

Unemployment Insurance Trust Fund Status

Job Service North Dakota

Before the

Budget Section

Senator Gary Lee, Chair

March 3, 2016

Mr. Chairman, members of the Budget Section, I am Cheri Giesen, Executive Director of Job Service North Dakota. I am here today to provide an update on the Unemployment Insurance (UI) trust fund balance and the targeted modified average high-cost multiplier.

As of December 31, 2015, the balance of the UI trust fund was \$120.7 million with a target balance of \$169.1 million. For this same time period, the average high-cost multiplier was 0.63 with a target of 1.0.

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.

In 2015 when this report was submitted to you the picture was different. The fund was actually \$33.1 million over the targeted amount due to tremendous statewide employment & wage growth and subsequent tax revenues. However, in April of 2015 we began to see an increase in unemployment insurance claims. Throughout the year the number of claims, along with the benefit payouts associated with those claims, continued to rise. Ultimately 2015 ended as a record year for benefit payments.

As we moved into 2016, we continued to see a significant number of UI claims and benefit payments. As the included chart shows, we expect to see the UI trust fund balance decline during the year. The projected ending balance at this time is \$72.5 million with a target balance of \$184.7 million.

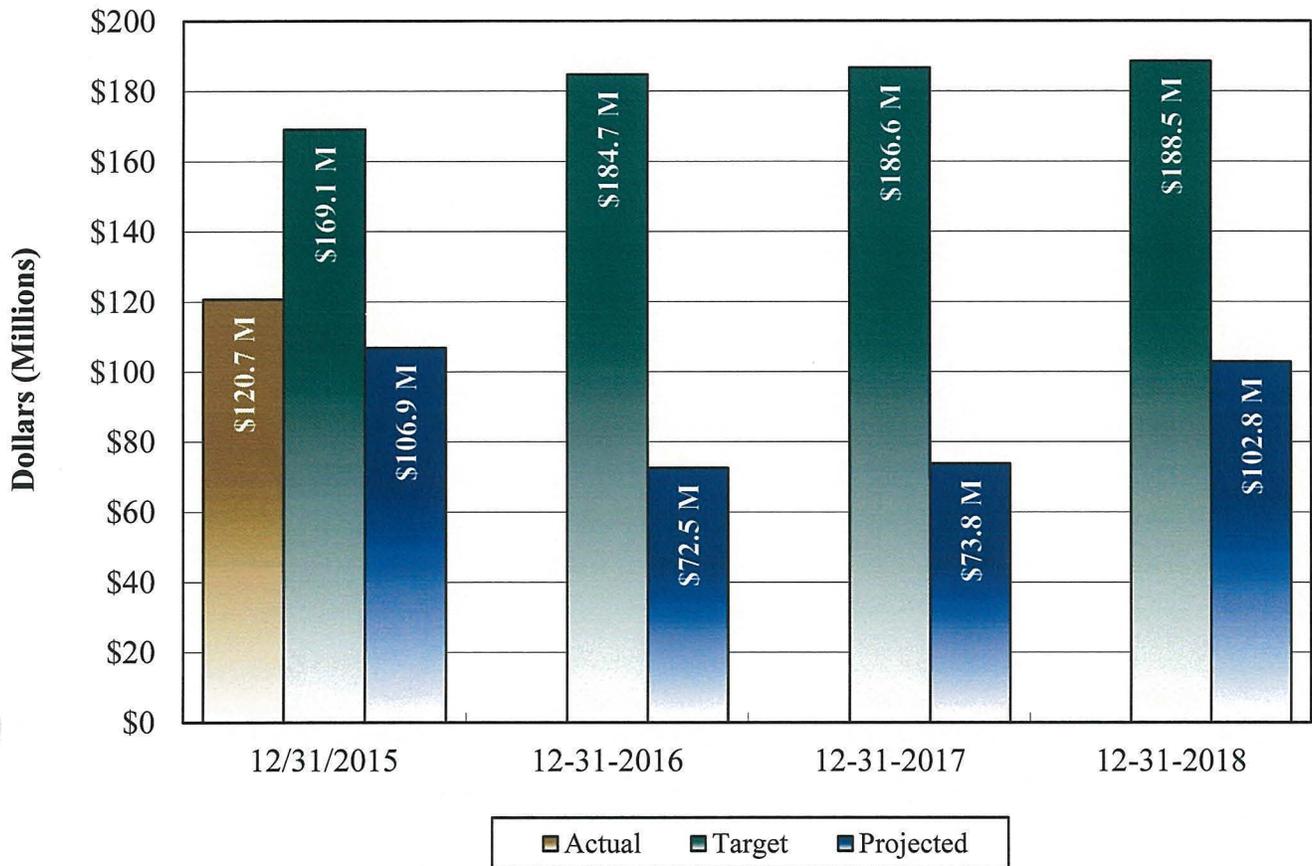
As you are reviewing the table below the chart, please note that the trust fund balance and the multiplier are calculated without the inclusion of Reed Act dollars. Reed Act dollars are a special distribution of funds provided by the U.S. Department of Labor (USDOL) that are held within the trust fund. 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.

I have been asked at times about the health of the Trust Fund. The large decline in the Trust Fund last year and the large number of claims we are seeing this year does make me pause. However, I know that the Legislative body has worked closely with Job Service throughout the years to create the formulas associated with tax rates and benefit payments, and this system has served us well over the years, even during difficult economic times. Although unforeseen economic impacts can stress the fund, we will need to rely on these statutory formulas. We will continue to monitor the UI trust fund and will keep policymakers informed of any concerns should they arise.

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.

Unemployment - Actual Trust Fund Balance and Targets versus Projections



Year Ending	Actual Trust Fund Balance Excluding Reed Act Cash	Targeted Modified Average High-Cost Multiplier	Modified Average High-Cost Multiplier	Trust Fund Target (Excludes Reed Act Cash)	Projected in 11-2015		
					Trust Fund Balance Including Reed Act Cash	Reed Act Cash	Trust Fund Balance Excluding Reed Act Cash
12/31/2015	120,721,696.71	100%	63%	169,100,000.00	119,105,618.78	12,231,362.66	106,874,256.12
12-31-2016				184,700,000.00	82,415,846.78	9,881,362.66	72,534,484.12
12-31-2017				186,600,000.00	83,669,846.78	9,881,362.66	73,788,484.12
12-31-2018				188,500,000.00	112,730,846.78	9,881,362.66	102,849,484.12

The trust fund target is the projected total wages times the modified average benefit cost rate times the targeted modified average high-cost multiplier which is currently set at 1 (100%).

Trust fund "balance" and "reserve" are technically different. However, the reserve is used to calculate the trust fund target, 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 2016, 2017, and 2018 of 1.49% for all three years. However, the tax rate may be adjusted on an annual basis.

120,611,740.54	12-31-2015 Trust Fund Balance Excluding Reed Act Cash
120,721,696.71	12-31-2015 Trust Fund Reserve Excluding Reed Act Cash
<u>-109,956.17</u>	12-31-2015 Trust Fund Balance versus Trust Fund Reserve

