

Update on Unemployment Insurance and Stimulus Package

March 2, 2009

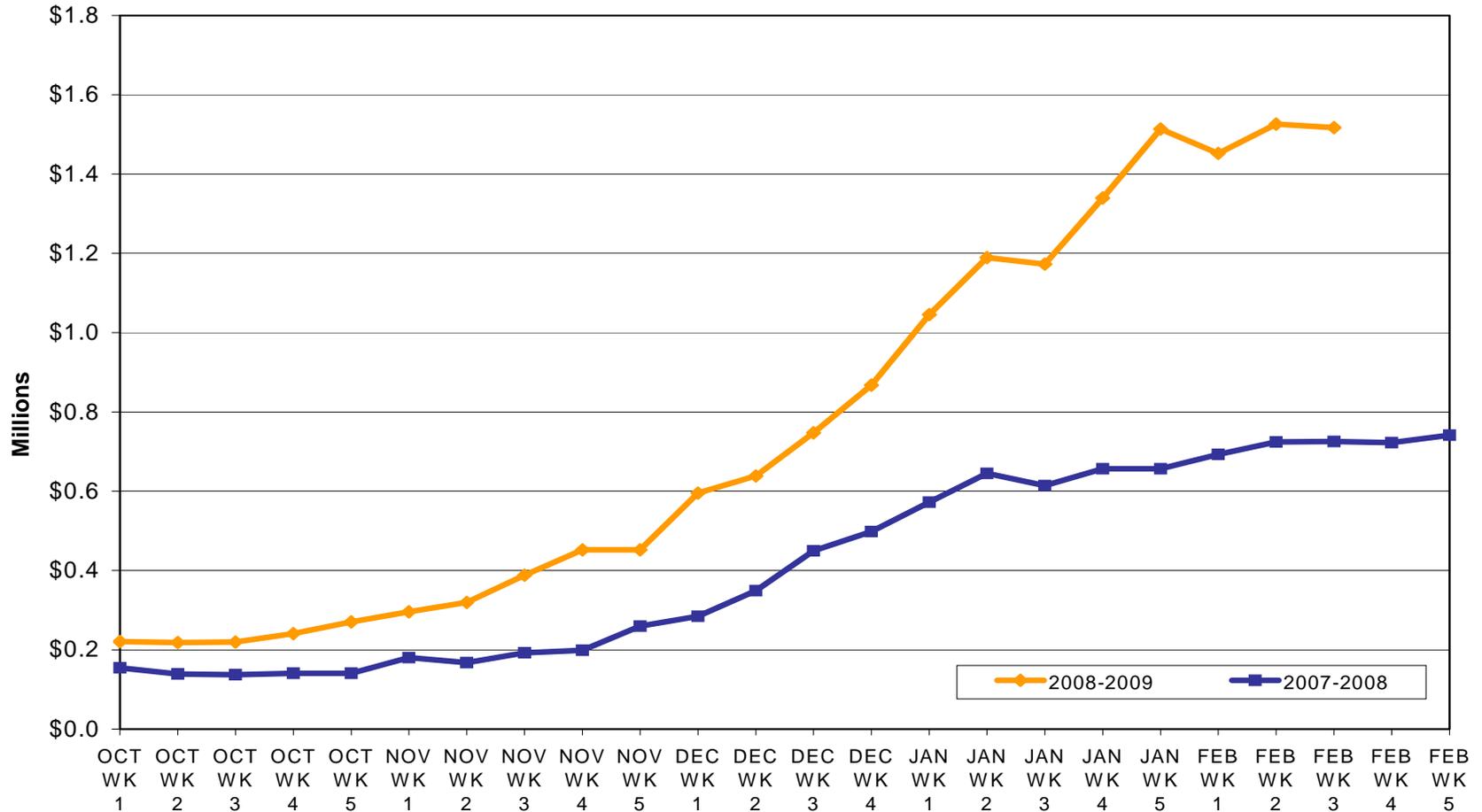


UI Trust Fund

Year	Total Income	Benefits	Trust Fund
2000	17.5	15.2	51.1
2001	16.9	22.8	45.1
2002	17.0	29.8	51.2
2003	17.5	31.0	37.4
2004	18.0	28.1	27.3
2005	18.9	25.8	20.4
2006	19.5	20.8	19.3
2007	26.3	20.8	24.1
2008	26.5	25.1	25.5

Weekly Unemployment Benefit Trends

Weekly UI Payments (October-February)



UI Trust Fund – Projected 2009



* Surcharge triggers when fund balance is less than \$11 million.

** Surcharge applies to changes made in quarter 5.

UI Surcharge

- If nothing changes, surcharge triggers October 1, 2009
- All employers would pay, even those with a zero contribution rate
- Surcharge amount varies based on Trust Fund balance. Projecting:
 - 0.1% tax 1st quarter received (\$200,000)
 - 0.8% tax 2nd quarter received (\$12.4 million)
 - 1.5% tax 3rd quarter received (\$9.3 million)
- Surcharge ends when Trust Fund balance exceeds \$16.5 million

U.S. Stimulus Package

- S.D. DOL receiving stimulus funds and policy direction in 18 different categories.
 - For example:
 - Additional \$25 in weekly UI benefit payments starting March 2
 - Extended benefits to UI claimants
 - Dislocated worker funds
- Legislative direction is needed in 2 of the 18 categories.

U.S. Modernization Provisions

UI Modernization Provisions: Provides funds to State Trust Funds to pay more workers.

- Option 1:
Alternative Base Period (\$5.9 million)
Must implement Option 1 to be eligible for Option 2.
- Option 2:
Expand Eligibility (\$11.7 million)

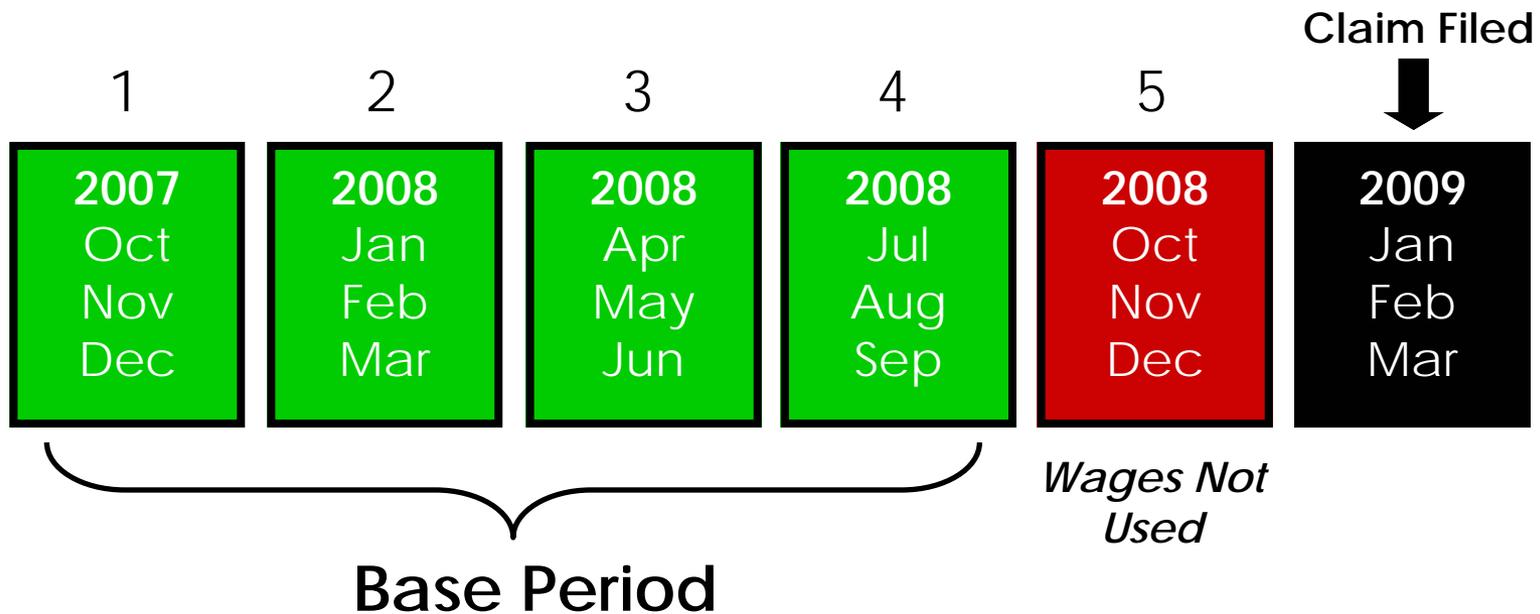
Option 1: Alternative Base Period

Information:

- \$5.9 million deposited into South Dakota UI Trust Fund for immediate use on July 1, 2009.
- Alternative base period implemented on July 1, 2010.
- 19 states already use alternative base periods. Others are reviewing as part of the stimulus package.

Base Period

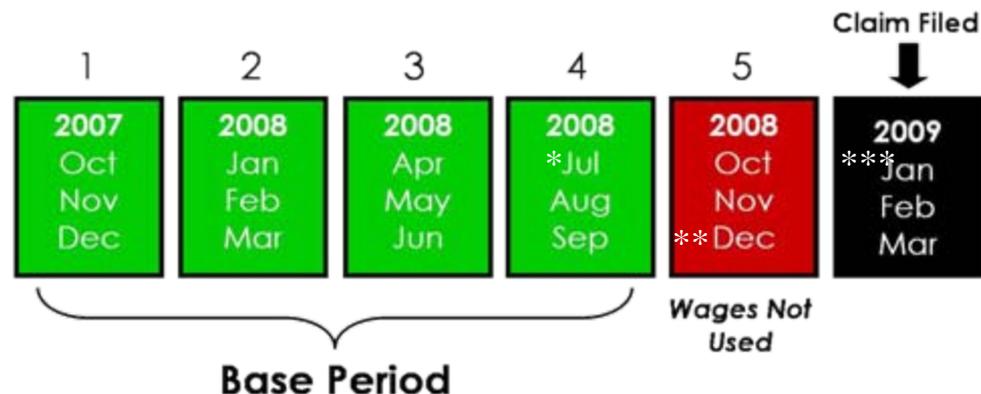
- First 4 of last 5 completed quarters
- Eligibility requires earnings in 2 base period quarters



Base period changes every quarter.

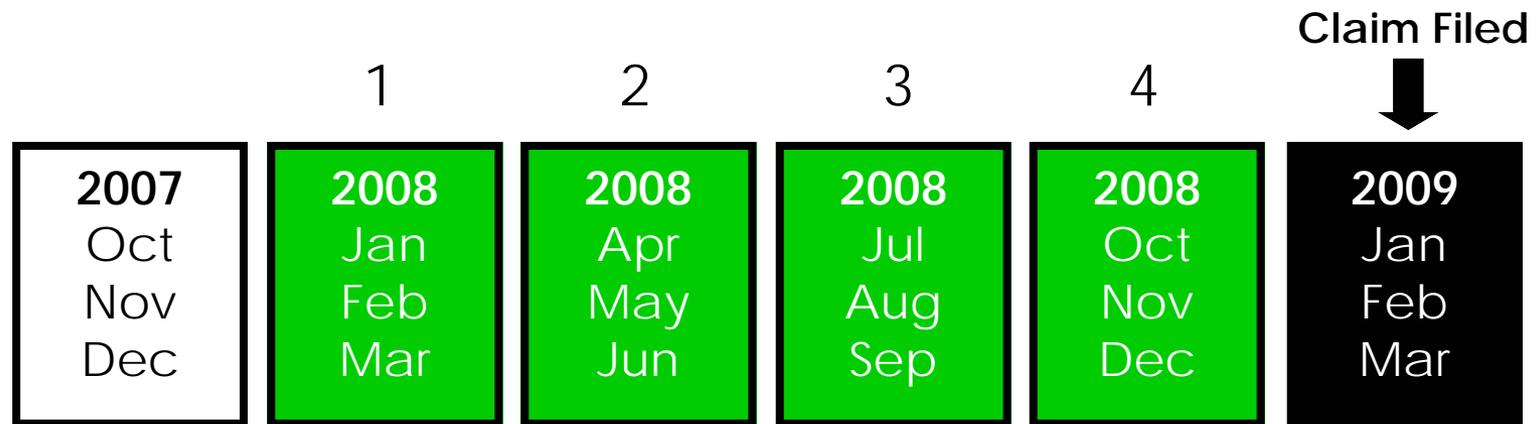
Base Period Application

- Example:
 - Individual graduates from college in May 2008
 - Starts work on July 1, 2008*
 - Works two full quarters
 - Laid off on December 31, 2008**
 - Files a claim on January 1, 2009***
 - Not Eligible = Wages in only 1 quarter



Alternative Base Period

- Last 4 completed quarters
- Eligibility remains the same - earnings in 2 quarters



Alternative Base Period

Base period changes every quarter.

Alternative Base Period Application

- Example:
 - Individual graduates from college in May 2008
 - Starts work on July 1, 2008*
 - Works two full quarters
 - Laid off on December 31, 2008**
 - Files a claim on January 1, 2009***
 - Eligible = Wages in 2 quarters



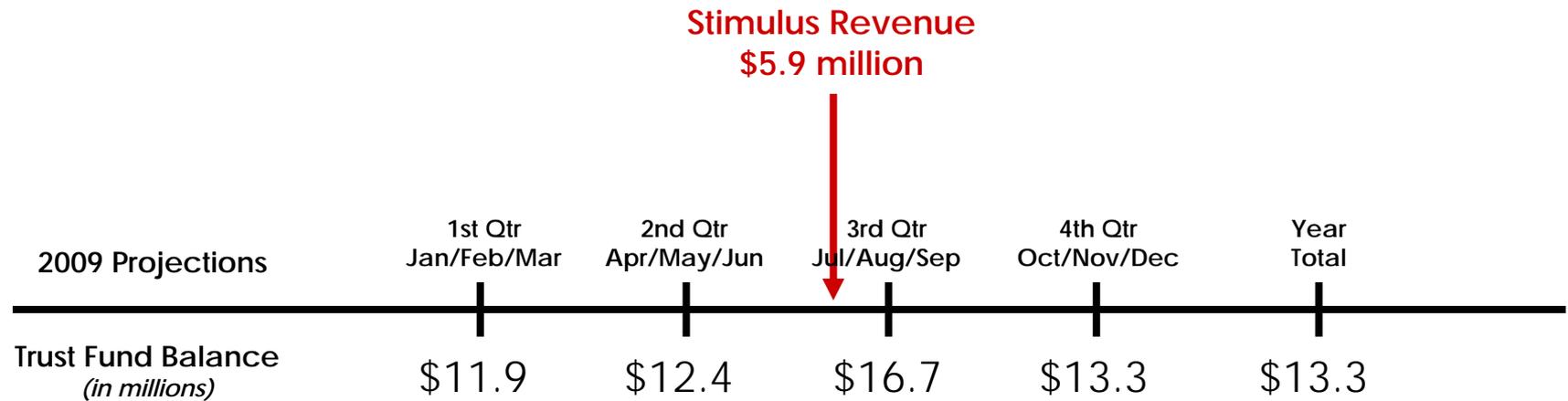
Alternative Base Period

- Benefits:
 - Recent college graduates
 - Individuals re-entering labor force after family obligations
 - Workers re-entering labor force after temporary interruption due to illness or disability

Alternative Base Period

- Will require new administrative procedures for wage requests to employers.

UI Trust Fund – Alternative Base Period Implementation



Option 2: Expand Eligibility

- Additional \$11.7 million available if Option 1 is implemented
- State selects 2 of 4 options:
 - Part-time Workers
 - Quit for Compelling Family Reasons
 - Benefits for Training
 - Dependents Allowance

Part-time Workers

- Eligible if past work pattern of part-time work and now seeking part-time work.
- No new cost to Trust Fund – Already implemented in South Dakota.

Compelling Family Reasons

- Benefits allowed to workers who quit for compelling family reasons:
 - Domestic Violence - Currently Implemented
 - Illness* or Disability* of Family Member*
 - Relocating* with Spouse

* To be defined within 60 Days by USDOL

Benefits for Training

- UI exhaustees participating in state-approved or WIA funded training programs receive additional payment of 26 weeks.

Dependents Allowance

- At least \$15/week per dependent, with an aggregate limit of lesser of \$50 or 50% of the individual's weekly benefit amount.

Recommendation

- Implement Option 1, Alternative Base Period, effective 7/1/2010. (HB 1176)
- Delay action on other options.
 - Terms and conditions need to first be defined by the U.S. Department of Labor. (60 days)
 - UI Advisory Council will meet, analyze, take public testimony, and provide recommendation. (Additional \$11.7 million in stimulus money available until 8/24/2011.)
 - A recommendation will be brought to the 2010 Legislature.

