RESEARCH NOTES
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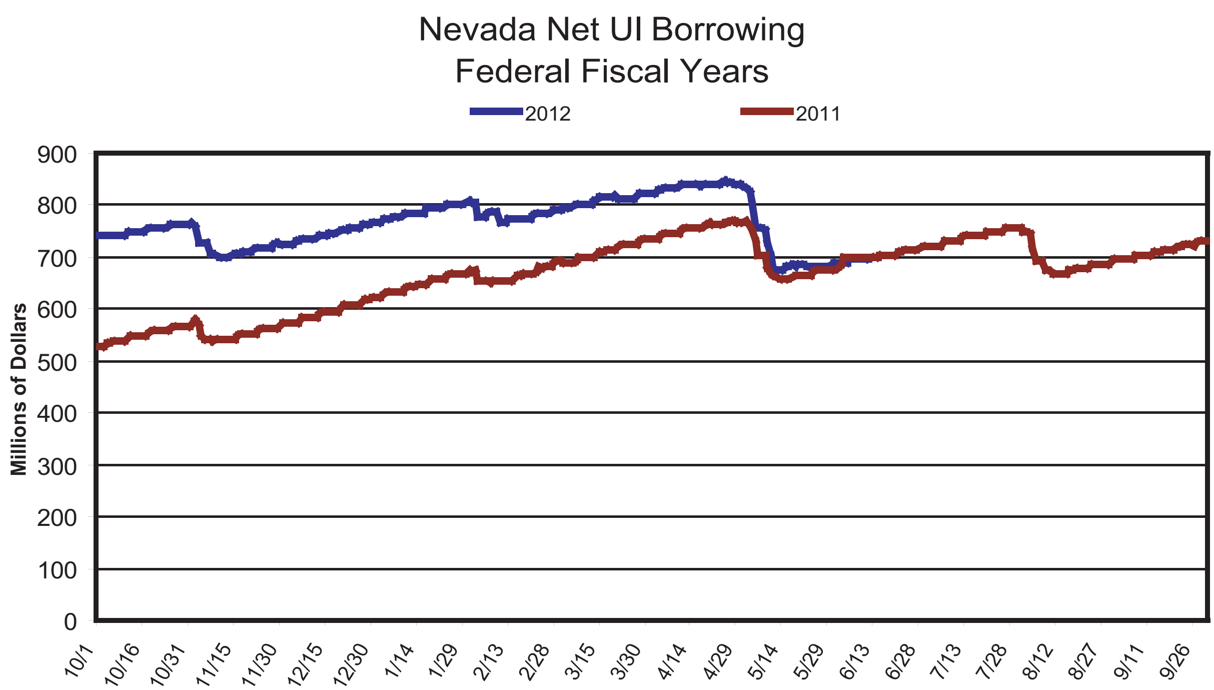
Nevada Net UI Borrowing

June 18, 2012; Dave Schmidt, Economist



- Since October 2009, Nevada has been borrowing from the federal government to pay regular unemployment benefits. This borrowing is only necessary for the regular tier of benefits, as all benefit extensions are federally funded.
- Because of the highly seasonal nature of the UI system, year-over-year comparisons are the best way to look at the overall trends in the solvency or borrowing position of the state. Federal fiscal years are used here because that is the period over which interest accrues and becomes payable.
- After beginning the fiscal year with a net loan balance over $200 million higher than the prior year, as of June 2012, the net borrowing position of the state has drawn roughly even with where it was one year ago.
- This improvement in the outstanding loan balance is driven by several factors:
- From October 2010 through May 2011, weekly regular UI payments averaged $12 million. From October 2011 through May 2012, that has fallen to under $10 million per week, reducing payments by over $80 million.
- The 2011 fiscal year includes two quarters of tax collections based on the average 2010 state UI tax rate of 1.33%, which was increased in 2011 to 2.00% and held steady at 2.00% in 2012. In those quarters, an additional $50 million was collected in fiscal year 2012 compared to fiscal year 2011.
- Despite no difference in the average tax rate when comparing revenues received in May of each year, an improving economy, reflected in rising wages and employment, led to an increase in collections of approximately $50 million in early May.
- An increase in the federal UI tax in states that are borrowing, which is used to pay down loans in those states, paid down the loan balance by $20 million in fiscal year 2012.