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## Code change softened blow from rate hike

The unemployment insurance tax rate Idaho businesses will pay this year is more than twice what it was last year, but it could be far worse if state code hadn't been changed in 2005.

Because Idaho paid out a record \$403 million in regular unemployment benefits in 2009 but received far less in unemployment insurance tax collections from businesses, the state had to borrow \$108 million in interest-free loans from the federal government to continue paying jobless benefits.

Because that money has to be paid back, the standard base unemployment insurance tax rate for Idaho businesses was raised to 3.36 percent this year, more than double the 1.56 percent rate of 2009 and far ahead of the 1 percent rate of 2008.

If existing law did not cap base rates at 3.36 percent, the rate would need to be almost 5 percent to bring Idaho's Unemployment Insurance Trust Fund to a more solvent level, according to Idaho Department of Labor officials. The rate is capped at 3.36 percent because of legislation enacted in 2005 that has resulted in about \$350 million being left in the hands of businesses.

But people who have lost their jobs and are collecting unemployment will receive smaller checks because of the 2005 legislation. The maximum weekly benefit amount will decrease this year from \$362 to \$334, another result of the measure that was unanimously passed by the Legislature that year to keep more money in the hands of businesses and balance ownership of Idaho's unemployment insurance system between business and labor.

According to the IDL, the decrease in the maximum weekly benefit is expected to save the state more than \$18.2 million in regular unemployment insurance payouts. The average weekly benefit this year will be reduced by about 8 percent, from \$261 to \$240 per week, the lowest average weekly benefit amount since mid-2006. In all, Idaho paid out a record \$643 million in jobless benefits last year, shattering the previous record of \$247 million in 2008. Out of that total, \$403 million was paid in regular benefits through the Idaho trust fund, and the other \$240 million was paid in federal extended and supplemental benefits.

Another, more positive way to look at the situation is that the unprecedented number of unemployment claims resulted in a record \$643 million being pumped into Idaho's economy.

Idaho Department of Labor officials point out that Moody's Economy.com estimates that every dollar paid in jobless benefits has an economic impact of \$1.63 because unemployment checks are cashed and spent — not saved — in local communities on house payments and rent, keeping the heat and the lights on, putting food on the table and buying gas to look for work.

The number of Idahoans who collected jobless benefits soared from 81,000 in 2008 to 116,750 in 2009. The heavy demand drained the state's unemployment insurance trust fund. According to Georgia Smith, director of communications and research for the IDL, the decision was made to weather the recession by taking

advantage of no-cost federal loans to pay benefits because the department can earn interest on money in the state-managed fund. This year's higher tax rate is expected to generate enough to pay anticipated claims in 2010 and start repaying the federal loans.

In December, \$36 million in regular benefits and almost \$39 million in federally-funded extended benefits were paid to a weekly average of more than 52,440 jobless workers. Year over year, the number of people collecting regular benefits dropped by nearly 1,800 last month, the first time in two years regular benefits paid were less than the previous year.