

Unemployment Insurance Fund Bonding Proposal

- Increase the Taxable Wage Base from \$9,000 to \$9,500 beginning in 2012 and “float” it based on a trust fund balance trigger. The wage base would remain at \$9,500 until the trust fund reaches \$2.5 billion net of benefit payouts for two consecutive quarters. The following quarter the wage base would drop to \$9,000. Employers delinquent in payments to the UIA would remain at the \$9,500 wage base. Any quarter that the trust fund falls below \$2.5 billion net of benefit payouts would result in the wage base rising again to \$9,500.
- Proceed with bonding in early 2012 with a 10 year bond repay (term).
- Bonds would be repaid with an employer paid "obligation assessment" based on the individual employer's experience-rated tax rate. At a 3.0% debt service rate, this represents an approximate \$4 billion employer assessment over the life of the bond. (Market rates may prove much lower.)
- Bond proceeds would repay the recent GF/GP outlay of \$38.250.000 needed to cover unfunded federal interest.
- Beginning on January 1, 2012, the "experience rating" period will be reduced from the current five years to four years. Beginning January 1, 2013, the period will be reduced to three years. This will allow employers to get fully experience rated on a faster pace and potentially "shed" bad years (2008, 2009) which will have the effect of bringing down high rates at a faster pace. Results will vary by employer circumstances.