



STATE UI FINANCING & SOLVENCY INFORMATION

2016 UWC Conference
Kansas City, MO



NOTICE

- › THE INFORMATION PROVIDED HEREIN IS INTENDED AS GENERAL GUIDANCE AND IS NOT INTENDED TO CONVEY SPECIFIC TAX ADVICE.

- › THE INFORMATION PROVIDED HEREIN IS NOT INTENDED OR WRITTEN BY EQUIFAX WORKFORCE SOLUTIONS TO BE USED, AND CANNOT BE USED, BY A CLIENT OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF:
 - AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER
 - PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY MATTERS ADDRESSED HEREIN

Solvency of State Unemployment Trust Funds “Highlights”

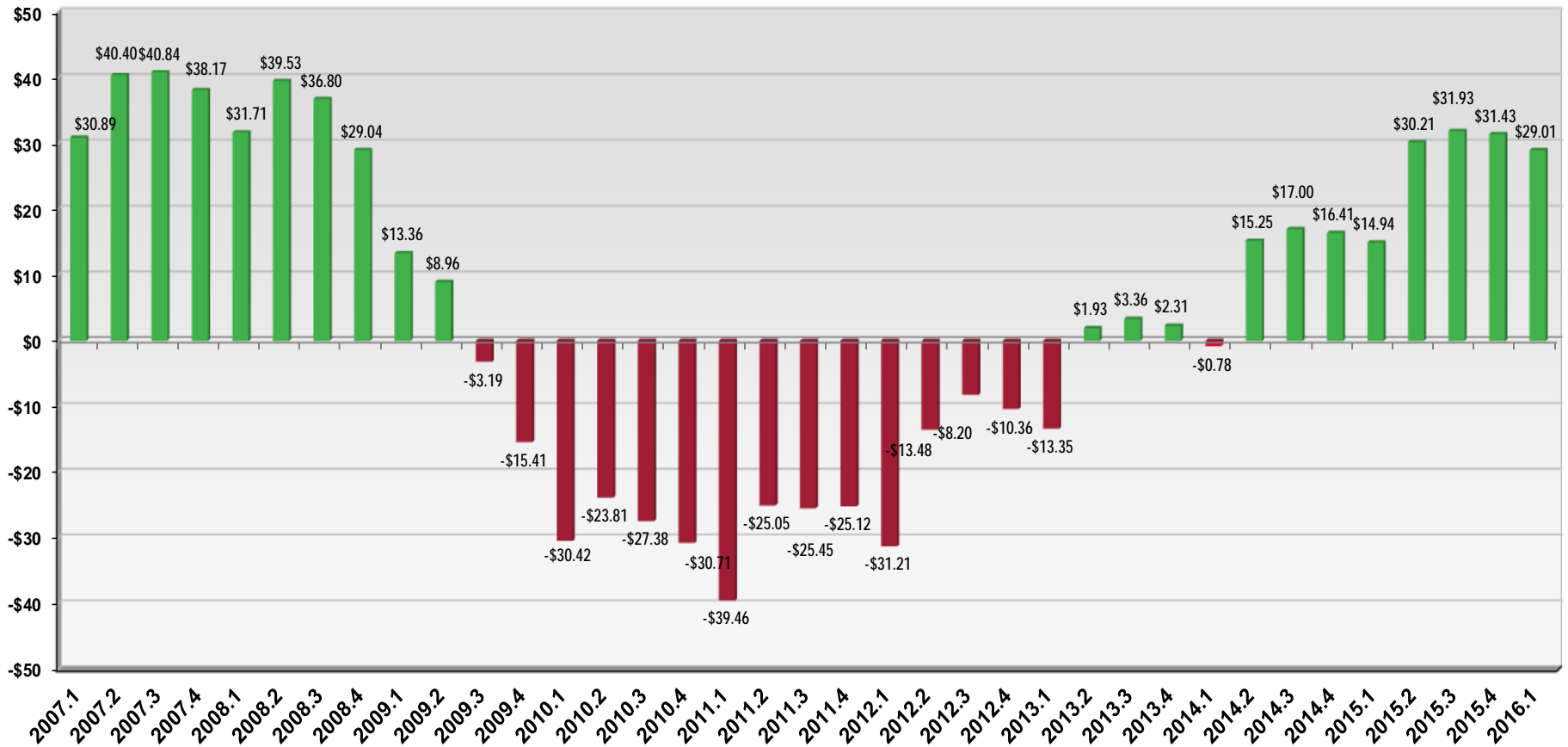
Historical Background Information

- › 36 states exhausted their state UI trust funds
- › Total Title XII advances since 12/31/2007: \$141.3 billion
- › Total maximum amount of outstanding advances: \$51.1 billion (5/31/2011)
- › Total Non-Title XII loan debt since 2010: \$11.4 billion
- › Total Non-Title XII loan debt outstanding: \$8.3 billion

SOURCE: State Unemployment Insurance Trust Fund Solvency Report – 2016

State unemployment trust fund balances are improving from a low of -\$39.46 billion

(In Billions)



Source: U.S. Department of Labor
 Total State Trust Fund Balances – Total Title XII Loan Balances= Net State Trust Fund Balances

Significant Measures “Highlights” CY 2015

- › Employers paid \$370 per employee in UI taxes
- › The equivalent of \$0.72 per every \$100 paid in wages to employees
- › The average contribution per employee at the state’s wage base was \$103 at the minimum state tax rate
- › The average contribution per employee at the state’s wage base was \$1,263 at the maximum state rate.
- › 50% of taxable employers paid less than \$.50 in UI taxes for every \$100 paid in wages
- › 37% of taxable employers paid the lowest tax rate in state rate schedules (4 states have 0% rates)
- › 7% of taxable employers were assigned the highest tax rate
- › The average UI tax rate in 46 states was below the state Minimum Adequate Financing Rate calculated by the USDOL.
- › On average, the state average tax rate was 23% below the state MAFR
- › 6% of the total benefits paid were payments to claimants that were laid off from firms that went out of business.
- › 8% of total benefits paid were attributable to reimbursing employers (governmental/non-profit organizations)

SOURCE: Significant Measures of State Unemployment Insurance Tax Systems – 2015

Solvency of State Unemployment Trust Funds “Highlights”

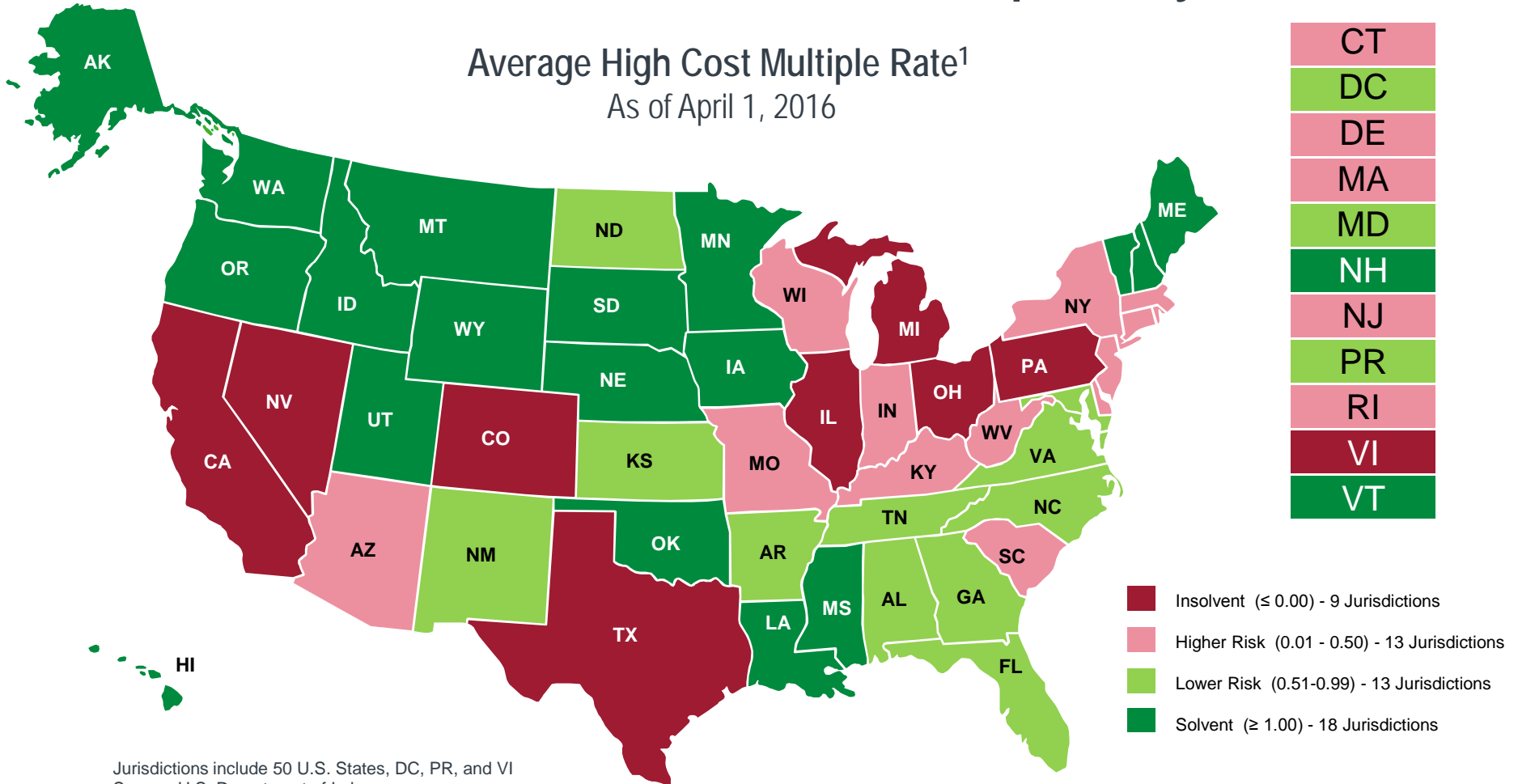
Current Information

- › 18 states with AHCM of 1.0 or more as of 1/1/2016
- › 15 states with AHCM between 0.5 and 1.0
- › 17 states with AHCM between 0.0 and 0.5
- › 3 states with outstanding Title XII loans, about \$3.2 billion (6/14/2016)
- › CA: \$2.9 billion; OH: \$280 million; VI: \$69 million
- › Potential FUTA credit reductions/rate: CA: 2.2%/2.8%; CT: 1.9%/2.5%; 2.1%/2.7%; VI: 2.9%/3.5%
- › 6 states with outstanding private borrowing totaling about \$8.3 billion (AZ, CO, IL, MI, NV, PA)
- › 29 states eligible for interest free borrowing (AHCM of 0.7 or greater in last 5 years)
- › 24 states ineligible for interest free borrowing in 2016: AZ, CA, CO, CT, DE, GA, IL, IN, KY, MA, MO, NC, NJ, NV, NY, OH, PA, RI, SC, TX, VA, VI, WI, WY

SOURCE: State Unemployment Insurance Trust Fund Solvency Report – 2016

Despite improving trust fund balances, 35 states are not considered adequately funded

Average High Cost Multiple Rate¹
As of April 1, 2016



Jurisdictions include 50 U.S. States, DC, PR, and VI
Source: U.S. Department of Labor

1. Average High Cost Multiple (AHCM) - a standard measure of trust fund solvency used by the U.S. Department of Labor. A multiple of 1.00 indicates the state trust fund is sufficiently solvent.

Final 2015 FUTA Tax Rates

State	FUTA Credit Reduction	+ BCR Add-On	= Total FUTA Credit Reduction	+ Effective Base FUTA Rate	= 2015 Effective FUTA Tax Rate
<u>Loan Paid Off Prior to November 10, 2015</u>					
Indiana	0.0%	0.0%	0.0%	0.6%	0.6%
Kentucky	0.0%	0.0%	0.0%	0.6%	0.6%
New York	0.0%	0.0%	0.0%	0.6%	0.6%
North Carolina	0.0%	0.0%	0.0%	0.6%	0.6%
South Carolina	0.0%	0.0%	0.0%	0.6%	0.6%
<u>Loan Outstanding as of November 10, 2015</u>					
California	1.5%	0.0%	1.5%	0.6%	2.1%
Connecticut	1.5%	0.6%	2.1%	0.6%	2.7%
Ohio	1.5%	0.0%	1.5%	0.6%	2.1%
Virgin Islands	1.5%	0.0%	1.5%	0.6%	2.1%

Source: U.S. Department of Labor (U.S. DOL)

FUTA Credit Reduction: Applicable in states following their second consecutive January 1 with an outstanding Title XII loan. Employers in an impacted state lose 0.3% of the 5.4% standard credit for each year the Federal Title XII loan remains outstanding (i.e., 0.3%, 0.6%, 0.9%, 1.2%, 1.5%, etc.).

Benefit Cost Rate/Ratio ("BCR") Add-On: Applicable in states following their fifth consecutive January 1 with an outstanding Title XII loan. States can request a waiver by submitting a request to the U.S. DOL by July 1 of each respective year. The U.S. DOL granted waivers to all states that applied in 2014.

Potential FUTA Credit Reductions for 2016

State ⁽¹⁾	FUTA Credit Reduction ⁽²⁾	+ 2.7% Add-On ⁽³⁾	+ BCR Add-On ⁽⁴⁾	= Total FUTA Credit Reduction	+ Effective Base FUTA Tax Rate	= Potential 2016 Effective FUTA Tax Rate	Potential Maximum Cost Per Employee
California	1.8%	0.0%	0.4%	2.2%	0.6%	2.8%	\$196
Ohio	1.8%	0.0%	0.3%	2.1%	0.6%	2.7%	\$189
Virgin Islands	1.8%	0.0%	1.1%	2.9%	0.6%	3.5%	\$245

Source: U.S. Department of Labor; Trust Fund Solvency Report 2016

- (1) These states had Title XII advance balances on January 1, 2016 and are potentially subject to a reduction in FUTA credit if the outstanding advance is not repaid by November 10, 2016.
- (2) FUTA Credit Reduction: Applicable in states following their second consecutive January 1 with an outstanding Title XII loan. Employers in an impacted state lose 0.3% of the 5.4% standard credit for each year the Federal Title XII loan remains outstanding (i.e., 0.3%, 0.6%, 0.9%, 1.2%, 1.5%, etc.).
- (3) 2.7% Add-On: The “2.7% add-on” can be assessed beginning with the third year a state has an outstanding Title XII loan. This add-on applies when a state’s average UI tax rate is below a certain statutory threshold. The 2.7% add-on cannot be waived and can vary by state. No states qualified for this add-on in 2015. IRC Section 3302(c)(2)(B).
- (4) Benefit Cost Rate/Ratio (“BCR”) Add-On: Applicable in states following their fifth consecutive January 1 with an outstanding Title XII loan. States can request a waiver by submitting a request to the U.S. DOL by July 1 of each respective year. The U.S. DOL granted waivers to all states that applied in 2015; Connecticut did not apply for a waiver for 2015. IRC Section 3302(c)(2).

State	California	Indiana	Kentucky	Ohio ⁽¹⁾	Virgin Islands	Total
Title XII Loan Balances <small>(06/10/16)</small>	\$2,916,964,349	\$0	\$0	\$280,803,035	\$69,410,424	\$3,267,177,808

- (1) Ohio lawmakers have approved a plan to pay off the Title XII loans by November 10th, which would reduce employer’s 2016 FUTA rates to 0.6%.

To qualify for interest-free Title XII cash flow loan advances, states must now meet minimum funding levels

The federal government offers short-term interest free Title XII loans if:

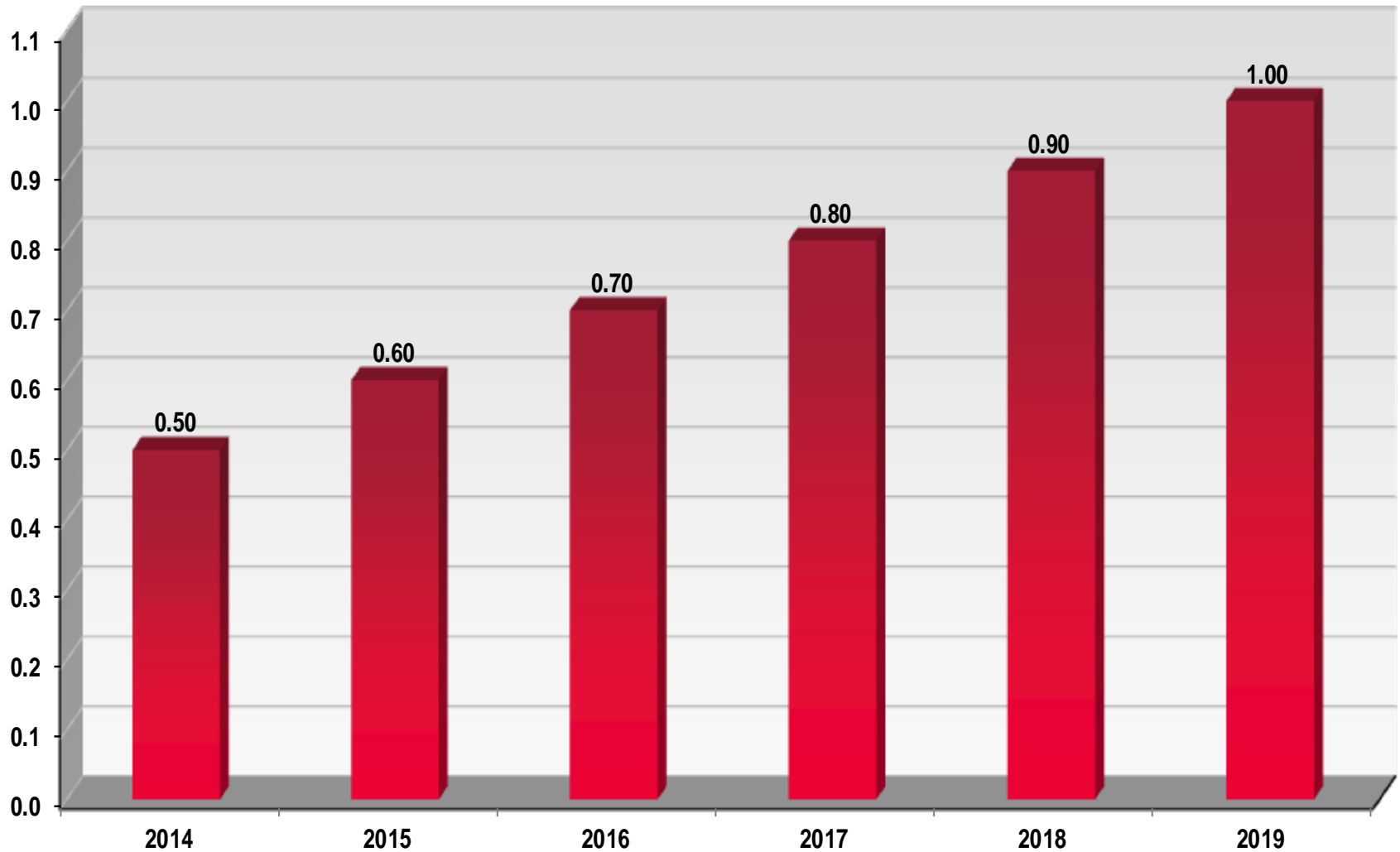
- › Repaid in full by September 30th with no additional advances

- › Maintenance of tax effort criteria

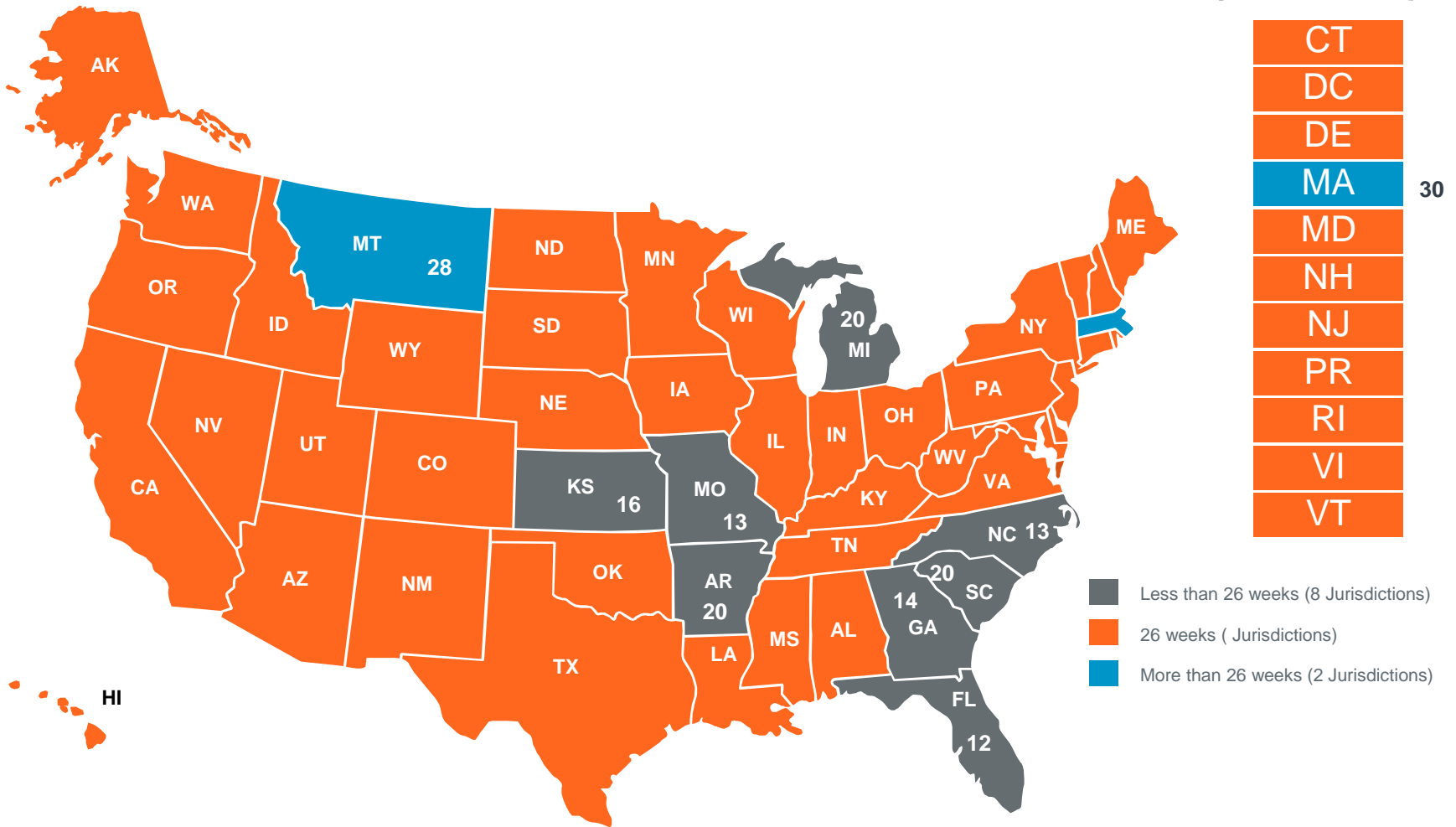
- › Minimum AHCM requirements:
 - 2014: 0.5 AHCM level in one of the past five years

 - 2015 - 2019: 0.6-1.0 (increasing by 0.1 each year) AHCM level in one of the past five years

Future minimum AHCM requirements



Maximum Duration of UI Benefits (2016)



NOTE: Weeks shown in map are for regular state benefits; no additional weeks of federal benefits are available in any state. The Virgin Islands and Puerto Rico both have 26 weeks of regular unemployment insurance (UI).

SOURCE: Congressional Research Services

A state's maximum duration can fluctuate based on the jobless rate in the state.

Questions and Answers

For more information please contact:

Stephen W. Carter
Director
Govt. Relations, Tax
Equifax Workforce Solutions
314-684-2280
Steve.Carter@equifax.com

