



# UWC National UI Issues Conference - 2024

## UI Trust Fund Solvency

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Kevin Stapleton  
Division of Fiscal & Actuarial Services  
Office of Unemployment Insurance  
US Department of Labor  
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## UI Trust Fund & Solvency Basics

- States utilize State Unemployment Trust Fund accounts to pay UI benefits
  - Managed by US Department of Treasury
  - Funded by state UI taxes
- Funds may only be used to pay benefits
- Solvency of the fund is up to individual states.
  - US DOL provides recommended Solvency target - Average High-Cost Multiple (AHCM)
- When necessary, states may borrow Federal Funds using Title XII Advances or states may use alternative borrowing sources.



## Highlights from the 2024 Trust Fund Solvency Report

- As of January 1, 2024, the solvency levels of state UI trust funds in 19 states met the recommended minimum solvency standard (1.0 AHCM)
  - Increase from 16 states in 2023
  - Down from the start of 2020 when 31 states met the standard.
- 4 states had an outstanding Title XII advance balance on January 1, 2024, totaling \$27.0 billion. This is a reduction of \$1.1 billion from the start of 2023 across 5 states.
- One additional state currently has outstanding private borrowing instruments totaling an estimated \$2.35 billion as of January 1, 2024.
- For 2024, 20 states meet the eligibility criteria for interest-free borrowing. This is an increase from 17 states in 2023.



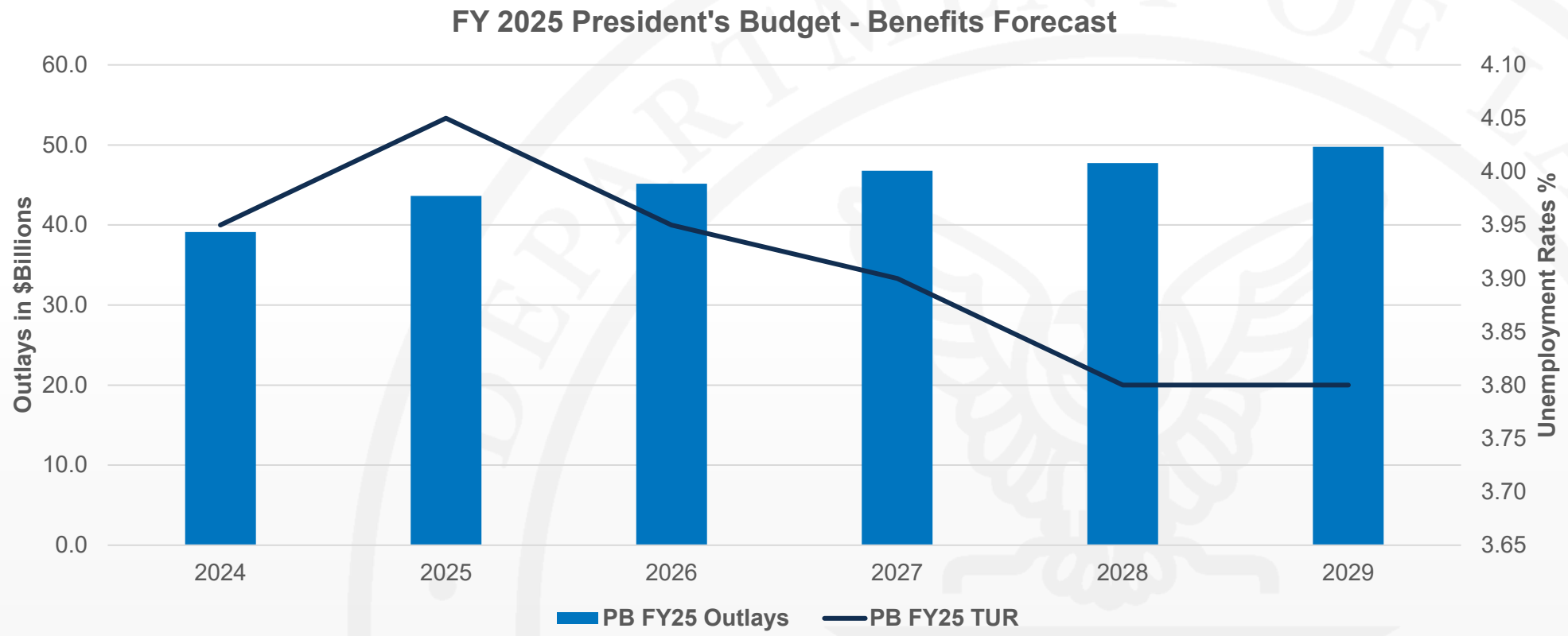
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## State *Estimated* AHCM Measures - January 1, 2024

AHCM $\geq 1.0$		1.0 > AHCM $\geq 0.5$		AHCM < 0.5	
WY	2.17	NH	0.98	GA	0.46
AK	2.16	AZ	0.87	KY	0.45
OR	2.12	VT	0.83	HI	0.44
SD	1.86	WV	0.81	MI	0.41
ME	1.80	VA	0.80	OH	0.40
KS	1.63	RI	0.77	IL	0.23
MT	1.45	DC	0.72	NJ	0.21
ID	1.41	TN	0.72	TX	0.19
IA	1.40	LA	0.71	PA	0.13
NE	1.39	PR	0.71	CO	0.10
MS	1.25	FL	0.69	CT	0.01
UT	1.18	IN	0.68	NY	NA
DE	1.13	WI	0.65	CA	NA
AR	1.09	WA	0.63	VI	NA
MD	1.09	MO	0.61		
ND	1.08	NM	0.59		
SC	1.07	NV	0.58		
NC	1.06	OK	0.56		
AL	1.02	MA	0.53		
		MN	0.51		
<b>Total:</b>	<b>19</b>	<b>Total:</b>	<b>20</b>	<b>Total:</b>	<b>14</b>



## Estimated Benefit Outlays

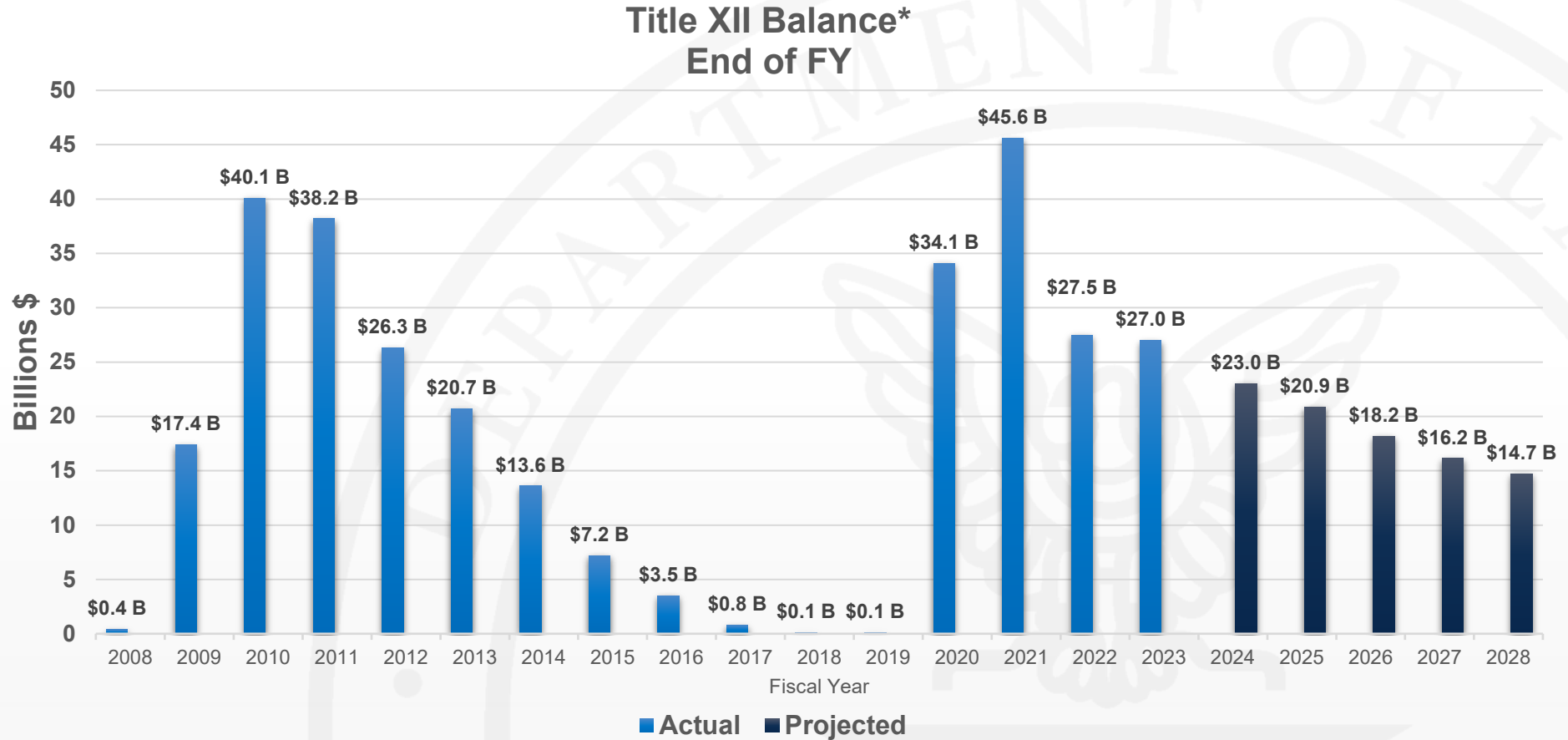




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## Estimated Title XII Borrowing

(Projections based on FY 2025 President's Budget Economic Assumptions)



\* Actual and projected balances reflect state Title XII borrowing only. No state issued bonds are included in the actual balances or assumed during the projection period.

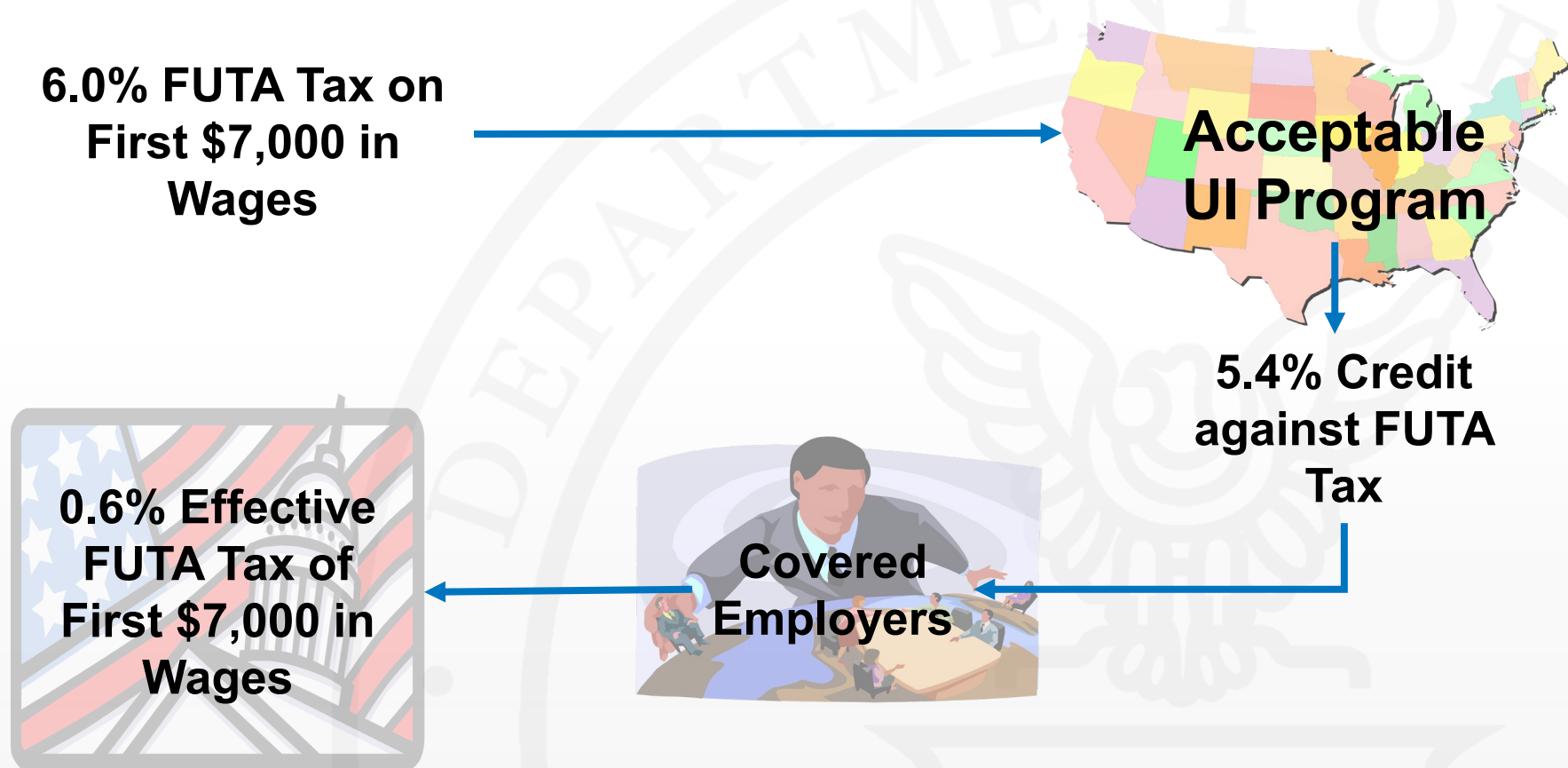


## Title XII Loan Basics

- Title XII Loans available to all states when state trust fund runs out of funds.
  - Repayable loan – Title XII Advance from the Federal Unemployment Account (FUA).
  - Governor or a designee may request loan/repayment when needed.
- Interest is accrued based on the average daily balance
  - Interest rate is set each Calendar Year – applies to all outstanding balances
  - Interest may not be paid from the state's UI Trust Fund.
- Funds drawn daily as needed and interest only accrues on the amount drawn
  - “Sweep” feature - minimizes the average daily balance to reduce interest accrual
- During extended periods of borrowing, employers in a borrowing state may lose some of their FUTA tax credit until the loans are repaid.



## Federal Unemployment Tax Act (FUTA)







## FUTA Credit Reduction

- Forces repayment of Title XII loans by reducing the 5.4% credit against the 6% FUTA rate.
- Goes into effect once a state passes two consecutive January firsts with an outstanding Title XII balance and does not repay the balance by November 10<sup>th</sup> of the second year.
  - Additional tax is due by the following January 31<sup>st</sup>.
- For each additional consecutive January 1<sup>st</sup> on which the state has an outstanding balance which remains unpaid by the following November 10, the FUTA tax credit is reduced according to a schedule.
- Funds collected via the FUTA credit reduction are credited against the state's outstanding loan balance.
- Certain credit reduction relief options available.



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## FUTA Credit Reduction Schedule

<u>Year</u>	<u>Basic Reduction</u>	<u>Additional Reduction</u>	<u>FUTA Rate</u>	<u>\$ Amount/Employee of Basic Reduction*</u>
1	0.0%	0.0%	0.6%	\$0 (\$42 total)
2	0.3%	0.0%	0.9%	\$21 (\$63 total)
3	0.6%	2.7 Add-On	1.2% +	\$42 (\$84 total)
4	0.9%	2.7 Add-On	1.5% +	\$63 (\$105 total)
5	1.2%	BCR Add-On	1.8% +	\$84 (\$126 total)
.	.	.	.	.
.	.	.	.	.
19	5.4%	BCR Add-On	6.0%	\$378 (\$420 total)

\* Based on the \$7,000 FUTA taxable wage base. Additional reductions beginning in year 3 and/or relief provisions would impact actual amount per employee.



## FUTA Credit Reduction Repayments

- FUTA Credit Reductions apply equally to all employers:
  - No experience rating of credit reductions.
  - Significant year-over-year increases in tax rates based on credit reduction schedule w/ little to no state policymaker discretion.
- FUTA Credit Reductions may lead to a more rapid repayment than a state would otherwise realize.



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## Actual FUTA Credit Reductions 2009-2023

### FUTA Credit Reductions Due to States Having Outstanding Federal Advances

State	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023
Arizona				0.3%											
Arkansas			0.3%	0.6%	0.9%										
California			0.3%	0.6%	0.9%	1.2% <sup>3</sup>	1.5% <sup>3</sup>	1.8% <sup>3</sup>	2.1% <sup>3</sup>					0.3%	0.6%
Connecticut			0.3%	0.6%	0.9%	1.7% <sup>1</sup>	2.1% <sup>1</sup>							0.3%	
Delaware				0.3%	0.6%										
Florida			0.3%	0.6%											
Georgia			0.3%	0.6%	0.9%										
Illinois			0.3%											0.3%	
Indiana		0.3%	0.6%	0.9%	1.2% <sup>3</sup>	1.5% <sup>3</sup>									
Kentucky			0.3%	0.6%	0.9%	1.2% <sup>3</sup>									
Michigan	0.3%	0.6%	0.9%												
Minnesota			0.3%												
Missouri			0.3%	0.6%	0.9%										
Nevada			0.3%	0.6%											
New Jersey			0.3%	0.6%											
New York			0.3%	0.6%	0.9%	1.2% <sup>3</sup>								0.3%	0.6%
North Carolina			0.3%	0.6%	0.9%	1.2% <sup>3</sup>									
Ohio			0.3%	0.6%	0.9%	1.2% <sup>3</sup>	1.5% <sup>3</sup>								
Pennsylvania			0.3%												
Rhode Island			0.3%	0.6%	0.9%										
South Carolina		0.3%	0.0% <sup>2</sup>	0.0% <sup>2</sup>	0.0% <sup>2</sup>	0.0% <sup>2</sup>									
Vermont				0.3%											
Virgin Islands			0.3%	1.5% <sup>1</sup>	1.2% <sup>1</sup>	1.2% <sup>3</sup>	1.5% <sup>3</sup>	1.8% <sup>3</sup>	2.1% <sup>3</sup>	2.4% <sup>3</sup>	2.7% <sup>3</sup>	3.0% <sup>3</sup>	3.3% <sup>3</sup>	3.6% <sup>3</sup>	3.9% <sup>3</sup>
Virginia			0.3%												
Wisconsin			0.3%	0.6%	0.9%										



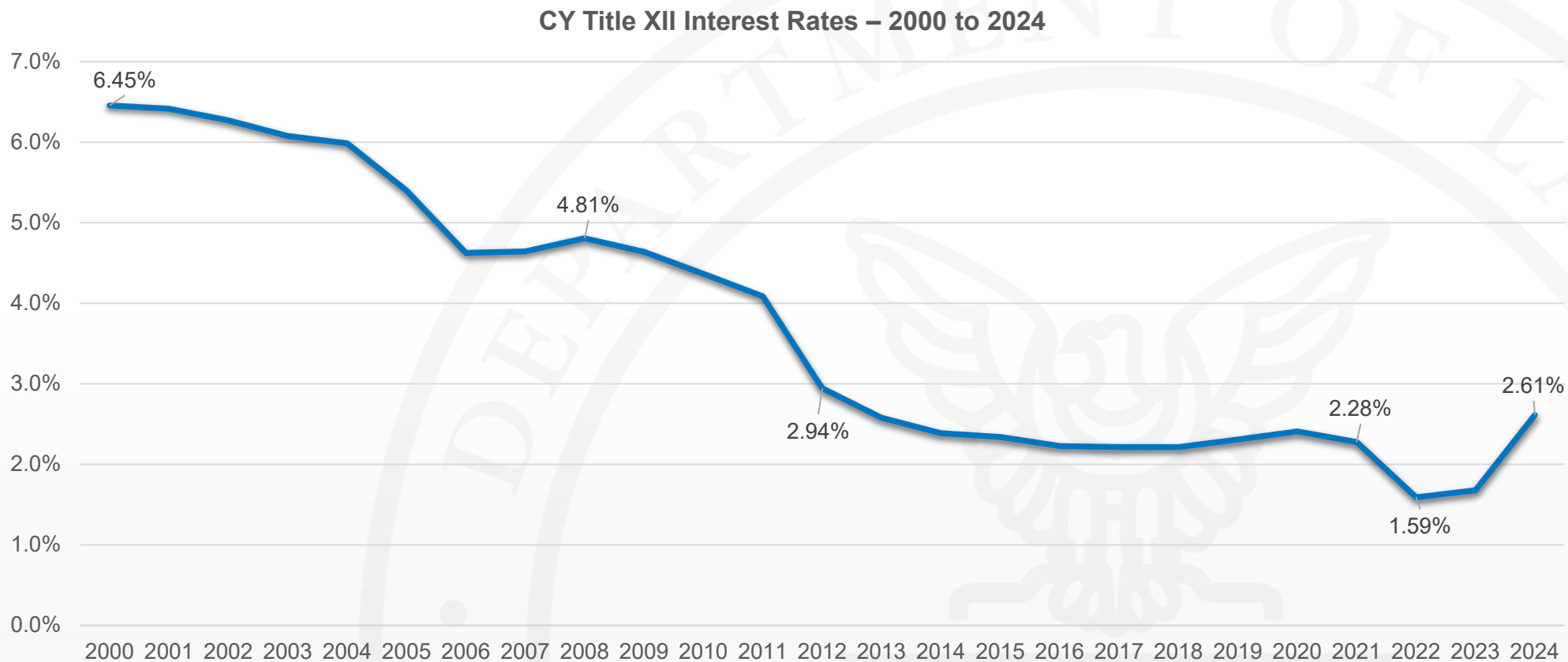
## Potential FUTA Credit Reductions for 2024

State	2024 <u>Potential</u> Credit Reduction Due to Outstanding Advance	Preliminary Estimate 2024 Potential “2.7 add-on”	Preliminary Estimate 2024 Estimated “BCR add-on”	Preliminary Estimate 2024 Potential Total Credit Reduction	Preliminary Estimated <u>Potential</u> FUTA Rate
California	0.9%	0.0%	N/A	0.9%	1.5%
Connecticut	0.9%	0.0%	N/A	0.9%	1.5%
New York	0.9%	0.0%	N/A	0.9%	1.5%
Virgin Islands	4.2%	0.0%	0.9%	5.1%	5.7%

More detail on 2024 Potential FUTA Credit Reductions: [https://oui.doleta.gov/unemploy/futa\\_credit.asp](https://oui.doleta.gov/unemploy/futa_credit.asp)



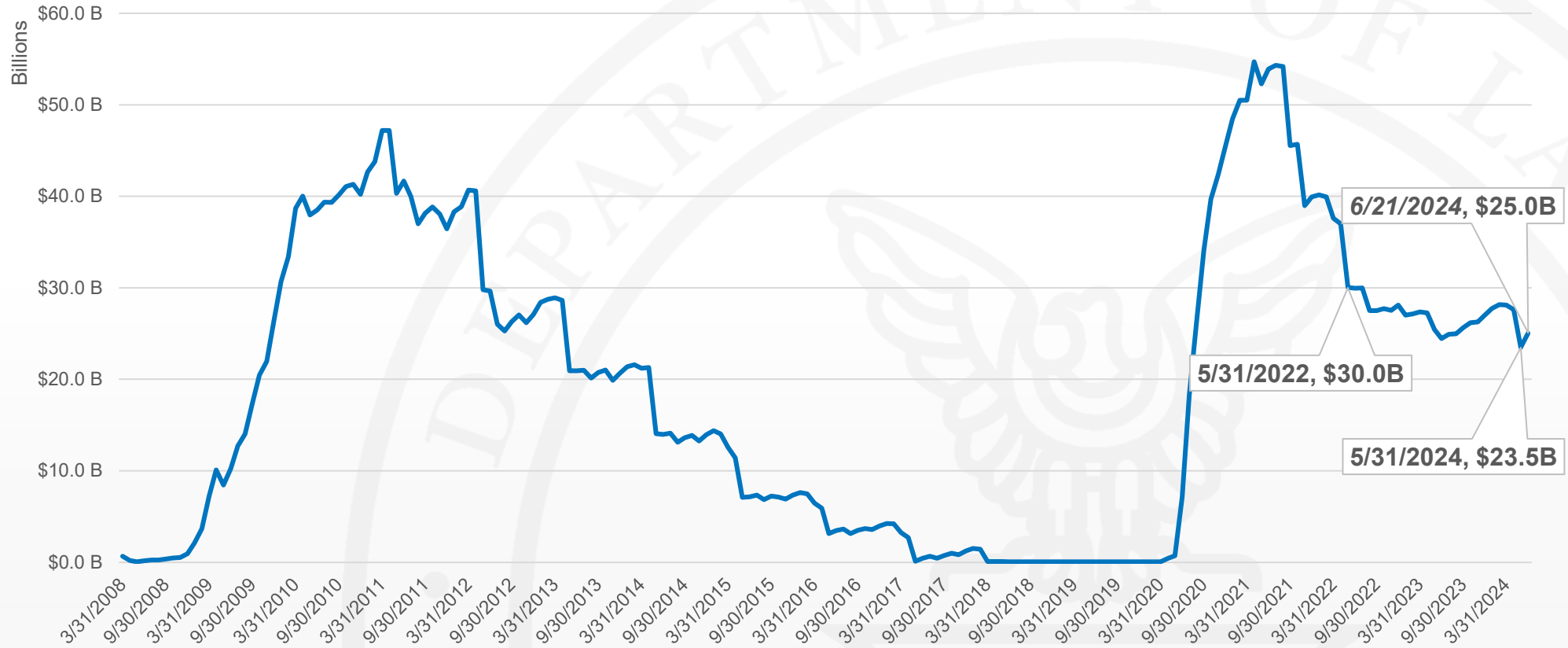
## Interest Cost of Ongoing Title XII Advances





## UI Trust Fund: Outstanding Advance Balances

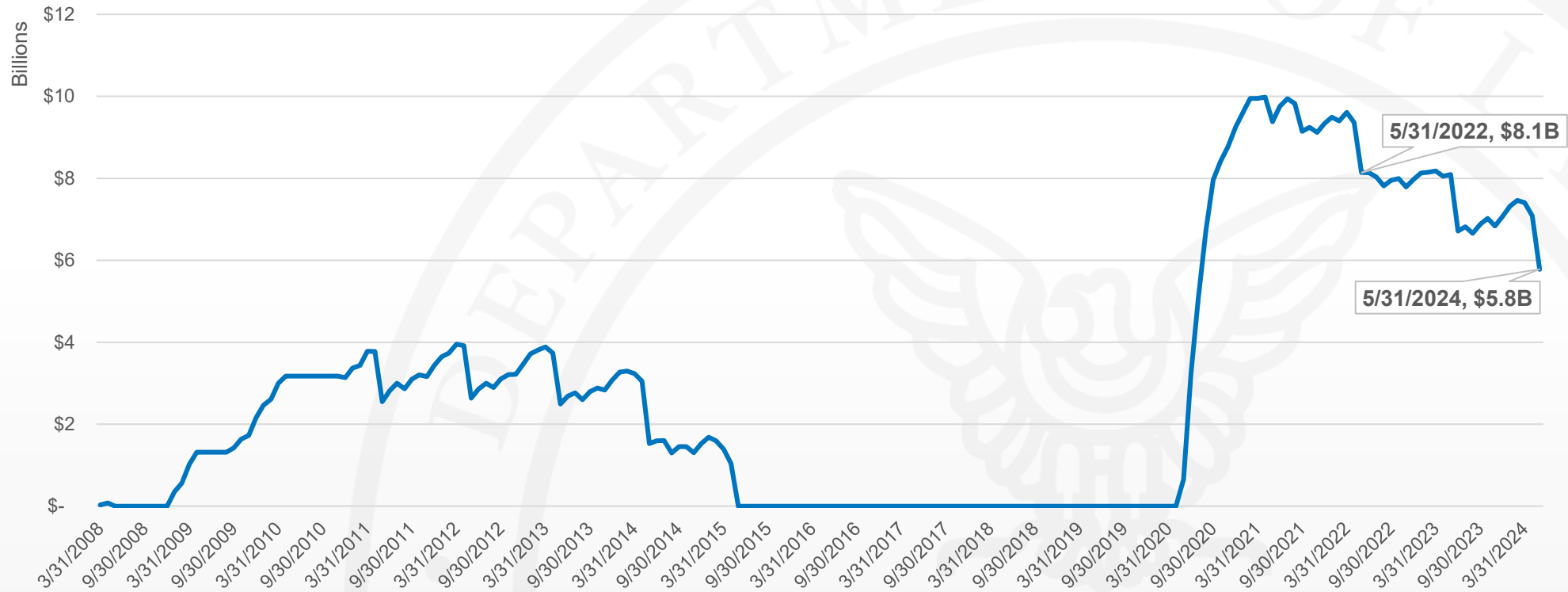
Monthly Total Title XII Advance Balance - 2008 to June 21, 2024





## UI Trust Fund: Outstanding Advance Balances

Monthly NY Title XII Advance Balance - 2008 to May 2024

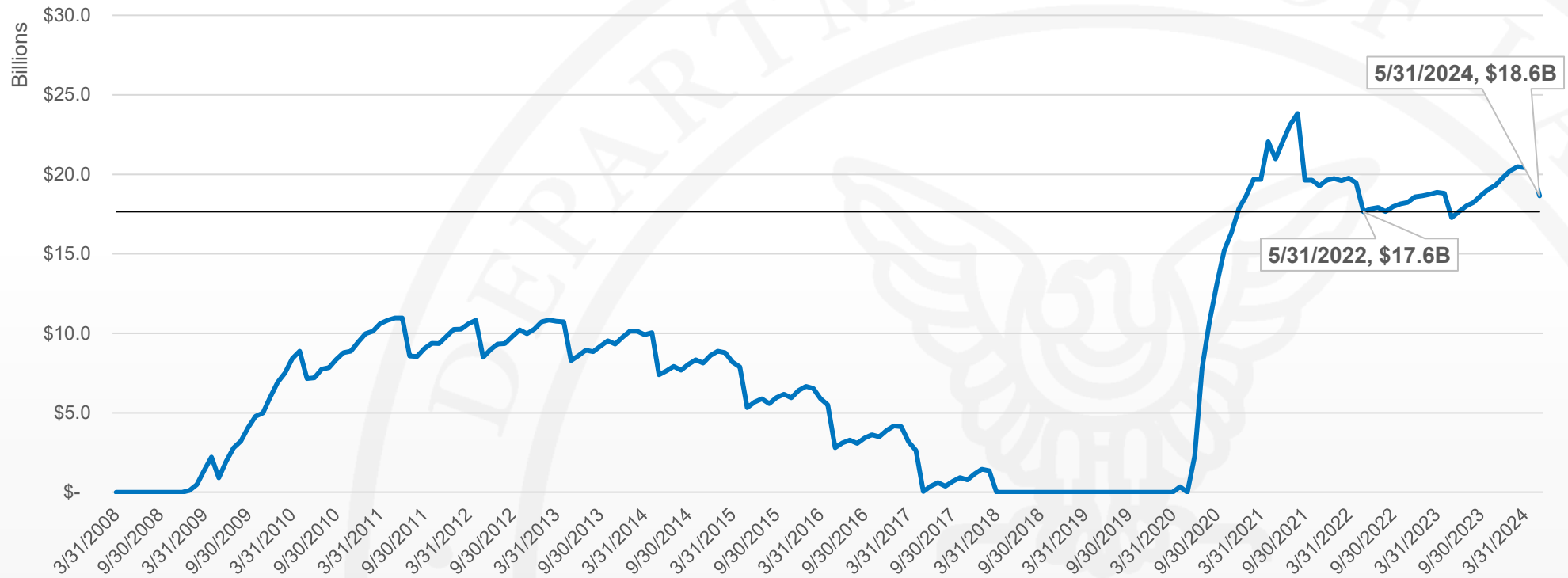






## UI Trust Fund: Outstanding Advance Balances

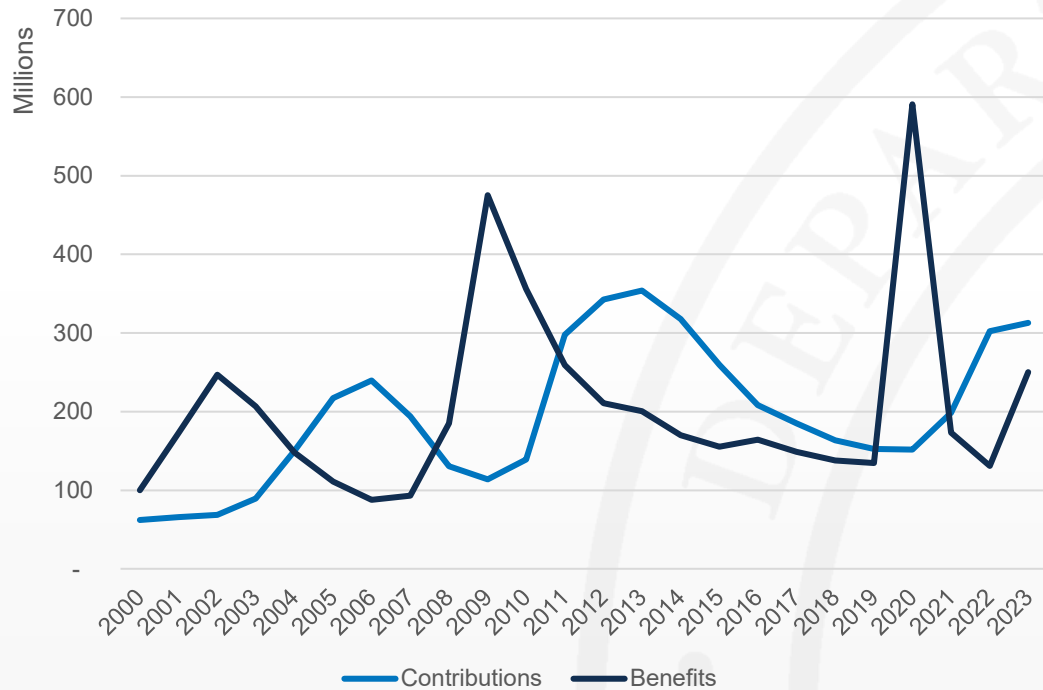
### Monthly CA Title XII Advance Balance - 2008 to May 2024



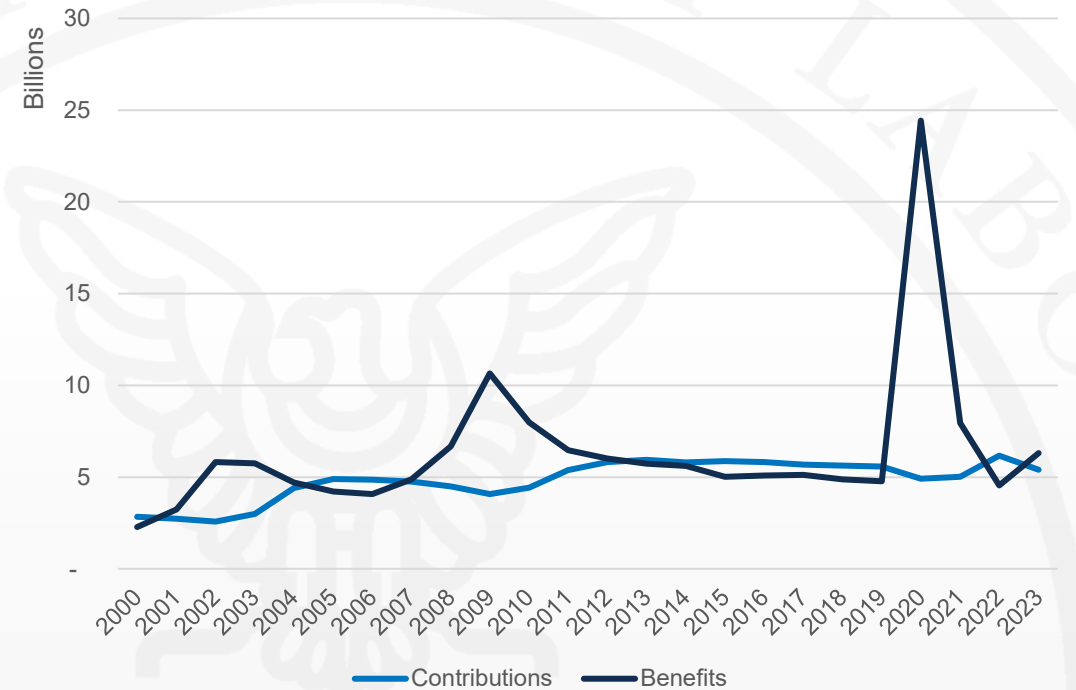


## UI Tax Contributions vs. Regular UI Benefits

### Contributions vs. UI Benefits - UT



### Contributions vs. UI Benefits - CA





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## Key OUI Tax, Solvency, and Program Projection Reports

- State UI Trust Fund Solvency Report
  - <https://oui.doleta.gov/unemploy/solvency.asp>
- State UI Tax Measures Report
  - [https://oui.doleta.gov/unemploy/sig\\_measure.asp](https://oui.doleta.gov/unemploy/sig_measure.asp)
- UI Program Outlook – Program projections from latest Administration’s Budget
  - [https://oui.doleta.gov/unemploy/content/prez\\_budget.asp](https://oui.doleta.gov/unemploy/content/prez_budget.asp)



## State Borrowing Resources

- Historical & Potential FUTA Credit Reduction Status:
  - [https://oui.doleta.gov/unemploy/futa\\_credit.asp](https://oui.doleta.gov/unemploy/futa_credit.asp)
- Daily Title XII Advance Balances & Accrued Interest
  - <https://fiscaldata.treasury.gov/datasets/ssa-title-xii-advance-activities/advances-to-state-unemployment-funds-social-security-act-title-xii>
- Historical UTF Yield Rates:
  - [https://www.treasurydirect.gov/govt/rates/rates\\_tfr.htm](https://www.treasurydirect.gov/govt/rates/rates_tfr.htm)
- DOL Sponsored Research on Alternative Financing of Unemployment Trust Fund Deficits
  - <https://www.dol.gov/agencies/oasp/evaluation/completedstudies/Unemployment-Insurance-Deficit-Financing-Study>



## Additional Resources

- Significant Provisions of State UI Laws
  - <https://oui.doleta.gov/unemploy/statelaws.asp#RecentSigProLaws>
- Comparison of State UI Laws
  - <https://oui.doleta.gov/unemploy/comparison/2020-2029/comparison2021.asp>
- DOL Sponsored Research on Alternative Financing of Unemployment Trust Fund Deficits
  - <https://www.dol.gov/agencies/oasp/evaluation/completedstudies/Unemployment-Insurance-Deficit-Financing-Study>



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## Contact

Kevin Stapleton

Director - Division of Fiscal and Actuarial Services

Office of Unemployment Insurance – U.S. Department of Labor

[Stapleton.Kevin@dol.gov](mailto:Stapleton.Kevin@dol.gov)

202-693-3009