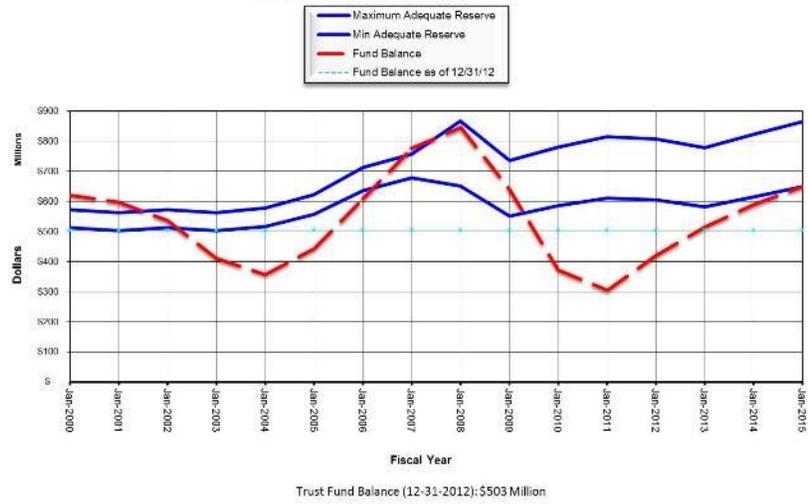


Source: Department of Workforce Services

DWS attempts to keep Trust Fund balances in a range such that they are sufficient to pay between 18 months and 24 months in benefits. The figure from DWS below tracks balances in relation to that range.

Figure 2

UI Fund Balance Projections



Source: Department of Workforce Services



Funding Detail

For analysis of current budget requests and discussion of issues related to this budget click [here](#).

Sources of Finance	2013 Actual	2014 Approp	2014 Change	2014 Authorized	2015 Change	2015 Base

Federal Funds	\$17,224,200	\$16,575,000	(\$8,287,500)	\$8,287,500	(\$8,287,500)	\$0
American Recovery and Reinvestment Act	\$56,357,600	\$0	\$0	\$0	\$0	\$0
Dedicated Credits Revenue	\$30,337,500	\$0	\$32,000	\$32,000	(\$32,000)	\$0
Premiums	\$353,776,400	\$334,463,900	\$115,465,100	\$449,929,000	(\$449,929,000)	\$0
Interest Income	\$12,972,700	\$13,444,900	(\$13,430,900)	\$14,000	(\$14,000)	\$0
GFR - Special Administrative Expense	\$0	\$0	\$0	\$0	\$0	\$0
Unemployment Compensation Fund	\$0	\$0	\$0	\$0	\$466,550,000	\$466,550,000
Lapsing Balance	\$0	\$0	\$0	\$0	\$0	\$0
Beginning Fund Balance	\$521,243,100	\$623,566,100	\$51,955,300	\$675,521,400	\$0	\$675,521,400
Ending Fund Balance	(\$675,521,400)	(\$721,471,600)	\$45,950,200	(\$675,521,400)	\$0	(\$675,521,400)
Total	\$316,390,100	\$266,578,300	\$191,684,200	\$458,262,500	\$8,287,500	\$466,550,000

Programs	2013 Actual	2014 Approp	2014 Change	2014 Authorized	2015 Change	2015 Base
Unemployment Compensation Fund	\$316,390,100	\$266,578,300	\$191,684,200	\$458,262,500	\$8,287,500	\$466,550,000
Total	\$316,390,100	\$266,578,300	\$191,684,200	\$458,262,500	\$8,287,500	\$466,550,000

Categories of Expenditure	2013 Actual	2014 Approp	2014 Change	2014 Authorized	2015 Change	2015 Base
Other Charges/Pass Thru	\$306,595,000	\$266,028,300	\$192,234,200	\$458,262,500	\$8,287,500	\$466,550,000
Transfers	\$8,946,400	\$0	\$0	\$0	\$0	\$0
Trust and Agency Disbursements	\$848,700	\$550,000	(\$550,000)	\$0	\$0	\$0
Total	\$316,390,100	\$266,578,300	\$191,684,200	\$458,262,500	\$8,287,500	\$466,550,000

Other Indicators	2013 Actual	2014 Approp	2014 Change	2014 Authorized	2015 Change	2015 Base
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Change in Fund Balance	0	93,329,500	(93,329,500)	0	0	0
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COBI contains unaudited data as presented to the Legislature by state agencies at the time of publication. For audited financial data see the State of Utah's Comprehensive Annual Financial Reports.