Retirement Benefits and Unemployment Insurance:

What Creating Offsets for Social Security Retired-Worker Benefits Would Mean for Trust Fund Balances and Older Workers

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Foreword

This report looks at the effects of a policy that reduces the Unemployment Insurance (UI) benefits of an otherwise eligible worker when the beneficiary is also receiving Social Security retired-worker benefits. The report focuses on the policy's impacts on the solvency of states' UI trust funds and on UI beneficiaries and employers. This policy was more prevalent 20 years ago when, in 1986, 39 states offset UI benefits by some percentage (including 100 percent) upon the concurrent receipt of Social Security retired-worker benefits. Only 10 states and two U.S. territories now offset UI benefits in this manner. The issue examined is the degree to which having this policy would reduce the liabilities of states' UI trust funds, some of which have, in the recent past, been unable to cover all UI obligations without borrowing from the federal treasury.

The Robert M. La Follette School of Public Affairs offers a two-year graduate program leading to a master's degree in public affairs. Students study policy analysis and public management, and pursue a concentration in a public policy area of their choice. They spend the first year and a half taking courses that incorporate the tools needed to analyze public policies. The authors of this report are all enrolled in Public Affairs 869, Workshop in Public Affairs, Domestic Issues, Section 2. Although acquiring a set of policy analysis skills is important, there is no substitute for doing policy analysis as a means of learning policy analysis. Public Affairs 869 provides graduate students that opportunity during their final semester. During the course of this project, La Follette School students sought feedback from the U.S. Government Accountability Office (GAO). The partnership with a public agency that is the unique feature of the Workshop projects gives graduate students at La Follette the opportunity to practice their policy analysis skills while contributing to the capacity of public agencies to analyze and develop policies on issues that affect the well-being of U.S. residents. However, the opinions and judgments presented in this report do not represent the views, official or unofficial, of the La Follette School or the GAO. They are the authors' alone.

Other teams in the Workshop conducted research and analysis for the Wisconsin Department of Revenue, the Wisconsin Department of Health and Family Services, and the Wisconsin Joint Legislative Council.

This report cannot provide the final word on the complex issues the authors address. They are graduate students constrained by the semester time frame, and their topic is large and complex. Nevertheless, much has been accomplished, and I trust that the students have learned a great deal, and that interested agencies will have been given valuable insight as they consider ways to resolve insolvency issues some UI trust funds face.

The report benefited greatly from the support of faculty and the staff of the La Follette School of Public Affairs, especially that of Karen Faster, La Follette publications director, who edited the report and shouldered the task of producing the final bound document.

I am very grateful to Wilbur R. Voigt whose generous gift to the La Follette School supports the public affairs workshop projects. With his support, we are able to finance the production of the final reports, plus other expenses associated with the projects.

By involving La Follette students in the tough issues faced by public programs, I hope they not only have learned a great deal about doing policy analysis but also have gained an appreciation of the complexities and challenges facing federal and state programs and the agencies that are responsible for them. I also hope that this report will contribute to the ongoing public discussions of employment and public insurance policies at the state and federal levels.

Karen Holden
May 9, 2007

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Key Terms & Acronyms

Base period – The base period is the first four of the last five completed calendar quarters prior to the year in which an applicant collects UI benefits. The wages paid in the base period determine the weekly benefit amount. A base-period employer is an employer for which a UI claimant worked during the base period.

Covered employers – In our discussions of Social Security, this phrase refers to employers who pay Social Security payroll taxes. In our discussions of UI, this phrase refers to employers who pay FUTA taxes.

Experience rating – Experience ratings determine an employer's relative experience with unemployment and benefit costs in order to establish that employer's tax rate. There are four unique formulas for calculating experience ratings: reserve-ratio, benefit-ratio, benefit-wage ratio, and payroll variation.

Federal Unemployment Tax Act (FUTA) – The law that established the Federal Unemployment Tax, one of two taxes, generally paid by employers, that finance the administrative costs of unemployment insurance.

Offset – A partial or complete loss of UI benefits as a result of benefit receipt from another source, such as Social Security.

Pro-rate – The process of converting a monthly Social Security retired-worker benefit to a weekly amount so that it can be compared to a recipient's weekly UI benefit for purposes of calculating an offset.

Recipiency rate – The recipiency rate is equal to the number of individuals collecting unemployment insurance benefits divided by the total number of unemployed individuals.

Replacement rate – The replacement rate is equal to the percentage of the previous year's wages that new UI benefits replace.

Taxable wage base – The taxable wage base is the maximum amount of wages an employer pays to an employee that are subject to UI taxes. Wages above this amount are not subject to tax.

Trust fund solvency – A UI trust fund is solvent when its balance is sufficient to pay out a certain amount of benefits. The U.S. Department of Labor recommends a solvency standard of 12 months of benefits at the highest three-year average benefit rate.

Unemployment Insurance (UI) – The unemployment insurance program is a federal-state partnership established in 1935 to provide a safety net for workers who become involuntarily unemployed. While federal law determines UI's broader guidelines, the program essentially operates at the state level since states are free to choose their own eligibility requirements, benefit levels, and financing.

UI trust fund – Every state's UI program has a trust fund that contains all employer contributions and benefit reimbursement payments (paid by non-profits and governmental employers in lieu of payroll taxes) from that state. Each UI trust fund is an interest-bearing account in the U.S. Treasury. State and federal law provides that UI trust funds are dedicated exclusively to the payment of UI benefits.

Results in Brief

In response to the strain on Unemployment Insurance (UI) systems during the economic recession of 1973-1975, some states began reducing an otherwise eligible worker's UI benefits if that worker was simultaneously receiving Social Security retired-worker benefits. However, the national trend during the past 20 years is one of states steadily eliminating the use of these UI offsets. Thirty-nine states offset UI benefits with Social Security retired-worker benefits in 1986, but as of 2007, only 10 states and two U.S. territories offset UI benefits in this manner. Of the 10 states that still offset UI benefits, Ohio is the only one that offsets UI benefits dollar for dollar with retired-worker benefits. Eight states (Colorado, Illinois, Louisiana, Maine, Minnesota, Rhode Island, South Dakota, and Utah) offset 50 cents of UI benefits for each dollar of retired-worker benefits received. Virginia has a trigger policy that implements an offset only when the state's UI trust fund balance falls below a particular level.

A UI offset policy affects a state's UI trust fund solvency, employees older than 62 who are eligible for both UI and Social Security retired-worker benefits, and employers. Our analysis of the impact of a UI offset policy suggests the following:

- Such an offset policy has a negligible financial impact on the solvency of most states' UI trust funds. If every state had a 100 percent offset policy in place in 2004, we estimate that states would have realized aggregate savings of approximately $319 million. This savings constitutes 1.42 percent of states' aggregate UI trust fund totals in 2004. When compared to the total level of UI expenditures in 2004, the percent savings are even smaller, with a national average savings of approximately 0.94 percent. However, for states with low trust fund balances, the percentage savings from an offset policy could be significant.
- While an offset policy likely has little impact on UI trust fund solvency, it can have a significant impact on older workers. These workers may rely upon UI and Social Security retired-worker benefits to maintain their standard of living while temporarily out of work. Under certain circumstances, an offset could push an unemployed worker below the poverty line. Additionally, UI offset policies may discourage older, unemployed workers from applying for UI benefits, cause them to settle for unsuitable work if they do apply, or, for older workers not yet receiving Social Security, induce them to remain on UI until they have exhausted their benefits. Overall, however, the number of employees affected by an offset is likely to be small.

- Unemployment Insurance offsets could have a range of impacts on employers. Offsets prevent employees from "double dipping" by receiving support from employers to exit the labor market (retirement benefits) and to look for work (UI benefits). An offset might satisfy employers who were unhappy paying taxes to provide for these conflicting, simultaneous benefit payments. In contrast, an employer might benefit from a UI offset policy if the policy reduced the UI taxes paid on each employee by improving an employer's experience rating.

Overall, we recommend that interested agencies not spend additional resources to further investigate the potential UI offset policy impact due to the negligible UI trust fund savings and small number of affected employees. If improving state UI trust fund solvency is the key policy issue, interested agencies would be better served to investigate the efficiency, effectiveness, equity, and feasibility of implementing alternative trust fund solvency policies such as the following: requiring states to use counter-cyclical UI financing systems, implementing a solvency tax surcharge, or indexing the UI taxable wage base to states' average weekly wages.

Introduction

The Unemployment Insurance Program (UI) is a federally mandated social insurance compensation program administered by individual states in partnership with the federal government. Unemployment Insurance benefits are designed to ensure that the "necessities of life … can be met … while the search for work takes place" and to "maintain purchasing power" to preserve a stable economy (U.S. Department of Labor, Employment and Training Administration, Office of Workforce Security, Division of Administration, 2006). In general, workers who are involuntarily separated from employment, who continue to be available for work, and who meet certain earnings requirements are eligible to receive UI benefits for up to 26 weeks to replace a portion of their previous earnings, regardless of their age.[1] States are able to provide financial compensation to eligible unemployed workers from a state-administered trust fund to which employers contribute payroll taxes. In 2006, some 4.8 percent of all UI recipients were ages 60-64, while 3.1 percent were age 65 or older (U.S. Department of Labor, Employment and Training Administration, 2007a).

State UI trust funds are expected to cover the benefits paid out, and employer contributions are set to cover expected risks of layoffs. Trust fund solvency refers to the adequacy of fund balances to cover UI benefit claims, a condition that may be suddenly altered as claims and revenues change due to shifting economic conditions. A UI trust fund is insolvent if it does not have sufficient funds to fulfill UI benefit demand. It is important for UI trust funds to have sufficient funds to meet increased UI benefit demands in times of economic recession and increased unemployment when revenues are likely to fall. If a state's fund does not contain sufficient resources to cover all UI benefit obligations, it is forced to borrow money from the U.S. Treasury; borrow money from external sources; reduce benefits; or increase UI employer taxes.

Some states have looked to offsetting UI benefits for those receiving Social Security retired-worker benefits as a means of improving trust fund solvency. Thirty-four million older Americans received Social Security retired-worker benefits in 2006. Social Security was originally created to address the problem of economic insecurity among the aged (Social Security Administration [SSA], 2007d; DeWitt, 2003). This benefit is paid from revenues collected from payroll taxes on both employees and employers. Social Security retired-worker beneficiaries, who must be at least 62 years of age, may continue to work and thus could be eligible for UI benefits should they be laid off.[2] In 2004, an estimated

[1] For further description and discussion of state UI programs, please see Appendix F: State Unemployment Insurance Program Variation.

[2] However, not all beneficiaries may need to work, be able to work, or choose to work. Retirees may have private pension income or savings, which could offset the gap between retired-worker benefits and previous earnings. Retirees may have a disability that prevents them from working. Also, some retirees will continue working for non-economic reasons, like maintenance of social connections.

41 percent of Social Security retirement beneficiaries ages 62-64 also received income from wages and salaries, and approximately 19 percent of beneficiaries 65 or older received income from wages and salaries (SSA, 2004b). If beneficiaries are younger than the full age of retirement and still working, they are subject to an earnings limit. Wages above $12,960 result in a benefit cut of $1.00 for every $2.00 in earnings. The Social Security Administration (SSA) does not impose limits on income receipt by Social Security beneficiaries other than income from wage earnings.

Though most states allow older unemployed workers to simultaneously receive Social Security retired-worker benefits and UI benefits, others reduce UI benefits by some percentage of Social Security benefits received. This practice of offsetting one type of income or social insurance benefit for another is not a radical idea and follows the precedent of offsetting Social Security retired-worker and survivor benefits for earnings, of offsetting Social Security retired-worker benefits for non-covered pensions, and of offsetting Social Security disability benefits for workers' compensation.[3] In states that do offset UI benefits, a Social Security retired-worker beneficiary's monthly benefit is converted into a weekly amount and then compared to the amount of weekly UI benefit to which the unemployed worker would otherwise be entitled (National Employment Law Project [NELP], 2003). This offset is uniform across benefit levels and persists for the duration of the UI benefit period. In states with a 100 percent offset, an otherwise eligible unemployed worker would face a weekly UI benefit reduction of one dollar for each dollar of pro-rated monthly Social Security retired-worker benefits received. A 50 percent offset would reduce the weekly UI benefit by 50 cents for each dollar of pro-rated monthly retired-worker benefits received. This report explores the extent to which offset policies affect trust fund solvency, workers, and employers.

The policy of offsetting UI benefits has implications for retired workers, their employers, state UI trust funds, and state UI offices. To further explore these potential impacts, this project seeks to answer the following questions:

- Which states offset UI benefits and which states do not? To what degree do offsetting states offset (100 percent, 50 percent, etc.)?
- What are the potential positive and negative consequences for state trust funds, unemployed workers, and employers under a 100 percent UI offset policy, a 50 percent UI offset policy, and a trigger policy?
- What alternative policy options might be considered to maintain UI trust fund solvency?

[3] For more information on this and other offsets, please see Appendix D: Other Offsets.

Background

The economic recession of 1973 to 1975 was the worst the unemployment compensation system had ever faced, producing significantly increased rates of unemployment compensation claims.[4] From 1972 to 1976, Bureau of Labor Statistics data show a jump in the unemployment rate of approximately 4 percent from 1972 to 1976, with the rate reaching just less than 10 percent in 1976 (Vroman, 2005a). This substantial increase in eligible unemployment compensation claimants placed a greater financial burden on UI trust fund balances than had ever been experienced (Tax Foundation, 1982).

Criticism regarding fraud and abuse of unemployment benefits during this time placed additional pressure on Congress to restructure the existing unemployment compensation system. At the same time, some academics advocated unemployment compensation reform to meet changing economic conditions, to address increasingly high costs placed on employers, and to solve program abuse problems (Feldstein, 1975; "Tightening up employment pay rules," 1977).

By the end of the decade, a number of states had to borrow from the U.S. Treasury to meet entitlement demands under the unemployment compensation system (Tax Foundation, 1982). In this context of public calls for reform, media attention to the collection of unemployment compensation by those already receiving pension and retirement benefits motivated Congress to enact Public Law 94-566 (NELP, 2003).

Congress Institutes UI Offsets in Climate of Reform

Prior to 1980, 14 states considered all pensions, including Social Security, as income that disqualified someone from simultaneously receiving any UI benefits. Twenty-two more states regarded pensions from base-period employers (the employers for which UI claimants most recently worked) as disqualifying income when determining UI eligibility. Fourteen states, the District of Columbia, the Virgin Islands, and Puerto Rico chose to completely ignore all pension income when determining UI eligibility. Public Law 94-566, also known as the Unemployment Compensation Amendments of 1976, mandated states, effective October 1, 1979, to reduce an individual's unemployment compensation by the amount of any pension or retirement pay, including Social Security retired-worker benefits, the individual received from a private firm or government entity (Almanac of Policy Issues, n.d.). However, subsequent legislation extended this effective date to April 1, 1980 (Franco, 2004).

[4] We will use "unemployment insurance" and "unemployment compensation" interchangeably throughout this report.

PL 94-566 would have superseded these state policies and required all states to offset UI benefits for those workers receiving any pension income, including Social Security, but the law was again amended in 1980 under the Federal Unemployment Tax Act (FUTA). [5] This amendment granted states the authority to reduce the amount of the required UI offset based on contributions the individual had made to his or her particular pension or retirement fund. As both employers and employees contribute to the Old-Age and Survivors' Insurance Trust Fund from which Social Security benefits are paid, this language seemed to give states the authority to avoid offsetting UI benefits for those receiving Social Security retired-worker benefits. Unsure of this authority, some states offset UI benefits for any pension income, while others disregarded Social Security retired-worker benefits.

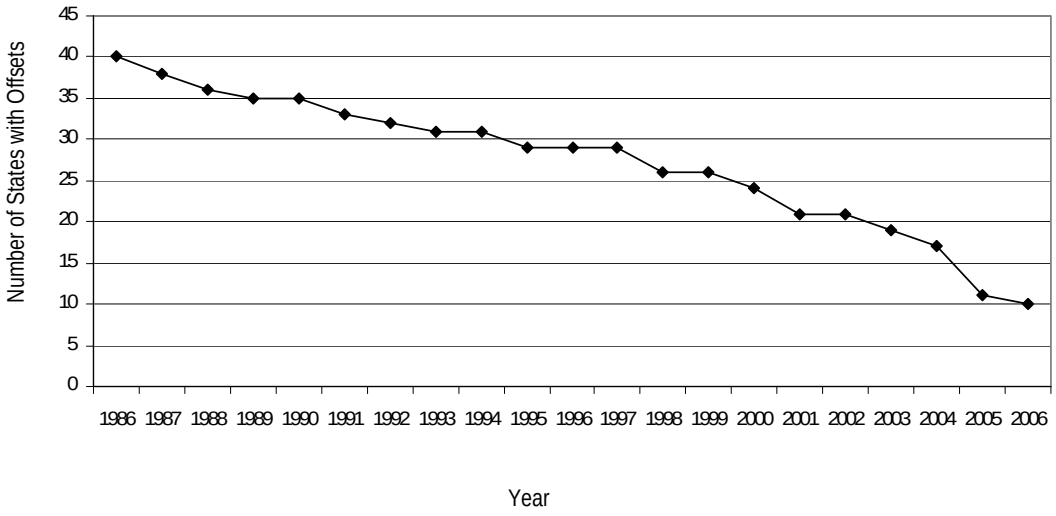
In 2003, the U.S. Department of Labor verified state authority to avoid offsetting UI benefits for Social Security retired-worker benefits received when it issued the Unemployment Insurance Program Letter No. 22-87, Change 2. The letter specified which actions states could take to eliminate or reduce the amount of UI benefits offset against Social Security income (NELP, 2003). This letter specifically communicated to states the "broad latitude" they had under subparagraph (B) of section 3304 (a) (15) of FUTA when "taking into account" an employee's contribution to his or her pension fund, further clarifying that Social Security retired-worker benefits need not be treated in the same manner as contributions made by an employer to an employee's private pension fund (U.S. Department of Labor, 2003).

[5] For a more detailed discussion of the amendment, see Appendix E: Federal Unemployment Tax Act Discussion.

States Move Away from Unemployment Insurance Offsets: Ten States, the Virgin Islands, and Puerto Rico have Offsets in 2007

Over time, states adopted this "broad latitude" and moved to reduce stipulations that require UI benefits be offset against Social Security retired-worker benefits. Figure 1 shows the progression of offset elimination among states. As it stands today, ten states and two U.S. territories have some type of offset policy. Ohio, Puerto Rico, and the Virgin Islands offset UI benefits by 100 percent. Colorado, Illinois, Louisiana, Maine, Minnesota, Rhode Island, South Dakota, and Utah maintain a 50 percent offset, and Virginia has a trigger policy in which an offset is in place only when the UI trust fund balance drops below a certain level.[6]

Figure 1: States with UI Offsets, 1987-2006



Source: Figure compiled by authors using data from U.S. Department of Labor, Employment and Training Administration (2007b); U.S. Department of Labor, Bureau of Labor Statistics, (n.d.); and National Employment Law Project (2007)

Note: Our research suggests 11 states (Alaska, Arkansas, California, Michigan, Montana, New Jersey, New York, North Carolina, Oklahoma, Tennessee, and Washington) never implemented offset policies, which is why our graph begins with 40 states (including Washington D.C.). The first states to eliminate offsets were Oregon and New Hampshire in 1987. Puerto Rico and the Virgin Islands, which both currently have offsets, are not included in this figure.

[6] For more information on when states reduced or eliminated their offsets, please see Appendix A: The Status of Offset Policies Across the Nation.

Implementing an Unemployment Insurance Offset Policy Would Impact State Trust Funds, Older Workers, and Employers

With increasing benefit payouts and concerns about solvency across the country, some states experiencing trust fund insolvency are considering policies to reform their UI systems (Center for Policy Alternatives, 2006). In 2000, states paid out $19.2 billion in UI benefits (U.S. Department of Labor, Employment and Training Administration, Office of Workforce Security, 2001). This figure rose to more than $40 billion in benefits paid in 2002 ($37.9 billion in constant dollars) and remained at nearly $41 billion in 2003 ($39.4 billion in constant dollars) (U.S. Department of Labor Employment and Training Administration, Office of Workforce Security, 2004, 2005). This increase in expenditures, a result of poor economic conditions in 2001 and 2002, placed a burden on many states' UI trust funds. However, despite this augmented pressure on trust funds, states have been expanding UI eligibility, extending benefits to more applicants, and, in some cases, providing benefits at greater levels for longer periods (NELP, 2005).

Due to the period of high, regular UI claims resulting from the 2001-2002 economic recession, state unemployment insurance trust fund balances were substantially reduced, causing some to become insolvent. From 2002 to 2004, California, Illinois, Massachusetts, Minnesota, Missouri, New York, North Carolina, Pennsylvania, and Texas all borrowed money to compensate for insufficient UI trust fund reserves. In addition, Arkansas, Colorado, Connecticut, Michigan, Ohio, and Virginia all recorded low UI trust fund reserve ratios at the end of 2003. As a result, Illinois, Massachusetts, Minnesota, Missouri, North Carolina, and Texas passed reform legislation in 2003 or 2004 (Vroman, 2005b). These states implemented some combination of policy changes to reduce benefits, increase taxes, and borrow from other sources to improve their trust fund solvency. Appendix C provides information on the specific policy options implemented to improve UI trust fund solvency. None of these states introduced UI offsets to reduce UI benefit payments, and Massachusetts, Pennsylvania, and Connecticut have all eliminated their offsets since the economic downturn of 2001-2002.

Implementing an Offset Would Have a Small Impact on Trust Fund Revenue

To determine the impact of implementing an offset on UI trust funds, we estimated the financial impact of a 100 percent offset policy on trust fund solvency and annual benefits paid out. The offset policy is assumed to be imposed only on Social Security retired-worker beneficiaries, not on related spouse and children's beneficiaries. Beneficiaries 62 or older are subject to the offset and the offset is against actually received Social Security benefits, which may already have been reduced because of receipt prior to full retirement age.

Using population and benefit receipt data from the U.S. Department of Labor's Bureau of Labor Statistics, the U.S. Census Bureau, the U.S. Social Security Administration, and the Current Population Survey, we estimated the number of people in each state who simultaneously received Social Security retired-worker benefits and UI benefits in 2004. Then, using additional data from the U.S. Department of Labor, we estimated the average UI benefit for those age 62 and older, and multiplied it by the number of unemployed workers who received UI and Social Security retired-worker benefits. In this manner we calculated an estimate of the total that would have been saved if all states had a 100 percent offset in place in 2004.[7] To put these values in context, we represented the estimated savings as percentages of states' total trust fund balances and benefits paid out in 2004. For information on our offset methodology and for a comparison of our estimates to the actual impacts in states with offsets, see Appendix B.

Table 1 below shows states' estimated savings from implementing a 100 percent offset. The potential impacts are, in general, quite small. Such a policy would affect about 75,162 people, approximately 26 percent of the estimated 284,882 unemployed workers older than 62, and approximately 0.8 percent of the 8.9 million workers older than 62. The estimated savings of an offset policy only exceeds 2 percent of a state's trust fund balances for nine states and dips lower than 1 percent for 31 states. As an example, if Louisiana had implemented a 100 percent offset in 2004, we estimate the projected savings to be equivalent to 0.13 percent of its trust fund. We expect that a majority of states would realize savings equivalent to less than 1 percent of their trust fund balances from enacting offsets.

Table 1: Estimated Financial Impact on 2004 UI Trust Fund and Benefits Payout of Implementing a 100 Percent Offset

State	Number of Workers Receiving SS Retirement Benefits & Receiving UI Benefits	Estimated Total Savings of Implementing an Offset (rounded to nearest thousand)	% Savings in Relation to 2004 UI Trust Fund Balance	% Savings in Relation to 2004 UI Annual Benefits Paid
Alabama	650	$1,740,000	0.66	0.71
Alaska	229	$600,000	0.29	0.46
Arizona	1,157	$4,490,000	0.65	1.64
Arkansas	805	$2,670,000	3.40	1.04
California	9,683	$60,880,000	8.77	1.22
Colorado	755	$2,670,000	3.03	0.70
Connecticut	1,679	$6,560,000	1.38	1.09
Delaware	437	$1,850,000	0.87	1.70
Florida	4,197	$14,140,000	0.99	1.39
Georgia	989	$3,060,000	0.34	0.52
Hawaii	371	$1,790,000	0.46	1.56

[7] This is a maximum estimate that assumes retired-worker benefits are at least equal to UI benefits with a 100 percent offset. However, a retired worker with a pro-rated Social Security benefit less than the UI benefit would face less than full UI benefit loss, as would a worker in a state with a 50 percent offset. Our estimates do not allow for this possibility.

State	Number of Workers Receiving SS Retirement Benefits & Receiving UI Benefits	Estimated Total Savings of Implementing an Offset (rounded to nearest thousand)	% Savings in Relation to 2004 UI Trust Fund Balance	% Savings in Relation to 2004 UI Annual Benefits Paid
Idaho	583	$1,640,000	1.53	1.13
Illinois	3,814	$16,980,000	11.27	0.82
Indiana	1,286	$4,210,000	0.74	0.65
Iowa	719	$2,010,000	0.30	0.64
Kansas	583	$2,090,000	0.65	0.71
Kentucky	270	$950,000	0.36	0.23
Louisiana	544	$1,900,000	0.13	0.68
Maine	363	$1,180,000	0.27	1.03
Maryland	1,217	$5,600,000	0.80	1.30
Massachusetts	2,738	$12,080,000	10.42	0.80
Michigan	3,865	$12,400,000	1.74	0.65
Minnesota	1,387	$4,880,000	NA	0.70
Mississippi	689	$2,200,000	0.32	1.44
Missouri	1,336	$4,310,000	23.60	0.84
Montana	387	$990,000	0.48	1.46
Nebraska	363	$1,090,000	0.82	0.92
Nevada	685	$3,010,000	0.64	1.26
New Hampshire	350	$1,220,000	0.50	1.55
New Jersey	3,721	$23,640,000	2.36	1.20
New Mexico	188	$830,000	0.15	0.66
New York	5,459	$23,370,000	NA	0.95
North Carolina	2,579	$8,570,000	50.30	0.94
North Dakota	138	$440,000	0.57	1.22
Ohio	2,700	$8,450,000	1.31	0.69
Oklahoma	356	$1,430,000	0.32	0.69
Oregon	1,642	$5,870,000	0.51	1.00
Pennsylvania	5,421	$26,230,000	4.27	1.13
Rhode Island	353	$1,520,000	0.87	0.76
South Carolina	1,283	$3,590,000	1.16	1.03
South Dakota	95	$280,000	1.01	1.08
Tennessee	930	$3,160,000	0.55	0.68
Texas	2,760	$13,540,000	1.75	0.79
Utah	229	$800,000	0.20	0.52
Vermont	229	$930,000	0.41	1.16
Virginia	869	$3,180,000	1.09	0.85
Washington	1,662	$7,150,000	0.52	0.67
West Virginia	247	$770,000	0.38	0.54
Wisconsin	2,069	$5,700,000	0.71	0.67
Wyoming	93	$290,000	0.17	0.71
National total	75,162	$318,940,000	1.42	0.94

Source: Table prepared by authors. For information on our estimation methodology, please see Appendix B.

Note: New York and Minnesota do not have a percentage of savings in relation to their 2004 UI trust fund balance because their UI trust fund balance for 2004 was $0. They were required to acquire revenue from other sources to meet their UI expenditure obligations in 2004. State savings do not sum exactly to the national total because precise estimates of state savings (not rounded) were used to calculate the national total savings. The national total estimate presented in this table has been rounded to the thousands.

In general, implementing an offset policy would have a relatively small impact on the solvency of a state's UI trust fund. However, an offset policy may not have an insignificant effect for all states. Illinois, Missouri, and North Carolina, for example, all stand to save relatively large portions relative to their trust fund balances with an offset. The projected savings in North Carolina is equivalent to 50 percent of that state's entire trust fund balance in 2004. Missouri and Illinois could also save amounts equivalent to 24 percent and 12 percent of their trust fund balances, respectively. In these three states, the large impact of implementing an offset stems from the relative insolvency of their trust funds. Each was unable to pay out benefits to meet the demands of all claimants at some point in 2003. Specifically, Illinois borrowed $511 million, Missouri borrowed $143 million, and North Carolina borrowed $172 million from the federal government in 2003 (Vroman, 2005b). Thus, in 2004, the trust funds in Illinois, Missouri, and North Carolina were all recovering from this low balance.

The relatively small nature of savings from an offset is also evidenced by examination of the percentage of estimated savings relative to the UI benefits paid out in Illinois, Missouri, and North Carolina. The estimated savings for each of these states in relation to their 2004 UI benefits paid out is only 0.82 percent, 0.84 percent, and 0.94 percent, respectively. This point furthers the argument that low trust fund balances, not total dollars saved, drive the high proportion of UI trust fund balance savings in 2004 in these three states. Examination of the rest of the states also highlights these small relative savings, with the estimated savings only exceeding 1 percent of the annual benefits paid out for 21 states, with the highest projected savings in Delaware at 1.70 percent, as displayed in Table 1 above. On average, states would see a 0.94 percent reduction to their benefits paid out. If federal legislation mandated that all UI benefits be offset by Social Security retired-worker benefits, we estimate a savings of $318,940,000 for states' UI trust funds, a 1.42 percent savings to the national trust fund balance.[8]

For individual states and the nation as a whole, there are rarely significantly large financial impacts of offsetting UI benefits with Social Security retired-worker benefits. For a few states, though, an offset policy would yield substantial percentage savings to their trust fund balances.

[8] While approximately 7 percent of UI beneficiaries are 62 and older, our estimated savings in UI expenditures is approximately 1 percent. This reflects the fact that only 4 percent of individuals 62 and older who receive retirement benefits also receive UI benefits. However, this figure includes individuals receiving spousal retirement benefits and survivors' benefits.

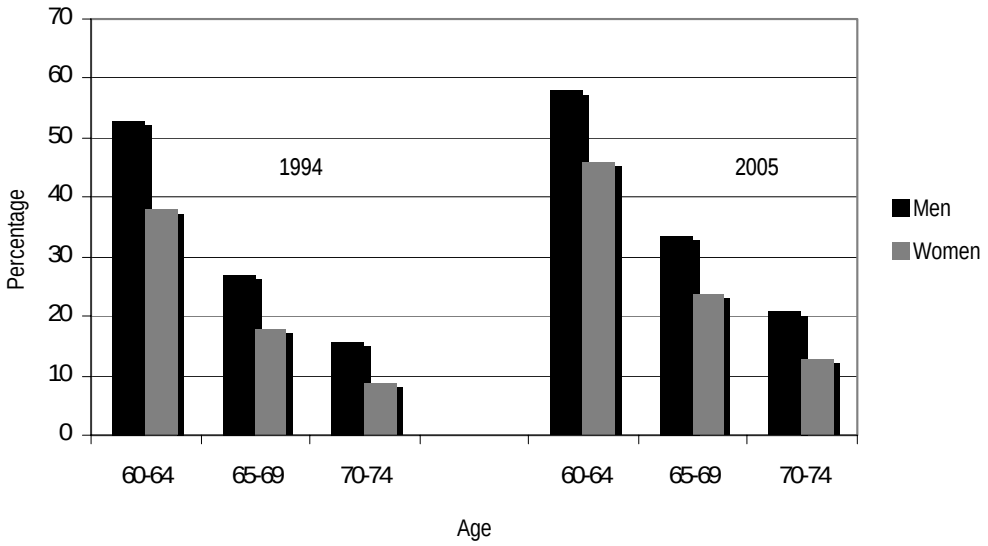
Implementing an Offset Could Hurt Unemployed Older Workers

When aggregated across a state or across the nation, the relative fiscal impacts of implementing offsets are likely to be small. However, the impact on individual workers could be large. As older individuals continue to work beyond the early retirement age, they may still need the protection of unemployment insurance if they are laid off, even if eligible to receive Social Security retired-worker benefits (NELP, 2005).

Trends in the Labor Force Could Increase the Impact of Offsets

Since 1994, labor force participation rates have risen dramatically for U.S. men and women older than 62 (Gendell, 2006). Figure 2 shows the change in workforce participation rates from 1994-2005 for men and women 60 and older. As shown, the percentage of both men and women 62 and older participating in the labor force has a definite upward trend.[9]

Figure 2: Labor Force Participation Rates for Workers Ages 60-74



Source: Murray Gendell, Population Reference Bureau, (Gendell, 2006). For 2005 data, see U.S. Department of Labor, "Household Data: Annual Averages," accessed at ftp://ftp.bls.gov/pub/special.requests/lf/aat3.txt. 1994 data from Bureau of Labor Statistics, *Employment and Earnings* (January 1995).

As the percentage of older workers participating in the labor force increases, the potential effects of an offset policy grow both in terms of the number of people affected and the savings for UI trust funds. While the magnitude and characteristics of these effects are uncertain, they could be projected given the appropriate models.

[9] Between 1994 and 2005, none of the change in workforce participation for men ages 60-64 occurred among men ages 60-61. The increase for men ages 62-64 was 17 percent.

Offsets Decrease Unemployed Older Workers' Income and Could Influence Retirement Incentives

The following examples for 65-year-old workers of full retirement age illustrate the importance of considering the effects that UI offsets have on those workers whose incomes are reduced because of such policies.

Sue, who is not subject to Social Security earnings limits, lives in Florida, a state with no UI offset policy. She makes $2,037 a month, the average monthly earnings (rounded to the dollar) for workers 65 and older in Florida in 2004 (U.S. Census Bureau, 2007). She also receives the state average, $951 a month (about $220 per week), in Social Security retired-worker benefits (SSA, 2005a).[10] If Sue is laid off and becomes eligible for UI, she will collect $169 in weekly UI benefits.[11] Sue's weekly income before her job loss was about $690; after being laid off her weekly income drops to $389 (Social Security benefits plus UI benefits), a difference of $301.[12]

Joe lives in Minnesota where a 50 percent offset policy is in place. Using the average earnings for his age group in that state, we assume he makes $1,982 a month (U.S. Census Bureau, 2007). Minnesota's average Social Security retired-worker benefit is also $220 per week, giving Joe $677 in weekly income (SSA, 2005a). If Joe is laid off and applies for UI he can expect to be eligible for $203 in weekly benefits. However, due to Minnesota's offset policy, for every dollar that Joe receives in Social Security his UI benefit is offset by 50 cents. As he receives $220 per week in Social Security, his UI benefit is reduced by $110 to $93. Joe goes from making $677 per week to only $313 per week, a loss of $364.

Finally, Mary lives and works in the only state with a 100 percent UI offset policy, Ohio. She makes the state's estimated average monthly earnings for workers 65 and older, $2,142, and receives $224 in Social Security retired-worker benefits every week (SSA, 2005a). If Mary is laid off, her income would be replaced by the average UI replacement rate in Ohio: $188 a week. However, because Ohio offsets 100 percent of Social Security retired-worker benefits, Mary cannot receive any of these UI benefit; her Social Security benefit exceeds and thus eliminates her potential UI benefits. Before losing her job, Mary made about $718 per week. Afterward, without her UI benefit, she is only entitled to her $224 weekly Social Security benefit, and her weekly income has shrunk by $494 to $224.

[10] Individuals of full retirement age (65 for individuals born before 1938) may receive both Social Security and income from wages or salaries without benefit reduction.

[11] Weekly UI benefits have been calculated using average earnings replacement rates for each state in 2004; 36 percent in Florida, 44 percent in Minnesota, and 38 percent in Ohio (U.S. Department of Labor, 2004).

[12] We calculated weekly Social Security benefits as follows: (monthly benefit * 12 months)/52 weeks.

These examples, summarized in Table 2, illustrate the impact that 50 percent and 100 percent UI offset policies have on the average worker's well-being. In Florida, a state without an offset policy, older workers can expect to lose, on average, around $300 in weekly income if they are laid off. By contrast, similar workers in Ohio lose nearly $500 due to that state's 100 percent offset policy. For many individuals working past retirement age, this $200 difference is a significant loss; about one-third of small business owners whose employees delay retirement beyond age 65 report that they are doing so because they cannot afford to retire (National Association of Professional Employment Organizations, 2007).

Table 2: Effect of Offsets on Weekly Earnings for Workers Age 65 and Older

State	Offset	Average weekly income before layoff	Average weekly income after layoff	Difference	Percentage of previous income lost
Florida	none	$690	$389	$301	44%
Minnesota	50 percent	$677	$313	$364	52%
Ohio	100 percent	$718	$224	$494	69%

While we could not obtain data on wage or Social Security benefit dispersion for those workers older than 65, it is conceivable that in some cases the presence of an offset could push an unemployed worker into poverty. For instance, in the example provided, Ohio's offset policy would reduce Mary's income enough that she would be eligible to collect food stamps. To qualify for food stamps in Ohio, one must have a household income at or below 130 percent of the federal poverty line; in 2004, this amounted to a maximum weekly income of $233 for an individual (Ohio Department of Job and Family Services, 2007; U.S. Department of Health and Human Services, 2004). Without the offset in place, Mary's income would be sufficiently above 130 percent of the poverty line.

Given the sizeable reduction in weekly income resulting from an offset, older workers who have their benefits offset may be induced to find work more quickly. If the amount of UI benefits an older worker receives, in combination with Social Security, is a severe decline relative to his or her previous wages and standard of living, that worker might be forced to take the first job offered to him or her after being laid off. While UI only replaces a portion of an unemployed worker's previous wages in order to induce the worker to find new work, the economic pressure of an even smaller replacement could result in a worker taking a job that is not suitable because the worker could not afford to be unemployed for a longer period.

The presence of an offset could also discourage the older unemployed from applying for UI benefits in the first place. In calculating the impact of eliminating an offset, the Wisconsin Department of Workforce Development estimated that an additional 2,000 individuals "would be induced to apply for UI benefits when it was clear that receipt of social security retirement benefits no longer reduces weekly UI payments" (Matzat, 2000). This estimation suggests that some unemployed older workers do not apply for UI benefits once they learn their

benefit could be reduced. These unemployed workers might thus forgo even small benefits to which they were entitled, further reducing their income. While this is advantageous from a UI program's financing perspective, it hurts older workers for whom any additional benefit is valuable. This result is also inconsistent with the ultimate aim of the UI program, which is, in part, to support individuals during their search for suitable work.

Workers of less than full retirement age who receive Social Security retired-worker benefits are subject to an earnings limit. In 2004, a worker who was receiving Social Security retired-worker benefits but was less than full retirement age would have faced a deduction of $1 for every $2 earned above $11,640 (SSA, 2006). Thus, workers of less than full retirement age may be less likely to collect retired-worker benefits. However, if laid off, a worker who was then eligible for both UI and retired-worker benefits, but who did not face an offset, would face almost total wage replacement if the worker then applied for and received both benefits.

For these older workers below full retirement age and not yet receiving Social Security, the presence of an offset could induce them to apply only for UI benefits, and not for Social Security, after being laid off. Because any additional Social Security benefits collected would only reduce UI benefits which workers could otherwise collect, postponing receipt of Social Security until traditional retirement age may be in some workers' best interest. Recognizing the financial penalty that is levied on retired-worker benefits for life if the benefits are taken before full retirement age, an older worker who is laid off may choose to exhaust UI benefits as a transitional source of income between working and retirement. A worker could meet the minimum work search requirements and collect UI with little intention of ever returning to the labor force. Once the worker exhausted the UI benefits for which he or she was eligible, the worker could apply for Social Security and face less of an early-retirement penalty. In this scenario the threat of an offset would actually cause workers to stay on UI for a longer duration, further diminishing trust fund balances.

Offsets Could Have a Range of Effects on Employers

Overall, the employer impact of UI offsets for Social Security retired-worker benefits, are mixed, as are employer's views about them. Representatives of Wisconsin Manufacturers & Commerce expressed surprise at the Wisconsin Department of Workforce Development's estimate of an $11.5 million fiscal impact of eliminating the state's UI offset, initially believing that most older workers were part-time and thus ineligible for UI benefits in Wisconsin (John Metcalf, personal communication, March 13, 2007; Matzat, 2000). Despite the fiscal estimate, Wisconsin Manufacturers & Commerce ultimately supported the 2001 bill that eliminated the offset in Wisconsin (James Buchen, personal communication, March 8, 2007). On a national front, the National Federation of Independent Business state director spoke against offset elimination in Connecticut in 2002, citing the potential incentive for unemployed workers to remain out of the labor force longer (Paolino, 2002). However, in 2005, after a member

poll on the issue returned nearly equal percentages in favor of and against offsets, the federation took no position on offset elimination when the issue arose in North Dakota (National Federation of Independent Business, 2005).

Unemployment insurance offsets could positively and negatively affect employers. This policy could aid employers in the manner in which it was originally intended: to prevent an employee from "double dipping." All pensions, including Social Security, are meant to provide an income to retirees so that they will maintain economic security after exiting the labor market (DeWitt, 2003). UI benefits, on the other hand, are meant to provide income to active labor market participants while they look for other jobs. Employers may object to simultaneously supporting someone who has exited the labor market (retirement benefits) and who is looking for work (UI benefits). In this case, offsets may help employers by eliminating these simultaneous benefit payments to individuals for conflicting purposes

Unemployment Insurance offsets could also benefit employers by reducing the UI taxes they pay on each employee. The UI taxes that employers pay are determined by their payroll and their past experience of employees collecting UI benefits. If a firm's older workers could not ever collect UI benefits, then such workers would not count against a firm's experience rating when laid off. In the long term, this improved experience rating could lower a firm's tax rate. If older workers could never collect UI benefits, and thereby would never count against a firm's experience rating, employers would have an incentive to hire more older workers. However, it seems unlikely that employers consider the impact of laying off an employee during the hiring process (James Buchen, personal communication, March 8, 2007).

Different Offset Policies May Have Different Impacts

As the majority of states do not have offsets, this analysis assumes that no offset policy is the status quo. We thus compare the feasibility of implementing a 50 percent offset, a 100 percent offset, or a trigger policy to the status quo. A 50 percent offset policy would offset an otherwise eligible recipient's UI benefits by 50 cents for each dollar of Social Security retired-worker benefits received. A 100 percent offset policy would offset an otherwise eligible recipient's UI benefits by one dollar for each dollar of Social Security retired-worker benefits received. Under a trigger policy, a state would only implement an offset when the state's UI trust fund balance dropped below a certain level. As outlined in Table 3 below, we analyze the feasibility of each alternative by examining the following: the impact on the solvency of a state's UI trust fund; the equity implications for employers and employees; the political feasibility of implementing each policy; and the administrative feasibility of implementing each policy.

Table 3: Goals and Alternatives Matrix

Goals	Impact Category	Policy Alternatives			
		Status Quo: No Offset	50% Offset	100% Offset	Trigger Policy
Maintain solvency of UI trust funds	State Trust Funds	Neutral: No change in number of people receiving benefits	Moderately positive: Less benefits paid, but percentage-wise, not a big difference	Positive: Less benefits paid, saving more money than 50%, but still relatively small savings	Positive: Savings directly tied to trust fund solvency, but small impact
Ensure equity	Employers	Equitable: Treats all employers equally	Somewhat inequitable: Employers w/many older employees taxed for benefits employees cannot collect	Somewhat inequitable: Employers w/many older employees taxed for benefits employees cannot collect	Equitable: Treats all employers equally except when trust fund balance is low (which would raise all employer taxes)
	Employees	Equitable: All eligible employees receive benefits, regardless of age	Inequitable: Older employees ineligible for benefits to which otherwise identical, but younger, employees are entitled	Inequitable: Older employees ineligible for benefits to which otherwise identical, but younger, employees are entitled	Moderately inequitable: Older employees treated differently when trust fund balance is low
Ensure political feasibility	Policymakers	Neutral: No change from current policy	Negative: Labor and older lobby strongly against offsets; business weakly in favor	Negative: Labor and older lobby strongly against offsets; business weakly in favor	Moderately negative: Labor and older interests still unsupportive, but in times of high economic need might be persuaded
Ensure administrative feasibility	State UI Offices	Neutral: Current administrative burden	Somewhat infeasible: Additional information to report and calculate	Somewhat feasible: Additional information to report and calculate, but fewer calculations than 50% offset	Infeasible: Potentially frequent changes in eligibility could create large administrative burden

Trust Fund Solvency

For all of the policy alternatives, the impact on the solvency of the trust fund would be relatively small. Our estimates of the impact of a 100 percent offset policy suggest that on a national basis, the amount of money that could be saved by implementing an offset is equivalent to about 1.42 percent of the overall UI trust fund balance. Clearly, a 50 percent offset would have an even smaller impact. In the case of a state with a declining trust fund balance, money saved by an offset could be a relatively larger percentage of the trust fund. However, the offset would not likely serve as an effective means of addressing trust fund insolvency and would simply prolong more profound changes. The relative impact on the solvency of the trust fund would also vary considerably by state. Our estimates of the impact of a 100 percent offset policy suggest the cost savings range from 0.13 percent of a state's trust fund balance to 50.3 percent, although the high end estimate is slightly misleading. The large estimated impacts found in North Carolina, the state with estimated savings equivalent to 50 percent of its trust fund, Illinois, and Missouri stem from the relative insolvency of these states' trust funds in 2004. Once these trust funds reach solvency, we expect that offsets would have very little impact there, too.

Equity for Employers and Employees

A 50 percent offset policy and a 100 percent offset policy would both result in the inequitable treatment of some employers. Specifically, employers with many older employees would pay federal unemployment taxes on all of their employees, despite the fact that the older employees could collect little to no benefit. Compared to employers with fewer older workers, these employers are being unnecessarily taxed. A trigger policy would only have this inequitable effect when the trust fund balance reached low levels, otherwise all employers would be treated equally.

Any offset would produce an inequitable result for older workers, as unemployed older workers would be denied benefits simply because of their receipt of Social Security retired-worker benefits. UI benefits are not means tested, yet unemployed older workers receiving Social Security retired-worker benefits would be treated differently than any other older workers who are receiving another form of government benefit. Older workers would also be treated differently than younger workers who are eligible for UI benefits. All workers have funds paid into the UI system on their behalf and, if eligible, have a right to these benefits regardless of their economic security. An offset would infringe upon this right in denying benefits to older workers. In addition, if UI taxes are viewed as a tax on employees, because money employers pay for payroll taxes may have otherwise gone to increase workers' salaries, an offset policy could be viewed as unnecessarily taxing an employee's income (Coven, 2003). But for the offset, an otherwise eligible employee could regain this tax revenue in future UI benefits. A trigger policy would only cause an inequitable result for employees when the trust fund balance dipped to a certain level, but it can nevertheless be considered inequitable in this situation as it only changes the rules for a specific group of workers.

Political Feasibility

Implementing an offset policy would not be an easy political process. Nationally, the trend clearly shows states moving away from offsets. Groups representing labor interests and older workers, particularly the National Employment Law Project and the AARP, have mounted concerted campaigns to encourage states to eliminate their offsets. Employers, who hypothetically stand to gain from an offset policy, have presented mixed opinions about supporting offsets. Given the tendency for employees to perceive UI benefits as an entitlement, it seems unlikely that employers would lobby against labor representatives and the powerful elderly lobby for a policy that would benefit employers only tangentially. The feasibility of a 50 percent versus a 100 percent offset seems negligible. A trigger policy may be more politically palatable as it only results in an inequitable impact on older workers when the trust fund balance is low, which generally occurs during times of economic recession when policymakers face many unpopular cuts. However, it is during these times of economic recession that unemployed older workers may be even more reliant upon UI benefits, which could adversely affect political feasibility.

Administrative Feasibility

Any offset policy would create an administrative burden for state UI offices. UI offices would face an administrative burden from calculating offsets, from informing participants about the offset, and from collecting and reporting data about an offset. In 2000, when Wisconsin had a 100 percent offset, the Wisconsin Department of Workforce Development estimated that "investigating, resolving, and implementing" an offset takes "about 45 minutes" for each recipient (Matzat, 2000). Implementing an offset could thus substantially add to the time spent by state UI offices on benefits administration. Wisconsin Department of Workforce Development Policy Research Director Richard Tillema suggested that a 50 percent offset would create even more of an administrative burden for implementing agencies than a 100 percent offset as agencies would be required to perform more calculations and report even more data (Tillema, personal communication, March 23, 2007). A trigger policy would be the most administratively burdensome as the framework would have to be created to implement an offset, but it would only be used periodically, while a no-offset system would have to be simultaneously maintained. Additionally, the UI office would have to routinely monitor the state's trust fund balance to determine when the offset should and should not be implemented. Depending on the structure of the policy, it is conceivable that this monitoring would have to occur even more frequently than at present.

Alternatives for Improving Trust Fund Solvency

Implementing an offset policy would have a relatively small impact on state trust fund solvency and is fraught with equity, administrative feasibility, and political feasibility issues. We have identified a number of alternative policies that could improve trust fund solvency in a more feasible manner.[13]

Move to a System of Counter-Cyclical Financing

States that currently have a pay-as-you-go financing system for their UI trust funds could move to a counter-cyclical financing method. This structure would redesign the UI tax rate schedule to increase taxes in times of strong economic growth. These taxes would build up enough trust fund reserves to be used in times of increased unemployment and expenditures from the trust fund. This system would avoid having to increase employer tax rates during times of high unemployment, enabling the UI trust fund to be self-sustaining while providing some relief to employers during economic recession and high unemployment rates.

Increase the Maximum Tax Rate

An increase to the maximum tax rate imposed on employers is another option for improving UI trust fund solvency. As revenue for UI trust funds is based on the tax rate and taxable wage base, an increase in the maximum tax rates from their current levels would increase revenue for the trust fund.[14] A low maximum tax rate has the effect of holding down the costs for employers with higher UI trust fund utilization rates compared with those employers with lower rates. By increasing the maximum rate, those employers who use the fund the most would also contribute a greater portion to the trust fund. However, raising tax rates may be a highly unpopular policy option, as it places a greater burden on employers and employees, especially if this is done during times of high unemployment and economic slowdown.

Index the Taxable Wage Base to the Average Weekly Wage

UI payroll taxes are based upon a taxable wage base rather than on the total salary paid to each employee. The taxable wage base varies from state to state. The minimum taxable wage base allowed by federal law is $7,000. New York, a state that borrowed funds from the federal government in 2004 to fulfill its UI benefits obligations, had a taxable wage base of only $8,500 when the state's average annual wage was more than $45,000 (NELP, 2004). Increasing the taxable wage base by indexing it to the state's average annual wage would ensure that the wage base would keep pace with the growth in workers' wages and would generate additional revenue for the UI trust fund. Three states, Missouri, Illinois, and Massachusetts, improved the solvency of their UI trust funds by increasing the proportion of each employee's wages subject to UI taxation (NELP, 2004).

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[13] For more on trust fund solvency, see Appendix C: Trust Fund Solvency Issues.

[14] The taxable wage base is the maximum amount of wages paid to an employee by an employer which are subject to UI taxes. Wages above this amount are not subject to tax.

Part-time, seasonal, and low-wage employers are disadvantaged by a low taxable wage base because they pay a disproportionately high percentage of their payroll in UI taxes. By increasing the taxable wage base, benefits are charged to those employers with higher benefits costs, providing more equity among employers and helping the state trust fund improve promptly. This policy will, like the previous policy, be unpopular among employers due to the increased tax burden it imposes on them. However, the taxable wage base for Social Security is currently $97,500, almost 14 times higher than the minimum $7,000 allowed for UI taxes.

Implement a Solvency Tax Surcharge (STS)

To improve UI trust fund solvency, states could implement a solvency tax surcharge policy (STS). STS is a temporary tax surcharge that is added to the standard or computed tax rate as a result of the UI trust fund's solvency level decreasing below a level that ensures the state enough financial resources to pay UI benefits to eligible recipients. Colorado passed such a policy under the Colorado Employment Security Act in which an STS was assigned to experience-rated employer accounts beginning in 2004. If the UI trust fund balance, on June 30 of every year, is below 0.9 percent of the total wages that Colorado experience-rated employers report, the STS is added to the computed or standard UI tax rate. The STS is determined by the percent-of-excess that is calculated by taking the total tax paid by the employer, minus the total benefits charged to them, divided by the employer's average annual taxable payroll (Colorado Department of Labor and Employment, 2004). In Colorado, this temporary surcharge is increased in annual increments until either a maximum STS level determined by state statute is reached;[15] or the UI trust fund reaches a sufficient level of financial resources that makes an STS no longer necessary.

[15] In Colorado, the STS maximum limit will vary for each employer. This limit is determined by the percent-of-excess rating assigned to the employer for the current year. Annual STS incremental increases are established under the CESA; an employer's accumulative STS rate depends on his or her percent of excess during each year the STS has been in effect (Colorado Department of Labor and Employment, 2004).

Concluding Remarks and Recommendations for Further Study

Based upon the conclusions we have derived from this analysis, we do not recommend that interested agencies devote time and resources to a further investigation of an offset policy if the purpose of such a policy is to contribute additional revenue to states' UI trust funds. We believe that the relative fiscal impact is too small and the equity, political feasibility, and administrative feasibility issues too great to warrant agency-initiated investigation.

However, if interested agencies are directed to examine the issue of UI offsets, we recommend that they take the following actions:

- First, to more accurately judge the financial impact this offset policy has on state UI trust fund balances, interested agencies should contact the UI offices in states that currently offset UI benefits and obtain the actual number of persons affected and amount of money saved for that particular year.
- Second, these agencies should investigate future economic and labor market trends to determine if such a policy would potentially have a greater future impact both in the number of persons affected and the total number of dollars saved by UI trust funds.
- Third, interested agencies could build upon the analysis in this report and further investigate the potential impact such a policy would have on a state's employers and employees through the use of focus groups or case studies of potentially affected employees and employers.
- Finally, if reducing UI trust fund insolvency is the ultimate policy goal, interested agencies should further investigate the efficiency, effectiveness, and feasibility of alternative financing options the government could implement to improve UI trust fund solvency. These recommendations will help determine the potential impact of an offset policy and better assess its usefulness in addressing trust fund solvency.

Obtain More Accurate Data from States

The methodology used in this study to calculate the impact that an offset policy has on a state's UI trust fund provides an estimate of the policy's impact. However, data limitations may reduce the precision of these estimates. To better measure the policy's effect on the number of older workers and a state's UI trust fund balance, interested agencies could solicit the number of affected beneficiaries and the magnitude of the dollars offset from the ten states with offset policies. To analyze the potential impact on the 40 states without offset policies, interested agencies could investigate the feasibility of using workers' Social Security

numbers to determine the actual number of people receiving both Social Security retired-worker benefits and UI benefits. These estimates would provide a more accurate picture of the number of older workers who could be affected by an offset and the overall financial impact an offset policy would have.

Interested agencies may also wish to consider further study of the characteristics of unemployed workers simultaneously receiving UI and Social Security retired-worker benefits. Having a better sense of the income distribution of these individuals and the relative impact of an offset may alter the equity implications and political feasibility of this policy. As an example, should the majority of workers simultaneously receiving UI and Social Security retired-worker benefits be close to eligibility cutoff points for other state and federal welfare programs, any potential savings for an offset might be offset by the payment of additional welfare benefits.

Examine the Effect Labor Market Trends May Have on the Number of Affected Older Workers

Based upon the estimates generated in this report, the current offset policy is likely to have, overall, a very small impact on a state's UI trust fund balance and to be a small proportion of a state's total annual UI expenditures. However, the workforce is aging and there is the potential for growth in the number of older workers who may be affected by such an offset policy. More workers subject to this policy would, in turn, have a greater impact on work, retirement, and benefits applications. To more accurately assess the long-term impact of such a policy, interested agencies should analyze future labor market trends, including the number of older workers whom such an offset policy could affect. If these long-term forecasts signify a dramatic increase in the number of affected older workers, the impacts of an offset policy on the UI trust fund balance and the administrative capacity of a state's unemployment insurance program could be far greater than is estimated in this report.

Examine Alternative Options for Improving Trust Fund Solvency

Given the small fiscal impact, equity concerns, and political and administrative feasibility issues, when charged with examining policies to improve trust fund solvency, interested agencies, we believe, should focus greater attention on the alternatives we have identified. Requiring states to use counter-cyclical UI financing systems, implementing a solvency tax surcharge, or indexing the UI taxable wage base to states' average weekly wages likely would have a greater impact on sustained trust fund solvency.

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Appendix A:
The Status of Offset Policies Across the Nation

Table A1, originally prepared by the National Employment Law Project and Policy Matters Ohio, and updated by the authors, indicates the type of offset each state had in place at the end of 2006. Ten states, the Virgin Islands, and Puerto Rico have some form of UI offset policy.

Table A1 presents the status of UI offsets for the 53 unemployment compensation jurisdictions in the country (the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands). Forty-one jurisdictions were without UI offsets and 12 jurisdictions with some type of offset as of the beginning of 2007. Ohio, Puerto Rico, and the Virgin Islands have a 100 percent offset; Colorado, Illinois, Louisiana, Maine, Minnesota, Rhode Island, South Dakota, and Utah have a 50 percent offset; and Virginia has a trigger policy. During the spring 2007 legislative session, Maine was considering whether to eliminate its offset.

The National Employment Law Project created the initial version of this table (which tracked offset elimination from 2002-2006) using data from the U.S. Department of Labor's *Comparison of State Unemployment Insurance Laws* (2004), "Effect of Social Security Payments," p. 5-37 and 5-38 and through personal contacts with states. The authors researched elimination offset years for states that eliminated their offsets prior to 2002 using the U.S. Department of Labor's *Monthly Labor Review* and the yearly article in that publication outlining major changes in state unemployment insurance law implemented in the previous year (U.S. Department of Labor, n.d.).

In Table A1, states listed as not having an offset, but for which no year of offset elimination is listed are assumed to have never implemented an offset. To date, we have been unable to determine whether these states ever did have offsets. In addition, some state laws do not specifically mention Social Security retired-worker benefits when discussing offset treatment, but rather they mention that any pension to which employees contribute will not be offset. We have interpreted this to mean that the state does not offset Social Security retired-worker benefits. This interpretation does not put us in conflict with National Employment Law Project's determination that a state did not have an offset, but may result in an incorrect year of offset elimination. Thus, the year of offset elimination for these states is followed by a question mark.

Table A1: State Laws Regarding Social Security Retirement Offsets from UI Benefits

State	Status of Social Security Offset Start of 2007	Year of Offset Elimination	Amending Law (if known)
Alabama	None	1995	
Alaska	None		
Arizona	None	2004	HB 2440
Arkansas	None		
California	None		
Colorado	50 Percent		
Connecticut	None	2004	P.A. 04-214
Delaware	None	1998	
Dist. of Columbia	None	2005	D.C. Law 15-282
Florida	None	1992?	
Georgia	None	1991?	
Hawaii	No	2005	Act 106, L. 2005
Idaho	None	1998?	
Illinois	50 Percent		
Indiana	None	1998	
Iowa	None	2001	SB 418
Kansas	None	2003	HB 2332
Kentucky	None	2000	HB 966
Louisiana	50 Percent		
Maine	50 Percent		
Maryland	None	1998	
Massachusetts	None	2006	Chp. 123, Acts of 2006
Michigan	None		
Minnesota	50 Percent		
Mississippi	None	2001	HB 175
Missouri	None	1991	
Montana	None		
Nebraska	None	2005	LB 245
Nevada	None	1989?	
New Hampshire	None	1987?	
New Jersey	None		
New Mexico	None	1993	
New York	None		
North Carolina	None		
North Dakota	None	2005	HB 1202
Ohio	100 Percent		
Oklahoma	None		
Oregon	None	1987	
Pennsylvania	None	2005	HB 163
Puerto Rico	100 Percent		
Rhode Island	50 Percent		
South Carolina	None	2000	HB 4521
South Dakota	50 Percent		
Tennessee	None		
Texas	None	1995	
Utah	50 Percent		
Vermont	None	1988?	
Virginia	Trigger Policy		
Virgin Islands	100 Percent		
Washington	None		
West Virginia	None	2005	Ch. 242, L. 2005 (HB 2163)
Wisconsin	None	2001	Act 35
Wyoming	None	2003	Ch. 73, L. 2003 (SF 14)
Totals	10 states and 2 territories with some type of offset		

Source: Table created by National Employment Law Project with additional research and editing by Policy Matters Ohio and updates from the authors.

Appendix B: UI Offset Estimation Methodology

To determine the magnitude of the impact of UI offsets on older workers and state trust funds, we estimated the number of workers whom an offset in each state would affect and the total amount of UI benefits that would be offset. The following is an outline of the updated methodology we adapted from similar estimates done by the AARP in 2002. Although this outline is rough, we believe it to be a clear improvement on past estimates, and the best estimate possible given the data available.

Assumptions

Throughout our estimates, we make a number of assumptions, all of which are necessary given data limitations, as follows:

- As we were unable to find the actual age distribution of a state's unemployed population ages 62-64, we assumed that the percentage of a state's *overall* population ages 55-64 that is 62, 63, and 64 is the same percentage of a state's *unemployed* population ages 55-64 that is 62, 63, and 64.
- As self-employed workers are generally ineligible for UI benefits, we focused our estimates on wage and salary workers only. As approximately 82.4 percent of workers 62 and older are wage and salary workers, we assumed the same percentage applied to each state (AARP, 2002). We assumed the percentage of wage and salary workers nationally in 2002 (the only year for which we could find an estimate) is not significantly different from the percentage in 2004 (the year on which our estimates focus).
- As we were unable to find the actual percentage of unemployed workers 62 and older who receive Social Security retired-worker benefits, we applied the percentage of all people age 62 and older who receive Social Security retired-worker benefits to the population 62 and older that is unemployed. Thus, we assumed that the likelihood of receiving Social Security is the same for employed and unemployed persons older than 62.
- We were able to find average annual wage data for workers 65 and older and for workers ages 55-64. However, we were not certain as to whether the wages of workers ages 62-64 would be higher or lower than those 55-64 or those 65 and older. In our estimates we assumed the average annual wage for workers ages 62- 64 was the same as the wage for those 65 and older.
- Our data for the number of unemployed workers in a state was bounded at a minimum of 500. Thus, we assumed states with fewer than 500 unemployed workers 65 and older have a population of 500 unemployed workers 65 and older.

Missing Data

Mean wages for persons 65 and older were not available for all states. Specifically, we did not have wage data for Alaska, Arizona, Connecticut, Louisiana, Massachusetts, Michigan, Nebraska, New Hampshire, New York, Ohio, Rhode Island, South Dakota, and Wyoming. To find estimated mean wage data for these states, we used the average wage for workers 65 and older in the region in which the state is located. We used regions defined by the Bureau of Labor Statistics to classify states (U.S. Department of Labor, Bureau of Labor, 2004b).

Estimation Steps[16]

1) For each state, we calculated the number of unemployed workers 62 and older as follows. We started with the number of unemployed in each state ages 55-64 and 65 and older (U.S. Department of Labor, Bureau of Labor Statistics, 2004a). To determine the number of unemployed people ages 62-64, we took the percentage of each state's population in 2004 ages 55-64 that was exactly 62, 63, and 64 and applied that percentage to the unemployed population ages 55-64 in each state (U.S. Census Bureau, n.d.). After adding the number of workers ages 62-64 whom we estimated to be unemployed to those workers 65 and older who were unemployed, we arrived at our estimate of unemployed workers eligible for Social Security retired-worker benefits.

For example, in 2004, California had 90,000 people ages 55-64 who were unemployed. The state percentage of 55- to 64-year-olds who were 62, 63, and 64 years old in 2004 was approximately 24 percent.[17] California's unemployed population 65 and older was 25,000 people. Thus, our initial calculation for California is as follows:

$$(90{,}000 \times 0.231937) + (25{,}000) = 45{,}874.33$$

2) Self-employed workers are generally not eligible for UI benefits and so must be subtracted from our calculations. Thus, we multiplied our estimated number of unemployed workers 62 and older by the percentage of the population who are wage and salary workers as indicated by the U.S. Census Bureau's 2002 Current Population Survey.

[16] Data used to complete these estimations are available from the authors upon request.

[17] The parameters mentioned in the text have been rounded and thus may not yield the exact results presented.

Continuing with our example, for California, the estimated number of unemployed people 62 and older was 45,874 and the national percentage of wage and salary workers was 82 percent. Thus, our calculation is as follows:

45,874.33 x 0.824 = 37,800.45

3) To get the number of unemployed workers 62 and older who are also receiving Social Security retired-worker benefits, we took the state percentage of people 62 and older who are receiving benefits as retired workers and multiplied that number by our estimated number of unemployed wage and salary workers.

Our example's estimated 37,800 unemployed wage and salary Californians age 62 and older is then multiplied by the percentage of Social Security beneficiaries 62 and older receiving retired-worker benefits (an estimated 64 percent in 2004):

37,800.45 x 0.645567 = 24,402.72

4) Not all unemployed workers apply for UI benefits. The recipiency rate, the percentage of unemployed workers who received UI benefits, is one indication of the likelihood that an unemployed worker will in fact receive UI. Older unemployed workers would only be affected by an offset if they indeed applied for UI benefits, thus we took the estimated total number of unemployed workers 62 and older receiving retired-worker benefits in each state and multiplied this number by the UI recipiency rate for all unemployed in the state (U.S. Department of Labor, Employment and Training Administration, n.d.). This number provides an estimate of the number of workers who might be affected by an offset policy.

In our example, the recipiency rate for unemployed Californians is nearly 40 percent. Thus, we multiplied this percentage by the estimated number of unemployed workers 62 and older who are also receiving Social Security retired-worker benefits:

24,402.72 x 0.3970 = 9,687.88

5) Now that we estimated the number of people that would be impacted by an offset, we turned to calculating the fiscal impact of an offset. We began by estimating the average amount that an unemployed worker would receive in UI benefits for each state. To estimate the average total UI benefit per person, we took the mean wage of wage and salary workers 65 and older in each state in 2004 and multiplied it by the state UI replacement rate (U.S. Census Bureau, 2007; U.S. Department of Labor, Employment

and Training Administration, n.d.).[18] Then, we divided this number by 52 (weeks in the year) and multiplied it by the average number of weeks for which an individual received UI benefits for a given state (U.S. Department of Labor, Employment and Training Administration, 2005).

In our example, the mean wage for wage and salary workers 65 and older for Californians in 2004 was $36,768. Therefore, we multiplied that amount by the UI replacement rate in California (49 percent), divided the result by 52, and multiplied by the average duration of unemployment (18 weeks in California).

[($36,768 x 0.4850) / 52] x 18.325 = $6,284.33

6) Finally, to determine the estimated total fiscal impact of an offset policy, we multiplied the average total benefit per person in each state by the number of workers who might be affected by a 100 percent offset policy in each state.

To complete our example for California:

$6,284.33 x 9,687.88 = **$60,880,913.64**

Table B1 summarizes our estimation methodology as it applies to California.

[18] We were not able to get data for the average wage of those ages 62-64, so we used the average wage of those 65 and older.

Table B1: Savings Estimate Methodology

Estimated Savings to the California Trust Fund from Implementing a UI Offset in 2004		$60,880,913.64
	Calculation	Total
Number unemployed, ages 55-64	90,000 (BLS, 2004a)	90,000
Number unemployed, 65 and older	25,000 (BLS, 2004a)	25,000
State mean wage, 65 and older	$36,768 (U.S. Census Bureau, 2007)	$36,768
Estimated number of unemployed wage and salary workers 62 and older	((90,000 x 23.193700%) + 25,000) x 82.4% =	37,800.45
Number of persons who might be affected by the offset	1) 37,800.45 x 64.556700% (percentage of persons 62 and older receiving Social Security as retired workers, in California (SSA, 2005b)) = 24,402.72 2) 24,402.72 x 39.70% (Percentage of unemployed persons receiving UI in California (U.S. Department of Labor, Employment and Training Administration, n.d.)) =	9,687.88
Initial UI benefit for an average worker if s/he collected UI benefit for an average duration	(($36.768 x 48.5% (California replacement rate (U.S. Department of Labor, Employment and Training Administration, n.d.))) / 52) x 18.325 (California average, weeks unemployed (U.S. Department of Labor, Employment and Training Administration, 2005)) =	$6,284.33
Total savings from implementing a 100% offset	$6,284.33 x 9687.88=	$60,880,913.64

Notes:

a. For California: Percentage of population ages 55-64 that is 62-64 = 23.2% (U.S. Census Bureau, n.d.)

b. Decimal places within our actual estimates are calculated without rounding. The calculations show rounded numbers and, therefore, will not come out exactly if done by hand.

Improvements on Previous Estimates from AARP

The estimation methodology just outlined closely follows that AARP designed in 2002. However, we believe we have improved on its methodology in the following ways:

- We used 2004 data, rather than that from 2002.
- We used data broken down by state, instead of just the national numbers, to estimate the size of the population that is ages 62, 63, and 64 in a state.
- We used state wage data for workers 65 and older, rather than national numbers.

Accuracy of Our Estimates

Despite these improvements, data limitations required us to make a number of assumptions about the prevalence of unemployed workers, their wages, and the likelihood that they would simultaneously receive Social Security retired-worker benefits and UI benefits. These assumptions could cause us to overestimate or underestimate both the potential number of affected workers and the potential fiscal impact of an offset.

We believe we may have *overestimated* the impact because:

- Some number of unemployed workers will be "new or recent labor force entrants (women, retirees returning to work)" and thus will be ineligible for UI benefits (AARP, 2002);
- The UI recipiency rate for unemployed workers 62 and older could be lower than the rates we used, which were for each state as a whole, over all ages (AARP, 2002);
- The average duration of receipt of unemployment benefits could be lower, for those 62 and older, than the non-age specific averages we used in our calculation;
- If a state puts a cap on its UI benefit, our estimated benefits would be greater than those an unemployed worker could ever receive (AARP, 2002);
- We assume a worker's entire UI benefit would be offset, while workers whose pro-rated Social Security benefit was less than their UI benefit would actually still receive a UI benefit; and
- Some states have an unemployed population 65 and older of fewer than 500 people. Because of data limitations we were forced to use 500 as the unemployed population 65 and older for these states.

We believe we may have *underestimated* the impact because:

- The UI recipiency rate for unemployed workers 62 and older could be higher than the state averages that looked at all ages (AARP, 2002);
- The percentage of self-employed workers (non-wage and salary workers) in a state could be lower than the national average used in the calculations (AARP, 2002);
- The average duration of receipt of unemployment benefits could be higher, for those 62 and older, than the non-age specific averages we used in our calculation; and
- It is possible that the average annual wage for those 62, 63, and 64 is higher than the average annual wage of those 65 and older. In addition, the distribution of wages may be large, so using an average wage could greatly underestimate the actual cost of an offset.

While we stand by our conclusions, it should be noted that our estimates are most likely low. We believe this is in part due to wage data that is only available for those who are 65 and older, and not 62-64. We believe that workers ages 55-64 have higher salaries, on average, than those 65 and older. Future studies should find wage data broken down into more specific age groups.

We are unsure of how much we underestimated. Ideally, savings estimates for UI offsets could be checked for accuracy against actual records of the 10 states and two territories that administer an offset. If our estimates were close to actual state reports, we could have more confidence in our methodology. However, this data has proven challenging for us to retrieve. No states were able to fulfill our request for actual amounts offset in 2004, and five states claimed that such numbers did not exist. Others denied our request because of time constraints or lack of authority but gave some indication that these numbers are recorded.

Though the majority of states denied our requests for data relating to 2004, four gave us the amount of money saved and people affected by an offset in 2006. Utah, for example, reported $535,564 saved due to Social Security reductions (Shana Shirts, personal communication, February 27, 2007). Our estimates put the fiscal impact of a 50 percent offset policy for Utah at $401,000 for 2004. The underestimation is borne out again in Colorado where the UI office reported 1,903 UI claims that had Old-Age and Survivors Insurance reductions in 2006 (Michael Turner, personal communication, April 10, 2007). Our estimates put the number affected by an offset at 755 in 2004. The table below compares our estimates to the actuals reported by states.

Table B2: Comparison of Estimates with Actual Impacts Reported by States

State	Estimated Number of Affected Unemployed Workers in 2004	Number Reported by State	Estimated Savings from an Offset in 2004 (rounded to the nearest thousand)	Savings Reported by State
Colorado	755	1,903 (in 2006)	$1,334,000*	$1,294,656 (in 2006)
Ohio	2,700	2,360 (in 2005)	$8,450,000	$12,400,000 (in 2005)
Utah	229	-	$401,000*	$535,564 (in 2006)
Virginia	869	1,211 (in 2003)	$3,184,000	-

Source: Table created by authors using data for Colorado from (Turner, personal communication, April 10, 2007 and Nancy Feldman, personal communication, April 16, 2007); for Ohio and Virginia from (Policy Matters Ohio, n.d.); and for Utah from (Shirts, personal communication, February 27, 2007). * = Colorado and Utah both have 50 percent offset policies, so we divided our estimate by two.

The differences in our estimates and the actuals reported by states may be due to the changing unemployment rate, wage data, recipiency rate, replacement rate, number of older unemployed workers, Social Security benefit take-up, and wage and salary worker rates from 2004 to 2006. In light of these reasons, we believe our estimates should be used with caution. However, even if our estimates were doubled for all states, a 100 percent offset policy would only save an amount equivalent to 2.84 percent of the total UI trust fund balance on a national level. Thus, we believe our general conclusion that a UI offset would have a very limited effect on trust fund solvency still holds.

Appendix C: Trust Fund Solvency Issues

Though the impact may be small, offsetting UI benefits with Social Security retired-worker benefits is one policy option states may enact in order to improve the solvency of their UI trust funds. The following section will discuss how state UI trust fund accounts are financed and define trust fund solvency.

Trust Fund Basics

UI benefits are financed through employer payroll taxes that are held in UI trust fund accounts in the U.S. Treasury. Each state manages its own trust fund and determines one of two basic ways in which it will finance its trust fund, either a "counter-cyclical" or "pay-as-you-go" formula:

> **Counter-Cyclical**: During periods of economic prosperity, employers pay into the trust fund at a rate that is sufficient to sustain increased UI expenditures during a prolonged economic downturn. This funding approach tries to ensure adequate trust fund solvency in order to meet benefit demands during economic recessions (Sherriff, 2003).
>
> **Pay-As-You-Go**: Unlike the counter-cyclical approach, pay-as-you-go requires employers to increase payments into the trust fund during economic recessions, rather than building up large trust fund accounts during times of economic prosperity to meet future recession-induced demand (Sherriff, 2003).

Some employer and state administrator groups have advocated the latter policy of keeping lower UI trust fund reserves to justify UI payroll tax cuts (NELP, 2001). This form of financing may place the trust fund at risk of insolvency during economic downturns that require greater expenditures from the state's trust fund.[19]

Solvency of Trust Fund

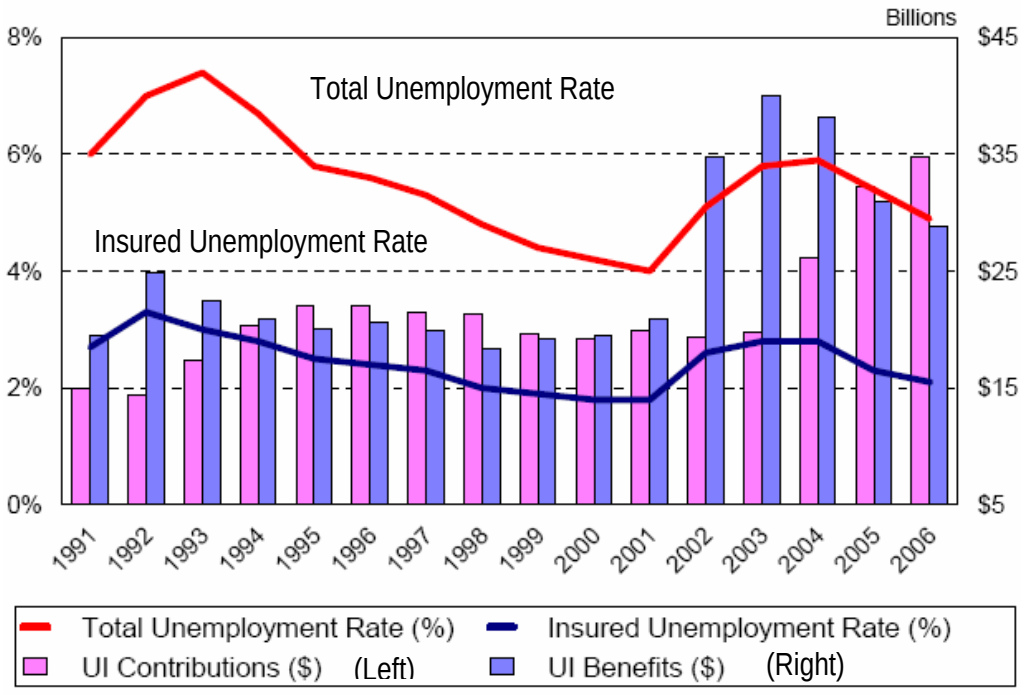
A state's trust fund solvency is measured by determining the length of time a state would be able to pay UI benefits without adding any new revenues. There are two particular measurements used to calculate solvency, the High Cost Multiple (HCM) and Average High Cost Multiple (AHCM). The HCM represents the ratio of the largest UI benefit payout in a previous 12-month period to the current trust fund balance, without accounting for any trust fund revenues. A 1.0 HCM indicates that the trust fund holds 12 months of reserves if no additional revenue is placed in the fund. Subsequently, a 0.5 HCM means six months of reserves and a 1.5 HCM means 18 months of reserves (NELP, 2001). Unlike the HCM, which uses the largest 12-month UI payout period ever, the AHCM is calculated by taking the

[19] For a more detailed discussion of tax rate formulas for financing state trust funds please see Appendix F: State Unemployment Insurance Program Variation

average of a state's three highest pay out periods in the past 20 years (Sherriff, 2003). The U.S. Department of Labor recommends that state trust funds maintain an AHCM of 1.0 or higher, meaning that a state could pay out one year's worth of benefits without increasing trust fund revenues. Trust fund solvency is an important concept because federal legislation requires that states pay UI benefits to those who meet eligibility requirements. Therefore, a state must either seek a loan from the federal government or some form of private financing if its trust fund is unable to fulfill its expenditure requirements.

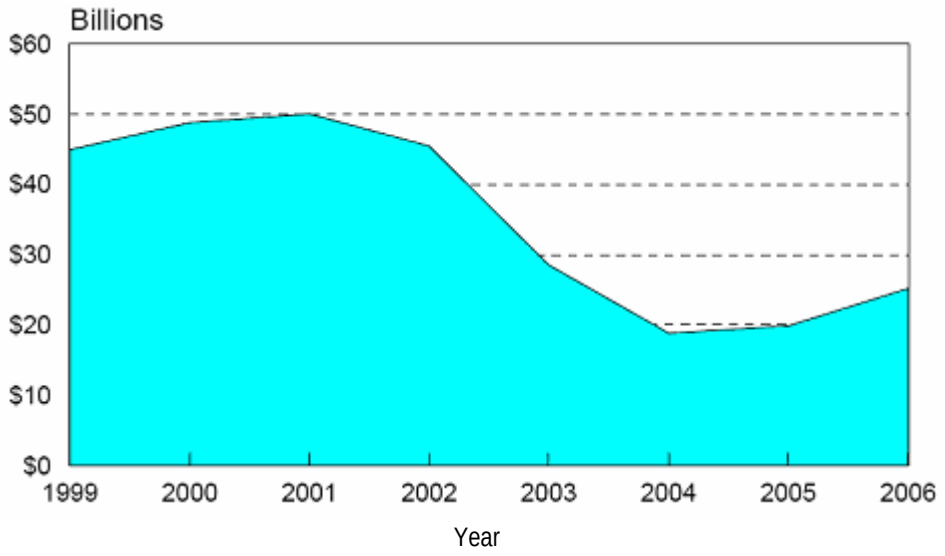
Figures C1 and C2 illustrate recent trends in trust fund contributions and expenditures. The tendency for states to adopt "pay-as-you-go" financing systems for state UI trust funds has resulted in significant disparities between revenues and expenditures in recent years. This difference indicates nationwide shifts from counter-cyclical to pay-as-you-go financing, which allowed employer tax rates to be reduced. These reductions resulted in the failure of trust funds to reach necessary levels to meet the increased demand for benefits during the 2001 economic recession. Consequently, states like California, Michigan, and New York experienced solvency problems in early 2003. As the data presented in Figures C1 and C2 demonstrate, state trust funds are realizing greater revenues than expenditures due to the improving economy.

Figure C1: UI Trust Fund Levels and Economic Conditions



Source: U.S. Department of Labor, Employment and Training Administration, Office of Workforce Security. 2006 Annual Report. Retrieved from http://workforcesecurity.doleta.gov/unemploy/pdf/ar_05.pdf.

Figure C2: Trends in State UI Trust Fund Balances



Source: U.S. Department of Labor, Employment and Training Administration, Office of Workforce Development. 2006 Annual Report. Retrieved from: http://workforcesecurity.doleta.gov/unemploy/pdf/ar_05.pdf

Wayne Vroman of the Urban Institute constructed Table C1 to indicate specific actions states with UI trust fund solvency problems have taken since 2003 to improve their particular program's financial situation. The table specifically points out benefits reductions, tax increases, and borrowing activities these seven states have implemented. Each of these states has borrowed money from some source to address its trust fund insolvency, and all but two states (North Carolina and Texas) have approved increases in their solvency tax provisions. Missouri and Illinois have passed the most reform measures to improve the solvency of their UI trust funds.

Table C1: Solvency Adjustments in Selected States

Key: X = Benefits reduction, tax increase, or loan-related activity.
Y = Benefits increase.
Z = Increases in two solvency tax provisions in Minnesota and three provisions in Pennsylvania.
W = Reduction in solvency taxes.

	Illinois	Massachusetts	Minnesota	Missouri	North Carolina	Pennsylvania	Texas
Solvency Legislation in 2003 or 2004	Yes	Yes	Yes	Yes	No	No	Yes
Benefits Reductions							
Monetary eligibility	Y			X			
Replacement rate	X					X	
Maximum weekly benefits	X		X	X,Y		X	
Maximum duration		X					
Waiting week				X,Y			
Other reductions		X	X	X			
Increased Taxes							
Solvency taxes	X	X	Z	X		Z	W
Maximum rated employers	X	X		X			
Tax schedule triggers			X				
Taxable wage base	X	X		X			
Borrowing Activities							
Loans from U.S. Treasury	X	X	X	X	X		X
Bond/Note authorization	X			X	X		X
Bond/Note issuance	X				X		X
Loan from state account						X	

Source: Vroman, Wayne. (2005b). "The Recession of 2001 and Unemployment Insurance Financing." Urban Institute. Retrieved from http://www.newyorkfed.org/research/epr/05v11n1/0508vrom.pdf on 15 April 2007.

Notes: Illinois monetary eligibility: Alternative base period created, to become operative in 2008.
Massachusetts other reduction: Increased penalties for fraud and overpayments, tightened eligibility for employees of temporary-help agencies.
Minnesota other reduction: New unemployment insurance benefit offsets against severance pay and vacation pay.
Missouri other reduction: Increased penalties for misconduct, new language for misconduct related to drug and alcohol abuse.

Four states—Illinois, Minnesota, Massachusetts, and Missouri—have all taken common approaches to improving UI trust fund solvency by enacting traditional tax-increase and benefits-reduction provisions (Vroman, 2005b). Pennsylvania, North Carolina, and Texas, on the other hand, have taken a less familiar approach to improving solvency.

Pennsylvania passed a "flexible financing" policy for its trust fund in the 1980s. Under this policy, four specific financing features exist and can be triggered based upon the amount of UI reserves on June 30 of a year as a percentage of annualized benefits for the preceding 36 months (Vroman, 2006b, p.67). Seven distinct levels exist for the type of response that will result from these four features, based upon the reserve ratio calculated in that particular year. The four financing features include a solvency surcharge tax on employers; a flat rate surcharge tax on employers up to 0.6 percent of taxable wages; an employee tax of up to 0.09 percent of total covered wages; and a weekly benefits reduction of 2.3 percent

(Vroman, 2006b). The enactment of all four financing features is reflected in Table C1 as options Pennsylvania has taken to improve its solvency situation.

Like Pennsylvania's approach, rather than passing legislation to address its UI trust fund solvency problem, North Carolina acted administratively. North Carolina passed no benefits reductions or tax increases; rather, it twice chose to borrow money from the U.S. Treasury and then issue tax anticipation notes to generate enough revenue to fulfill its UI obligations. These sources of revenue have come from and will continue to come from UI tax receipts to further fund the UI program (Vroman, 2005b). A noteworthy point to take from North Carolina's approach is that the state is functioning only with short-term notes for its interest-bearing loans, a feature that ensures the state will borrow at low, short-term rates (Vroman, 2005b).

Texas, like North Carolina, has chosen to solve its UI trust fund solvency problem by borrowing money from the U.S. Treasury and by issuing bonds. Texas' policy is unique in that state bonds in the amounts of $2 billion and $1.4 billion issued in September 2003 were used to pay back debt obligations with the U.S. Treasury, with the remaining resources deposited into the state's UI trust fund (Vroman, 2005b). By issuing these bonds, Texas was able to avoid having to pay the U.S. Treasury large interest on outstanding loans as well as avoid having to levy a large UI surtax on employers in 2004 to fulfill its UI benefits demand (Vroman, 2005b).

Appendix D: Other Offsets

Offsetting unemployment insurance benefits for eligible workers already receiving Social Security retired-worker benefits is not the only type of offset in the national social insurance system. Offsets also exist for retired-worker and survivors beneficiaries whose income exceeds a certain level, for spousal and survivors beneficiaries who receive a government pension, for workers receiving a pension for work not subject to Social Security taxation and certain Social Security benefits, for disabled workers simultaneously receiving workers' compensation and Social Security disability benefits, and for workers receiving private pensions and UI benefits.

Offset of Retired-Worker and Survivors Benefits for Earnings

Social Security retired-worker and survivors beneficiaries can continue to work while receiving benefits under certain conditions. Recipients may have their benefits reduced if their earnings exceed certain limits during the months before the worker reaches full retirement age. For example, in 2007, a 63-year-old worker who is receiving Social Security retired-worker benefits faces a deduction of $1 for every $2 earned above $12,960. If the worker will achieve full retirement age in 2007, but is already receiving early retirement benefits or survivors benefits, the worker faces deductions of $1 for every $3 earned above $34,440, until the month in which the worker attains full retirement age. Recipients who have reached full retirement age and who continue to work can keep their entire monthly benefit amount, regardless of the level of their monthly earnings from work. In addition, once workers reach full retirement age, their monthly benefits are increased for each earlier month in which benefits were withheld because their earnings exceeded the income limit (SSA, 2007b).

Government Pension Offset

Social Security beneficiaries receiving spousal retirement benefits or survivors benefits can have their Social Security benefits reduced if they are "receiving a pension from a federal, state, or local government based on work where [they] did not pay Social Security taxes" (SSA, 2007a, p. 1). Spousal retirement and survivors beneficiaries face a reduction in their Social Security benefits equal to two-thirds of their government pension (SSA, 2007a). For example, if a widow was eligible for a monthly survivors benefit of $700, but also received a monthly government pension of $600, then her monthly survivors benefit would be reduced to $300.

Windfall Elimination Provision

Workers receiving a pension for work not covered by Social Security, but who also worked in jobs covered by Social Security long enough to be eligible for Social Security retired-worker or disability benefits, face an offset of these benefits. Under the Windfall Elimination Provision, a modified formula is used to determine the Social Security benefit of these workers, resulting in a smaller Social Security benefit than they would otherwise receive.

Offset of Disability Benefits for Workers' Compensation

Disabled workers receiving both Social Security disability benefits and workers' compensation or another public disability payment may have their Social Security disability benefits reduced. If a disabled worker is receiving Social Security disability benefits, the worker's Social Security benefit is added to any workers' compensation or other public disability benefit. If these three benefits together total more than 80 percent of the disabled worker's "average current earnings," the excess amount is deducted from the disabled worker's Social Security disability benefit (SSA, 2004).

Offset of UI Benefits for Private Pensions

In addition to offsetting UI benefits for those who receive Social Security retired-worker benefits, some states offset UI benefits for those receiving income from private pensions. States can offset all pension income or just pension income received from base-period employers. Of states that offset pensions from base-period employers, some states only offset this income if the pension was increased because of base-period employment (Franco, 2004). States that have offsets against base period employer retirement benefits presumably do so with the assumption that retirement benefits suggest voluntary departure for reasons of retirement and a reduced intent to return to work because retirement benefit generally cannot be stopped and started without penalty. Social Security is not tied to a specific employer but represents lifetime work and earnings and can be stopped upon return to work, with a benefit paid later that may have increased because of the additional service and earnings. These offsets are not within the scope of our report, though they could be an informative area of investigation for others.

Appendix E:
Federal Unemployment Tax Act Discussion

Federal statute 26 USC 3304 (a) (15) directs states to reduce the amount of UI benefit a recipient may collect, if that recipient is simultaneously collecting a pension contributed to by a base period employer. However, subparagraph (B) of the statute also seems to give states the authority to disregard this pension income if the recipient contributes to the pension, as follows.

Section 3304 (a) (15) of the Federal Unemployment Tax Act states, in part:

"The Secretary of Labor shall approve any State law submitted to him, within 30 days of such submission, which he finds provides that —

(15) the amount of compensation payable to an individual for any week which begins after March 31, 1980, and which begins in a period with respect to which such individual is receiving a governmental or other pension, retirement or retired pay, annuity, or any other similar periodic payment which is based on the previous work of such individual shall be reduced (but not below zero) by an amount equal to the amount of such pension, retirement or retired pay, annuity, or other payment, which is reasonably attributable to such week except that —

(A) the requirements of this paragraph shall apply to any pension, retirement or retired pay, annuity, or other similar periodic payment only if —

(i) such pension, retirement or retired pay, annuity, or similar payment is under a plan maintained (or contributed to) by a base period employer or chargeable employer (as determined under applicable law), and

(ii) in the case of such a payment not made under the Social Security Act or the Railroad Retirement Act of 1974 (or the corresponding provisions of prior law), services performed for such employer by the individual after the beginning of the base period (or remuneration for such services) affect eligibility for, or increase the amount of, such pension, retirement or retired pay, annuity, or similar payment, and

(B) the State law may provide for limitations on the amount of any such a reduction to take into account contributions made by the individual for the pension, retirement or retired pay, annuity, or other similar periodic payment."

(26 United States Code 3304 (a) (15))

Subparagraph (A) requires states to offset benefits only in those cases in which a work-related pension was contributed to or maintained by a "chargeable" or "base period" employer. Eligibility for UI as well as the determination of benefits amounts and duration is based upon the work completed during a specific "base period" as determined by state statute. A base period employer is thus the employer for which a UI recipient worked during the base period. A "chargeable" employer is an employer whose account will be charged for benefits received by the UI claimant. Thus, subparagraph (A) only requires states to offset UI benefits if the recipient was receiving a pension from the same employer by which the recipient had been laid off.

Under subparagraph (B) of the statute, states have the authority to reduce the amount of the required UI offset by the amount of contributions the individual has made to his or her particular pension or retirement fund. As employees contribute

to the Old-Age and Survivors Insurance Trust Fund through taxes on their earnings, this language seems to give states the authority to avoid offsetting UI benefits for those receiving Social Security retired-worker benefits.

Initially, the U.S. Department of Labor interpreted Social Security and Railroad Retirement benefits as falling under subparagraph (A) of Section 3304, arguing that the Federal Employment Contributions Act contributions (also known as Social Security payroll taxes) made by employers constituted a "base period," thus making them a "base period" employer and qualifying them to offset UI benefits for Social Security retired-worker benefits (NELP, 2003). However, many states sought to use their authority under subparagraph (B) to prevent Social Security and Railroad Retirement benefits from being offset under subparagraph (A) by taking into account the contribution that individuals make to Social Security through payroll taxes and thus did not offset these benefits. In 2003, the U.S. Department of Labor clarified its interpretation of the statute and gave states the express authority to eliminate UI offsets for those receiving Social Security retired-worker benefits.

Appendix F:
State Unemployment Insurance Program Variation

The unemployment insurance program is a federal-state partnership that was established in 1935 to provide a safety net for workers who become involuntarily unemployed. While the UI program's broader guidelines are determined by federal law, it essentially operates as a state-level program since states are free to choose their own eligibility requirements, benefit levels, and financing. The basic criteria that workers must satisfy to qualify for benefits are sufficient wages earned in the past year, involuntary separation from employment, and availability for work. However, the definitions provided for these criteria vary from state to state and, as a result, no two UI programs look the same.

For example, when determining monetary eligibility, states typically look at a worker's earnings in the highest quarter of the base period. The base period is usually defined as the first four of the last five completed calendar quarters, although some states use an alternate base period that incorporates the most recently completed quarter's wages. Base period wage requirements range from $130 in Hawaii to $3,749 in North Carolina; high quarter wage requirements range from $150 in Connecticut to $2,500 in Virginia (Economic Policy Institute, 2004). Part-time minimum wage workers must work at least 20 hours per week to qualify for benefits, but in several states monetary eligibility requirements are set too high for these individuals to qualify for benefits (Economic Policy Institute, 2002).

Workers must also satisfy non-monetary eligibility requirements that vary slightly from state to state. For example, some UI programs allow for exceptions to the involuntary unemployment rule for certain personal reasons, such as the unavailability of child care preventing a working mother from switching shifts. A worker who has been fired for misconduct is typically eligible for UI benefits if he or she made an inadvertent mistake or lacked the ability to perform the job, but these exceptions do not exist in all states.

Once a worker is deemed eligible for benefits, he or she must also satisfy continuing eligibility requirements contingent on job search. Failing to meet these requirements for any of the following reasons typically results in postponement or cancellation of benefits: limitation of job search to part-time work in a state that requires workers to be able and available for full-time work (31 states do); failing to search for work in a given week; or turning down a suitable job offer (Economic Policy Institute, 2004). Workers can also exhaust their UI benefits by receiving the maximum amount for which they are qualified or by receiving benefits for the maximum number of weeks for which they are qualified, which is 26 weeks in nearly every state (U.S. Department of Labor, Employment and Training Administration, Office of Workforce Security, 2007)

Benefits are funded through payroll taxes levied on employers, and state UI programs are experience-rated such that employers' contribution rates vary according to how much or how little their former workers receive in UI benefits. Therefore, firms with many unemployed workers receiving UI benefits will typically pay a higher tax rate than firms with few workers receiving these benefits. Tax rate schedules can also vary according to each state's UI trust fund balance, which, if it drops below a certain level, can trigger the imposition of higher tax schedules on employers. Each state maintains its own trust fund with the U.S. Treasury in which it deposits UI program income and from which it pays out these benefits (Government Accountability Office, 2006).

The following discussion illustrates some of the major differences in UI programs across the country. While we do not discuss some details of states' UI programs, we believe the variables that we examined have significant bearing on state trust fund levels and are thus important when considering the potential effects of an offset. All figures were obtained from U.S. Department of Labor, Employment and Training Administration and reflect the status of state laws as of January 2006, unless otherwise noted (U.S. Department of Labor, Employment and Training Administration, 2006).

Financing

Taxable wage base

Under the provisions of the Federal Unemployment Tax Act (FUTA), a federal tax is levied on covered employers at a current rate of 6.2 percent on wages up to $7,000 a year paid to a worker. More than half of states have, however, adopted a taxable wage base greater than $7,000. Many of these states use flexible wage bases, which are determined every year by calculating a percentage of the state's average annual wages for the previous year. These percentages range from 50 percent in North Carolina and Oklahoma to 100 percent in Hawaii and Indiana. Variations in the taxable wage base are outlined in Table F1.

Table F1: Taxable Wage Bases and Tax Rate Schedules

State	Taxable Wage Base[1]	Minimum and Maximum Tax Rates[1]		State	Taxable Wage Base[1]	Minimum and Maximum Tax Rates[1]	
AL	$8,000	0.44%	6.04%	NE	$9,000	0.24%	5.40%
AK	$30,100*	1.21%	5.40%	NV	$24,600*	0.25%	5.40%
AZ	$7,000	0.02%	5.40%	NH	$8,000	0.10%	6.50%
AR	$10,000	0.10%	10.00%	NJ	$26,600*	0.18%	5.40%
CA	$7,000	1.30%	5.40%	NM	$18,600*	0.03%	5.40%
CO	$10,000	0.30%	5.40%	NY	$8,500	0.90%	8.90%
CT	$15,000	0.50%	5.40%	NC	$17,800*	0.00%	5.70%
DE	$8,500	0.30%	8.20%	ND	$21,300*	0.34%	8.09%
DC	$9,000	1.30%	6.60%	OH	$9,000	0.40%	9.00%
FL	$7,000	0.12%	5.40%	OK	$13,200	0.20%	5.80%
GA	$8,500	0.03%	5.40%	OR	$29,000*	0.90%	5.40%
HI	$35,300*	0.00%	5.40%	PA	$8,000	0.30%	9.20%
ID	$29,200*	0.48%	5.40%	PR	$700	0.01%	5.40%
IL	$11,500	0.20%	7.40%	RI	$16,000	1.69%	9.79%
IN	$7,000	1.10%	5.60%	SC	$7,000	1.24%	6.10%
IA	$22,000*	0.00%	8.00%	SD	$8,500	0.00%	7.00%
KS	$8,000	0.06%	7.40%	TN	$7,000	0.15%	10.00%
KY	$8,000	0.60%	9.50%	TX	$9,000	0.40%	7.64%
LA	$7,000	0.10%	6.20%	UT	$25,400*	0.30%	9.30%
ME	$12,000	0.54%	5.40%	VT	$8,000	0.80%	6.50%
MD	$8,500	0.30%	7.50%	VA	$8,000	0.10%	6.20%
MA	$14,000*	1.12%	10.96%	VI	$20,500*	0.00%	6.00%
MI	$9,000	0.06%	10.30%	WA	$31,400*	0.47%	6.12%
MN	$24,000*	0.40%	9.30%	WV	$8,000	1.50%	7.50%
MS	$7,000	0.40%	5.40%	WI	$10,500	0.00%	8.90%
MO	$11,000	0.00%	6.00%	WY	$18,100	0.47%	8.97%
MT	$22,700*	0.13%	6.50%	*State has a flexible taxable wage base			

[1] Figures reflect state policies as of January 2007 (U.S. Department of Labor, Employment and Training Administration, 2007b).

Tax rates

FUTA requires that employers pay UI taxes to the federal trust fund at a rate of 6.2 percent. The law, however, provides a credit against federal tax liability of up to 5.4 percent to employers who pay state taxes in a timely manner under an approved state UI program. This credit is allowed regardless of the amount of the tax paid to the state by the employer. Accordingly, in states meeting the specified requirements, employers pay an effective federal tax of 0.8 percent (U.S. Department of Labor, Employment and Training Administration, 2006). This tax covers the costs of administering UI and Job Service programs in all

states, pays one-half of the cost of extended unemployment benefits during periods of high unemployment and provides for a fund from which states may borrow, if necessary, to pay benefits (U.S. Department of Labor, Employment and Training Administration, 2006)

State tax rates depend on the state's trust fund balance; in most states, low balances trigger higher tax rate schedules and high balances trigger lower tax rate schedules. Different trust fund conditions (that is, when the state's trust fund is higher or lower than the trigger) allow for different sets of minimum and maximum tax rates for employers. Table F1 above shows, for each state, the minimum tax rate an employer can face when the trust fund is solvent and the maximum tax rate an employer can face when the trust fund is insolvent. States vary in their definitions of solvency; some states' funds must equal at least a certain percentage of payrolls before lower or higher tax schedules are triggered, while others require that their trust funds contain a firm dollar amount before switching to more favorable tax schedules.

Experience formulas

Experience ratings are used to determine an employer's relative experience with unemployment and benefit costs to establish that employer's tax rate. There are four unique formulas for calculating experience ratings: reserve-ratio, benefit-ratio, benefit-wage ratio, and payroll variation. Table F2 presents the variance in experience-rating formulas among states.

Table F2: Experience Formulas

State	Experience Formula	State	Experience Formula	State	Experience Formula
AL	Benefit-Ratio	LA	Reserve-Ratio	OK	Benefit-Wage-Ratio
AK	Payroll Variation	ME	Reserve-Ratio	OR	Benefit-Ratio
AZ	Reserve-Ratio	MD	Benefit-Ratio	PA	Benefit-Ratio
AR	Reserve-Ratio	MA	Reserve-Ratio	PR	Reserve-Ratio
CA	Reserve-Ratio	MI	Benefit-Ratio	RI	Reserve-Ratio
CO	Reserve-Ratio	MN	Benefit-Ratio	SC	Reserve-Ratio
CT	Benefit-Ratio	MS	Benefit-Ratio	SD	Reserve-Ratio
DE	Benefit-Wage-Ratio	MO	Reserve-Ratio	TN	Reserve-Ratio
DC	Reserve-Ratio	MT	Reserve-Ratio	TX	Benefit-Ratio
FL	Benefit-Ratio	NE	Reserve-Ratio	UT	Benefit-Ratio
GA	Reserve-Ratio	NV	Reserve-Ratio	VT	Benefit-Ratio
HI	Reserve-Ratio	NH	Reserve-Ratio	VA	Benefit-Ratio
ID	Reserve-Ratio	NJ	Reserve-Ratio	VI	Reserve-Ratio
IL	Benefit-Ratio	NM	Reserve-Ratio	WA	Benefit-Ratio
IN	Reserve-Ratio	NY	Reserve-Ratio	WV	Reserve-Ratio
IA	Benefit-Ratio	NC	Reserve-Ratio	WI	Reserve-Ratio
KS	Reserve-Ratio	ND	Reserve-Ratio	WY	Benefit-Ratio
KY	Reserve-Ratio	OH	Reserve-Ratio		

The reserve-ratio formula was the earliest of the experience-ratio formulas and continues to be the most popular. On each employer's record are entered the amount of payroll, contributions, and the benefits paid to workers (typically over the last three years, although some states extend the formula beyond three years). The benefits are subtracted from the contributions, and the resulting balance is divided by the payroll to determine the size of the balance in terms of the potential liability for benefits. The balance carried forward each year under the reserve-ratio plan is ordinarily the difference between the employer's total contributions and the total benefits received by workers since the employer became subject to the UI law (U.S. Department of Labor, Employment and Training Administration, 2006, p. 2-7).

The benefit-ratio formula also uses benefits as the measure of experience, but eliminates contributions from the formula and relates benefits directly to payrolls. The formula used is benefits paid by the employer divided by the employer's payroll, the theory being that if each employer pays a rate that approximates his or her benefit ratio, the program will be adequately financed (U.S. Department of Labor, Employment and Training Administration, 2006, p. 2-8).

The benefit-wage formula is designed to assess variable rates that will raise the equivalent of the total amount paid out as benefits. The percentage relationship between total benefit payments and total benefit wages in the state during three years is determined. This ratio, known as the state experience factor, means that, on average, the workers who drew benefits received certain amounts for each dollar of benefits wages paid. This also means that the same amount of taxes per dollar of benefits wages is needed to replenish the fund. The total amount to be raised is distributed among employers in accordance with their benefits-wage ratios; the higher the ratio, the higher the rate (U.S. Department of Labor, Employment and Training Administration, 2006, p. 2-9).

Unlike the other formulas, the payroll variation plan does not consider benefits paid by the employer. Rather, experience with unemployment is measured by the decline in an employer's payroll from quarter to quarter. The declines are expressed as a percentage of payrolls in the preceding period, so that experience of employers with large and small payrolls may be compared. If the payroll shows no decrease or only a small percentage decrease over a given period, the employer will be eligible for the largest proportional reductions (U.S. Department of Labor, Employment and Training Administration, 2006, p. 2-9).

Monetary Entitlement

The base period is the time period examined when UI offices determine a worker's monetary entitlement. Almost all states use the first four of the last five calendar quarters preceding the filing of a claim. Base-period employment and earnings are not, however, a perfect proxy for determining a worker's attachment to the labor market; therefore some states have developed alternative or extended base periods to address some of the worker ineligibility that results from using a strict base period.

Alternative and Extended Base Periods

Some states use an *alternative base period* that, unlike the standard base period, does consider earnings in the most recent quarter. States can also adopt an *extended base period* to address those workers whose earnings in the current base period would not qualify them for UI. These workers typically suffer from illness or injury and may qualify under an extended base period that examines wages dating before the illness or injury occurred. State variance in base periods is demonstrated in Table F3 below.

Table F3: Alternative and Extended Base Periods

State	Alternative (ABP) and Extended (EBP) Base Periods	State	Alternative (ABP) and Extended (EBP) Base Periods
AL		NE	
AK	EBP	NV	
AZ	EBP	NH	
AR		NJ	
CA		NM	ABP
CO		NY	ABP
CT	ABP/EBP	NC	EBP
DE		ND	
DC	ABP	OH	ABP
FL		OK	ABP/EBP
GA	ABP	OR	
HI	ABP	PA	EBP
ID	EBP	PR	
IL	EBP	RI	ABP
IN		SC	
IA	EBP	SD	EBP
KS	EBP	TN	
KY	EBP	TX	EBP
LA		UT	
ME	ABP/EBP	VT	ABP
MD		VA	ABP
MA	ABP/EBP	VI	
MI	ABP	WA	ABP
MN	EBP	WV	
MS		WI	ABP
MO		WY	
MT	EBP		

Nonmonetary Eligibility

In addition to the variance in monetary requirements for UI eligibility across states are the differences in UI programs' nonmonetary eligibility conditions. The two discussed here are part-time work and workers' compensation provisions.

Part-Time Work

While most states require that UI beneficiaries seek full-time work to be eligible, some states have provisions that allow workers to collect benefits while searching for part-time work. States that pay workers seeking part-time employment do so under certain conditions – typically, that the worker has a history of part-time work and became UI eligible through wages earned in a part-time position or that the worker has medical restrictions that limit his or her work hours. States with part-time work provisions are listed in Table F4 below.

Workers' Compensation Offsets

Many states consider workers' compensation receipt when calculating UI benefit payments to unemployed workers. While some of these states deny benefits entirely for any week during which the unemployed worker received workers' compensation, other states treat workers' compensation as deductible income and reduce UI benefits by the amount of the workers' compensation benefits. States' treatment of workers' compensation benefits is outlined in Table F4.

Table F4: Part-Time Work and Workers' Compensation Provisions

State	Part-Time Work Provisions	Workers' Compensation Offsets	State	Part-Time Work Provisions	Workers' Compensation Offsets
AL		Reduced	NE	Yes	Reduced
AK			NV	Yes	
AZ			NH	Yes	Reduced
AR	Yes		NJ	Yes	
CA	Yes	Reduced	NM	Yes	
CO	Yes	Reduced	NY	Yes	
CT		Denied	NC	Yes	
DE	Yes	Reduced	ND	Yes	
DC	Yes		OH	Yes	Reduced
FL	Yes		OK	Yes	
GA		Denied	OR	Yes	
HI	Yes		PA	Yes	
ID			PR	Yes	
IL	Yes	Reduced	RI		Reduced
IN			SC		
IA	Yes	Reduced	SD	Yes	Reduced
KS	Yes	Denied	TN		Denied
KY			TX		Denied
LA	Yes	Reduced	UT	Yes	
ME	Yes		VT	Yes	Reduced
MD			VA		
MA	Yes	Denied	VI		
MI			WA		
MN	Yes	Reduced	WV		Denied
MS			WI	Yes	Reduced
MO		Reduced	WY	Yes	
MT	Yes	Denied			