

Is Utah's Unemployment Insurance Trust Fund Solvent?



Employers subject to the Employment Security Act are required to pay contributions (unemployment taxes) to the Unemployment Insurance (UI) Compensation Trust Fund. This money is used to pay unemployment insurance benefits to individuals who become unemployed, through no fault of their own.

An employer's overall tax rate is based on a statutory formula that factors in several components to insure the solvency of the UI Trust Fund and to equitably adjust tax rates on employers that are responsible for generating these costs. The higher benefit costs associated with the economic downturn, have resulted in a significant decline in Utah's UI Trust Fund balance over the past two years.

Thirty-two states' trust funds have become insolvent during the last three years and they have been forced to borrow over \$46 billion from the

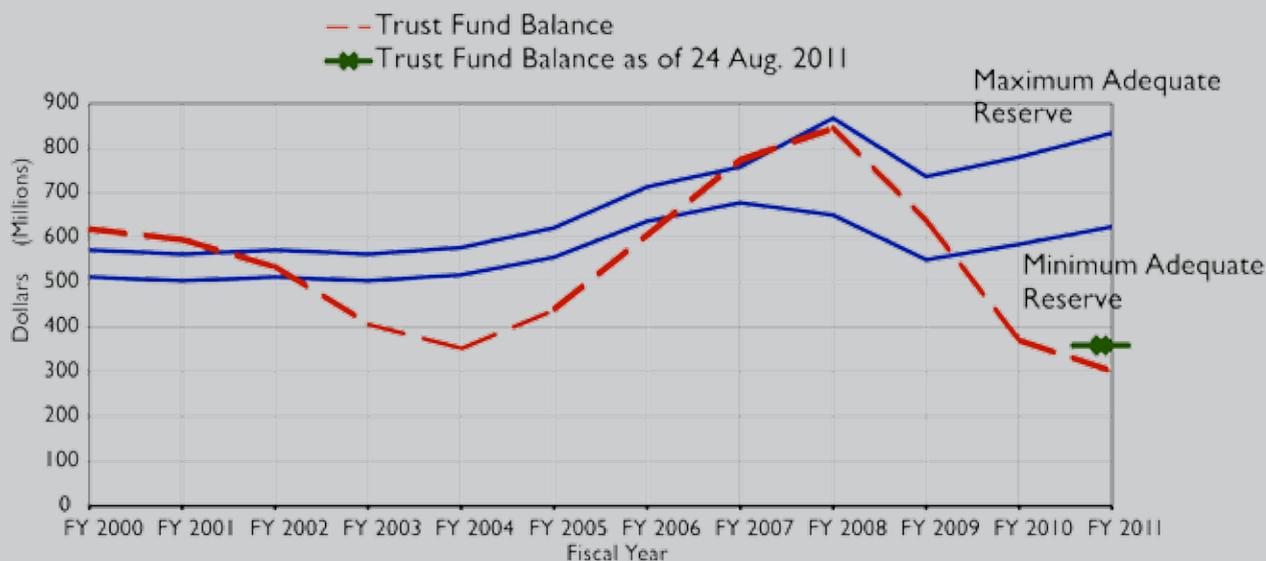
Federal government or issue state bonds. Utah's current Trust Fund balance (as of August 24, 2011) is \$360 million (see chart below).

Based on new projections, employment trends, and improved unemployment rates, it is anticipated Utah's UI Trust Fund will remain solvent (see chart below), however it may go as low as \$200 million.

The Department of Workforce Services (DWS) has been proactive with multiple initiatives to help ensure the long-term solvency of Utah's Trust Fund, implementing enhanced integrity and re-employment initiatives.

DWS will continue to closely monitor the Trust Fund and may consider recommending minor changes to the tax rate formulas to ensure long-term solvency. DWS' goal is to keep the UI Trust Fund solvent. ①

Utah Trust Fund Balance Projections



Source: Utah Dept. of Workforce Services, Unemployment Insurance Division.