



SOUTH DAKOTA
DEPT. OF **LABOR**
& **REGULATION**

South Dakota Unemployment Insurance

GOAC | 12.18.17

UI Program

- Provides temporary financial assistance for people who have lost their jobs, through no fault of their own, until they find other employment.
- Financed by employers through payroll taxes. Workers do not contribute to this plan.

Benefit Amounts

- Eligible claimants receive up to 26 weeks of State benefits.
- Weekly benefit calculations = $1/26$ of the high quarter earnings, up to 50% of state average weekly wage.
 - Minimum \$28
 - Maximum \$390

State Unemployment Fund

- Each state has its own account in the Federal Unemployment Trust Fund. Federal law requires the immediate deposit of all state-collected unemployment contributions into the U.S. Treasury.
- The State account consists of contributions and reimbursements collected and interest earned on these amounts.
 - Deposits into this account can only be withdrawn and used for the payment of benefits and refunds of contributions paid in error.

Employer Tax Rates

- Employers are assigned tax rates based on their individual experience with unemployment. This is called Experience Rating.
- Federal law requires an employer must have at least three years of experience before receiving a rate based on experience.
- New employers are assigned a set rate for the first three years.
- Taxable wage base is \$15,000.
- Contribution rates range from 0% to 9.45%.

Annual Tax Table Determination

- The average high cost multiple, AHCM, compares benefit payments during an average recession to the Trust Fund balance.
- If the trust fund balance on June 30 has an AHCM of 1.6 or above, the reduced tax rate table will be used for the upcoming tax year.
- If the trust fund balance on June 30 has an AHCM below 1.6, the regular tax rate table will be used for the upcoming year.

Annual Tax Rate Process

- Employer tax rate is based on the employer's account status as of June 30 and prior three fiscal years of taxable payroll.
- Employers receive their tax notice for the upcoming year in October of prior year.
- Employers are eligible to reduce their tax rate for the upcoming year by making a single advance payment by December 31.
- New tax rate goes into effect January 1.

UI Trust Fund (in millions)

Year	Total Income <i>In</i>	Benefits Paid <i>Out</i>	Trust Fund*
2007	26.3	20.8	24.7
2008	26.5	25.1	25.5
2009	31.6	63.6	-7.7
2010	84.2	49.7	26.1
2011	48.8	38.7	36.5
2012	45.9	33.3	51.3
2013	43.7	30.1	65.9
2014	44.3	26.5	84.8
2015	38.7	24.9	99.5
2016	40.9	27.6	112.4

* The Trust Fund is held in the U.S. Treasury.

Trust Fund Solvency

- The average high cost multiple, AHCM, compares benefit payments during an average recession to the Trust Fund balance.
- U.S. DOL recommends that States, *to be minimally solvent*, have reserves to pay at least one year of benefits (AHCM of 1.0) during an average recession on December 31 of any given year.
- States will be required to have an AHCM of 1.0 in order to be eligible to receive interest-free loans in the future.

2017 Projections

UI Financials - Quarterly Summary

(in Millions)

CY 2017	Actual	Actual	Actual	Projected	Total
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Contributions/Interest In	\$4.7	\$16.1	\$10.5	\$6.3	\$37.6
Benefits Paid Out	\$13.5	\$6.2	\$4.0	\$6.1	\$29.8
Trust Fund	\$103.6	\$113.6	\$120.2	\$120.6	\$120.6

* Actual data through November 2017.

2018 Projections

UI Financials - Quarterly Summary

(in Millions)

CY 2018	Projected	Projected	Projected	Projected	Total
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Contributions/Interest In	\$4.2	\$14.0	\$9.7	\$6.4	\$34.3
Benefits Paid Out	\$13.6	\$6.3	\$4.5	\$6.2	\$30.6
Trust Fund	\$111.3	\$119.0	\$124.3	\$124.3	\$124.3

* Projected using Schedule B.

UI Advisory Council

- Monitors the content, adequacy, and effectiveness of the UI system.
- Makes recommendations for improvements to the Governor, Legislature, and Department.
- Members represent employers, employees, and public services.
- Meet at least twice a year.

Thank you.

