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Topic Paper: Reduction of Employer Unemployment Insurance Tax Rates Adopted by  
2012 Utah S.B. 129 Should Be Repealed – Final Ver. 3.0  
Stock Issues Pattern<sup>1</sup> - APA Citation Form.  
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**Proposition: 2012 Utah S.B. 129 should be repealed.**

On February 16, 2012, Utah Governor Herbert signed 2012 Utah S.B. 129, *Unemployment Insurance Amendments*, into law (Gehrke), and although the law's effects facially appear to be minor, 2012 S.B. 129 implements poor substantive economic policy that minimize Utah employers' contributions to the Utah Unemployment Insurance Trust Fund (UTF). S.B. 129 should be repealed, and the status quo economic policies in effect before the bill's passage should be restored. S.B. 129 is special interest legislation that over the next 5 years will transfer \$50M in tax liability from profitable Utah businesses to a select group of 126 low performing, but large businesses principally in Utah's construction industry<sup>2</sup> More importantly, S.B. 129 breaks the social contract between business and labor to assure an adequate safety net for workers during downturns in the economic cycle. Not reducing Utah employee and employer contributions to the UTF during recovery from the Great Recession will *significantly* promote economic growth and social stability, but, in contrast, implementing the new bill will adversely affect the solvency of Utah's unemployment insurance safety net.

**Through an adequately funded reserve, the UTF is a *significant* source of economic activity that carries Utah's economy through downturns of the business cycle, and S.B. 129 slows a quick recovery of the now depleted UTF balance.**

**Background on what S.B. 129 does, and how the bill effects Utah's long-term unemployed**

The new law permanently reduces Utah employers' unemployment insurance contributions to the UTF to the minimum federal contribution rate, and it will provide a one-year, one-time 60% reduction in business contributions during 2013 (Herbert; Gehrke; Utah State Legislature 2012b; 2012 S.B. 129, enrolled copy). The bill will reduce the unemployment

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<sup>1</sup> Stock issues pattern elements (significance, harm, inherency, topicality, solvency, and desirability) are emphasized with italicized text.

<sup>2</sup> See discussion beginning at page 7, below.

insurance contribution to Utah's UTF by a total of \$24.6M (Herbert at Slide 19; Semerad 2011b). These reductions in employer contributions will occur at the time when the balance of Utah's UTF is near historical and actuarial minimums.<sup>3</sup> While the current UTF balance is about \$360M, the recommended range for an adequate actuarial balance is between \$623M and 828M (Employment Advisory Council 2011b at folio page 18; Figure 1).

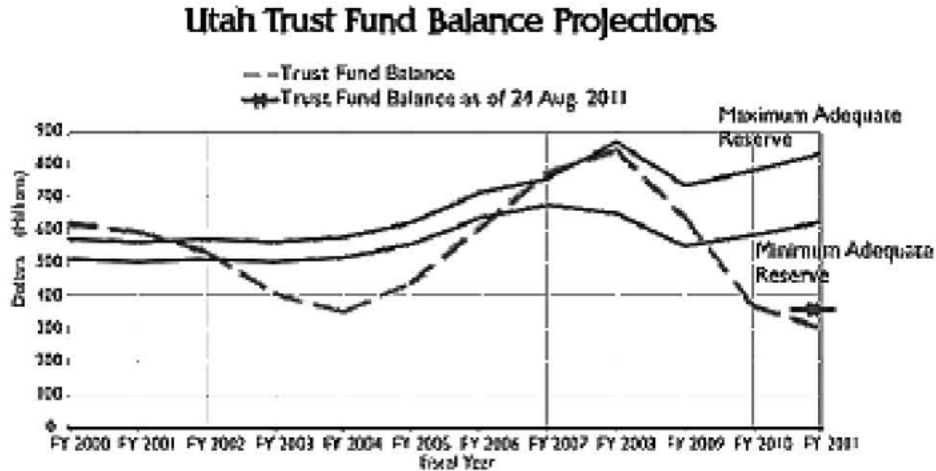


Figure 1 - UTF actuarial recommended and actual balance to Aug. 2011. Source: Utah DWS 2011b.

Utah's unemployed continue to shoulder a heavy burden as Utah recovers from the Great Recession. The Legislature's decision to not extend unemployment benefits recently removed 23,400 Utahns off the UTF insurance rolls (Loftin),<sup>4</sup> or about 21.5% of Utah's unemployed (OWI 2011, BLS 2011a, BLS 2011b, Utah DWS 2010, Utah DWS 2011a). Utah's unemployment rate is now 5%, but that excludes about 133,500 of Utah's long-term unemployed,<sup>5</sup> and Utah's adjusted unemployment rate is about 15%.<sup>6</sup>

<sup>3</sup> The balances of the UTF at the beginning of selected months during 2011 and 2012 were: \$312.7M Jan-2011, \$281.6M Mar-11, \$304.0M Jul-2011, \$365.5M Jan-2012, and \$351.9M Feb. 2012 (U.S. Treasury). In 2008, the UTF balance was \$800M (Utah DWS at 25) with an actuarial ratio of 144% fund-balance-to-projected-benefits (Henchman, Fig. 7 at 13). Under S.B. 129, future UTF actuarial ratios may drop to 68% (see n. 9, below and Figure 1).

<sup>4</sup> "The extended benefits would have helped 23,432 Utah residents, according to the National Employment Law Project" (Loftin).

<sup>5</sup> In March 2010, Utah's labor force totaled about 1.376M persons of which 108,547 were unemployed (BLS2011a). A very rough estimate of the percent of unemployed who lost benefits is 23.4/108.5 persons, or 21.5%, and the percent of the total labor force was .0234/1.376 or 1.7%, based on data from Loftin and BLS 2011a. This estimate is consistent with the data Dept. of Labor data for Utahns' exhaustion of unemployment benefits. For the 12 months preceding Sept.

If the economy takes another downturn in 2012-2013, then the UTF will have insufficient funds to pay claims as due, and this may require Utah, to join 32 other states who in 2011, borrowed \$38.6 billion, including \$1.3 billion in interest, in order to meet their minimum federal unemployment claim payment obligations (Henchman, Fig. 7 at 13). Such deficit financing will encourage Utah to further reduce unemployment benefits if the Great Recession experiences a second “double dip.”

**On the grounds of promoting recovery from the Great Recession, S.B. 129 should be repealed.**

Through an adequately funded UTF, Utah’s unemployed buoyed the state’s economy across the Great Recession. Although being unemployed, these Utahns significantly contributed to Utah’s economic recovery from the Great Recession because, through employer taxes, those laborers built the large pre-2008 reserve of the UTF in order to provide for their economic security across the down side of the economic cycle. These unemployed Utahns have a very high marginal propensity to consume all income that they receive. The marginal propensity to consume (MPC) of ordinary consumers is about 80 percent of each dollar of income, and given the depth and length of the Great Recession, that estimate probably understates the current MPC of this group. In 2010, Utah paid from the UTF \$463,460,000 in unemployment benefits (Utah

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30, 2011, 32,999 of 118,134 unemployed Utahns (27.9%) exhausted their unemployment benefits (OUI 2011 at p. 58).

<sup>6</sup>The official unemployment rate understates Utah’s true unemployment rate because it artificially designates about 133,500 of Utah’s long term unemployed as no longer seeking work. Utah’s labor force is provisionally estimated for Nov. 2011 as 1,336,027 persons of which 1,250,244 are employed and 85,783 are unemployed (BLS 2011a; BLS 2011b). In Nov. 2011, Utah’s civilian non-institutional population was 2,052,659. Since the 2008 recession began, Utah’s labor force participation rate has declined from 72% to 65.5%, a drop of 6.5% (Utah DWS 2011a at 2). 65.5% of Utah’s civilian non-institutional population is 1,336,027. The labor force participation rate is equal to employed persons + unemployed persons / civilian non-institutional population. Because the recession reduced Utah’s labor force participation rate by 6.5% (72%-65.5%), there are 133,423 Utahns (2,052,659 times 6.5%) who are statistically deemed to not be in the labor force, but who are probably still interested in finding work. The unemployment rate equals unemployed persons divided by the total of unemployed and employed persons. 6.4% = 85,783 / 1,336,027. Adding the 133,423 disregarded workers back into the unemployment rate computation yields:

$$\text{Adjusted Unemployment Rate} = ( 85,783 + 133,423 ) / ( 1,336,027 + 133,423 ) = 219,206 / 1,469,450 = 14.9\%.$$

DWS 2010 at 11). For the 12 months preceding September 30, 2011, Utah paid \$296,363,000 in benefit (OUI 2011 58), and virtually all of those benefits were immediately spent by Utah's unemployed workers.

In 2010, while Utah continued with anemic flat recessionary growth, these workers expending their benefits were a substantial component of Utah's 2.5% growth in state nominal GDP (GOPB), and without these worker's expending their earned unemployment benefits, the state's 2010 GDP would have been an anemic 0.5%. In Utah's 2010 gross domestic product was \$114.538B, and the payment of \$463,460,000 in earned benefits to Utah's unemployed financed through the UTF balance contributed about \$2.32 billion to Utah's GDP, or about a net increase of about 2% of state GDP (U.S. BEA 2011).<sup>7</sup>

**The societal and economic harm caused by 2012 S.B. 129 is substantial.**

S.B. 129 harms Utah's current and future economies in several ways. The bill's provisions will not immediately contribute to economic recovery of state GDP. In the future, the bill risks unraveling the state's unemployment social stability net, and the bill, at its core, is special interest legislation that preferentially subsidizes some high-social cost industries by transferring money from other low social-cost industries. Finally, in the long-term, S.B. 129 may force the state's UTF into a deficit borrowing position.

**First, on the grounds of economic inefficiency, S.B. 129 should be repealed.**

S.B. 129 will harm the state's economic recovery by generating insignificant short-term economic stimulus. The economic stimulus benefits of paying benefits to the unemployed with a high marginal propensity to consume are undisputable. As noted above, the state's 2010 GDP increase from the payment of unemployment insurance benefits was 2%, but in comparison, S.B.

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<sup>7</sup>Utah's 2010 gross domestic product was \$114.538B. The computation of the expected economic impact of economic effect of the \$463M in unemployment insurance benefits is as follows. The governmental expenditure multiplier yields the expected change in gross domestic product for governmental expenditures in a simplified two sector economy, and the multiplier is computed with  $\text{Mult}_{GE} = 1/(1-\text{MPC})$ , where "MPC" is the marginal propensity to consume. Consumer MPC is generally taken as 0.8. Thus, the computed tax multiplier is  $1/(1-0.8)$  or 5.0. The tax rate multiplier of 5.0 times expenditures of \$463M equals an expected increase in Utah's GDP of \$2.3B, or about 2.0% of Utah's \$114.538B 2010 GDP.

129's short-term \$24 million tax reduction might have increased Utah's 2010 GDP by about one-thousandth percent (0.001).<sup>8</sup>

Even S.B. 129's small beneficial contribution to state GDP is illusory. The tax reduction's potential positive contribution assumes that businesses have the same marginal propensity to consume as consumers, but businesses do not have the same MPC as consumers. Businesses have a lower MPC during a recession and early in a recovery because their desire to consume is driven by economic demand for their products. During a downturn or an early recovery, there is no consumer demand and no incentive businesses to consume goods and services needed to produce more of a company's products. Even if businesses retain the minor unemployment tax reductions provided by 2012 SB 129, micro and macroeconomic precepts indicate that they will not spend those tax savings. As with many businesses during the downturn, businesses with simply idle the reduction by depositing them into savings, thus reducing short term state GDP.

**Second, on the grounds of promoting stable business-labor relations, S.B. 129 should be repealed.**

S.B. 129 harms the productivity of the state's workforce by weakening a key social and economic pact between labor and business. The bill *harms* social stability by weakening the economic pact between labor and business. The central lesson of the Great Depression Society was that moral obligation and a practical macroeconomic obligation to assure societal stability for its workforce during extreme recessionary periods. The current unemployment insurance system was created in response to that crisis, and since 1935, employees have financed the insurance system through reduced wages, although assessments are made solely against employers. This social safety net has been a principal component in the maintaining the relative calm in United States management labor relations. By underfunding the system, S.B. 129 will

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<sup>8</sup> As noted above, Utah's 2010 gross domestic product was \$114.538B. The computation of the expected economic impact of HB30's tax reduction is as follows. The tax multiplier yields the expected change in gross domestic product for a tax reduction in a simplified two sector economy, and the multiplier is computed with  $\text{Mult}_{\text{tax}} = 1/(1-\text{MPC}+\text{Tax\_Rate})$ , where "MPC" is the marginal propensity to consume and "Tax\_Rate" is the tax rate. The consumer (not business) marginal propensity to consume is 0.8, which is a generous assumption that overestimates the likely effect of businesses to consume a tax reduction. The tax rate used is 0.4% - the base Utah unemployment insurance rate. Thus, the computed tax multiplier is  $1/(1-0.8+0.004)$  or 4.9. The tax rate multiplier of 4.9 times a tax reduction of \$24.6M equals an expected increase in Utah's GDP of \$120.6M, or about 0.1% (or one-thousandth) of Utah's \$114.538B 2010 GDP.

result in the system having insufficient funds to finance benefits during the next recession or in a second dip in the current recession.

In the current Great Recession, Utah was able to shoulder the increased demands for benefits only because in 2008, the UTF had reached high actuarial balance of nearly \$900M and a high actuarial ratio of 1.4 (Employment Advisory Council 2011a at 3; Employment Advisory Council 2011b at 18). The bill's premium reductions may potentially deplete the UTF's balance to between \$160M to \$200M, or about 68% of UTF's benefits paid over the last 12 months (Employment Security Advisory Council 2011a at 3; Utah DWS 2011b at 25; Utah DWS 2010 at 11; OUI 2011 at 58).<sup>9</sup>

**Third, on the grounds of good governance, S.B. 129 should be repealed.**

S.B. 129 is special interest legislation that harms the economy by transferring \$10-12 million USD per year in perpetuity from Utah's 58,000 employers to a select group of 126 large businesses. According to a DWS analysis of bill, between \$10M-12M USD per year in annual premium collections would be transferred per year from high experience businesses to industries with low claim experience rates (Employment Advisory Council 2011b at folio page 11). At a January 26, 2012 Utah Senate Revenue and Taxation Committee hearing on S.B. 129, the Director of Unemployment Division of the Utah Department of Workforce Services, Bill Starks, described how the bill's benefits will accrue to a small group of use businesses with high cyclical unemployment experience (Utah State Legislature 2012a at 39:05-47:00). Cyclical industries like construction typically pay the maximum 9% rate. Eighty-eight percent of the bill's benefits will accrue to the 5% of highest payers – principally large construction businesses who experience cyclical high layoffs (*id*). The bill would socialize (Stark's word) the costs of high claim businesses into average rates paid by other non-construction employers with lower unemployment claim rates (*id*). Tom Bingham, President of Utah Manufacturers Association and

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<sup>9</sup> In 2010, Utah paid \$463,460,000 in unemployment benefits (Utah DWS 2010). For the 12 months preceding September 30, 2011, the UTF paid \$296,363,000 in benefits (OUI 2011 at 58). “[H]owever it [the fund balance] may go as low as \$200 million” (Utah DWS 2011b at 25, para. 4). “Fund managers now believe the unemployment fund will hit a low of \$160 million sometime in 2012 or 2013 but will remain solvent” (Semerad 2011a).  $\$200\text{M} / \$463\text{M} = 43\%$ ;  $\$160\text{M} / \$296 = 57\%$ ;  $\$200\text{M} / \$296\text{M} = 68\%$ .

a member of the Department of Workforce Services Employment Advisory Council,<sup>10</sup> confirmed that the construction industry members of the Association were the primary authors and proponents of the bill (Utah State Legislature 2012a at 36:33).

The basis of Starks’s January 2012 estimates were handouts not included in the digital electronic record of the Revenue Committee’s hearing; however, comparing Starks’s testimony to the Workforce Services Employment Advisory Council’s meeting record of June 2011, it appears that Unemployment Director Starks presented to the Revenue Committee a table regarding who benefits from S.B. 129 that also was included in the Employment Advisory Council’s June 2011 board member package. A closer examination of that table (Employment Advisory Council 2011b at folio page 11) clarifies who wins and who loses under S.B. 129:

**Table 1 Demographics of the 2,102 active Utah “experienced rated” employers that have rates between 7.5% and 9.4% in 2011 (3,000 to 3,500 payrolls are expected to be impacted in 2012) . Source: Employment Advisory Council and DWS (2011b) at folio page 11.**

Total FY 2010 Payroll <sup>a</sup>	No. of Employers	% of Employers	Total Est. Ave. Payroll S <sup>b</sup>	% Total Est. Ave. Payroll S <sup>c</sup>	Total allocation of \$10M per year S <sup>d</sup>	Per business ave. allocation of \$10M per year \$
Under \$10,000	367	17%	1,834,817	1%	72,890	199
\$10,000 to \$50,000	777	37%	15,540,000	6%	617,342	795
\$50,001 to \$100,000	393	19%	9,824,804	4%	390,300	993
\$100,001 to \$250,000	317	15%	23,774,842	9%	944,479	2,979
\$250,001 to \$500,000	122	6%	15,249,939	6%	605,819	4,966
\$500,001 to \$1 million	60	3%	14,999,970	6%	595,889	9,931
\$1 million to \$5 million	59	3%	117,999,971	47%	4,687,666	79,452
Over \$5 million	7	0.30%	52,499,997	21%	2,085,615	297,945
<b>Total:</b>	<b>2,102</b>	<b>100%</b>	<b>251,724,338</b>	<b>100%</b>	<b>10,000,000</b>	<b>4,757</b>

**Notes:** a – The three left-hand columns are from the source document, and the remaining columns are computed by this author. b - Midpoint of payroll cohort times number of employers. For “over \$5 million category,” the midpoint is conservatively assumed to be \$7.5 M. c - Percent Total Est. Average payroll times socialized cost. d - Total allocation of \$10M per year divided by number of employers.

<sup>10</sup> The thirteen member Employment Advisory Council consists of representatives of employers, unions and the public-at-large, and members are appointed by the executive director of the Utah Dept. of Workforce services pursuant to Utah Code Ann. § 35A-4-502.

Who gains from S.B. 129's long-term annual transfer of \$10M in unemployment insurance premium liability between Utah's businesses? Over a 5 year time horizon, the bill will cause about \$50M dollars in tax liability to be transferred from small profitable Utah businesses to a select group of about 126 high social cost, large businesses principally in Utah's construction industry. There are about 58,000 businesses in Utah that have employees, thus, are subject to unemployment premium responsibilities.<sup>11</sup> The DWS data shown in the three-left hand columns of Table 1 concerns only 2,100 of those 58,000 businesses (4.6%). These 2,100 businesses have the highest-layoff rates, and thus they incurred under pre-S.B. 129 law, the highest unemployment premiums between 7.5% and 9.0% of gross payroll. The significant long-term effect of S.B. 129 preferentially reduces the unemployment insurance premiums for these 2,100 businesses to a maximum of 7%, but the bill achieves those reductions by increasing the premiums of the other 95% of Utah business (about 56,000 employer firms). The continuing \$10M per year continuing gains of these 2,100 high social cost businesses are concentrated into a special selection group of 126 businesses (6.3% of the 2,100 or about 0.2% of all Utah employer firms) that have payrolls over \$500,000 per year, as shown in Table 1. Of the \$10M in continuing benefits 75%, or about \$7.4M per year, is concentrated in just 126 companies. As DWS's Starks and the Advisory Council's Bingham stated (above), those 126 companies are principally in the construction industry.

As special interest legislation, S.B. 12 is inherently *harmful* as a matter of good governance. Without better proof that the bill will actually stimulate Utah leading indicator industries during an economic upturn, the bill simply enables one special interest business group to transfer funds from other businesses without the meeting the justifications of social and economic need or efficiency. S.B. 129 is special interest tax legislation that benefits the construction industry, and as a principle of good governance such taxation transfers should be considered in the broader

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<sup>11</sup> In 2006, the last year in which data is available, there were about 58,000 employer firms, and 86% (50.5k/58k) of those firms employed between 1-19 persons, or about 18% of the workforce (190.6k persons of 1,039k employed persons), 11% (6.2k/58k) of those firms employed between 20-499 persons, or about 32% (327.6k persons), and 3% (1.8k/58k) of those firms employed 500 or more persons, or 50% (521k persons) of the employed workforce (Office of Advocacy). In 2006, Utah hosted another 180,000 non-employer firms, and those one-person firms do not pay UI premiums.



context of income or excise tax legislation. Such preferential tax transfers should not be hidden within employee social safety net legislation.

The guiding principle of good governance also includes government transparency and truthfulness by state leaders. Governor Herbert represented that purpose of the bill was to get “government off your backs and out of your wallets and let the free market roll forward” (Gehrke). As shown here, the bill was anything but that. S.B. 129 is a bill that whose principal purpose was to use obscure nuances in the effects of the state’s payroll tax law to transfer about \$7.4M each year from Utah’s small businesses to a small select group of 126 largest Utah employers.

**Fourth, on the grounds of state fiscal responsibility, S.B. 129 should be repealed.**

Reducing Utah’s unemployment tax rate to federal minimums may harm Utah’s economy in the future recessions by rendering the UTF insolvent. As noted above, in 2011 thirty-two states have insolvent unemployment insurance trust funds, and by August 2011, those states covered their deficits by borrowing \$38.6 billion from the U.S. Treasury (Henchman, Fig. 7 at 13).<sup>12</sup> In order to assure timely payment of their unemployment insurance claims, insolvent state funds are required to borrow from the U.S. Treasury. The common characteristic of these defaulting states is that during the late 1990s through 2007, those states adopted the minimum federally required unemployment insurance assessment rate (*compare* Henchman, Fig. 1 at 3, to Fig. 7 at 13), and that policy choice resulted actuarial ratios for those state’s unemployment trust funds dropping into the 60% range. As noted above, at the start of the Great Recession in 2008, Utah had a healthy actuarial ratio (reserves to annual estimated claims) of 144%, under the new contribution rates, Utah’s actuarial ratio may drop to 68% (n. 3 and 9, above).

UTF solvency is an important priority of the State Legislature.<sup>13</sup> For example, in order to maintain the solvency of the fund, in 2010, the legislature refused to fund extended duration of benefits by reducing the maximum number of unemployment insurance benefits from 86 to 73 weeks, thus removing about 23,400 unemployed persons and their families (or about 21.5% of

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<sup>12</sup> Federal law mandates that states take out federal loans to cover any deficits in their unemployment trust funds.

<sup>13</sup> Several Utah Senate Revenue and Taxation Committee members, in their January 2012 hearing on the proposed legislation, stated that avoiding fund insolvency was an important legislative priority (Utah State Legislature 2012a).

the then unemployed) from the insurance rolls (Loftin, UBEA 2011).<sup>14,15</sup> If the UTF goes insolvent during a future recession or during a “double-dip” of the current Great Recession, the legislature might respond by further reducing state unemployment insurance benefits.

**The bad economic policies adopted in S.B. 129, reflect an inherent weakness in our system that finances unemployment insurance benefits**

The bad economic policies adopted in S.B. 129 resulted from an *inherent* flaw of the unemployment insurance safety net. On the one-hand, although state unemployment trust funds are financed by premiums assessed on employers, those social safety net insurance payments are really paid by employees through reduced wages. Employees expect reserves to be maintained at adequate levels to provide them with an economic bridge across the low points in the business cycle. Employees, not employers, are the beneficiaries of that trust fund. On the other hand, employers, through the pro-business Utah State Legislature, control the rate that premiums are paid into the state trust funds. Employers seek to minimize their premium rates during both times of economic growth and downturn. For the unemployment trust fund system to work effectively, employers must make more contributions than needed to pay current claims during good economic times, and those high contributions fund a reserve that can be drawn down during bad economic times.

An *inherent* feature of this insurance system is that following an extraordinarily deep recession, employers will need to make extraordinarily high contributions to refund the reserve. However, the degree of those catch-up payments are entirely within the control of the employers and business dominated state legislators. The base rate could have been set higher during good economic times, and a higher reserve could be carried to cover extraordinary losses. Because employers, not employees, control insurance rates, employers should bear the risk of paying higher premiums, and employees should not bear the costs of inadequately funded reserves. And employers are in a better position to pay. As noted above (at page 3), Utah’s unemployed already bear a significant economic burden related to the Great Recession. In contrast, The Tax Foundation nationally rates Utah as having the 6th lowest corporate tax rate, the 2nd lowest

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<sup>14</sup> See n. 5, above.

<sup>15</sup> In context, 13 of the 50 states and two territories, or 25%, allow weekly benefits for durations less than or equal to Utah’s maximum of 73 weeks (Henchman, Table 2, at 6).

property tax rate (Padgitt at Table 3 at 10 and Table 6 at 29), and the 8th lowest unemployment insurance base rate (Loftin at Fig. 5, p. 8).

### **Conclusion**

The inherent controversy generated by S.B. 129 was not finally resolved by the legislature passing S.B. 129 and Governor Herbert signing the bill into law. The controversy is not finally settled because in the short-term Utah's economy appears to be improving. S.B. 129 remains *topical*, in part, because Governor Herbert misstated the effect of legislation. He described the bill reducing governmental intervention, when, in fact, the law uses governmental power to transfer tax liabilities from small businesses in order to preferentially decrease the tax liability of large businesses. Governor Herbert will be running for re-election through November 2012, and his mischaracterization of the effects of S.B. 129 reflects on his truthfulness as a candidate.<sup>16</sup>

The bill also remains *topical* because, as noted above, a risk remains that the global, national and state economies may experience a "double-dip" recession in 2012 or 2013. A double-dip recession may quickly render the UTF insolvent.

The poor economic policies implemented by S.B. 129 remain *solvent*, because all legislation can be reversed in the next legislative session. By repealing S.B. 129, the status quo before the bill's passage will be maintained.

Quickly rebuilding the UTF and maintaining an actuarial reserve of at least \$600M is *desirable* in order to maintain a safe and stable society for all. A Great Depression style United States, with masses of itinerate workers who have exhausted their unemployment insurance benefits should remain a thing of our state's past, not its future. Economic recovery is dependent on maintaining the social contract with labor to maintain an adequate unemployment safety net. Social and economic losses resulting from a major economic downturn should be equitably shared by business and labor.

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<sup>16</sup> The governor left open avenues for plausible deniability. DWS UI Director Starks testified at the June 2011 Advisory Council meeting that the governor advised Starks to "hold off on the proposal until the next legislative session, and to monitor the health of the Fund" (Employment Advisory Council 2011a at 4). The Governor further instructed DWS to "see this issue widely vetted to make sure there wasn't discomfort about the possibility of rise in social costs" (id). At the January 2012 Revenue and Taxation hearing, Starks told the committee that the Governor had instructed DWS to only pursue S.B. 129, if the reductions in revenues would not endanger the UTF reserve (Utah State Legislature 2012b).

In conclusion, in order to preserve the social contract with labor to maintain adequate unemployment security for Utah's workers, the UTF should be restored to a minimum actuarial level of \$600M USD as quickly as possible. Allowing the UTF's actuarial ratio to drop to the 60% range is socially unacceptable, and risks the fund's solvency given the uncertainty of the current tepid recovery. In order to best promote Utah social stability and economic growth during the remainder of the Great Recession, 2012 S.B. 129 should be repealed.

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