Review of Senator Lang’s Proposal

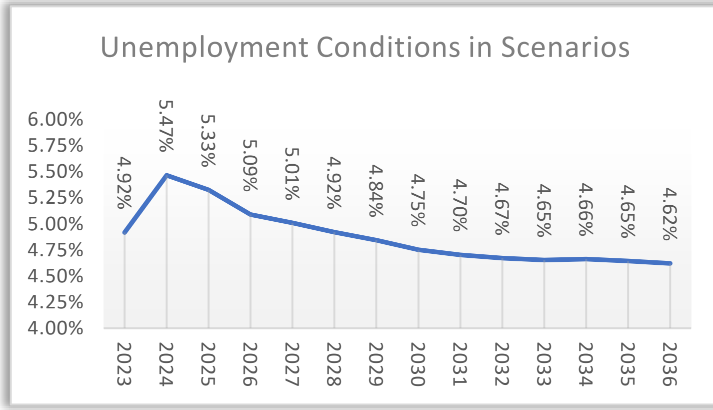
Main changes in the proposal:

- Increase the Taxable Wage Base from $9,000 to $9,500
- Eliminates additional benefit for having dependents
- Reduces the maximum weeks an individual can receive benefits from 26 weeks to a range of 12-20 depending on the unemployment rate.

Assumptions used in the scenario

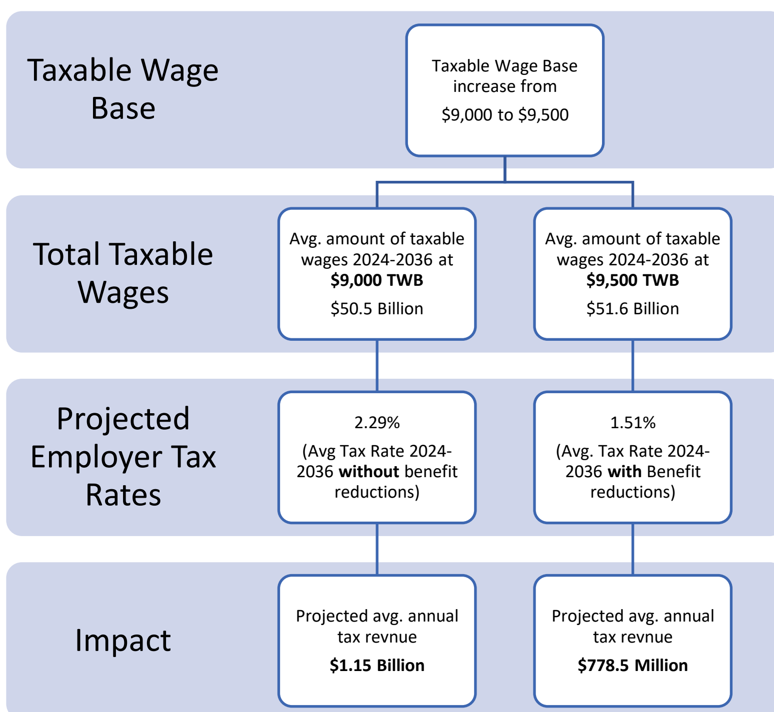
Unemployment rates ranging from 4.62% to 5.47% were utilized for the conditions of the review. These rates are not considered either low or high.

None of the rates used in this scenario would be considered a recession.



Increasing the Taxable Wage Base

The taxable wage base increase from $9,000 to $9,500 will expand the amount of that are subject to unemployment insurance (UI) taxes. That being said, any reduction in benefits will have a corresponding impact on tax revenues.



At its core, the UI system is a risk management process. Employers are rated to determine their risk of potential payout for unemployment. As benefit reductions are implemented, fewer total weeks of benefits become available, lowering the risk of payout. As this new, lower risk of payout takes effect, tax rates will fall correspondingly.

As you can see in box to the left, the amount of wages subject to UI taxes increases by roughly $1.1 billion. Nonetheless, employer’s tax rates would fall due to reduced risk, resulting in less revenue being brought in. As a result, any gains from increasing the taxable wage base from $9,000 to $9,500 are ultimately offset and have minimal impact on the long-term solvency of the Unemployment Trust Fund.

Reducing Maximum Number of Weekly Benefits

There are several figures impacted by the proposal to reduce the maximum number of weeks a claimant can receive. The number of weeks an individual could possibly receive would be tied to the unemployment rate at a particular time.

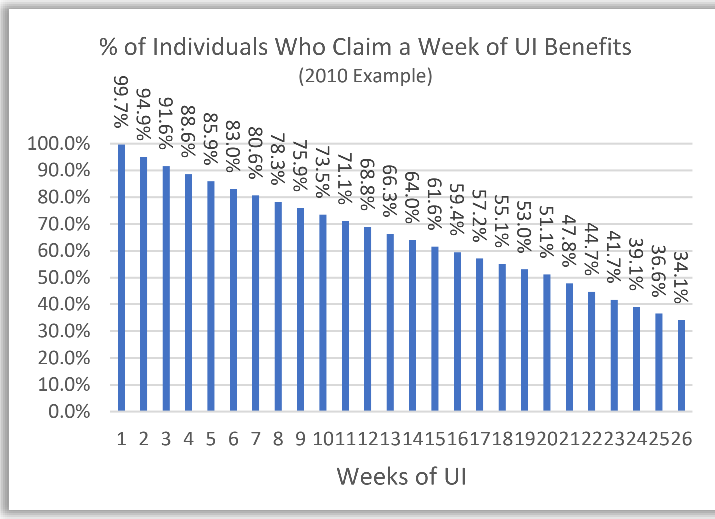
The most obvious impact from this change would be the number of claimants who exhaust all available benefits. The exhaustion rate would be heavily influenced by the economic conditions at a given time and the number of weeks available.

For example, below are 3 years breaking down what percentage of individuals claim a particular week in their UI claim. As you can see fewer and fewer claim benefits as the claims get closer to 26 weeks.

Example 1: **2010** with an average unemployment rate that year of **10.24%**

Week	% Of Individuals Paid	Week	% Of Individuals Paid
1	99.7%	**14**	**64.0%**
2	94.9%	**15**	**61.6%**
3	91.6%	**16**	**59.4%**
4	88.6%	**17**	**57.2%**
5	85.9%	**18**	**55.1%**
6	83.0%	**19**	**53.0%**
7	80.6%	**20**	**51.1%**
8	78.3%	21	47.8%
9	75.9%	22	44.7%
10	73.5%	23	41.7%
11	71.1%	24	39.1%
12	**68.8%**	25	36.6%
13	**66.3%**	26	34.1%

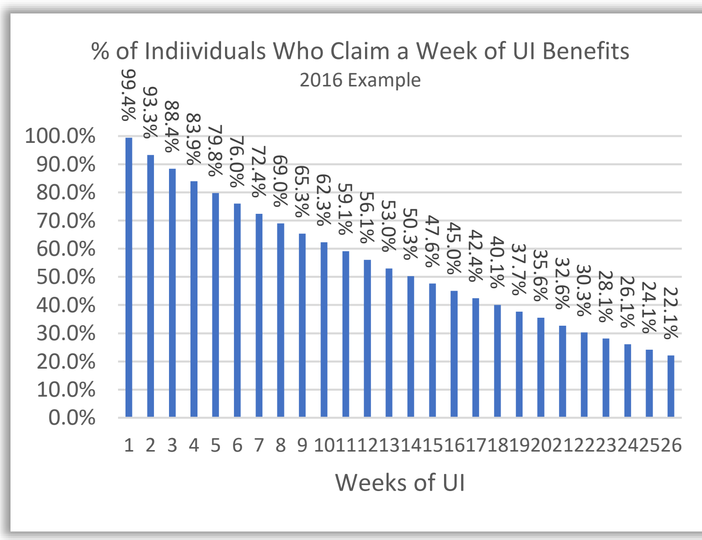
Table 1: Includes 239,134 individuals



Example 2: **2016** with an average unemployment rate that year of **5.08%**

Week	% Of Individuals Paid	Week	% Of Individuals Paid
1	99.4%	**14**	**50.3%**
2	93.3%	**15**	**47.6%**
3	88.4%	**16**	**45.0%**
4	83.9%	**17**	**42.4%**
5	79.8%	**18**	**40.1%**
6	76.0%	**19**	**37.7%**
7	72.4%	**20**	**35.6%**
8	69.0%	21	32.6%
9	65.3%	22	30.3%
10	62.3%	23	28.1%
11	59.1%	24	26.1%
12	**56.1%**	25	24.1%
13	**53.0%**	26	22.1%

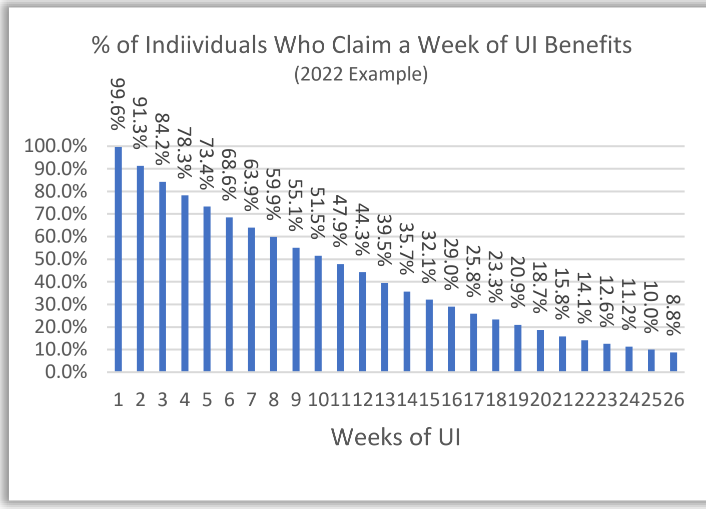
Table 2: Includes 179,305 Individuals



Example 3: **2022** with an average unemployment rate that year of **4.08%**

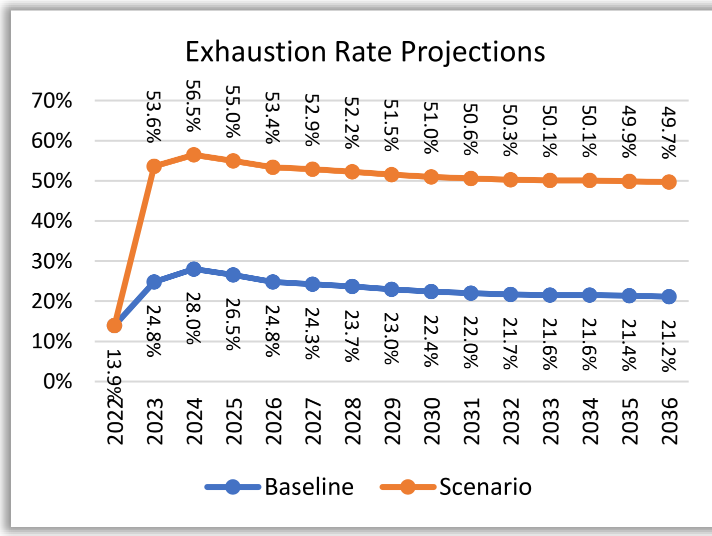
Week	% Of Individuals Paid	Week	% Of Individuals Paid
1	99.6%	**14**	**35.7%**
2	91.3%	**15**	**32.1%**
3	84.2%	**16**	**29.0%**
4	78.3%	**17**	**25.8%**
5	73.4%	**18**	**23.3%**
6	68.6%	**19**	**20.9%**
7	63.9%	**20**	**18.7%**
8	59.9%	21	15.8%
9	55.1%	22	14.1%
10	51.5%	23	12.6%
11	47.9%	24	11.2%
12	**44.3%**	25	10.0%
13	**39.5%**	26	8.8%

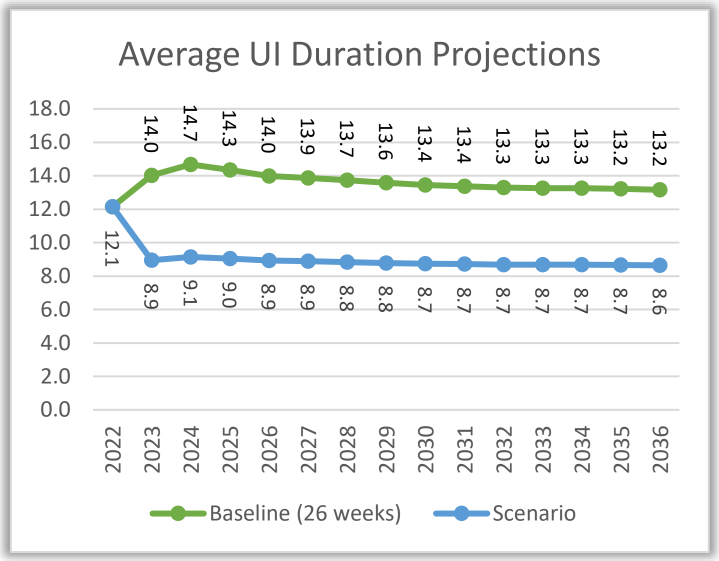
Table 3: Includes 111,448 Individuals



Projection

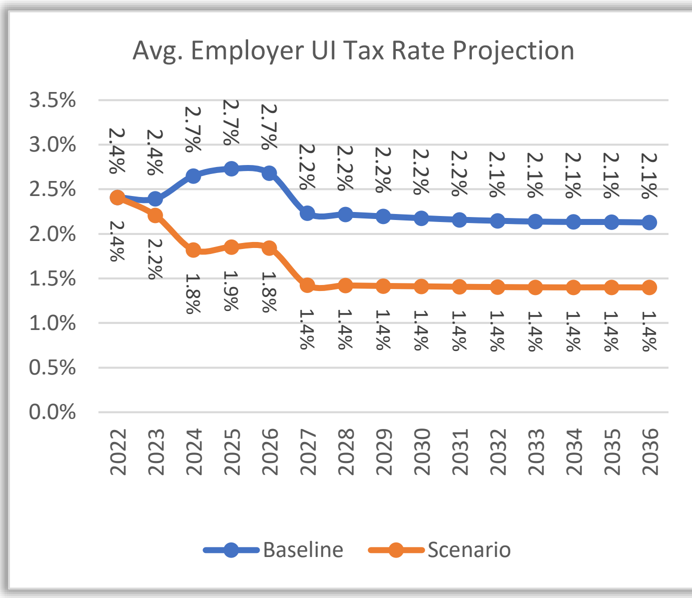
Based on the conditions mentioned previously (unemployment rates) and including the proposed changes, the percentage of individuals exhausting all available benefits would likely increase from an average of 23.3% to 51.8% from 2024-2036.





The average number of weeks an individual would receive would also be impacted when incorporating the reduction in available weeks. From 2024-2036 the projected average claim length would decrease from 13.6 weeks down to 8.8 weeks.

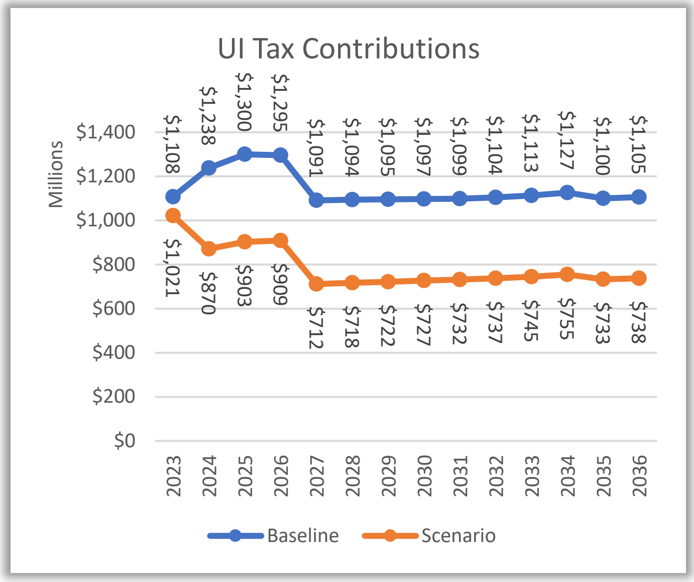
As mentioned previously, the UI system is a risk management process from the revenue side. Employers are rated based on their potential for risk of contributing to unemployment and then taxed accordingly. Each employer maintains an account within a state's UI office from which future benefits will be paid from. With the reduction in benefit payouts employer's rates will naturally fall as the risk of payout is reduced with fewer weeks possible. This will allow employers to preserve more of the funds in their UI account resulting in a decrease in average employer tax rates.



UI Tax Contributions or Revenue

Despite the higher taxable wage base, UI tax revenue would fall 30.97% or nearly $4.9 billion when compared to current revenue projections.

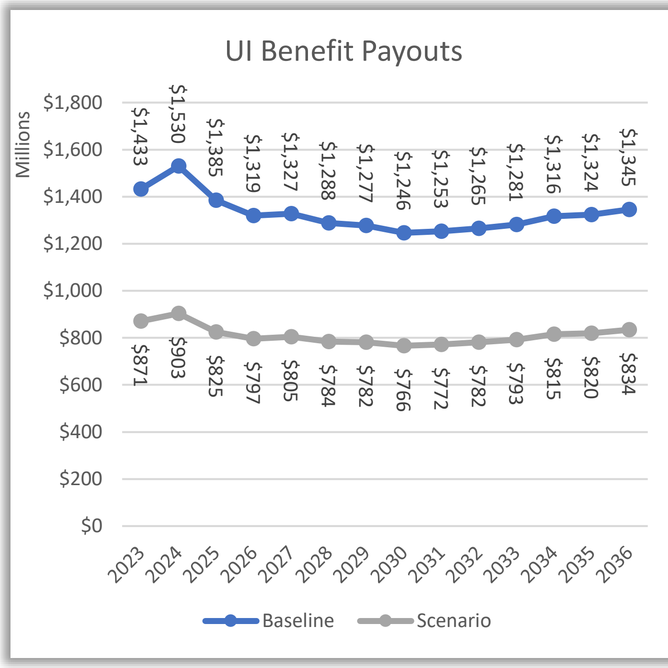
Year	Baseline	Scenario
2023	$1,107,695,163	$1,021,312,873
2024	$1,237,957,945	$870,432,495
2025	$1,300,054,651	$902,804,381
2026	$1,295,331,145	$909,231,928
2027	$1,090,784,537	$711,501,496
2028	$1,094,404,791	$717,630,706
2029	$1,095,303,355	$721,932,633
2030	$1,096,684,248	$727,038,332
2031	$1,098,726,180	$731,598,202
2032	$1,103,974,963	$737,213,265
2033	$1,113,063,173	$745,046,439
2034	$1,126,654,918	$754,614,241
2035	$1,099,946,710	$732,557,506
2036	$1,105,322,240	$738,226,927
Grand Total	**$15,965,904,019**	**$11,021,141,424**



UI Benefit Payouts

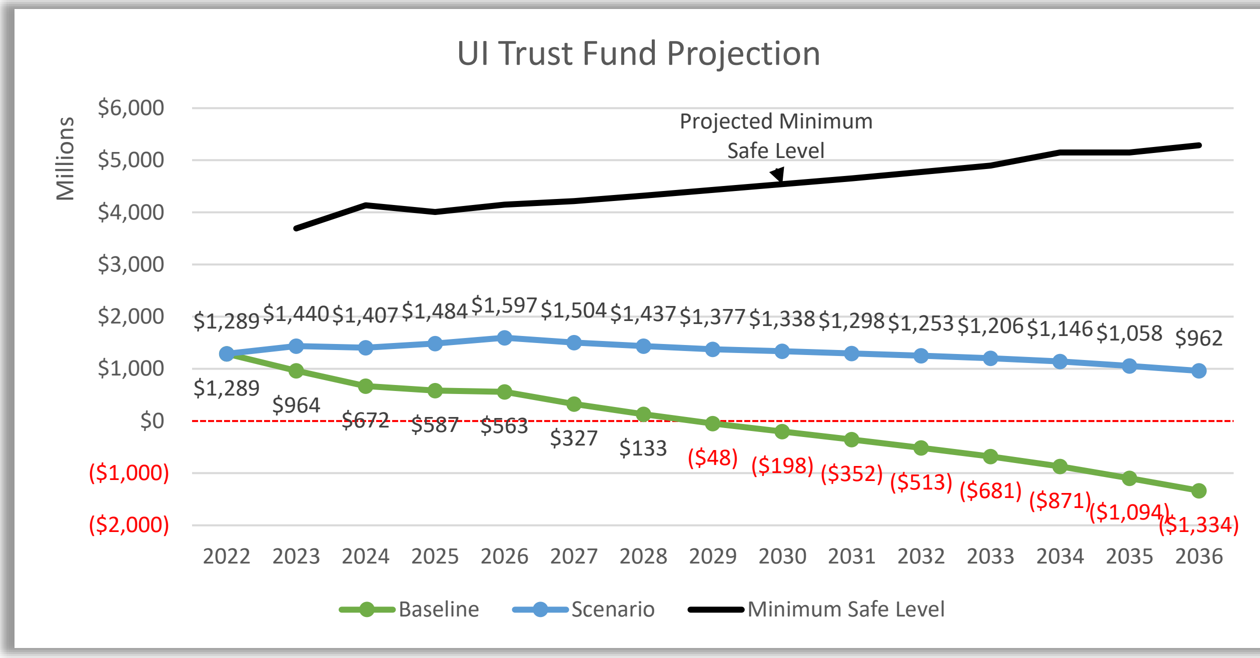
As one might expect, the new lower number of weeks combined with elimination of dependency benefits would bring down the amount of payouts. Overall benefit payouts would decrease 38.95% saving over $7 billion through 2036.

Years	Baseline	Scenario
2023	$1,433,005,420	$871,057,625
2024	$1,529,788,053	$903,431,253
2025	$1,385,266,773	$825,115,783
2026	$1,319,333,978	$796,658,045
2027	$1,327,080,677	$804,840,057
2028	$1,287,708,629	$783,947,042
2029	$1,277,188,447	$781,850,145
2030	$1,246,424,959	$766,365,006
2031	$1,252,813,097	$771,896,941
2032	$1,264,825,068	$781,779,354
2033	$1,280,935,391	$792,525,550
2034	$1,316,413,346	$814,673,630
2035	$1,323,535,308	$819,732,290
2036	$1,344,695,656	$834,431,955
Grand Total	**$18,589,014,803**	**$11,348,304,677**



Impact to UI Trust Fund

The overall impact of this proposal would improve UI Trust Fund solvency levels, especially in the short-term. Currently, without any changes, Trust Fund will slowly slide into insolvency. The proposed changes would reduce the possibility of falling into debt. The Trust Fund would still fall short of the projected Minimum Safe Level. **Overall, the proposed changes would likely reduce the potential for insolvency for the next 10-13 years**. Of course, a recession would shorten that timeframe depending on its severity.



Finally, here is a breakdown showing how much of every $1 collected in UI taxes goes toward paying benefits and how much goes toward growing the Trust Fund for future need. Black amounts in the column for the Trust Fund indicate growth in the fund's balance. Red amounts indicate a shrinking fund.

	Baseline		Scenario	
Year	Amt. of $1 of Contributions to pay Benefits	Amt. of $1 of Contributions to save in the Trust Fund	Amt. of $1 of Contributions to pay Benefits	Amt. of $1 of Contributions to save in the Trust Fund
2023	$1.29	($0.29)	$0.85	$0.15
2024	$1.24	($0.24)	$1.04	($0.04)
2025	$1.07	($0.07)	$0.91	$0.09
2026	$1.02	($0.02)	$0.88	$0.12
2027	$1.22	($0.22)	$1.13	($0.13)
2028	$1.18	($0.18)	$1.09	($0.09)
2029	$1.17	($0.17)	$1.08	($0.08)
2030	$1.14	($0.14)	$1.05	($0.05)
2031	$1.14	($0.14)	$1.06	($0.06)
2032	$1.15	($0.15)	$1.06	($0.06)
2033	$1.15	($0.15)	$1.06	($0.06)
2034	$1.17	($0.17)	$1.08	($0.08)
2035	$1.20	($0.20)	$1.12	($0.12)
2036	$1.22	($0.22)	$1.13	($0.13)