

Unemployment Insurance Bill Analysis: House Bill 518 and Senate Bill 160

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As of Crossover Day, March 6, 2023, Georgia's House and Senate each voted to pass unemployment insurance (UI) bills, [House Bill \(HB\) 518](#) and [Senate Bill \(SB\) 160](#), out of their respective chambers.

These bills have three main provisions: 1) suppressing new employers' UI Trust Fund contribution rate from 2.7 percent to 2.64 percent of employers' payroll until 2026; 2) suppressing tenured employers' contribution rates to the UI Trust Fund by placing them on a lower rate schedule until 2026; and 3) re-establishing a 0.06 percent administrative assessment fee until 2026 to fund employee services and administrative operations within the Georgia Department of Labor (DOL).¹ The administrative assessment fee expired under current law on December 31, 2022.² While GBPI takes no position on the administrative assessment fee, we oppose the provisions that would lower the employer contribution by layering on other financing policies that undermine the UI Trust Fund.

As of January 1, 2023, Georgia's UI Trust Fund balance was \$1.38 billion.³ Based on the size of Georgia's economy and the average amount of UI benefit payouts during its worst recessions, the United States Department of Labor (US DOL) estimates Georgia's trust fund balance has enough to supply UI protections for nearly five months of the average high-level recession.⁴ However, the US DOL recommends that state trust fund balances cover at least one year of protections.⁵

The first two provisions of HB 518 and SB 160 would authorize a three-year suppression of new and tenured employers' contributions to Georgia's UI Trust Fund to compensate for the re-establishment of an administrative assessment fee. For example, a new employer would still pay a 2.7 percent contribution to the Department of Labor, but 2.64 percent would go to the Trust Fund and 0.06 percent would go toward state operations. Georgia legislators allowed this suppression of employer contributions to the UI Trust Fund from 2017 until they expired in statute in 2022.

Georgia's UI Trust Fund is the core of its broader UI system. Trust Fund reserves support UI benefits, which the Georgia Department of Labor administers to serve the three primary functions of its unemployment insurance system: 1) preventing high levels of hardship by protecting the lost wages of unemployed workers,⁶ 2) contributing to workforce development pipelines by supporting dislocated workers as they train and prepares to fill new job vacancies and 3) sustaining consumer spending levels during downturns to spur economic recovery.

The three-year suppression of employer contributions to the UI Trust would layer upon existing irresponsible UI financing practices. Georgia's UI system relies on various factors to make up its average employer contribution rate, which ranks below 34 other states.⁷ This is partially attributed to disproportionate UI trust fund contribution burdens placed on low-wage paying employers. Georgia collects employer contributions from the first \$9,500 of payroll, placing it below every other state except for Tennessee and Florida. By favoring employers who can afford to pay higher wages, this also places unfair trust fund contribution burdens on small businesses. Furthermore, new employers carry heavier burdens given that only 12 percent of the UI benefits charged out of Georgia's UI Trust Fund are considered when calculating tenured employer's trust fund contributions.⁸ Collectively, Georgia's existing practices fail to adequately replenish trust fund payouts for UI benefits.

In 2022, average employer contributions to Georgia's UI Trust Fund were 62 percent below what U.S. DOL estimates to be enough to match annual UI benefit payment levels. Current Trust Fund levels also lack sufficient reserves to protect unemployed workers during the average recession.⁹ This inadequate trust fund investment has taken place despite overall 2022 state revenue from employer profits nearly doubling that of 2019.¹⁰

While spared from debt and insolvency thanks to \$1.6 billion in federal pandemic relief funds, Georgia's current trust fund remains weak, as demonstrated by the US DOL solvency data above. Its current lack of resiliency is also a product of poor, post-Great Recession financing practices. For eight out of ten years between 2010 to 2019, its trust fund reserves averaged 14 percent below healthy levels needed to withstand the average pre-pandemic recession.¹¹ This lack of trust fund investment occurred despite overall state revenue growth of 86 percent over that same period.¹²

Instead of pursuing UI financing policies that would increase average employer contribution levels to the trust fund, in 2012,¹³ state lawmakers began reducing UI benefit access for Georgia workers, which allowed inadequate contribution levels to catch up with reduced UI benefit payouts over time. This has resulted in a state UI system with a positive trust balance, but too weak to handle the average recession. Combined with other restrictions, Georgia's UI system leaves many unemployed Georgia workers, particularly Black workers, ineligible for lost wage protections when they need them. This includes

restrictions that have disproportionately barred unemployed Black workers because of wage and employment eligibility restrictions.¹⁴ Georgia's maximum UI benefit duration of 14 weeks when the overall unemployment rate is 4.5 percent or less,¹⁵ systemically excludes Black workers who currently experience unemployment at 5.6 percent.¹⁶ And combined with a UI system that has yet to be [modernized](#) to respond to dislocated workers' needs, many unemployed Georgians may feel discouraged from applying for UI protections from an agency that too often cannot respond timely to public needs.

More broadly, restricting UI benefits to compensate for weak Trust Fund investments has left nearly eight out of ten unemployed Georgians without UI protection during most of 2022,¹⁷ and an average of six weeks of protection for those enrolled in UI by the end of that same year.¹⁸ UI Trust Fund contribution suppressions add insult to injury, further weakening the financing of Georgia's worker safety net to a point where additional UI eligibility restrictions are pursued to salvage the trust fund, placing higher shares of involuntary workers at risk.

DOL Administrative Funding Provisions Should Not Be Pitted Against Those That Maintain UI Trust Fund Solvency

GBPI takes no position on current bill provisions that would re-establish employer contributions toward DOL administrative operations through a 0.06 percent administrative assessment fee. Before the administrative assessment fee expired in the statute on December 31, 2022, it generated a yearly average of \$21 million from 2016 to 2022.¹⁹ However, provisions for administrative assessment funding should be considered on their own, instead of being used as a mechanism to lower employers' contributions to the UI Trust Fund.

Attempts to Suppress Employer Contributions to the UI Trust Fund Resemble Georgia's Harmful Choices Before the Great Recession

SB 160 and HB 518, in their current forms, have provisions similar to harmful UI financing approaches that were taken before the Great Recession. From 2002 to 2007,²⁰ lawmakers enacted policies to suppress employer contributions, undercutting the restoration of UI trust fund reserves that were drained during the 2001 recession. Those actions suspended employer contribution rate increases that would occur when the UI Trust Fund balance dropped below solvency thresholds. By ignoring safeguards created to replenish trust fund reserves whenever they fell below a solvency threshold, for six consecutive years, Georgia lawmakers weakened a trust fund that subsequently went into insolvency during the Great Recession. That insolvency led to the state taking nearly one billion dollars in interest-

bearing federal loans to continue paying UI benefits.²¹ As with all federal loans to help with insolvent state trust funds, interest was attached and owed by employers.

Post-Great Recession state policy actions in 2012 included increasing employer contributions to collect a share of the first \$9,500 of the annual wages paid to each employee, an increase of \$1,000 from the previous baseline of \$8,500.²² This minimal increase effectively maintained an unfair system, disproportionately placing trust fund financing responsibilities on Georgia's low-wage paying employers. Furthermore, Georgia cut the maximum duration of UI benefits from 26 weeks to a sliding scale beginning at 14 weeks.

Conclusion

Workers and employers bear the fruit of a more stable economy when the solvency of the UI Trust Fund remains a priority. Bolstering Georgia's trust fund during good economic times better prepares our state to persevere and more quickly recover from downturns. Unfortunately, policymakers are using Georgia's strong economy to make changes that would suppress and underfund this critical safety net when we do not see the immediate impact. As state leaders fund state budget reserves in preparation for declining revenues, Georgia should invest in the Trust Fund to support its workers during a downturn. Lawmakers should also focus on sharing responsibilities among all employers more equitably. Failure to do so could be to the further detriment of our state.

End Notes

¹ US Department of Labor. US DOL 2021 UI Law Reference Document, page 55 of 198. Retrieved March 22, 2023 from <https://oui.doleta.gov/unemploy/pdf/uilawcompar/2021/complete.pdf>

² HB 904. Retrieved March 21, 2023, from <https://www.legis.ga.gov/legislation/48066>

³ U.S. Department of Labor, Employment & Training Administration. 2023 State UI Trust Fund Solvency Report. Retrieved March 21, 2023, from <https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2023.pdf>

⁴ Ibid.

⁵ A trust fund reserve amount that covers one year of unemployed worker protections is determined by a US DOL measurement known as the Average High Cost Multiple (AHCM) and expressed as 1.0. This calculation is determined by a formula which looks at a state's

trust fund reserve balance, that trust fund's share of the last 12 months of total payroll annual wages covered under a state's UI system, and that trust fund balance's ability to cover the average level of UI benefit payments in the worst recent recessions.

⁶ In this publication, the term "unemployed" refers to Georgia workers who are involuntarily unemployed.

⁷ US Department of Labor. Average Employer Contribution Rates by State. Retrieved 3/21/2023, from <https://oui.doleta.gov/unemploy/docs/aetr-2022-Est.pdf>

⁸ US DOL CY2021 Tax Measures Report. Page 65 of 70. Retrieved 3/21/2023, from <https://oui.doleta.gov/unemploy/pdf/sigmeasures/sigmeasuitaxsys21.pdf>

⁹ US DOL CY2021 Tax Measures Report. Page 64 of 70. Retrieved 3/21/2023, from <https://oui.doleta.gov/unemploy/pdf/sigmeasures/sigmeasuitaxsys21.pdf>

¹⁰ GBPI analysis of GA Department of Revenue Statistical and Annual Reports, from <https://dor.georgia.gov/annual-and-statistical-report>

¹¹ GBPI analysis of US DOL Tax Measures Reports, from https://oui.doleta.gov/unemploy/sig_measure.asp

¹² GBPI analysis of GA Department of Revenue Statistical and Annual Reports, found at <https://dor.georgia.gov/annual-and-statistical-report>

¹³ HB 347, last accessed on March 21, 2023, from <https://www.legis.ga.gov/legislation/33084>

¹⁴ Donnan, S., Pickert, R., Campbell, M. (2021, November 19). Georgia Shows Just How Broken American Unemployment Benefits Are. Bloomberg News. Retrieved March 21, 2023, from <https://www.bloomberg.com/graphics/2021-georgia-unemployment-bias/?leadSource=uverify%20wall>

¹⁵ HB 1090, found at <https://www.legis.ga.gov/legislation/58026>

¹⁶ GBPI analysis of CPS IPUMS microdata, from the University of Minnesota.

¹⁷ The Century Foundation. *Unemployment insurance dashboard*. Retrieved March 17, 2023, from <https://tcf.org/content/data/unemployment-insurance-data-dashboard/?session=1>

¹⁸ GBPI analysis of DOL Employment and Training Administration 5159 reports.

¹⁹ GBPI analysis of State Accounting Office reports, <https://sao.georgia.gov/swar/grr>

²⁰ US DOL reports on state legislative bills. 2002 Report #2, 2003 Report #2, 2004 Report #1, 2005 Report #5, 2006 Report #2, 2007 Report #4. Last accessed on 3/16/2023, at <https://oui.doleta.gov/unemploy/statelaws.asp#RecentSigProLaws>

²¹ Atlanta Business Chronicle. (2014 May 19). Georgia Pays Back \$1B Unemployment Insurance Loan from Feds. Retrieved March 22, 2023, from <https://www.bizjournals.com/atlanta/news/2014/05/19/georgia-pays-back-1b-unemployment-insurance-loan.html>

²² HB 347. Retrieved. March 21, 2023, from <https://www.legis.ga.gov/legislation/33084>.