Financial Outlook

Wisconsin
Unemployment
Insurance
Program

Report prepared for the Governor and Legislature,
pursuant to § 16.48 Wisconsin Statutes

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Department of Workforce Development
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Report Summary

The UI Trust Fund is projected to end the 2012 calendar year with a negative balance for the fourth straight year. The amount owed to the Federal Government is expected to be approximately $886 million. This is a reduction from $1.24 billion owed at the end of 2011. Several factors have contributed to this reduction: an improved economy with fewer unemployment benefit claimants and a larger taxable wage base; the FUTA credit reduction (which resulted in increased FUTA taxes paid by employers) was used to pay the principal on the federal loan; and the enactment of legislation effective January 1, 2012, which implemented a benefit waiting week.

Two main factors led to the current UI Trust Fund negative balance: a recent catalyst and the underlying UI financing framework. The recent catalyst was the Great Recession that began in 2008. The large benefit payments that accompanied the economic downturn were the most recent cause for the UI Trust Fund negative balance. However, throughout the past decade, the UI Trust Fund was shrinking so that any economic downturn would have resulted in a need to borrow.

Looking back to a similar economic period, the Trust Fund balance went from a $637 million deficit in 1984 to a $1.8 billion surplus reserve in 2000. For the period from 1984 to 1990, unemployment taxes exceeded benefits and returned the Trust Fund to a $1.2 billion surplus. As a result of high interest earnings, the surplus continued to grow to $1.8 billion in 2000. Since that time, tax contributions have not kept up with benefit payments and interest earnings have declined. As a result, the Trust Fund was approaching insolvency with a balance of $592 million as December 31, 2007, and subsequently became insolvent in February 2009.

The current projection for the UI Trust Fund is a negative balance through year-end 2013. The following year, 2014, will likely be a turning point for the Fund with periods of positive and negative balances throughout the year and ending with a small negative balance. Based on Federal Regulations, if the Trust Fund has a positive balance on November 10th, there would be no FUTA credit reduction for that year, which is the projection for 2014. The Fund is projected to return to a positive balance of $293 million by year-end 2015. The Special Assessment for Interest (SAFI) is projected to continue through 2014 and possibly 2015.

When looking at the UI Trust Fund balance, it is important to consider the history of benefit payments experienced by the system as well as the overall size of the economy. Trust Fund solvency measures such as the High Cost Multiple or the Average High Cost Multiple embed such information. They relate the current value of the Trust Fund to Wisconsin's history of benefit payments as well as the current level of employment. Using these measures as a way to gauge the adequacy of the UI Trust fund will help prevent future borrowing.

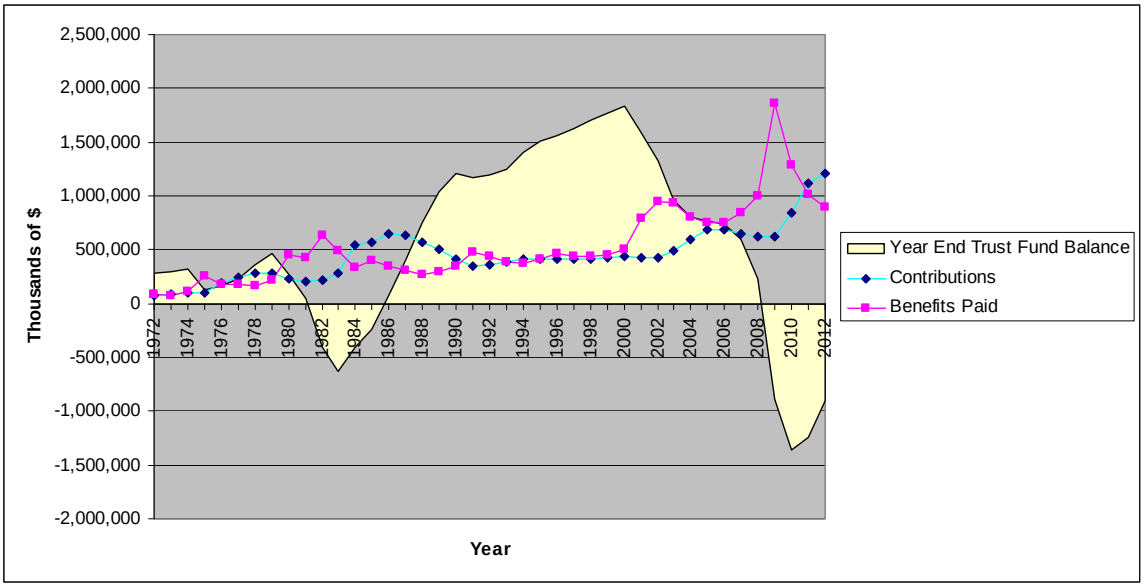
Introduction

This report of the financial outlook for the Wisconsin Unemployment Reserve Fund is provided to the Wisconsin Legislature by the Secretary of the Department of Workforce Development, as required by Wis. Stat. § 16.48 in each odd-numbered year. This report describes the current status of the Trust Fund, origins of the deficit, and the expectations for the Trust Fund balance moving forward.

Current Status of the Unemployment Insurance Trust Fund

The Unemployment Insurance Trust Fund is projected to end calendar year 2012 with a negative balance. The Trust Fund is expected to have approximately $886 million in outstanding loans to the U.S Treasury after the full accounting for 2012 is completed. This will be the fourth consecutive year that the UI Trust Fund will end the year with a substantial negative balance. However, this deficit has declined by approximately $350 million from 2011 to 2012.

UI Trust Fund with Taxes collected and Benefits Paid 1972-2012[*]
Chart 1



Under current economic projections, the UI Trust Fund is expected to have outstanding loans at the end of 2014. During 2015 it is expected that the federal loan will be repaid and the Trust Fund will end the year with a positive balance. If the economy does not meet current projections, at the end of 2015 the Trust Fund will remain negative. The improvement in the Trust Fund balance is due to

[*] Unless otherwise specified, all 2012 values are estimates.

the combination of four factors, of which one was an active legislative change. The four factors currently increasing the UI Trust Fund balance are: improving economic growth, a higher tax schedule, the FUTA credit reduction and the waiting week.

Improving Economic Growth

The growing economy reduces the number of unemployed workers and with it this reduces the amount of benefits claimed. At the same time, the improving economy increases the number of employed workers and the wages they are paid, leading to an increase in tax revenue.

Higher Tax Schedule

The state of the Trust Fund in 2009 triggered the use of the highest UI tax schedule for 2010. This schedule continued to be in effect over the past two years and is projected to continue to be in effect until at least 2015. These higher rates have increased the amount of tax revenue flowing into the Trust Fund.

FUTA Credit Reduction

When the Trust Fund has a positive balance (and a state's UI system conforms to certain other requirements), employers receive a credit on the federal portion of their UI taxes (FUTA). When the Trust Fund has a negative balance, however, this credit is reduced. This increase in tax revenue is collected by the federal government and is applied to the outstanding Trust Fund loans.

Waiting Week

The implementation of the waiting week has resulted in savings of approximately 5% in benefit payments per year to this point. For 2012, the savings in benefit payments have totaled approximately $45 million. As the economy improves and claims decrease, the benefit savings due to the waiting week will also decrease.

The higher tax schedule and FUTA credit reduction are both substantial changes that automatically occurred due to statutory requirements in response to the poor financial situation of the Trust Fund.

While the Great Recession was the immediate cause of the UI Trust Fund borrowing, the path that would require Wisconsin to borrow to pay UI benefits was set well before then. The next few sections will explain in detail how the UI

Trust Fund balance fell below zero and will outline options to improve Trust Fund solvency in the future.

The next section provides a brief background on the UI financing system in order to provide a basis for the discussion that follows. The third section explains in some detail what caused the Trust Fund to become negative. The fourth section reviews the UI Trust Fund projection for 2012 through 2015. The fifth section discusses what it truly means for the Trust Fund to be "solvent."

Unemployment Benefits and Financing System

Benefits

Unemployment benefits are paid to claimants who are determined to have lost employment through no fault of their own. To continue to qualify for benefits, a claimant must be available for work and actively seeking work if required to do so. The amount of benefits a claimant receives is based upon the claimant's past earned wages. Under the regular Unemployment Compensation program, a claimant may receive up to 26 weeks of benefits in Wisconsin, an amount that is typical across the United States.

Special Programs

Since the last Financial Outlook published in 2011, there have been special programs that have extended the number of weeks a person could claim[*]. The Extended Benefit (EB) program was in effect in Wisconsin from 2009 until 2012. This added a maximum of 13 weeks to the maximum number of weeks a person can claim benefits. Typically, the EB program has a divided payment system, with one-half of the benefits paid by the federal government and one-half of the benefits paid from a state's UI trust fund. However, due to the severe impact of the Great Recession, the federal government paid for all EB benefits during this time, so there was no impact on Wisconsin's UI Trust Fund due to this program.

The other program in effect during the past two years was the Emergency Unemployment Compensation (EUC) program. This program added up to an additional 59 weeks of benefits, though over the past two years Wisconsin only qualified for up to an additional 53 weeks. This program was entirely federally funded and so had no effect on the Wisconsin UI Trust Fund.

Taxes

Unemployment Insurance benefits are financed through a series of taxes levied on an employer's payroll. Taxes are levied both by the federal government and

[*] These additional programs came into effect before the previous Biennial Report. The EB program began payments in Wisconsin in 2009 and the EUC program began payments in Wisconsin in 2008.

the state government. The first section will focus on the state taxes. The next section will look at the federal taxes, often referred to as FUTA taxes. A third, temporary assessment called the Special Assessment for Interest (SAFI) is also currently being assessed to employers to cover the interest due on the federal loan.

State Taxes

Unemployment insurance taxes are a payroll tax. They are assessed on what is known as the taxable wage base. For Wisconsin in 2012 the taxable wage base was $13,000, and increased to $14,000 in 2013. An employer in Wisconsin is assessed UI taxes on only the first $14,000 in wages paid to each employee. The tax rate an employer pays on wages up to the wage base is determined by two separate factors. The first is the UI tax schedule in effect for a given rate year. The UI system assigns the tax schedule depending upon the balance in the UI Trust Fund. Currently Schedule A, the highest rate schedule, is in effect. As the Trust Fund balance improves, schedules with lower rates are set to automatically take effect.

The other factor that impacts the tax rate an employer pays is that employer's experience with the UI system. In general, the more employees of a given employer use the UI system to collect benefits, the higher a tax rate that employer pays. To understand more about the process, a deeper look into the tax system is needed. To begin, the two components of state taxes an employer pays needs to be discussed.

Basic Taxes

The Basic Tax is the larger of the two portions of the state tax. The amount an employer pays is heavily tied to the employer's experience with the UI system. The Basic Tax is the portion of the tax an employer pays that is credited to its UI account.

Solvency Tax

The Solvency Tax is the smaller of the two taxes. The amount an employer pays is only slightly affected by its experience with the UI system. Solvency Taxes are credited to the UI Balancing Account, which is used to pay benefits not charged to employers.

Both portions of the state UI tax are held at the U.S Treasury in order to pay benefits.

Employer Account

In the above, the individual employer account is mentioned. It is important to understand what the employer account is and how it functions in the UI system. The employer account is not a savings account for the employer. If an employer's account falls below zero, benefits will still be paid to its eligible former workers. The account acts only as a measure to gauge a given employer's experience with the UI system. The basic tax an employer pays is entered as a credit on the account. UI benefits received by former (or in some cases current) workers are charged against the account. The difference between all the taxes collected over the entire employer's history and the charged benefits over the entire employer's history constitutes the balance of the employer's account, also known as the reserve fund.

This balance determines which tax bracket the employer falls into, and ultimately then the tax rate an employer pays. On June 30th, the end of the state's fiscal year, the employer's account balance for that day is compared to the employer's current payroll*. A ratio is calculated (i.e., the reserve fund percentage) of the employer's account balance divided by the employer's payroll. This percentage is then compared to the current tax schedule in effect, and the employer's tax rate for the following calendar year is determined.

Balancing Account

When benefit payments are not charged to an employer account, they are charged to the Balancing Account. The Balancing Account represents the social insurance aspect of the Unemployment Insurance system for employers. There are six basic categories that make up the charges to the Balancing Account:

1. **Quits**
   When an employee quits work for a reason that does not disqualify them for benefits, instead of charging the former employer, those benefits are charged to the Balancing Account. The idea is to not hold employers responsible when a claimant collects UI benefits due to no action on behalf of the employer. A quit can occur if the claimant falls under one of the quit exceptions enumerated in statute or more likely if the claimant quit a job to take new one and then is subsequently laid off.

2. **Misconduct**
   This situation occurs when an employer terminates an employee for misconduct connected with employment. The employee then finds

* While the payroll used is for the fiscal year ending June 30th, employers' 2nd quarter contribution and wage reports and payments due July31st are reflected in this calculation if made on a timely basis.

employment at a second employer. This second employer then lays off the employee (i.e. the employee is not terminated for cause from the second employer). The claimant's benefit amount is based on his work history from both employers. Wages from the terminated with-cause employer are removed from consideration when calculating a claimant's maximum benefit amount. These wages however, will be used to determine the weekly benefit amount a claimant can receive. Any portion of the pro-rated benefit amount that comes from the terminated with-cause employer instead will be charged to the Balancing Account.

3. **Continued Employment**
   The typical case for this occurs when a claimant is working for two employers, either both part time, or one full time and one part time. The claimant is laid off from one employer but still continues working at the second employer. The claimant files a claim based upon the reduction in wages earned. These benefits will be based upon the entire earnings of the claimant but the current employer, who did not reduce the claimant's wages, will not be charged for their benefit share; instead they are charged to the Balancing Account.

4. **Second Benefit Year**
   This occurs when an employer was charged for a claimant's benefits in the first benefit year, and wages paid by the employer are part of a second benefit year for a claimant, but the employer has not employed the claimant for over a year. This can occur because benefits are based upon the first 4 of the previous 5 quarters. The 5th quarter could be part of a future benefit claim. That employer would not be charged for the fifth quarter but those benefits would instead be charged to the balancing account.

5. **Temporary Supplemental Benefits**
   In 2002, special state Temporary Benefits were charged to the Balancing Account and similar programs in the future could also be changed to the Balancing Account.

6. **Write-Offs**
   The final and largest charge to the Balancing Account comes from write-offs. In 2011 this accounted for $294 million in charges to the Balancing Account. All other charges to the Balancing Account in 2011 totaled $130 million. Thus write-offs represent nearly two-thirds of all charges to the balancing account. These are different from other Balancing Account charges since these are first charged to an employer's account. When the Unemployment Insurance Division calculates the Reserve Fund Percentage for Basic Tax purposes, it caps how far negative an employer's Reserve Fund Percentage can

go. The Reserve Fund Percentage is limited to -10% and charged benefits that would decrease the Reserve Fund Percentage below that point are written off. These written-off benefits are charged to the Balancing Account.

Revenues to the Balancing Account can come from three sources. The first and by far the largest is the Solvency Tax paid by employers. The second source is any interest earned on the UI Trust Fund. With the UI Trust Fund having a negative balance, there currently is no interest revenue. The final possible source of funding for the Balancing Account would be federal disbursements to state UI funds. There are no such disbursements expected in the near future.

Federal Unemployment Taxes (FUTA)

Employers participating in the Unemployment Insurance system pay taxes levied by both the state and federal government. The taxes pay for different portions of the Unemployment Insurance program. The state taxes collected are used to pay benefits for Wisconsin's unemployed workers. Federal taxes, called FUTA taxes after the Federal Unemployment Tax Act, are collected for three purposes. The first is to pay for administration of the Unemployment Insurance program. The second is to pay for federally funded Extended Benefits and Emergency Unemployment Compensation (EUC). The third is to provide loans to states whose Trust Funds fall below zero. In the past two years Wisconsin has accessed these federal funds for all three reasons.

1. Unemployment Insurance Administration

Wisconsin's Unemployment Insurance administration is paid by FUTA taxes. This allows there to be a firewall between money collected to pay for benefits and money collected to pay for the distribution of benefits. It also provides for a secondary governing system as the federal government determines the grant amount for all UI administration activities. The federal government also undertakes regular periodic as well as continuing audits of Wisconsin UI programs and data to assure compliance with the laws governing unemployment insurance.

2. Extended Benefits and EUC

With the severe contraction of the economy in Wisconsin due to the Great Recession, Wisconsin qualified for the Extended Benefit program from February of 2009 until April 2012. Usually the Extended Benefit program is funded by both the federal government and state governments with the federal government providing half the funding, originally coming from the FUTA taxes, and the states providing the other half from the state's UI Trust Fund. However, because of the severe nature of the Great Recession and the negative effect that had on all states' UI Trust Fund

balances, the funding for Extended Benefits is entirely paid by the federal government until December 28, 2013[*].

When the economy experiences a severe recession, Congress often will authorize EUC payments. These normally come from FUTA tax revenues. However, the severe nature of the Great Recession caused Congress to authorize general tax revenue to partially fund EUC. Wisconsin has participated in EUC throughout the past two years and continues to participate in 2013. All EUC programs are scheduled to end on December 28, 2013[†].

3. Trust Fund Borrowing

After the Wisconsin UI Trust Fund was exhausted, Wisconsin was forced to borrow from the federal government in order to pay benefits. The fact that Wisconsin was forced to borrow during a recession was not that surprising given the degradation the Trust Fund experienced over the past 20, and especially the last 10 years. Wisconsin is still in the process of paying back this loan.

FUTA Credit Reductions

The FUTA tax is constructed in a very deliberate way in order to incentivize states to comply with federal guidelines when administering their Unemployment Insurance programs. The rate for FUTA is 6.0% on the first $7,000 of an employee's wages; however, up to 5.4% can be credited back to employers if a state's Unemployment Insurance program meets certain requirements, for example having a state UI tax system that is experience rated. Another of these requirements is to maintain a positive Trust Fund balance. If a state exhausts its Trust Fund, the FUTA tax credit is reduced by 0.3 percentage points each year until the loan from the federal government is repaid and the Trust Fund is once again positive. Wisconsin is currently experiencing a reduction of the FUTA tax credit, and that is expected to continue for the next 4 years. This is projected to cost Wisconsin employers between $275 and $500 million during a period of slow economic growth, hindering the recovery from the recession in Wisconsin. In addition, because this is a payroll tax, it is a disincentive for new hiring.

In general, in each additional year that a state maintains a negative balance, the FUTA credit is reduced by 0.3 percent. After the second consecutive year with a reduction, additional reductions can be added on to increase the amount of the credit reduction. Wisconsin has not been assessed these add-ons up until this point. However, there is the possibility that beginning after 2014 Wisconsin may

[*] This date is current as of the writing of this report. Future federal legislation may change this date and the program.

[†] This date is current as of the writing of this report. Future federal legislation may change this date and the program

face a new add-on, called the Benefit Cost Rate (BCR) add-on. It is named such because it is based upon the Benefit Cost Rate of a state, a ratio of benefits to taxable wages averaged over 5 years. However, this add-on is waived if Wisconsin has not taken any legislative action that would decrease net solvency. Legislative action that would decrease net solvency include reducing tax rates or increasing benefit rates while in the Trust Fund has a negative balance.

Drawbacks of using the FUTA tax to reduce the Trust Fund Deficit

It is important to note that the FUTA tax is not experience rated. The tax is the same for all employers regardless of their specific histories with Unemployment Insurance. This is a large transfer of benefit costs from the large users of the Unemployment Insurance system to the overall pool of covered employers.

In addition, the FUTA tax is not credited to an employer's account. If UI is pre-funded through state taxes, a portion of the tax each employer pays is credited to its account. This affects the employer's reserve fund and will lead to a future reduction in rates the employer faces. There is no such secondary benefit with FUTA taxes.

Special Assessment for Interest (SAFI)

SAFI is assessed specifically to pay for the interest charged on loans to the UI Trust Fund from the federal government. Federal law forbids using regular UI taxes to pay the interest due, and instead a separate funding source is needed.

The interest assessments and the FUTA credit reduction are meant to provide incentives to keep states from allowing their Trust Funds to lapse into insolvency. Given the time inconsistency between when the interest and credit reductions are assessed and when states need to decide to build up their Trust Funds, it may not be the most effective compliance mechanism. This is reflected by the high number of states forced to borrow during the Great Recession, leading to the Federal UI Reserve Fund being exhausted. The Federal UI Reserve Fund had to borrow from the U.S. Treasury to cover benefit outlays. States need to be forward-looking in order to realize the large countercyclical benefits of the unemployment insurance system. Ideally, the system builds a large Trust Fund that is drawn down during a recession and built back up during expansions. The Trust Fund should be large enough so that taxes would not be raised until after the recession has passed. Better planning for the future during the booms following the 1991 recession and the 2002 recession could have allowed Wisconsin to survive the Great Recession without borrowing, and allowed the current state economy to be in a better position to grow and to add new jobs.

Origins of the UI Trust Fund Deficit

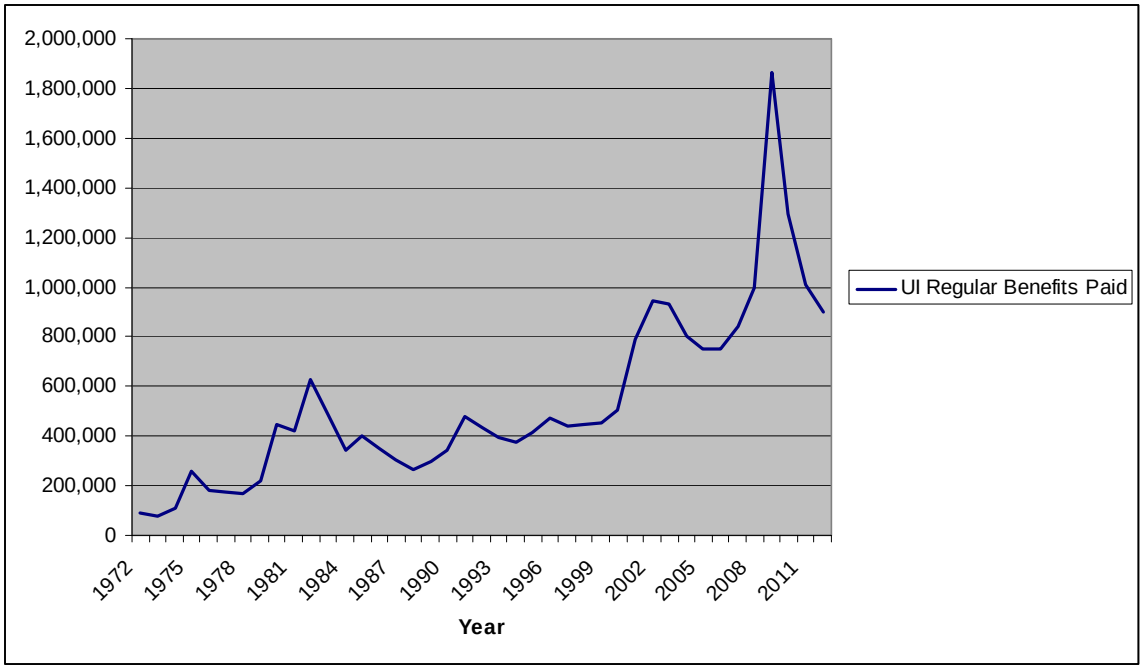
There are two reasons why the UI Trust Fund was exhausted, one immediate and one long term. The immediate catalyst for the deficit was the Great

Recession. Even without the Great Recession, however, the UI Trust Fund was on a long-term path towards borrowing; the Great Recession was just the final push. This section will look at both the immediate cause of the deficit as well as the structural path that made borrowing inevitable.

The Great Recession

The Great Recession strained the entire nation's unemployment insurance system, Wisconsin included. In raw dollar terms, the four largest benefit outlays in Wisconsin history occurred in the years 2008 through 2011, with the largest amount, $1.8 billion, occurring in 2009. The raw dollar amounts involved are outside of Wisconsin's previous UI history. But these numbers do not take into account the relative size of the economy over these years. Looking at measures that account for inflation and economic growth, the amounts paid during the Great Recession were high, but not unheard of.

UI Benefits Paid 1972-2012
(In Thousands of $)
Chart 2



A better way to measure benefit expenditures is by comparing it to the amount of wages in the economy. Payroll can be viewed in terms of how many dollars are at risk. An analogy can be made to homeowners insurance. The more expensive the home, the more money that needs to be paid out if there is a fire. For Unemployment Insurance, the more wages in the economy, the more benefits that need to be paid during a recession. Therefore, when looking at benefits as a percentage of total payroll, the percentage during the Great

Recession, while high, is still below the payouts during the 1981-1982 recession. When looked at from this perspective, only 2009 is among the highest benefit years since 1972.

5 Highest Benefits Years based on Benefits Paid as a Percent of Total Payroll 1972-2012
Table 1

Year	Percent of Total Payroll
1982	2.84
2009	2.41
1980	2.17
1975	2.13
1983	2.11

In many ways, the Great Recession exposed the underlying issues present in the UI system. The Great Recession was the catalyst for the borrowing, and the large downturn is why the deficit grew so large. However, any type of downturn was very likely to lead to borrowing, and so in that sense the Great Recession only determined the magnitude of the borrowing. To understand the issues present in the system, a more detailed look at the recent history of the Trust Fund is needed.

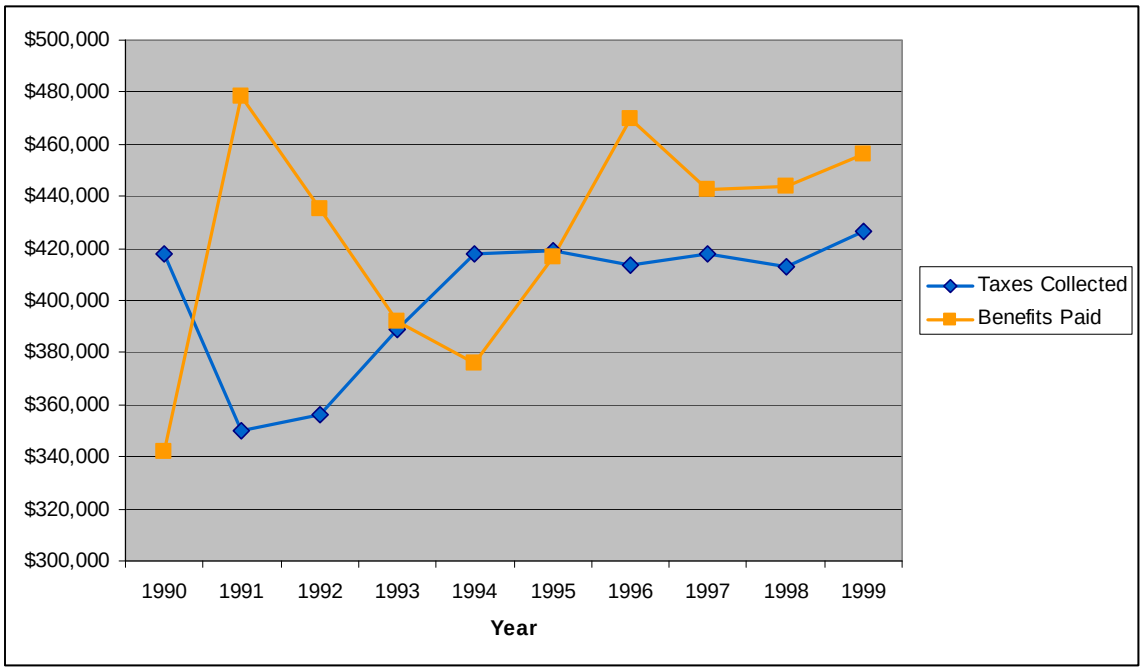
The Recent History of the UI Trust Fund

The 1990s

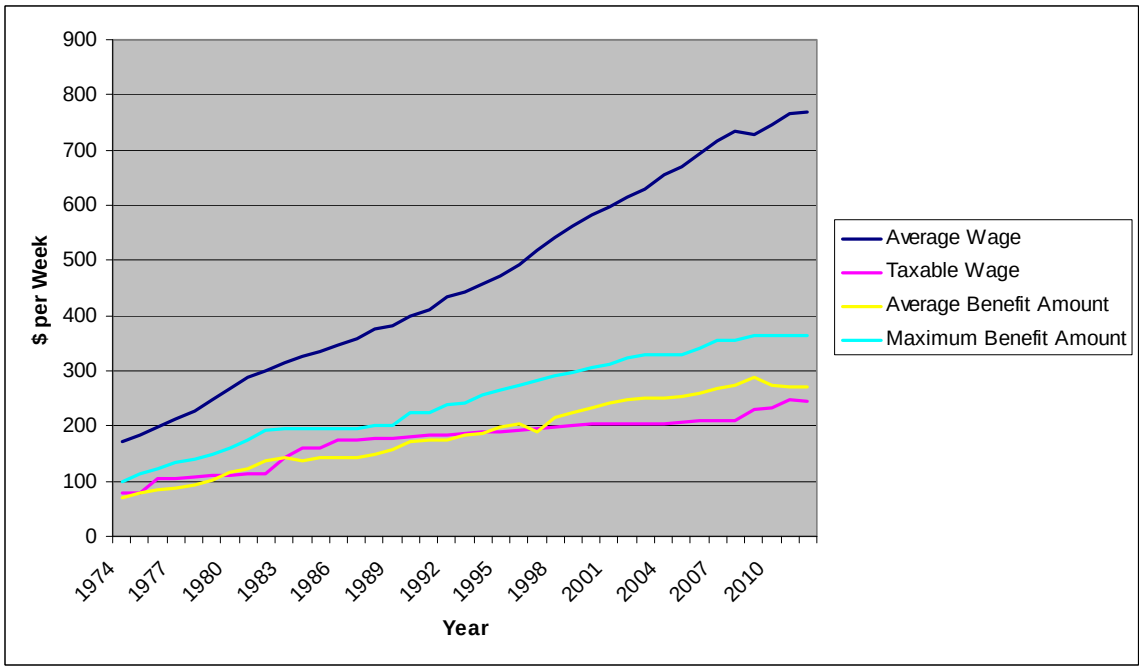
After the UI Trust Fund was forced to borrow during the 1980s, a massive set of reforms was implemented to bring the Trust Fund back to solvency. These reforms led to a fairly large build-up of the Trust Fund. These reforms seemed to be working when the Trust Fund responded well after the 1991 recession and kept growing.

However, after 1994 benefit expenditures routinely exceeded taxes. This shortfall was covered by interest earned on the Trust Fund. Between 1990 and 1999, interest revenue to the Trust Fund totaled $984 million. So while benefits paid exceeded taxes collected, the Trust Fund actually continued to grow; however, this was a sign of the system starting to fray. Taxes as a percentage of total payroll were falling throughout this period. At the same time, wages were increasing, pushing benefits up as well as the amount at risk for the system.

UI Taxes Collected and Benefits Paid in the 1990s
(Thousands of $)
Chart 3



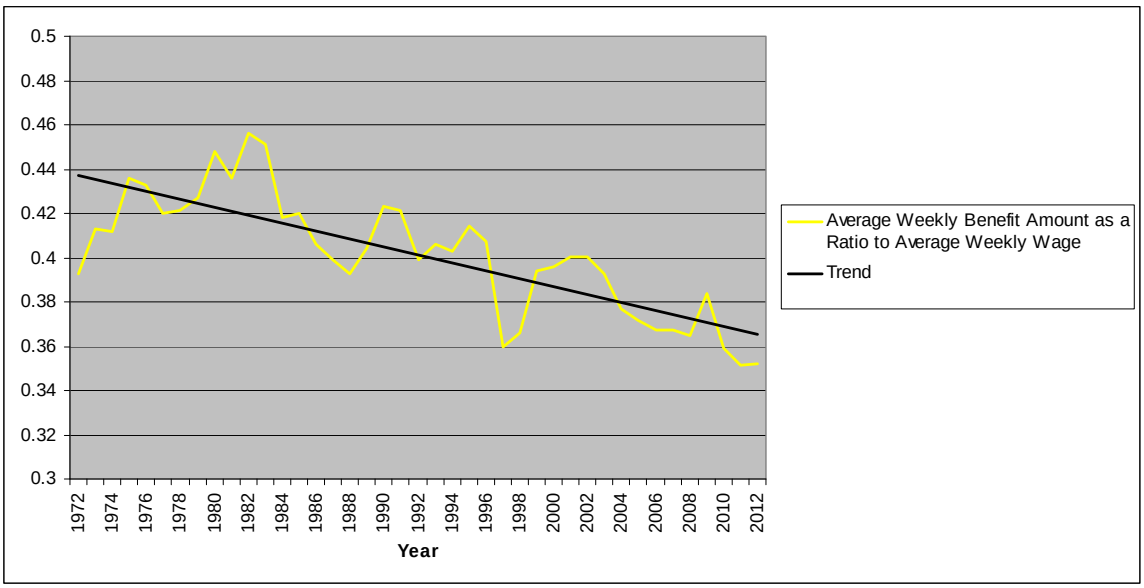
Comparison of Weekly Wage and Weekly Benefits 1974-2012
Chart 4



It is important to note that while benefits were increasing, this was due to higher wages, not due to increases in the benefit formula. In fact throughout the decade

the replacement rate (i.e. the percentage of a weekly wage the average weekly benefit amount replaces) fell from 42.3% in 1990 to 39.4% in 1999.

Replacement Rate 1972-2102
Chart 5



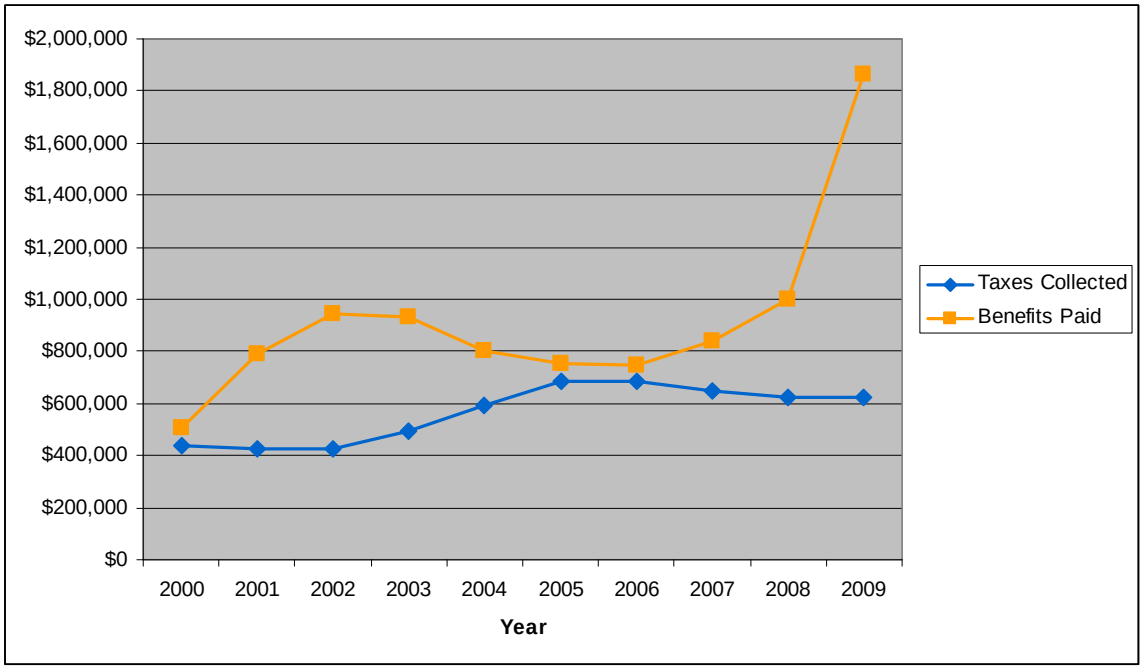
As mentioned, the Trust Fund continued to grow as it continued to earn interest. This meant that while the Trust Fund was healthy, the underlying system really was not. As the decade of the 1990s ended, along with its sustained growth, issues with the UI financing system became apparent.

Early 2000s

The 2001-2002 recession began to expose the issues that festered throughout the 1990s. The biggest sign of this is that after the end of the recession, with the Trust Fund dwindling, taxes collected never exceeded benefits. Part of this was due to the slow growth that occurred during the early part of the decade. Nationally, growth was tepid and growth was slightly slower in Wisconsin than in the nation.

The background level of unemployment claims had increased over what was typical for the late 1990s. Interest earnings were no longer covering the gap between benefits and taxes. The system did not respond to either the recession or the fact that the Trust Fund was shrinking. Taxes collected never exceeded benefits paid, and in fact started to fall even though the Trust Fund continued to decline.

UI Taxes Collected and Benefits Paid in the 2000s
(Thousands of $)
Chart 6

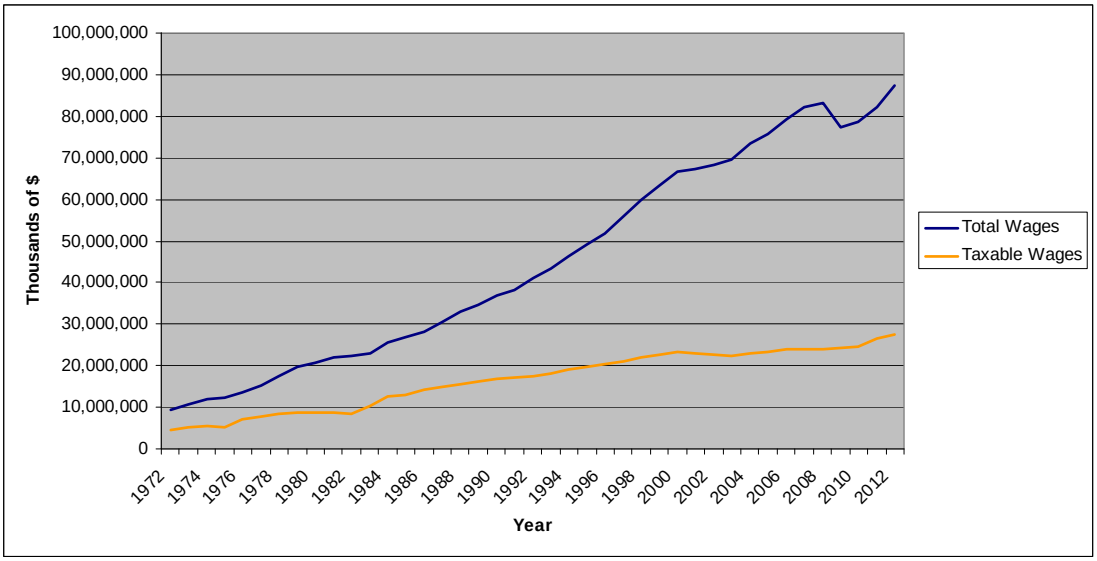


What caused the financing system to be unresponsive? There are two main causes.

1. **UI Taxable Wage Base Too Low**
   The taxable wage base was not increased during the 1990s, remaining at $10,500, the level set in 1986. This was the main factor causing the ratio of taxable wages to total wages to fall throughout the 1990s and 2000s.

   This meant that even without a large change in benefit policy, growing wages caused benefits payment to increase faster than tax revenue. When the economy started to recover in 2003, employment did not bounce back as quickly as wages. The low wage base meant that the increase in wages was not subject to taxes while still increasing the risk to the system.

Total Wages and Taxable Wages 1972-2012
(Thousands of $)
Chart 7



2. The UI Tax Schedule Change Triggers Set Too Low

The UI tax system has a set of four tax schedules. Which schedule is in effect is determined by the balance of the Trust Fund. These schedule triggers were set to reflect the Wisconsin economy of the late 1980s, and so did not reflect the economy of the early 2000s. So even with the Trust Fund shrinking at an alarming rate, it never got below the $300 million threshold to trigger the highest tax schedule. To put it in perspective, quarterly benefit payments have exceeded $300 million in 8 of the past 16 quarters. Without the implementation of the higher rates, the Trust Fund continued to shrink.

Regular UI Benefits Paid by Quarter 2009-2012
Including Reimbursable Employers
(Millions of $)
Table 2

Year	Q1	Q2	Q3	Q4
2009	581	533	448	407
2010	513	344	271	274
2011	390	260	215	233
2012	339	216	194	184

After 2003 and before the Great Recession, benefits paid remained above taxes collected. Unlike in the 1990s, interest earnings were not large enough to cover the gap and the Trust Fund continued to shrink. So any type of downturn would have pushed the Trust Fund negative.

There was a legislative response to the shrinking UI Trust fund. The taxable wage base was put on a schedule increasing to $12,000 in 2009, $13,000 in 2011 and $14,000 in 2013. This response was too late to prevent the fund from having to borrow, though it did increase tax revenue collection in these years over what would have occurred if the taxable wage base remained at $10,500. As a percent of total wages, this wage base change only accounts for the wage growth in the 2000s and does not address any of the wage growth in the 1990s and will degrade over time without future action to increase the taxable wage base.

Taxable Wages as a Percent of Total Wages 1972-2012
Chart 8

Great Recession and Responses

The Great Recession pushed the Trust Fund to a negative balance and led to borrowing by the Wisconsin UI system. There have been some system changes in response to the Trust Fund borrowing. Most of these were automatically put in place by statute. There were also some active legislative changes to the situation.

Existing Statutory Responses

The passive responses are actions that were built into the system due to federal law or state law enacted during the 1980s. Two large changes occur because of federal laws affecting taxes. The first is the reduction in the FUTA tax credit. Revenue from the tax credit reduction is used only to pay off the Trust Fund loan. This currently projects to an amount ranging from $275 to $500 million for 2011-2014, before the loan is paid off and the credit reinstated. The other change due to federal law is the SAFI assessment. Federal law prohibits regular UI taxes from being used to pay interest on the loans to UI. As Federal law prohibits the use of these regular UI taxes, Wisconsin enacted a law which allows for a special assessment on employers to pay the interest on federal advances. This assessment is currently expected to cost employers approximately $104 million to pay interest on the Trust Fund loan from 2011 - 2014 until the loans are paid off. Both charges will end when the Trust Fund increases above zero, and there is no longer a need to borrow.

The last automatic response is the change to the highest Wisconsin UI tax schedule, Schedule A. When the Trust Fund fell below $300 million in 2009, Schedule A went into effect for 2010. This schedule raises approximately $90 to $100 million more per year over the next schedule, Schedule B. When the Trust Fund increases above $300 million, an automatic switch to UI tax Schedule B will occur.

Active Responses

There have been some active responses to the current situation. These have been done with the intent of reducing benefits paid. There are three basic legislative changes: considering 32 hours to be fulltime work, eliminating partial benefits for anyone who earns over $500 per week, and instituting a waiting week before a claimant can collect benefits. The change to 32 hours means that if an individual's hours are reduced, she can only receive benefits if the reduction causes her to fall below 32 hours a week. This has a minimal effect on benefits paid.

Also having a minimal effect is the requirement that anyone collecting benefits earn less than $500 in a week to remain eligible. This affects a very small number of people and hence has little effect on the Trust Fund.

The largest impact comes from the establishment of the waiting week. The first week claimed is now non-payable. This does not reduce the maximum amount of benefits a person is entitled to; it just means that she must claim for a week before getting paid. As such this is expected to reduce the amount of benefits paid by approximately 5% per year. For 2012 this was approximately $45 million dollars (keep in mind this does

not directly reduce taxes employers pay by this amount). This dollar figure will shrink as the total amount of claims and benefits paid decline.

This gives a clear picture of how the UI Trust Fund was exhausted. The next section provides a projection of what the Trust Fund is expected to do over the next few years.

UI Trust Fund Projection

Using current UI data and projections from the Wisconsin Department of Revenue (DOR) contained in the *Wisconsin Economic Outlook*, estimates are made of the future values of UI benefits paid, UI taxes collected and ultimately the UI Trust Fund. These estimates are current as of this writing but are subject to change with changes in economic conditions and the policies governing UI.

The projection covers the years 2012 through 2015. Estimates for the near future are much more precise than estimates in the later years.

Current UI Trust Fund Projection

UI Trust Fund Projection
(In Millions of $)
Table 3

Year	2012	2013	2014	2015
Opening Unemployment Reserve Fund Balance	($1,239)	($886)	($456)	($20)
Revenues:				
State Unemployment Revenues (employer taxes)	1,203	1,191	1,089	1,001
Interest Income	0	0	1	8
Special Assessment on Employers Revenue	36	19	7	0
Federal Revenues (FUTA credit reduction)	47	95	143	0
Total Revenue	1,286	1,305	1,240	1,009
Expenses:				
Unemployment Benefit Expense	897	856	797	696
Federal Loan Interest Expense	36	19	7	0
Total Expense	933	875	804	696
Ending Unemployment Reserve Fund Balance	(886)	(456)	(20)	293

This projection is based upon looking at historical relationships in the data and then using data from UI and the Department of Revenue to produce estimates. The Department of Revenue's *Economic Outlook* forecasts slow economic growth and modest employment growth in 2013. For 2014, a slight increase in economic growth but slowed employment growth is forecasted. In 2015, both

economic and employment growth are expected to increase. At this time this is the best estimate of the current path of the UI Trust Fund.

The most important thing to note is that the Trust Fund is projected to remain in deficit at the end of 2014. Given the way UI taxes come in early in the year while benefits are paid throughout the year, there would be periods of time during 2014 where the Trust Fund would be expected to be positive but it is expected to finish the year with a negative balance.

Remaining in deficit at the end of the year has two very important consequences. The first is the continuation of the FUTA credit reduction. Employers are expected to pay $285 million in additional FUTA taxes for tax years 2012 - 2014 due to the credit reduction. The Trust Fund is projected to be positive on November 10, 2014, the date when the loan balance is checked for a FUTA credit reduction for the current year. This positive balance means there would be no FUTA credit reduction for 2014, credited in 2015. This is reflected in table 3 as $0 FUTA revenue dollars in 2015.

The second issue is the continuation of the SAFI special assessment. Taxes will need to continue to be collected to pay interest on the outstanding loan. The total amount of SAFI assessed from 2011 - 2014 will be $105 million

The positive balance of $293 million at the end on 2015 is very close to the $300 million trigger that would shift taxes onto Schedule B. If this projection comes to pass, it would most likely mean that after 2016 Schedule B would be in place. At the same time $285 million is approximately only one quarter's worth of UI benefit payments, meaning that the Trust Fund could very likely return to a negative balance.

In past reports the Department has included more than one scenario in its projections. This year we are providing only one projection based on the current DOR forecast. If the economy were to grow faster than expected, the projections for the solvency of the UI Trust fund would improve. If, however, growth were to be slower than expected there would be a high degree of stress on the UI Trust Fund, and it would be expected that borrowing to pay benefits would continue.

Despite showing a modest positive balance at the end of 2015, this does not reflect adequate reserves for future economic downturns.

Measuring Trust Fund Solvency

While the UI Trust Fund is expected to become positive in 2015, that does not mean the fund is truly solvent. It will not be large enough to cover expected benefit payments and establish adequate reserves in case of a recession. To

view what true solvency would look like we can investigate some of the widely accepted ways in which solvency is measured.

Three Measures of Trust Fund Solvency

There are three common measures that are used to analyze Unemployment Insurance Trust Fund Solvency:

1. **Reserve Ratio or Trust Fund Percentage of Total Wages**
   This measure of a state's Trust Fund solvency is the amount in the Trust Fund as a percentage of the state's total wages for the past year. This provides a measure of the Trust Fund relative to the size of a state's economy. There is no one definitive suggested value for this measure, but the Department of Labor believes a value of 2.0 percent or higher is sufficient.

2. **High Cost Multiple**
   A High Cost Multiple (HCM) of 1.0 means that a state has reserves equal to the highest 12-month period of Unemployment Insurance benefits the state has ever experienced. Hence a value of 0.5 represents the ability to pay 6 months at the highest ever benefit amount, et cetera. A value of 1.0 is held to be sufficient to avoid Trust Fund insolvency and subsequent borrowing.

3. **Average High Cost Multiple**
   The Average High Cost Multiple (AHCM) is similar to the High Cost Multiple but instead of using the highest 12 month benefit period, it uses the average of the three highest calendar year benefit payments the state has experienced during the past 20 years or the last three recessions, whichever is longer. The Advisory Council on Unemployment Compensation, a federal advisory panel, in 1995 recommended a pre-recession AHCM of 1.0.

Wisconsin has met these benchmarks in the past. Wisconsin met or surpassed the Reserve Ratio throughout the 1990s until just falling short in 2002 after the 2001 recession. After the 2002 recession it never again reached this mark.

Wisconsin exceeded the High Cost Multiple in 1990 and came close to meeting throughout the 1990s. However, at the beginning of the 2000s the recession of 2001 occurred. This began a decade long period of slow growth in the economy and unemployment insurance tax revenue. For these reasons, Wisconsin missed this benchmark by wide margins during the decade.

Wisconsin met the less stringent Average High Cost Multiple throughout the 1990s and just missed it in 2001. But like the other benchmarks, the Trust Fund

never fully recovered from the 2001-2002 recession and the Trust Fund never really came close afterwards.

The Great Recession showed these benchmarks to be fairly good measure of whether or not a state would need to borrow. In 2007, 7 states met the stringent High Cost Multiple benchmark. Of those, only one needed to borrow. Of the 46 states that did not meet the HCM benchmark, 35 needed to borrow. So 14% of states that met the HCM level ended up borrowing compared to 76% of states that did not meet the benchmark.

Average High Cost Multiple and Borrowing during the Great Recession
Table 4

	AHCM >1	AHCM <1
Number of States	19	34
Number who Borrowed	6	30
Percentage	32%	88%

If we look at the less stringent Average High Cost Multiple, 19 states met this benchmark in 2007, while 34 did not. Of the 19 states satisfying this benchmark, 6 needed to, borrow compared to 30 of the 34 who did not meet the benchmark. So 32% of those who had Trust Funds at that level needed to borrow compared to 88% whose Trust Funds fell below that level. Of those states that met the benchmark but still had to borrow, they tended to have to borrow less. Their loans reflected 0.77% of total wages in their state on average versus 1.17% for states below that benchmark. Wisconsin's loan reached 1.73% of wages in 2010. The AHCM benchmark called for Wisconsin to have $2.0 billion in its Trust Fund in 2007. At that time Wisconsin had $592 million.

Had Wisconsin met either the HCM or the AHCM benchmark in 2007 it would not have ended any year with a negative balance during the Great Recession. This would have meant a reduction of FUTA taxes between $275 and $500 million between 2012 and 2015. It would also have meant a reduction in projected SAFI taxes of $105 million from 2011 to 2015.

The problem facing Wisconsin right now is that while the outstanding loans might be paid off fairly shortly, it will take many years to achieve a Trust Fund amount

that is sufficient in the face of a new recession. Given the current level of wages, Wisconsin should have a Trust Fund between $1.5 and $2.5 billion, depending upon the measure used, to feel secure that it can avoid insolvency and borrowing during the next downturn. By adopting one of these measures as a way to determine the health of the Trust Fund it would provide a much better measure of where the Trust Fund needs to be rather than using dollar amounts as a metric.

Projected Wisconsin UI Trust Fund versus AHCM Benchmark
(Millions of $)
Table 5

	2012	2013	2014	2015
Projected Trust Fund Balance	-886	-456	-20	293
AHCM Recommended Amount	1,555	1,620	1,680	1,758

Recommendation for UI Trust Fund Solvency

The UI Advisory Council is expected to review Wisconsin unemployment law and provide specific recommendations concerning the solvency of the UI Trust Fund and the ability to pay claims over the long term. The Secretary recommends that the Advisory Council review the factors contributing to the current funding shortfall, and provide to the Governor and the Legislature legislative solutions to strengthen the UI Trust Fund. The proposal should address mechanisms to: (1) assure the repayment of the existing loans; (2) restore the UI Trust Fund to solvency; and (3) build and maintain sufficient reserve funding to meet the obligations of projected future benefit expenditures.

A reform proposal may encompass both benefits and revenue. Recent legislative action reduced benefit expenditures by enacting the waiting week. On the revenue side, the Council in the past has acted to increase the taxable wage base. The last scheduled increase on the taxable wage base became effective in January 2013.

The Department has significant information and research on the issues and alternative solutions, and is prepared to support the Council as it considers options to improve Wisconsin's Unemployment Insurance program.

Appendix A: Changes in Laws Governing UI

There have been numerous changes in the laws governing Wisconsin's Unemployment Insurance since the last Financial Outlook. This section will review the changes to UI and note any impact they will have on the Unemployment Insurance Reserve Fund.

ACT 59

Wage Base Increase

The last scheduled change in the wage base from 2008's Wisconsin Act 59 is set to go into effect in 2013. The wage base will increase from $13,000 in 2012 to $14,000. This change will increase tax revenues by approximately $60 million over a baseline estimate. Act 59 was passed to try to stave off a UI Trust Fund crisis but moved too late to avoid borrowing during the Great Recession.

ACT 32

Benefit Waiting Week

Act 32 passed in 2011, has established a waiting week for UI claimants that took effect as of January 1, 2012. This is projected to reduce benefit payments by about 5% in a typical year. However, since the waiting week does not reduce the number of weeks of eligibility, the savings may be reduced during periods of unusually high unemployment duration.

ACT 198

Forfeiture for Concealment of Wages

Act 198 has changed numerous aspects of Unemployment Insurance law and administration. One of these changes affects how claimants concealing wages are treated. Previously, fraudulent concealment of wages led to a forfeiture of future benefit weeks. This forfeiture is now instead changed to an ineligibility of future benefits. As a result, the benefits not paid are not taxable and employers are not charged for those benefits. In addition, the penalty for concealment has increased. This is expected to reduce benefit payments by about 1% per year. This change took effect on October 21, 2012.

Defining full time as 32 Hours

Act 198 also changed how Wisconsin applies the partial benefit formula. Workers who work 32 hours per week or more are now considered full-time and ineligible for partial benefits. This is expected to reduce benefits paid by

approximately 0.5% in a given year. The new definition of full-time took effect on October 21, 2012.

Ineligibility for Claimants with Greater than $500 a Week in Earnings

Another change in the implementation of the partial week formula is establishing a maximum of $500 earnings in a week a claimant receives benefits. If the claimant earns more than $500 in a week from a combination of wages, sick pay, holiday pay, vacation pay, or termination pay she will no longer qualify for partial payments. This is expected to have little change in benefits paid or effect on the Reserve Fund. This took effect on October 21, 2012.

Repeal of Suspension for Failure or Refusal of Drug Test

Act 198 repealed the drug test requirement enacted in 2011. The previous law required claimants to be declared ineligible if they failed a pre-employment drug test or refused to take a pre-employment drug test. Act 198 removes this reason for ineligibility as well as the requirements for UI and employers to maintain records on such activities. This change is expected to increase benefit payments by a small amount, in the range of $350,000 per year, over the previous law but it significantly reduces administration cost for both UI and for employers. This change was first effective on April 22, 2012.

Amend Ineligibility for Failure to Perform Work Searches

This affects the ability of the Unemployment Insurance administration to recover overpayments related to work search ineligibility. Under previous law, in certain circumstances, UI was unable to recover overpayments to claimants who were paid benefits and then were later found to have failed to meet the work search requirements while no fraud was deemed to have taken place. This change allows UI to recover any overpayments when the work search requirement has not been satisfied. Overall this is expected to have little effect on the amount of benefits paid in a given year. This change in the law became effective on April 22, 2012.

Assess and Collect a 15% Overpayment on Fraud

To match with Federal law, another change in that occurs with Act 198 is the ability of UI to assess a 15% penalty on any fraudulent overpayments. Initially the money collected is set to flow into a fund to be used for UI Program Integrity activities. Afterwards this will flow into the solvency account. Originally when estimated it was believed that this would provide a return of approximately $300,000 to $500,000 based upon fraud determinations in 2008 and 2009. Since then the amount of fraud UI has detected has greatly increased. It is now projected that the amount that will be collected will be in the range of $1.5 million to $2.5 million annually. This provision became effective on October 21, 2012.

Simplify Rating of Contributions for Successor Employers

To simplify tax collections on successor business, the way they are taxed has been adjusted. Now successor tax rates are determined after the first of the next calendar year. Previously the tax rate was determined upon the quarter change. This will have minimal effect on the UI Trust Fund while reducing confusion for employers. This went into effect on December 31, 2011.

Recover Benefit Overpayments from Erroneous Wage Reports

Act 198 now allows UI to recover overpayments from federal income tax refunds in non-fraud cases. Previously UI was limited to recover benefit overpayments in fraud cases. This change is expected to reduce benefit payments by approximately $750,000 per year. This provision went into effect on April 22, 2012.

Create More Explicit Standards for Determining the Primary Employer and Exceptions

In order to clarify the identity of the employer in cases where an employee has more than one controlling employer, Act 198 delineates which employer is the responsible entity for Unemployment Insurance. It also spells out the exceptions for home health care service and personal care services and the process for which employers need to go through to meet these exceptions. This is expected to have minimal impact on the status of the UI Trust Fund. This part of the law went into effect on December 31, 2011.

Create an Unemployment Interest Payment Trust Fund

Act 198 creates a separate, non-lapsable trust fund called the “Unemployment Interest Payment Fund” for deposit of all unencumbered moneys collected as interest assessments previously made and to be made in the future. Interest earned on the proceeds of assessments pending transfer to the federal government and any interest or penalties collected from employers who are delinquent in paying their assessments are credited to the segregated Unemployment Interest Payment Fund.

Act 198 provides that the department shall use the moneys in the fund to make interest payments due to the federal government on advances made to the unemployment reserve fund. It directs the department to use excess moneys in the fund to pay interest due in future years, or if it determines that additional interest obligations are unlikely, to transfer the excess to the balancing account.

This Unemployment Interest Payment Fund was established on April 22, 2012.

Create an Unemployment Insurance Integrity Fund

This fund has been established to fund UI program integrity activities. Monies for this fund come from collections of the 15% penalty on fraudulent payments. This fund was established on October 21, 2012 and will continue to fund UI integrity programs until October 21, 2013. Penalties collected after that time will be deposited in the Unemployment Trust Fund. Act 236 permanently repeals this fund as of January 1, 2014.

Act 236

Tighten Benefit Eligibility Requirements for Work Availability

Act 236 also changed various portions of UI law and operations. One change in the law brought about by Act 236 is to clarify the able and available provision of UI law. If a person is outside of the United States or Canada and is not there for a reason related to current employment they are not considered able and available for work and hence not eligible for UI benefits. This codifies what was existing UI procedure. As such this is not expected to have any effect on benefits paid or the UI Trust Fund. This went into effect on April 22, 2012.

Modify the Interest Rate on Delinquent Tax Payments

Act 236 reduced the interest rate penalty employers face on delinquent tax payments. Previously the rate was 12% annually. The new rate is the greater of 9% or the prime rate as of the previous September 30th plus 2%. This is expected to have minimal impact on the UI Trust Fund. This change became effective in August 2012.

Reduce Restrictions on Department's Hiring of Temporary Appeals Tribunals

Previously temporary Appeals Tribunals were required to have previously worked as a UI Appeals Tribunal. The new law allows the division to hire any attorney licensed to practice in the state as an Appeal Tribunal. This will make finding suitable candidates much easier and reduce the backlog and improve UI administration. This change went into effect on April 22, 2012.

Require that Appeals Tribunal Decisions to be Consistent with Federal and State Law

This part of the act fully codifies traditional UI practice to ensure appeals tribunals follow the appropriate laws. This went into effect on April 22, 2012.

Appendix B: Wisconsin Unemployment Reserve Fund 1972-2012*

(Amounts in Thousands of $)

Year	Taxes Collected	Interest and Other	Total Receipts	Benefit Payments	Surplus or Deficit	Year End Net Reserve Balance
1972	71,745	13,036	84,781	90,517	-5,736	278,290
1973	87,063	14,673	101,736	78,812	22,924	301,366
1974	105,718	17,790	123,508	108,988	14,520	315,719
1975	106,355	12,027	118,382	259,864	-141,482	120,851
1976	192,194	8,183	200,377	181,189	19,188	165,464
1977	238,740	10,709	249,449	177,127	72,322	230,907
1978	283,712	17,302	301,014	168,097	132,917	362,255
1979	283,050	28,179	311,229	217,339	93,890	465,374
1980	235,739	27,202	262,941	449,638	-186,697	270,891
1981	210,852	10,004	220,856	420,318	-199,462	54,183
1982	222,490	0	222,490	629,275	-406,785	-412,947
1983	288,173	0	288,173	486,952	-198,779	-627,557
1984	549,679	0	549,679	340,755	208,924	-410,173
1985	570,420	0	570,420	400,712	169,708	-240,289
1986	643,502	1,711	645,213	347,297	297,916	67,615
1987	628,819	18,787	647,606	302,809	344,797	404,440
1988	567,541	47,849	615,390	265,367	350,023	755,575
1989	509,132	76,986	586,118	300,687	285,431	1,040,969
1990	417,690	97,011	514,701	342,199	172,502	1,210,154
1991	350,267	97,838	448,105	478,116	-30,011	1,171,822
1992	355,874	89,211	445,085	435,457	9,628	1,194,553
1993	388,748	85,126	473,874	392,275	81,599	1,241,918
1994	418,150	86,947	505,097	375,691	129,406	1,400,119
1995	419,376	97,671	517,047	416,647	100,400	1,503,641
1996	413,798	102,410	516,208	469,636	46,572	1,556,922
1997	417,994	105,350	523,344	442,374	80,970	1,632,214
1998	412,793	109,621	522,414	443,860	78,554	1,708,174
1999	426,783	112,905	539,688	456,092	83,596	1,763,548
2000	440,519	116,799	557,318	508,046	49,272	1,834,982
2001	425,376	109,296	534,672	788,156	-253,484	1,585,127
2002	428,191	96,936	525,127	946,629	-421,502	1,327,679
2003	495,269	65,188	560,457	929,991	-369,534	961,664
2004	594,672	47,243	641,915	801,604	-159,689	800,177
2005	686,253	38,381	724,634	751,845	-27,211	769,088
2006	683,735	34,719	718,454	749,653	-31,199	733,017
2007	649,704	30,920	680,624	840,952	-160,328	592,228
2008	626,078	20,662	646,740	997,815	-351,075	234,746
2009	621,344	0	621,344	1,865,387	-1,244,043	-895,714
2010	848,438	0	848,438	1,291,327	-442,889	-1,361,379
2011	1,114,744	0	1,114,744	1,011,840	102,904	-1,239,000
2012	1,203,000	0	1,203,000	897,000	306,000	-886,000

* 2012 values are estimates.

Appendix C: Wisconsin Unemployment Insurance Statistics 1972 - 2012*

Year	First Payments	Weeks Compensated	Duration	Insured Unemployment Rate	Maximum Weekly Benefit Amount
1972	102,455	1,481,688	14.5	3	
1973	95,413	1,270,898	13.3	2.1	
1974	135,169	1,629,828	12.1	2.7	$99
1975	221,436	3,487,161	15.7	5.7	$113
1976	163,518	2,407,023	14.7	3.9	$122
1977	177,970	2,236,259	12.6	3.2	$133
1978	168,354	1,954,838	11.6	2.6	$139
1979	198,239	2,279,640	11.5	2.9	$149
1980	292,822	4,167,469	14.2	5.3	$160
1981	268,194	3,805,457	14.2	4.7	$175
1982	311,125	4,850,907	15.6	6	$191
1983	227,530	3,840,545	16.9	4.8	$196
1984	205,172	2,770,496	13.5	3.2	$196
1985	223,274	3,031,432	13.6	3.4	$196
1986	201,431	2,815,092	14	3	$196
1987	180,216	2,412,499	13.4	2.5	$196
1988	164,752	2,070,359	12.6	2.1	$200
1989	172,008	2,192,385	12.7	2.2	$200
1990	195,976	2,350,901	12	2.3	$225
1991	238,737	3,148,469	13.2	3	$225
1992	215,669	2,978,897	13.8	2.7	$240
1993	197,203	2,608,193	13.2	2.3	$243
1994	191,952	2,443,988	12.7	2.1	$256
1995	213,327	2,518,458	11.8	2.1	$266
1996	234,291	2,791,774	11.9	2.3	$274
1997	210,504	2,857,991	13.6	2.1	$282
1998	219,771	2,726,008	11.5	2	$290
1999	209,497	2,473,569	11.8	1.9	$297
2000	230,458	2,582,328	11.2	2	$305
2001	327,155	3,762,208	11.5	2.9	$313
2002	328,083	4,363,674	13.3	3.4	$324
2003	315,409	4,346,562	13.8	3.4	$329
2004	269,306	3,759,400	14	2.9	$329
2005	262,724	3,500,388	13.3	2.7	$329
2006	258,845	3,421,577	13.2	2.6	$341
2007	279,814	3,678,462	13.1	2.8	$355
2008	321,164	4,225,212	13.2	3.2	$355
2009	447,970	7,605,705	17	6.1	$363
2010	324,879	5,770,210	17.8	4.7	$363
2011	283,624	4,588,323	16.2	3.7	$363
2012	226,803	3,852,439	17.0	3.2	$363

* 2012 values are estimates.

Appendix D: Wisconsin Employment, Average Weekly Wage, and Average Weekly Benefit Amounts 1972-2012*

Year	Covered Employment	Average Weekly Wage	Average Weekly Benefit	Maximum Weekly Benefit Amount
1972	1,076,199	167.83	64.92	
1973	1,274,131	161.48	66.41	
1974	1,330,664	172.68	70.83	99
1975	1,271,186	184.34	80.05	113
1976	1,318,946	198.90	85.32	122
1977	1,390,320	211.46	87.9	133
1978	1,467,074	228.45	94.36	139
1979	1,523,940	247.78	103.39	149
1980	1,488,754	267.25	117.47	160
1981	1,469,180	288.71	123.2	175
1982	1,416,568	301.16	136.62	191
1983	1,415,710	313.49	141.3	196
1984	1,502,519	326.00	136.01	196
1985	1,527,919	336.31	141.29	196
1986	1,562,461	347.05	141.35	196
1987	1,619,993	359.64	144.11	196
1988	1,685,546	375.32	148.59	200
1989	1,740,311	382.82	156.39	200
1990	1,783,787	399.04	170.9	225
1991	1,787,701	411.02	175.82	225
1992	1,825,250	434.21	175.46	240
1993	1,871,588	444.07	183.13	243
1994	1,939,825	458.09	187.53	256
1995	1,997,000	472.86	198.84	266
1996	2,030,959	491.21	202.49	274
1997	2,078,734	517.77	188.47	282
1998	2,120,195	541.71	214.82	290
1999	2,166,890	563.52	223.46	297
2000	2,200,191	583.61	233.11	305
2001	2,168,360	598.22	241.71	313
2002	2,132,957	614.45	248.36	324
2003	2,123,680	630.15	251.69	329
2004	2,149,901	655.87	250.67	329
2005	2,176,426	669.15	252.82	329
2006	2,195,133	694.27	258.79	341
2007	2,201,871	717.20	267.08	355
2008	2,180,948	734.52	273.11	355
2009	2,046,356	727.55	287.5	363
2010	2,029,041	745.11	274.94	363
2011	2,061,922	765.73	270.49	363
2012	2,146,958	769.68	271	363

* 2012 values are estimates.

Appendix E: Benefits and Taxes as Percentage of Total Wages 1972-2012*

(Benefits, Taxes and Total Wages in Thousands of $)

Year	Benefits	Taxes	Total Wages	Benefits as a % of Total Wages	Taxes as a % of Total Wages
1972	90,517	71,745	9,392,429	0.96%	0.76%
1973	78,812	87,063	10,698,739	0.74%	0.81%
1974	108,988	105,718	11,948,765	0.91%	0.88%
1975	259,864	106,355	12,185,297	2.13%	0.87%
1976	181,189	192,194	13,641,394	1.33%	1.41%
1977	177,127	238,740	15,287,922	1.16%	1.56%
1978	168,097	283,712	17,427,796	0.96%	1.63%
1979	217,339	283,050	19,635,640	1.11%	1.44%
1980	449,638	235,739	20,689,559	2.17%	1.14%
1981	420,318	210,852	22,056,520	1.91%	0.96%
1982	629,275	222,490	22,183,994	2.84%	1.00%
1983	486,952	288,173	23,077,970	2.11%	1.25%
1984	340,755	549,679	25,470,817	1.34%	2.16%
1985	400,712	570,420	26,720,299	1.50%	2.13%
1986	347,297	643,502	28,196,725	1.23%	2.28%
1987	302,809	628,819	30,296,223	1.00%	2.08%
1988	265,367	567,541	32,896,409	0.81%	1.73%
1989	300,687	509,132	34,643,963	0.87%	1.47%
1990	342,199	417,690	37,014,182	0.92%	1.13%
1991	478,116	350,267	38,208,834	1.25%	0.92%
1992	435,457	355,874	41,212,419	1.06%	0.86%
1993	392,275	388,748	43,217,584	0.91%	0.90%
1994	375,691	418,150	46,208,264	0.81%	0.90%
1995	416,647	419,376	49,104,080	0.85%	0.85%
1996	469,636	413,798	51,876,515	0.91%	0.80%
1997	442,374	417,994	55,967,986	0.79%	0.75%
1998	443,860	412,793	59,723,717	0.74%	0.69%
1999	456,092	426,783	63,496,605	0.72%	0.67%
2000	508,046	440,519	66,771,002	0.76%	0.66%
2001	788,156	425,376	67,452,468	1.17%	0.63%
2002	946,629	428,191	68,151,005	1.39%	0.63%
2003	929,991	495,269	69,588,217	1.34%	0.71%
2004	801,604	594,672	73,322,727	1.09%	0.81%
2005	751,845	686,253	75,730,018	0.99%	0.91%
2006	749,653	683,735	79,248,933	0.95%	0.86%
2007	840,952	649,704	82,117,803	1.02%	0.79%
2008	997,815	626,078	83,301,859	1.20%	0.75%
2009	1,865,387	621,344	77,418,514	2.41%	0.80%
2010	1,291,327	848,438	78,616,967	1.64%	1.08%
2011	1,011,840	1,114,744	82,101,473	1.23%	1.36%
2012	897,000	1,203,000	85,929,010	1.04%	1.40%

* 2012 values are estimates.

Appendix F: Benefits Directly Charged to the Balancing Account (Excludes charges for the -10% Write-off)

(In millions $)

Year	Quit	Misconduct	Suitable Work	Continued Employment	Waiver Agency Error	2nd Benefit Year	Temporary Supplemental Benefits	Subtotal Bal Acct Direct Charges	Total UI Benefit Charges
1992	50.8	1.2	0.2	0.9	----	----	----	53.1	437.5
1993	47.7	1.1	0.2	0.9	----	----	----	49.9	393.9
1994	50.4	1.1	0.2	1.0	0.1	----	----	52.8	377.1
1995	61.0	1.4	0.2	1.1	0.2	----	----	63.9	418.2
1996	69.1	1.6	0.2	2.3	0.3	3.0	----	76.5	471.2
1997	67.6	1.8	0.3	3.7	0.3	12.1	----	85.8	444.9
1998	68.7	1.9	0.3	3.7	0.2	10.4	----	85.2	452.0
1999	73.4	2.0	0.3	3.6	0.2	10.4	----	89.9	466.2
2000	81.2	2.3	0.3	3.6	0.2	11.6	----	99.2	515.6
2001	116.7	3.4	0.5	4.8	0.2	16.6	----	142.2	790.7
2002	111.8	3.8	0.5	5.9	0.6	27.7	10.8	161.1	949.3
2003	98.8	3.6	0.5	6.8	0.3	30.8	(0.2)	140.6	931.8
2004	84.7	2.8	0.5	6.3	0.4	24.7	----	119.4	795.2
2005	89.4	2.9	0.5	5.2	0.4	19.8	----	118.2	752.4
2006	94.0	3.2	0.4	5.2	0.3	18.5	----	122.4	752.6
2007	104.4	3.9	0.5	5.3	0.3	19.3	----	133.7	845.2
2008	112.4	4.2	0.4	6.1	0.4	24.9	----	148.4	996.8
2009	167.7	7.2	0.5	10.5	0.5	49.7	----	236.1	1,873.6
2010	85.6	4.6	0.3	11.9	0.6	54.5		157.5	1,283.0
2011	82.7	4.1	0.3	9.1	0.5	33.4		130.1	1,006.0
2012 Thru Oct	70.6	2.4	0.3	6.3	0.4	20.3		100.3	736.0