RICE UNIVERSITY'S BAKER INSTITUTE FOR PUBLIC POLICY

REPORT 11.23.20

What's Next for State Unemployment Insurance Funds?

Joyce Beebe, Ph.D., Fellow, Center for Public Finance

The current economic recession has generated the highest U.S. unemployment rates in recent history. In April 2020, unemployment jumped to almost 15% from 4.4% in March.[1] Although the unemployment rate has since declined to 6.9% in October, 11.1 million American workers still do not have a job.[2] Unemployment insurance (UI) has been a lifeline that has kept many displaced workers and their families financially afloat. However, state UI systems are inundated with a record number of jobless claims, putting their solvency to a serious test. If unemployment remains at elevated levels, some states will exhaust their UI funds and have to raise taxes on employers. This report first reviews the current UI system and federal assistance to date. It then discusses Texas' experience during the Great Recession (2007–2009) and potential measures to mitigate the impact of severely strained UI funds in the current downturn.

THE GENERAL STRUCTURE OF UI

The main objectives of UI are to provide temporary, partial wages to involuntarily unemployed workers and to stabilize the economy during a recession.[3] Current benefit structures reflect these objectives. Regular state UI programs typically provide displaced workers with up to 26 weeks of unemployment benefits. Most programs replace about half of a worker's average weekly earnings, up to a maximum amount. Because of this cap, higher income workers receive a smaller portion of their earnings through UI than lower income workers. For instance, the maximum benefit amount is $521 per week under Texas' regular state program, which means that eligible workers will receive $13,546 over a six-month period.[4] Furthermore, UI benefits can continue for another 13 or 20 weeks under an extended benefit (EB) program if certain economic criteria are met, such as high unemployment rates at the state level. Federal rules provide general guidance about the design of UI programs, but states have great flexibility in establishing their own systems, including provisions regarding eligibility, coverage, and duration. In most states, claimants must meet earning history and length of employment requirements to be eligible for benefits.

The UI is a jointly financed federal-state program that collects funds through federal payroll taxes under the Federal Unemployment Tax Act (FUTA) and state payroll taxes under the State Unemployment Tax Act (SUTA). FUTA and SUTA funds are deposited in the appropriate accounts within the Unemployment Trust Fund. The FUTA tax finances federal and state UI administrative costs, federal loans to states, the federal share (50%) of the EB program, and state employment services, whereas the SUTA tax finances regular state UI programs and 50% of EB benefits. The statutory FUTA rate is 6%, and employers pay a FUTA tax on the first $7,000 of each employee's earnings. If an employer meets certain conditions, such as having no delinquent federal loans, a credit of 5.4% is granted. As a result, the effective FUTA rate will be 0.6% and the employer pays no more than $42 per year for each employee.[5]

The pandemic created a perfect storm for state UI funds: state trust funds did not enter the recession well-prepared, and the unexpected surge in the number of claims further overwhelmed the UI system.

The precarious financial position of state UI funds exposes certain issues and opens discussion about improving the current system, including the treatment of independent contractors, program features, and integrity of the UI program.

The UI mechanism features built-in automatic stabilizers. When the economy is robust, the vast majority of workers are employed and the unemployment rate is low. As such, there will be more contributions to UI funds than payouts to build up a surplus. Collectively, states fund about 85% to 90% of their UI expenses through SUTA taxes during economic expansions; the remaining 10% to 15% is financed by the FUTA tax.[6] For instance, the FUTA tax collected $6.3 billion and the SUTA tax collected $39.1 billion in FY2018 to finance unemployment benefits.

When a recession hits, the opposite happens and the funds are drawn down to maintain economic stability. If everything goes as planned, the surplus will be enough to sustain the economy through a recession and until the economy recovers. However, a prolonged recession may cause states to have insufficient funds to pay UI benefits. Because UI benefits are entitlements, states are required to pay unemployment claims to eligible workers. As such, the federal government has a loan mechanism (referred to as Title XII loans) to help states with insufficient funds to meet their obligations. States that borrow from the federal government must pay back the principal and interest on these loans within a particular timeframe.

Title XII loans have built-in provisions to ensure automatic repayment of outstanding balances. When the principal on loans has been outstanding on January 1 for two consecutive years and remains unpaid on November 10 of the second year, states will be subject to a reduction of credit that can be applied against the FUTA tax, which effectively increases the federal tax rate until the loans are fully repaid. This credit reduction starts at 0.3% in the second year, and increases by increments of 0.3% in each subsequent year (see Table 1 below).

The loan mechanism has already been used during the current recession: as of November 12, 21 states have collectively borrowed $40 billion under the loan program at an interest rate of 2.4%.[7] The largest borrowers include California ($15 billion), New York ($8 billion), and Texas ($5 billion), which together account for about three-quarters of outstanding Title XII loan balances.

UI PROVISIONS IN FEDERAL PANDEMIC RELIEF PACKAGES

The Families First Coronavirus Response Act (FFCRA) gives states more flexibility to address coronavirus-related unemployment by waiving work search and waiting period requirements for UI eligibility. It also temporally makes EB 100% federally financed until December 2020.[8] In addition, the FFCRA waives interest accrual on Title XII loans from March to December 2020. So, for states that borrow from the federal government to pay UI benefits, interest will start accruing in January 2021; and if states do not repay the loans before November 2022, employers will see higher FUTA taxes in January 2023.

Another pandemic relief package—the Coronavirus Aid, Relief, and Economic Security (CARES) Act— provides funds that states can use for UI benefits, although they are not specifically reserved for UI purposes. There are also certain restrictions regarding these funds. Treasury guidance prevents state governments from using the CARES Act Relief Fund (CRF) to offset existing budget shortfalls despite states' revenue losses.[9] Instead, the funds must be used toward necessary expenditures incurred due to COVID-19, and must be used before the end of 2020.

The UI-specific provisions of the CARES Act include three major federally funded measures: additional benefit payments (known as Federal Pandemic Unemployment Compensation or FPUC); expanded benefit eligibility (known as Pandemic Unemployment Assistance or PUA); and additional weeks of benefits (known as Pandemic Emergency Unemployment Compensation or PEUC). FPUC paid an extra $600 benefit that augmented state weekly UI benefits; this provision expired in July 2020.

After the FPUC expired, President Trump issued a presidential memorandum on August 8 that temporarily authorized Lost Wage Assistance (LWA). The LWA provides federal grants of $300 week to supplement states' weekly UI benefits, and states have the option to match an additional $100 for a total of $400. Although states are encouraged to use the CRF to provide the additional $100 benefit,[10] only Montana, Vermont, West Virginia, and Kentucky offer the match.[11] In addition, an increasing number of states have exhausted the federal government allocation for LWA grants. In Texas, the LWA program was effective for six weeks, ending the week of September 5.[12]

The CARES Act also created a new PUA program, effective until December 2020. The PUA expands benefit eligibility to the self-employed, independent contractors, gig workers, and certain groups that previously did not qualify for the state UI programs. Essentially, the program provides up to 39 weeks of federally financed UI benefits to unemployed workers not covered under any state or federal UI benefits.

Finally, the CARES Act created the PEUC program, which authorizes up to 13 weeks of federally financed UI benefits for individuals who exhaust other UI benefits. Because individuals may qualify for multiple UI programs, there are coordination rules to prevent duplicating benefits.[13]

These federal programs have funded the majority of UI benefits paid this year, including the EB and the new programs from the CARES Act. However, the pandemic created a perfect storm for state UI funds: state trust funds did not enter the recession well-prepared, and the unexpected surge in the number of claims further overwhelmed the UI system. A Department of Labor study shows that at the end of 2019, UI trust fund balances in at least half of the states were below the recommended solvency level; this can be loosely understood to mean that these states did not have the assets (UI funds) to cover a year-long recession. Texas' UI trust fund was not in a good shape; it not only failed to meet the federal solvency requirement, but its solvency level ranked fairly low among all jurisdictions. Only New York, California, and the U.S. Virgin Islands ranked lower.[14]

Exacerbating the situation is that although the federal government shouldered most of the financial burden for state EB programs and new federal programs, it did not directly provide funds to support states' regular UI programs. Instead, the federal government encourages states to use the CRF to pay for the surge in UI claims. So far, about 10 states have used the CRF to replenish their UI trusts and reduce borrowing from the federal government.[15] Some support this approach and indicate that UI programs should be prioritized to provide support for financially struggling residents. However, others believe that because the federal UI loans do not need to be repaid for another two years, states should borrow from the federal government to finance UI.[16] The CRF should instead be used to safely open schools, provide funds to hospitals, or purchase personal protective equipment, or support other future needs, they argue.

ZEROING IN ON THE TEXAS SYSTEM

State UI funds are financed through the SUTA tax paid by employers. Although each state calculates the SUTA differently, many states, including Texas, have experience-rated taxes. This means that employers with more layoffs over a certain period will pay higher taxes. The Texas Effective Tax Rate for an experienced employer is the sum of five components: General Tax Rate (GTR), Replenishment Tax Rate (RTR), Obligation Assessment (OA) Rate, Deficit Tax Rate (DTR), and Employment and Training Investment Assessment (ETIA).[17]

The GTR is the experience-rated element in the formula. Its calculation is based on claims against an employer's account ("chargebacks") over a three-year period. In addition, this element recovers half of the claims that are not chargeable to any specific employer, such as those that liquidated or went bankrupt.

The second component, RTR, is a charge to all experienced employers to cover the other half of claims not chargeable to any specific employer. Because jobless claims and business closures tend to increase after an economic downturn, the RTR typically increases during these periods.
In addition, the OA is collected to pay bond obligations and cover interest due on federal loans that are used to pay UI benefits. The DTR is the solvency component in the formula. If the balance of the UI trust fund drops below 1% of taxable payrolls on October 1, the shortfall will be

made up by increasing the DTR in the next calendar year for all experience-rated employers.

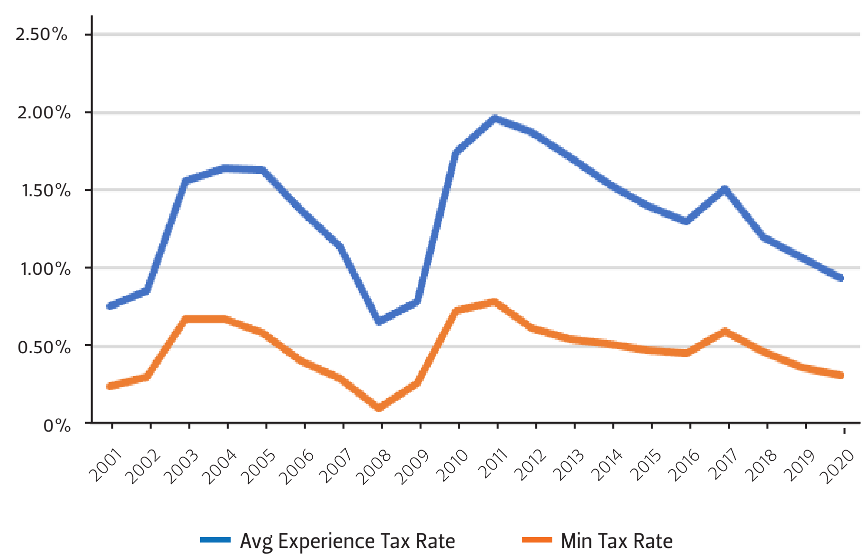
Finally, the ETIA is imposed on all employers at a 0.1% rate. Proceeds from this assessment are deposited to the credit of the employment and training investing holding fund. The RTR is reduced by 0.1% to finance the ETIA, so there is no net increase in overall taxes.

In 2020, Texas' unemployment tax rate ranges from 0.31% to 6.31% on the first $9,000 of an employee's wages. Compared to experienced employers, new employers pay a higher average rate of 2.7%.[18] Among experienced employers, the OA rate is zero for 2020 because Texas had neither state bonds nor federal loans when the tax rate was calculated. The DTR is also zero because Texas had sufficient UI funds based on state standards. The ETIA is fixed at 0.1%.

In recent years, about two-thirds of Texas employers have paid the minimum tax rate. Minimum rate payers with no recent layoffs essentially pay an RTR of 0.21% and an ETIA of 0.1% for a combined rate of 0.31%. The historical Texas UI rate for experienced employers and the minimum tax rate are summarized in Figure 1.

For experienced employers, the rates sharply increased from 0.78% in 2009 to 1.74% in 2010. This 0.96% increase translates to $86[19] per employee, which constituted an additional tax paid by employers in 2010. Even for employers that paid minimum tax rates, the rate increased from 0.26% in 2009 to 0.72% in 2010, a $42 increase[20] per employee. These two tax rates continued to incrementally increase in 2011 before they started declining in 2012. Although the Texas SUTA rates have generally trended down since then, the 2020 rates are still higher than those in 2009.

FIGURE 1 — TEXAS UNEMPLOYMENT INSURANCE TAX RATE (2001–2020)



SOURCES Texas Workforce Commission, Unemployment Insurance Tax Rates (2011–2020); Texas Public Finance Authority, Unemployment Compensation Obligation Assessment, Revenue Refunding Bonds, Series 2014 A ($212,145,000) and Series 2014 B ($497,640,000), Table 5: State of Texas Unemployment Insurance Tax Rates (2001–2014)

UI TAX INCREASES

The employer UI tax can increase through three major channels. First, if a state borrows federal Title XII loans, its FUTA tax may increase in January 2023, and states will need to pay interest accrued from January 2021 until the loans are paid off. The additional FUTA amounts are summarized in Table 1.

Whether or not an additional $21 tax per employee is a heavy burden probably varies by state and employer. However, the recent paid sick leave debate intensified by COVID-19 helps put the dollar amount into perspective.[21] Most states and cities with mandatory paid sick leave rules require employers to provide 48 hours of leave per year.[22] Department of Labor data show the average cost of providing paid sick leave benefits was $0.42 per hour per employee in 2019,[23] which means that it costs employers about $20[24] to provide this benefit. Today, cost is the biggest obstacle to comprehensive paid sick leave coverage, especially for small business employers. As such, if small businesses say that $20 per employee per year is prohibitively expensive for paid sick leave benefits, increasing the FUTA by a comparable amount will probably generate similarly negative employer reactions.

Second, about half of the states, including Texas, announced that COVID-19 related layoffs will not affect employers' UI experience ratings.[25] This prevents employers' GTR component from soaring; however, the solvency component of the SUTA tax will kick in. Specifically, because the UI trust fund balance is below the sufficiency threshold, the DTR will increase in Texas to replenish the funds.

Third, federal rules specify that repayment of principal on federal Title XII loans may come from the UI trust fund or external sources. However, the repayment of interest on funds used to cover UI benefits (including federal loans and other nonfederal debt instruments) must come from external sources and cannot be from UI trust funds. This means many states need to raise employer taxes and possibly issue state bonds to cover the repayment. Texas' OA covers interest due on federal loans. Based on the experience of the Great Recession, the overall SUTA increases could be substantial, even larger than the increase in FUTA.

EXPERIENCE FROM THE GREAT RECESSION

During the Great Recession, many states borrowed from the federal government to pay UI benefits. The American Recovery and Reinvestment Act (ARRA) of 2009 included a provision that temporarily waived states' interest accrual on Title XII loans for almost two years, from February 2009 to December 2010. In the fourth quarter of 2010, 33 states had collectively borrowed over $40 billion from the federal government, and estimates show this ARRA provision saved states over $2.2 billion in interest payments.[26]

States pursued several approaches to pay off the federal loans in the aftermath of Great Recession, including raising employer taxes, borrowing from the private market, reducing state UI benefits, or a combination of these measures. In 2011, 21 states were subject to the federal credit reduction and, as a result, employers in those states paid higher FUTA taxes. For instance, California borrowed in 2009 and did not repay its loan balance until 2018. As a result, California employers paid higher FUTA taxes for seven years, from 2011 to 2017.[27]

TABLE 1 — EFFECTS OF POTENTIAL FUTA CREDIT REDUCTION

Number of Years with Federal Loan	Calendar Year	FUTA Rate (Incl. Credit Reduction)	Total FUTA	Additional FUTA over $42
2	2023	0.90%	63	21
3	2024	1.20%	84	42
4	2025	1.50%	105	63
5	2026	1.80%	126	84

SOURCES EY, Additional States Request Approval for Federal Loans to Pay UI Benefit, and author's calculation

Borrowing from the private market is appealing as it may provide states more time to repay the obligation. In addition, states may be able to borrow at lower interest rates and have more control of the terms and conditions of their debts.[28] Several states, including Arizona, Colorado, Idaho, Illinois, Michigan, Nevada, Pennsylvania, and Texas, issued bonds after the Great Recession.[29] Texas issued $2.1 billion in bonds in December 2010 to help repay its federal loans, which had an interest rate of 3.9%.[30] As a result of Texas' solid recovery, the Texas Public Finance Authority refunded the bond in early 2014 at an accelerated retirement date and a lower interest rate (from the original 2.39% to 0.99%). The bonds were eventually retired in 2017.[31]

According to recent news reports, Texas is considering issuing bonds to replenish the UI trust fund and repay the federal loans. Texas' general obligation debt currently has the highest credit rating;[32] however, the principal amount could be much higher this time if Texas borrows to repay all Title XII loans. Based on the current amount and accelerated pace of borrowing, Texas could accumulate approximately $6 billion in loans

During the Great Recession, the federal government extended the interest-free period of state UI loans to almost two years. Waiving interest accrual for a longer period would seem to be a reasonable starting point for balancing state fiscal responsibility and federal assistance.

by the end of 2020. Given the large amount needed to repay the debt, a combination of measures—issuing bonds, increasing employer taxes, cutting UI benefits—is likely inevitable. For instance, Texas may borrow a smaller amount, sufficient to satisfy the solvency requirement and cover part of the loan repayment, and keep the employer tax increase at a moderate level. The challenge, of course, is that cutting benefits or raising taxes is particularly undesirable during the economic recovery.

IMPROVING THE CURRENT UI SYSTEM

The precarious financial position of state UI funds exposes certain issues and opens discussion about improving the current system. For instance, the CARES Act provides federally funded UI coverage to gig workers, freelancers, and independent contractors. Although claims filed by these groups have been associated with delays and confusion, it is worth noting that these workers have not paid into the UI trust funds.[33] Federal funds will cover these workers until the end of 2020. After that, states will have to decide whether to continue funding the benefit; given the dire financial status of state UI funds, they are unlikely to do so. In the long term, states should consider whether or not to extend benefit coverage and contribution obligations to independent contractors. Several mechanism have been proposed to provide workers better protection and benefits that are not linked to specific employers, such as establishing portable benefits,[34] maintaining reserve funds from which workers can pick benefits à la carte, or modifying the existing labor classification system.

In addition, studies show that the features of UI programs, such as coverage, size of the amount paid, and duration, affect workers' job search behaviors. Historically, a more generous program may provide a disincentive for returning to work, prolonging the duration of unemployment.[35] The concerns are somewhat balanced by the low wage replacement rate,[36] and the fact that certain jobs may require a longer search time to ensure a proper skills match.

During the current pandemic, the FPUC program that provided an additional weekly $600 benefit to unemployed workers generated concerns that it was overly generous. Some economists therefore suggest the benefit should be linked to a state's unemployment rate instead of providing the same flat dollar amount nationwide.[37] For instance, when a state's unemployment rate is above a certain level, the supplemental benefit could be capped at a maximum amount. When the state's economy improves and the unemployment rate drops under the threshold, the benefit could be reduced.

Finally, despite UI's desirable features, the program's integrity has been a concern even during times of economic expansion. In FY2017, UI was identified as a high error program.[38] It had an improper payment rate of 12.5%, meaning that $4.1 billion in improper payments were made that year. The recent increase in the unemployed population has already generated a surge in fraudulent UI claims.[39] Detecting and correcting these erroneous claims could take years; these claims also divert resources from those who need the funds.

REBUILD THE UI TRUST FUNDS

In the short term, states are likely focusing on paying UI benefits and maintaining the minimum level required for UI fund balances. Although UI trust funds are not part of the states' general funds and the shortage will not lead to direct budget cuts for state agencies, they play important roles in maintaining states' economic stability.

The federal government may eventually help states by providing additional assistance, either in the form of flexible financial aid that states can use to backfill the UI trust, granting additional years for states to repay the loans before a credit reduction takes effect, or extending the interest-free period to beyond 2020. During the Great Recession, the federal government extended the interest-free period to almost two years for borrowing states. Given the larger magnitude of unemployment and economic disruption during the current recession, waiving interest accrual for a longer period would seem to be a reasonable starting point for balancing state fiscal responsibility and federal assistance.

However, whether or not the federal government helps, jobless claims are still stubbornly high in many states, imposing excessive burdens on employers that could undermine an economic recovery. States should be proactive in addressing the UI trust fund shortfall by exploring bond issuance to mitigate the impact of employer tax increases.

ENDNOTES

1. Bureau of Labor Statistics, "Unemployment Rate Rises to Record High 14.7 percent in April 2020," May 13, 2020, https://www.bls.gov/opub/ted/2020/unemployment-rate-rises-to-record-high-14-point-7-percent-in-april-2020.htm.

2. Bureau of Labor Statistics, "The Employment Situation—October 2020," November 6, 2020, https://www.bls.gov/news.release/pdf/empsit.pdf.

3. Julie M. Whittaker and Katelin P. Isaacs, "The Fundamentals of Unemployment Compensation," IF 10336, Congressional Research Service, February 8, 2019, https://fas.org/sgp/crs/misc/IF10336.pdf.

4. Texas Workforce Commission, Eligibility & Benefits Amounts, last visited: October 10, 2020, https://www.twc.texas.gov/jobseekers/eligibility-benefit-amounts#benefitAmounts.

5. Julie M. Whittaker and Katelin P. Isaacs, "Unemployment Insurance: Legislative Issues in the 116th Congress," R45478, Congressional Research Service, September 15, 2020, https://crsreports.congress.gov/product/pdf/R/R45478/15.

6. Whittaker and Isaacs, "The Fundamentals of Unemployment Compensation."

7. Treasury Direct, Title XII Advance Activities Schedule, last visited: November 13, 2020, https://www.treasurydirect.gov/govt/reports/tfmp/tfmp_advactivitiessched.htm.

8. Whittaker and Isaacs, "Unemployment Insurance: Legislative Issues in the 116th Congress."

9. Department of Treasury, "Coronavirus Relief Fund: Guidance for State, Territorial, Local, and Tribal Governments," September 2,2020, https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf.

10. Department of Labor, "U.S. Department of Labor Announces Guidance for the Lost Wages Assistance Program to Provide Needed Relief to Americans," news release, August 12, 2020, https://www.dol.gov/newsroom/releases/eta/eta20200812-0.

11. Brett Holzhauer, "These 26 States Are Still Offering $300 LWA Unemployment Benefits Boost," *Forbes*, November 10, 2020, https://www.forbes.com/advisor/personal-finance/lwa-unemployment-benefits-by-state/#kansas.

12. Jeff Stein and Eli Rosenberg, "Trump's $300 Unemployment Funding is Already Running Out, Leaving Millions in Crisis Again," *Washington Post*, September 11, 2020, https://www.washingtonpost.com/us-policy/2020/09/11/lost-wages-unemployment-assistance-expiring/.

13. Whittaker and Isaacs, "Unemployment Insurance: Legislative Issues in the 116th Congress." See Figure 1, page 16 for summary of program coordination.

14. Department of Labor, "State Unemployment Insurance Trust Fund Solvency Report," February 2020, https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2020.pdf.

15. Chris Marr, "Billions Spent on Unemployment Will Mean Higher Employer Taxes," *Bloomberg Law*, September 25, 2020, https://news.bloomberglaw.com/daily-labor-report/billions-spent-on-unemployment-will-mean-higher-employer-taxes.

16. Michael Leachman, "How Should States, Localities Spend CARES Act's Coronavirus Relief Fund?" Center on Budget and Policy Priorities, May 28, 2020, https://www.cbpp.org/blog/how-should-states-localities-spend-cares-acts-coronavirus-relief-fund.

17. Texas Workforce Commission, Your 2020 Tax Rates, last visited October 10, 2020, https://www.twc.texas.gov/businesses/your-tax-rates#effectiveTaxRate.

18. Texas Workforce Commission, Unemployment Insurance Tax Rates, last visited October 10, 2020, https://www.twc.texas.gov/businesses/unemployment-insurance-tax-rates.

19. $86 per employee is calculated as 0.96% multiplied by $9,000.

20. $42 per employee is calculated as 0.46% multiplied by $9,000.

21. Joyce Beebe, "COVID-19 and Paid Sick Leave in Texas," blog post, Rice University's Baker Institute for Public Policy, August 17, 2020, http://blog.bakerinstitute.org/2020/08/17/covid-19-and-paid-sick-leave-in-texas/.

22. National Partnership for Women and Families, Paid Sick Days—State and District Statutes, April 2020, https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-sick-days/paid-sick-days-statutes.pdf.

23. Department of Labor, "Paid Sick Leave: What is Available to Workers?" March 17, 2020, https://www.bls.gov/ncs/ebs/factsheet/paid-sick-leave.htm#:~:text=For%2068%20percent%20of%20workers,days%20available%20for%20their%20use.

24. $29 is calculated as $0.42 multiplied by 48.

25. Katherine Loughead, "More Than Half the States Will Protect Businesses from Certain COVID-19-related Unemployment Insurance Tax Hikes," Tax Foundation, May 19, 2020, https://taxfoundation.org/unemployment-insurance-tax-hikes-covid19/.

26. Heinrich Hock, Walter Nicholson, Karen Needels, Joanne Lee, and Priyanka Anand, "Additional Unemployment Compensation Benefits During the Great Recession: Recipients and Their Post-Claim Outcomes," Mathematica Policy Research, March 2, 2016, https://www.dol.gov/sites/dolgov/files/OASP/legacy/files/ARRA_UC_Rept_Addtl_Benefits_GR.pdf.

27. *EY Tax News Update*, "Additional States Request Approval for Federal Loans to Pay UI Benefit," July 7, 2020, https://taxnews.ey.com/news/2020-1724-additional-states-request-approval-for-federal-loans-to-pay-ui-benefits-june-ui-benefit-claim-rate-down-from-may.

28. Department of Labor, "Borrowing to Pay Benefits, UI Benefit Financing Seminar," October 23–26, 2018, https://oui.doleta.gov/unemploy/ui_technical_assistance/docs/presentation/Borrowing_to_Pay_Bens_2018.pdf.

29. Fola Akinnibi, "Ohio Considers Muni Bonds to Bolster Unemployment Trust Fund," *Bloomberg Quint*, June 6, 2020, https://www.bloombergquint.com/onweb/ohio-considers-muni-bonds-to-bolster-unemployment-trust-fund.

30. Tami Luhby, "Another Hit to States: Interest Payments to Uncle Sam," *CNN Money*, November 22, 2010, https://money.cnn.com/2010/11/22/news/economy/Unemployment_benefits_state_loans/index.htm.

31. See (1) Texas Public Finance Authority, Unemployment Compensation Obligation Assessment, Revenue Refunding Bonds, Series 2014 A ($212,145,000) and Series 2014 B ($497,640,000), April 24, 2014, http://www.tpfa.state.tx.us/OfficialStatements/TPFA%20TWC%20Unemployment%20Compensation%20Oblig%20Assesment%20Rev%20Bonds,%20Series%202014AB.pdf; (2) Texas Workforce Commission, Texas Workforce Commission Re-funds Unemployment Insurance Bonds, April 25, 2014, https://www.oaoa.com/news/government/texas-workforce-commission-re-funds-unemployment-insurance-bonds/article_26ce6054-cc9f-11e3-87be-001a4bcf6878.html; and (3) Texas Workforce Commission, Average Unemployment Insurance Tax Rates Decrease for Texas Employers, December 12, 2017, https://www.twc.texas.gov/news/average-unemployment-insurance-tax-rates-decrease-texas-employers.

32. Texas' general obligation debt is rated at Aaa/AA by Moody's and S&P, respectively. See Texas Bond Review Board, State of Texas Debt, last visited October 12, 2020. http://www.brb.state.tx.us/state_debt.aspx#:~:text=As%20of%20August%2031%2C%202019,Poor's%2C%20Fitch%20Ratings%20and%20Kroll.

33. Stephen Fishman, "Can I Get Unemployment if I Am an Independent Contractor?" *Nolo*, last visited October 10, 2020, https://www.nolo.com/legal-encyclopedia/can-i-get-unemployment-if-i-am-independent-contractor.html#:~:text=Neither%20independent%20contractors%2C%20nor%20their,Security%20Act%20(CARES%20Act.

34. Alex Rosenblat, "Gig Workers are Here to Stay. It's Time to Give Them Benefits," *Harvard Business Review*, July 3, 2020, https://hbr.org/2020/07/gig-workers-are-here-to-stay-its-time-to-give-them-benefits.

35. Whittaker and Isaacs, "The Fundamentals of Unemployment Compensation."

36. Wage replacement rate refers to the portion of wage a worker's UI benefit can replace. It is the ratio of the UI benefit amount divided by a worker's wage while employed.

37. Manuel Alcala Kovalski and Louise Shiner, "How Does Unemployment Insurance Work? And How is it Changing During the Coronavirus Pandemic?" Brookings Institution, July 20, 2020, https://www.brookings.edu/blog/up-front/2020/07/20/how-does-unemployment-insurance-work-and-how-is-it-changing-during-the-coronavirus-pandemic/.

38. Garrett Hatch, "The Improper Payments in High Priority Programs: In Brief," Congressional Research Service, July 16, 2018, https://fas.org/sgp/crs/misc/R45257.pdf.

39. Federal Bureau of Investigation, "FBI Sees Spike in Fraudulent Unemployment Insurance Claims Filed Using Stolen Identities," news release, July 6, 2020, https://www.fbi.gov/news/pressrel/press-releases/fbi-sees-spike-in-fraudulent-unemployment-insurance-claims-filed-using-stolen-identities

AUTHOR

Joyce Beebe, Ph.D., is a fellow in public finance at the Baker Institute. Her research focuses on tax reforms in the U.S. and computable general equilibrium modeling of the effects of tax reforms. Her other research interests include wealth accumulation over a person's lifetime and, generally, how public policies influence decision-making.

center for
PUBLIC FINANCE
Rice University's Baker Institute for Public Policy

See more Baker Institute Reports at:
www.bakerinstitute.org/baker-reports

Cite as:
Beebe, Joyce. 2020. *What's Next for State Unemployment Insurance Funds?* Baker Institute Report no. 11.23.20. Rice University's Baker Institute for Public Policy, Houston, Texas.

https://doi.org/10.25613/zhwa-5360