



GENERAL SESSION

February 3, 2010

Program Topic: Unemployment Insurance

**Presented by: Business/Labor/Public Utilities & Technology/
Workforce Services/
Community & Economic Development**

Co-Chairs: Raylene Ireland and Rebecca Reese
Director: Diane Wiley-Turner

Speaker: Bill Starks - Director of Workforce Services

Bill Starks gave an overview of the Unemployment Insurance program, which began with the Social Security Act of 1935. It was perhaps the biggest social legislation the nation has ever had. It was codified in Utah in 1939.

There are three main tenets of public policy with respect to unemployment insurance. First is to reduce the burden of being unemployed. Second is to retain purchasing power and assets, and prevent the spread of unemployment. Third is to retain the skilled assets of workers in the local area.

Unemployment dollars are fluid and pumped back into the economy faster than any other, with a 1.60 multiplier. The state of Utah is currently paying out between \$80 and \$85 million dollars every week in unemployment benefits. Considering the multiplier, about \$140 million is actually pumped into the economy. Needless to say, unemployment benefits are at record levels right now. In 2006 and 2007 approximately \$100 million per year was being paid. Last year it was \$738 million.

Laid-off workers qualify for unemployment based on a formula that looks at a base period of

four of the last five completed quarters. The earnings during that base period must total at least \$3,100 dollars. There is no minimum required period of work. A worker who is highly paid could qualify with one quarter of work. Even a part-time worker could qualify as long as he or she decides to look for full time work.

In July 2008, the federal government instituted a federal extension adding up to 20 weeks of benefits on top of the 26 weeks provided by the state. Last year, the American Recovery and Reinvestment Act (the stimulus bill) added an additional 14 weeks (Tier II). After Utah's unemployment rate exceeded 6.5%, Tier III added an additional 13 weeks. If we exceed 8% unemployment, Tier IV will pay another seven weeks of benefits.

Currently, up to 73 weeks of benefits are allowed. Federal benefits pay for all the federal extensions. The state only pays for the first 26 weeks. The Federal Unemployment Tax Act, into which all employers contribute, pays for these extensions. Unemployment is an insurance program – not a welfare program. Benefits are not need-based. Microsoft's Bill Gates could potentially qualify.

The maximum benefit is \$451 per week and is based on both the employee's earnings and the reason for separation from the job. The maximum duration of entitlement is 10 to 26 weeks, making the maximum state benefit \$11,726. The stimulus bill also added an additional \$25 to the benefit payout, both for the state and the emergency benefits. This amounts to an additional payout of \$1.5 million weekly. This extension will expire in February unless extended by Congress.

Benefits are paid in one of two ways: direct deposit or a debit card. Utah was first to implement the debit card system. Most other states have followed suit.

Recipients may file for unemployment either over the telephone or on the Internet. Weekly certification is required to remain qualified. Certification consists of filling out a questionnaire verifying the recipient is either actively seeking work or has worked.

Recipients can earn up to 30% of their weekly benefit amount without any reduction in the unemployment benefit. Anything beyond 30% will reduce the benefit dollar per dollar. This encourages claimants to keep looking for work.

There are two divisions in the unemployment office. The Benefits Division processes claims and pays the benefits. The Tax Division collects the taxes from employers. Most private employers pay the unemployment tax from the first dollar paid in wages. Reports are filed quarterly listing each employee and the wages earned. Agricultural and domestic employers are exempt.

There are about 650 reimbursable employers, consisting mainly of government entities (cities, townships, school districts, non-profits, etc). Private employers pay a quarterly premium based on their own experience rating.

Employees don't contribute to the insurance fund. The unemployment tax collected each year is based on the taxable wage base at 75% of the average taxable wage from the previous year. For 2010, it is \$28,300.

The contribution tax rate is based on a risk factor. An employer with many layoffs will incur a higher tax rate. The state reviews the reasons for layoffs and makes a determination of good cause. If the cause is found to be good, the employee will not be eligible for benefits. If the cause is found to be not good, the employer will suffer a higher tax rate.

The minimum tax rate for 2010 is two-tenths of 1%. The maximum is 9.2%. The rate computation is revised each year and includes a factor based on the health of the fund. During good economic times, the fund is built up to cover bad economic times.

Actuarially, the fund has been good for many years. This year there is a risk of insolvency if the unemployment rate continues at the current level beyond June; however, Utah's economy is rated the fifth healthiest in the nation. There are 28 states that are insolvent with 12 more projected (not Utah).

Workforce Services/Unemployment Service uses websites to aid in its work. Employers file their quarterly reports on a website. New hires are reported on another website within 20 days of hire. This information is shared with the Child Support Enforcement Agency to find delinquent spouses. It is also used to detect fraud committed by those who collect public assistance. An auditing division identifies fraud by employers, and collects overpayments in public assistance programs.

There is a federal unemployment tax that is effectively eight-tenths of 1% annually for employers filing in a timely manner. Those funds pay Utah's administrative costs in the unemployment insurance program. State taxes are used solely to pay benefits to employees.

The federal funds also pay for benefit extensions and loans to states whose unemployment funds are insolvent. Utah went insolvent from 1982 to 1983, when unemployment was 10%. Utah borrowed from the federal fund, but was able to pay it back in nine months. Utah then changed its formula for calculating the contribution rate and the fund hasn't gone insolvent since.

HB18 contains a modernization provision that would benefit more unemployed workers. An alternate base period would be established to qualify more workers. Utah could receive up to an additional \$20 million from federal funds. The bill has passed the Senate.

HB43 addresses the Social Security offset. Utah would be the only state in the country doing this.

Passage of the bill would eventually reduce the offset to zero. Until 2004, unemployment benefits were reduced dollar for dollar by Social Security benefits. In 2004, the offset was reduced to 50%. That change will expire this year and revert to a 100% offset.

Reported by Stuart Gygi

General Session II

Program Topic: Chamber of Commerce Legislative Priorities

Presented by: Business/Labor/Public Utilities & Technology/
Workforce Services/
Community & Economic Development

Co-Chairs: Raylene Ireland and Rebecca Reese
Director: Diane Wiley-Turner

Speaker: Wesley G. Smith - Director of Public Policy,
Salt Lake Chamber of Commerce

Wesley Smith introduced the Salt Lake Chamber's "Public Policy Guide for 2010." The Policy Guide is divided into several areas. Economic Development is listed first and includes other business priorities, such as "Protect Vote by Secret Ballot" (union organizing), "Continued Support of an Employer-sponsored Work Program" (immigration), "Legislative Ethics," and "Retirement" (state retirement system).

On the subject of incentives for bringing and retaining businesses in Utah, Mr. Smith said the positive impact of a prospective company to our economy has to outweigh any incentive given. Is there follow-up to determine if incentives are working? There is legislation is to address this, but Mr. Smith did not specify it. The Chamber thinks

Utah's best incentive to bring and retain businesses is quality education. We have great universities here that have already had impact in the tech sector.

The immigration problem needs to be dealt with, but is on the back burner right now. Once the economic issues are stabilized, it will be addressed again. Immigration is ultimately a federal problem. State solutions cannot succeed without federal support.

Ethics reform is a big issue. The Chamber doesn't believe that officials should be "presumed guilty before they are proven innocent." Generally, our legislators are ethical, but potential for unethical behavior does exist. The Chamber has a concern that the Ethics Initiative sponsored by Citizens

for Ethical Government is poorly drafted. However, to its credit, the initiative has brought the issue to the point that the legislature must focus on significant reform.

Asked to explain further, Mr. Smith stated the Ethics Initiative is the wrong process. Once the first signature was taken on the petition, no changes could be made to the initiative. Additionally, the 21-page initiative can't be understood in a few minutes prior to signing. There are also concerns with the actual content of the initiative, as well. Some of the definitions are too broad.

Further, there are problematic issues in the initiative related to the recent Supreme Court decision on campaign financing. Mr. Smith believes the initiative would make it an actual "ethical violation" for many of our most dynamic, qualified and effective leaders to serve in the legislature. For example, not one of the Chamber's board of governors could serve. It could also be interpreted as an ethical violation for a nurse who serves in the legislature to propose, advocate, or vote on legislation concerning health reform.

Sen. Daniel Liljenquist (R) of Davis County has proposed legislation to ensure Utah's retirement system is able to meet its obligations, unlike the federal government and many other states.

The Chamber has traditionally focused on transportation needs. This year, it will turn its emphasis to education. The most critical

element of business is human capital. An investment in human capital will propel the economy into this new century. It will require a renewed commitment to both public and higher education.

Regarding health reform, the Chamber is interested in furthering competition to drive costs down. A bill by House Speaker Stephen D. Clark (R) of Santa Clara is anxiously awaited. The Health Insurance Exchange supported by Speaker Clark is a complicated issue. It hasn't yet been as successful as hoped.

When companies looked to move from a company insurance plan to an Exchange plan, the plans offered were too expensive. Not many companies signed up. There will ultimately be many plans from which to choose. The legislature is expected to tackle the issue.

The Chamber has not yet taken a definitive position on Utah's air pollution problem. They are discussing it and will say something soon. One of the proposals is the "Natural Gas Corridor" (a designated strip of major interstate corridor from the Idaho border to the Arizona border ensuring a car could get from border to border without running out of natural gas). To make this a reality, we would need to develop the infrastructure, including natural gas filling stations, and promote natural gas powered vehicles.

Reported by Stuart Gygi

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