

Unemployment Insurance Trust Fund Status

Testimony of Mark Butland

Job Service North Dakota

Before the

Budget Section

Representative Chet Pollert, Chair

March 12, 2014

Mr. Chairman, members of the Budget Section, I am Mark Butland, the Associate Director of Unemployment Insurance with Job Service North Dakota. My purpose in addressing you today is to provide an update on the Unemployment Insurance Trust Fund.

I am pleased to report that the Unemployment Insurance Trust Fund is healthy, and that we are not facing the same challenges that many other states have encountered.

As of December 31, 2013, the balance of our trust fund was \$153.7 million with a target balance of \$131.8 million. For this same time period, the average high-cost multiplier was 0.97 with a target of 0.83.

The multiplier is an actuarial calculation used to project the length of time that the existing fund balance could support benefit payments at historically high payout rates and with no future revenues. For example, if the multiplier is 1.0, it is expected that benefits could be paid for one year using only the money already in the fund.

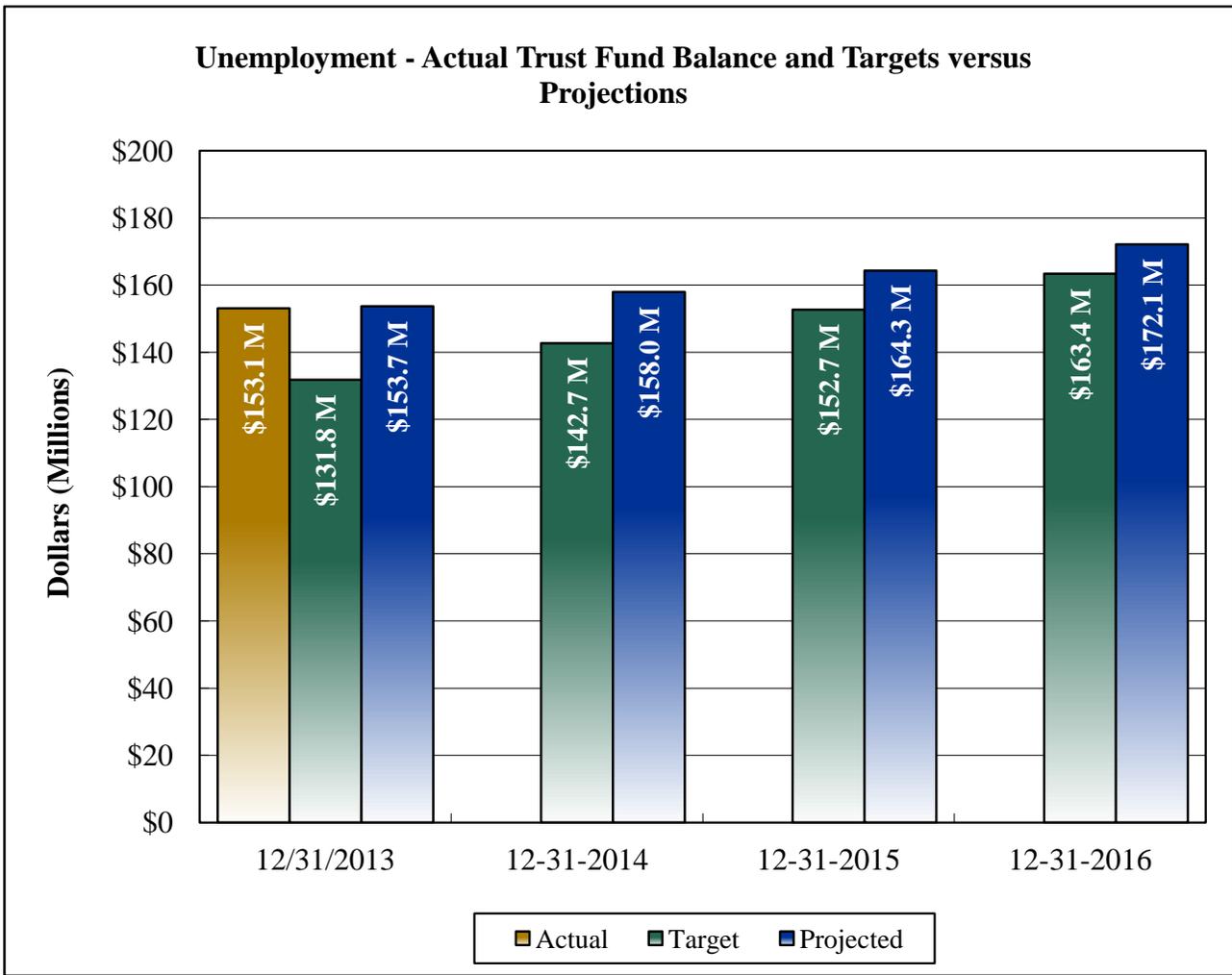
Please note that the trust fund balance and the multiplier are calculated without the inclusion of Reed Act dollars, which are a special distribution of funds provided by the US Department of Labor. Although Reed Act dollars are held

within the trust fund and shown within the table provided, these funds were provided by the USDOL and appropriated by the North Dakota Legislature for the purpose of modernizing the technology system used in the administration of the unemployment insurance program.

As can be seen by the chart provided, the strength of our trust fund is projected to carry on for the next three years. Although tremendous statewide growth has resulted in a fund balance that is currently 16% over target, it is expected that the difference between the target and the actual balance will be reduced in future years via the rate setting process.

Mr. Chairman, this concludes my update. At this time I would be happy to answer questions from the committee.

52-02-17. Trust fund balance - Report to legislative council. The bureau shall report to the legislative council before March first of each year the actual trust fund balance and the targeted modified average high-cost multiplier, as of December thirty-first of the previous year. In addition, the report must include a projected trust fund balance for the next three years.



Year Ending	Actual Trust Fund Balance Excluding Reed Act Cash	Projected in 11-2013				
		Targeted Modified Average High-Cost Multiplier	Trust Fund Target (Excludes Reed Act Cash)	Trust Fund Balance Including Reed Act Cash	Reed Act Cash	Trust Fund Balance Excluding Reed Act Cash
12/31/2013	153,095,048.68	0.83%	131,800,000.00	166,073,613.04	12,367,967.22	153,705,645.82
12-31-2014			142,700,000.00	168,820,266.04	10,860,967.22	157,959,298.82
12-31-2015			152,700,000.00	170,338,266.04	6,032,967.22	164,305,298.82
12-31-2016			163,400,000.00	173,341,266.04	1,204,967.22	172,136,298.82

The trust fund target is the projected total wages times the targeted modified average high-cost multiplier.

Trust fund "balance" and "reserve" are technically different. However, the reserve is used to calculate the targeted modified average high-cost multiplier, so all the numbers herein are "reserve" values, but called "balance" for purposes of this report to match the verbiage of NDCC 52-02-17.

These projections are based upon an average tax rate on taxable wages for Calendar Years 2014, 2015, and 2016 of 1.15% for all three years. However, the tax rate may be adjusted on an annual basis.

151,032,917.18	12-31-2013 Trust Fund Balance Excluding Reed Act Cash
153,095,048.68	12-31-2013 Trust Fund Reserve Excluding Reed Act Cash
<u>-2,062,131.50</u>	12-31-2013 Trust Fund Balance versus Trust Fund Reserve