

CLMS BRIEF 2 – Estimate of SUI Revenue, State-by-State

**Estimating the Annual Amounts of Unemployment
Insurance Tax Collections From Individual States for
Financing Adult Basic Education/ Job Training Programs
for U.S. Workers Under Alternative Wage Base/ State
Supplemental UI Tax Rates**

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Introduction

In the final, formal report on its deliberations over the future mission, structure, and financing of the nation's adult basic education system, the National Commission on Adult Literacy recommended a substantial expansion and restructuring of the organization and goals of the nation's adult basic education system.¹ Among the major recommendations provided by the commission was an expansion in annual service delivery to 20 million participants by the year 2020. Such a substantial proposed growth in service levels, nearly eight times the numbers served in recent years, will have to be supported by additional monies from national, state, and local governments and from the nation's employers and private foundations.

One of the major challenges facing the national and state adult basic education system in its efforts to expand future service levels to adults is to identify sources of stable, annual funding for such human capital investments that would be less sensitive to annual funding decisions by the U.S. Congress and state legislatures. This is likely to become increasingly important as time goes by, given the serious fiscal problems that will be faced by the federal government and growing fiscal deficits facing state governments.² In an earlier research paper, we presented the case for using a supplemental unemployment insurance tax on the payrolls of private and public employers already covered by the provisions of the unemployment insurance system to finance part of the proposed expansion in the adult education system.³ A growing number of states have levied supplemental UI taxes to fund an array of workforce development programs, including job placement, job search training, occupational job training, customized employer training, and adult education for workers, especially dislocated workers, in their states.⁴

¹ See: National Commission on Adult Literacy, Reach Higher, America: Overcoming Crisis in the U.S. Workforce, Council for Advancement of Adult Literacy, New York City, 2008.

² For a review of current, near term state budget gaps, see: "State Shortfalls," BusinessWeek, November 3, 2008.

³ See: Andrew Sum, Joseph McLaughlin, and Sheila Palma, Estimating the Annual Levels of U.I. Tax Collections for Financing Adult Basic Education/ Job Training Programs for U.S. Workers Under Alternative Wage Base/ Supplemental UI Tax Rate Policies, Prepared for the Council on Advancement of Adult Literacy, New York City, October 2008.

⁴ For a review of recent state efforts that use a supplemental UI tax to finance selected workforce development activities,

See: (i) U.S. Department of Labor, Employment and Training Administration, Comparisons of State UI Laws, Chapter 2, Financing, pp. 31-32, web site; (ii) Massachusetts Executive Office of Labor and Workforce Development, Workforce Training Fund Contribution, web site.

A description of the financing, operations, and impacts of the California Employment Training Panel can be found in the following publication:

Richard W. Moore, Daniel Blake, et al., Training that Works: Lessons from California's Employment and Training Panel Program, W.E. Upjohn Institute for Employment Research, Kalamazoo, 2003.

Our earlier paper conducted simulations of alternative supplemental UI taxes on funds for adult education programs at the national level. In this paper, we will provide two alternative sets of simulations of the amount of tax revenue that could be generated from alternative supplemental UI taxes on maximum annual earnings levels for covered payroll employment levels that have recently prevailed in individual states across the U.S. First, we will present estimates of the annual amount of UI tax revenues that would be generated in each state using their existing maximum earnings contributions under alternative supplemental UI tax rates.⁵ The second set of simulations of UI tax receipts is generated by applying a uniform .5% tax rate to three alternative maximum earnings bases in each state (\$10,000; \$14,000; and \$20,000).

Simulating the Expected Annual UI Tax Revenues From Each State Under Alternative Supplemental UI Tax Rates Under Existing Maximum Earnings Bases

The annual amount of tax revenue that could be generated from any supplemental unemployment insurance (UI) tax on the payrolls of employers in each state will be dependent on the size of the supplemental tax rate adopted, the maximum annual wages of workers in each state that are subject to the UI tax, and the number of workers covered by the UI system in the state. In calendar year 2007, according to data provided by the U.S. Department of Labor's Employment and Training Administration on its website, the maximum annual wages and salaries subject to a state's unemployment insurance tax varied quite widely across the 50 states (see Table 1). At the low end of the annual earnings distribution were eight states that had a maximum taxable wage base of only \$7,000. These states included Arizona, California, Florida, and Tennessee. At the upper end of the distribution were 12 states with a maximum annual earnings subject to the tax of \$20,000 or more, including three Western states (Alaska, Idaho, and Washington) with a maximum earnings base of \$31,000-32,200.⁶

⁵ Under existing state laws, the maximum annual wage levels subject to the regular UI tax range from lows of \$7,000 to highs of \$31,000 to \$32,000 in three states.

⁶ To finance any given level of unemployment benefits, a higher maximum wage base will allow a lower average UI tax rate on earnings.

Table 1:
Distribution of the 50 States in 2007 by the Maximum Value of the
Annual Wage Levels Subject to the UI Tax in Each State

| Maximum Annual Wage Level | Number of States |
|---------------------------|------------------|
| \$7,000 | 8 |
| \$7,100 – 10,000 | 19 |
| \$10,100 – 14,000 | 8 |
| \$14,001 – 20,000 | 3 |
| \$20,000 + | 12 |

Median \$10,000

Source: U.S. Department of Labor, Employment and Training Administration,
Comparisons of State UI Laws, Chapter 2, “Financing of the UI System”.

In our first set of UI tax collection simulations (Tables 2 to 5), we accept the annual maximum earnings subject to the UI tax for each state in 2007. The second factor that will determine the amount of taxes that could be collected by a supplemental UI tax rate is the size of the supplemental tax rate imposed by a state. In our first four simulations of supplemental UI tax receipts, we apply tax rates of .1%, .3%, .5%, and 1.0%, respectively. Of the 22 states applying a supplemental UI tax to finance workforce development activities, the size of the tax rates varied from a low of .02% to highs of more than 1.0%. The median value of the supplemental UI tax across these 22 states was only .1%.

The third factor that will determine the value of the additional UI tax revenues from a supplemental UI tax rate to finance adult education and training is the number of wage and salary workers covered by the operations of the federal and state unemployment insurance system in each of the 50 states. The annual average numbers of wage and salary workers covered by the unemployment insurance system in each state in 2007 are displayed in the second columns of Tables 2-5. These estimates are annual averages. The total number of individuals working in covered wage and salary jobs in each state in 2007 will be greater than this due to turnover in these positions during the year.

In each of the first four tables, there are four columns of data for each state. The first column provides data on the annual average number of wage and salary workers on the covered payrolls of each state and the District of Columbia in 2007. The maximum annual earnings tax base subject to the UI tax in 2007 in each state is displayed in the second column. The third

column presents the UI taxable earnings tax base in each state in 2007. The final column displays the additional UI taxes that would have been collected in each state in 2007 under the UI tax scenario. By summing the values of these 51 estimates for each state and the District of Columbia, we can obtain an estimate of the additional UI tax receipts for the nation as a whole.

Our first simulation is based on applying a .1% supplemental UI tax rate to the maximum earnings tax base for workers in each of the 50 states and the District of Columbia in 2007. As noted above, the .1% supplemental UI tax rate was the equivalent of the median supplemental UI tax imposed by the 22 states that relied on supplemental UI taxes to finance selected workforce development programs in recent years. This tax rate would have raised additional UI tax revenues across the 50 states and D.C. from a low of \$2.427 million in Vermont to highs of \$109 million in California and New Jersey (see the last column of Table 2). The aggregate amount of additional tax revenues raised from the 50 states and D.C. would have been \$1.559 billion under this first scenario.

Table 2:
The Potential Annual Supplemental UI Tax Revenues That Could Be Raised By Applying a .1% Supplemental UI Tax to Each State’s Wage Base in 2008

| State | 2007 Covered Employment | 2008 Wage Base | Taxable Income | Additional UI Tax Receipts |
|----------------------|-------------------------|----------------|-----------------|----------------------------|
| Alabama | 1952091 | 8000 | 15,616,728,000 | 15,616,728 |
| Alaska | 310810 | 31300 | 9,728,353,000 | 9,728,353 |
| Arizona | 2647691 | 7000 | 18,533,837,000 | 18,533,837 |
| Arkansas | 1173852 | 10000 | 11,738,520,000 | 11,738,520 |
| California | 15640575 | 7000 | 109,484,025,000 | 109,484,025 |
| Colorado | 2292630 | 10000 | 22,926,300,000 | 22,926,300 |
| Connecticut | 1686043 | 15000 | 25,290,645,000 | 25,290,645 |
| Delaware | 423412 | 10500 | 4,445,826,000 | 4,445,826 |
| District of Columbia | 678119 | 9000 | 6,103,071,000 | 6,103,071 |
| Florida | 7945162 | 7000 | 55,616,134,000 | 55,616,134 |
| Georgia | 4077184 | 8500 | 34,656,064,000 | 34,656,064 |
| Hawaii | 625862 | 13000 | 8,136,206,000 | 8,136,206 |
| Idaho | 660683 | 32200 | 21,273,992,600 | 21,273,993 |
| Illinois | 5869157 | 12000 | 70,429,884,000 | 70,429,884 |
| Indiana | 2905725 | 7000 | 20,340,075,000 | 20,340,075 |
| Iowa | 1485627 | 22800 | 33,872,295,600 | 33,872,296 |
| Kansas | 1356966 | 8000 | 10,855,728,000 | 10,855,728 |
| Kentucky | 1801907 | 8000 | 14,415,256,000 | 14,415,256 |
| Louisiana | 1868986 | 7000 | 13,082,902,000 | 13,082,902 |
| Maine | 602321 | 12000 | 7,227,852,000 | 7,227,852 |
| Maryland | 2547351 | 8500 | 21,652,483,500 | 21,652,484 |

| | | | | |
|------------------------|-----------|-------|-----------------|----------------------|
| Massachusetts | 3234357 | 14000 | 45,280,998,000 | 45,280,998 |
| Michigan | 4179122 | 9000 | 37,612,098,000 | 37,612,098 |
| Minnesota | 2687482 | 25000 | 67,187,050,000 | 67,187,050 |
| Mississippi | 1135336 | 7000 | 7,947,352,000 | 7,947,352 |
| Missouri | 2719380 | 12000 | 32,632,560,000 | 32,632,560 |
| Montana | 436656 | 23800 | 10,392,412,800 | 10,392,413 |
| Nebraska | 916580 | 9000 | 8,249,220,000 | 8,249,220 |
| Nevada | 1284502 | 24600 | 31,598,749,200 | 31,598,749 |
| New Hampshire | 630204 | 8000 | 5,041,632,000 | 5,041,632 |
| New Jersey | 3961341 | 27700 | 109,729,145,700 | 109,729,146 |
| New Mexico | 821484 | 19900 | 16,347,531,600 | 16,347,532 |
| New York | 8554012 | 8500 | 72,709,102,000 | 72,709,102 |
| North Carolina | 4062955 | 18600 | 75,570,963,000 | 75,570,963 |
| North Dakota | 341705 | 22100 | 7,551,680,500 | 7,551,681 |
| Ohio | 5306812 | 9000 | 47,761,308,000 | 47,761,308 |
| Oklahoma | 1534802 | 13600 | 20,873,307,200 | 20,873,307 |
| Oregon | 1727886 | 30200 | 52,182,157,200 | 52,182,157 |
| Pennsylvania | 5652547 | 8000 | 45,220,376,000 | 45,220,376 |
| Rhode Island | 480132 | 14000 | 6,721,848,000 | 6,721,848 |
| South Carolina | 1891255 | 7000 | 13,238,785,000 | 13,238,785 |
| South Dakota | 392060 | 9000 | 3,528,540,000 | 3,528,540 |
| Tennessee | 2745099 | 7000 | 19,215,693,000 | 19,215,693 |
| Texas | 10231906 | 9000 | 92,087,154,000 | 92,087,154 |
| Utah | 1219207 | 25400 | 30,967,857,800 | 30,967,858 |
| Vermont | 303448 | 8000 | 2,427,584,000 | 2,427,584 |
| Virginia | 3672958 | 8000 | 29,383,664,000 | 29,383,664 |
| Washington | 2925908 | 31400 | 91,873,511,200 | 91,873,511 |
| West Virginia | 706172 | 8000 | 5,649,376,000 | 5,649,376 |
| Wisconsin | 2780924 | 10500 | 29,199,702,000 | 29,199,702 |
| Wyoming | 277721 | 20100 | 5,582,192,100 | 5,582,192 |
| U.S. Total Tax Revenue | 135366107 | | | 1,559,189,728 |

Under our second scenario, the supplemental UI tax rate for each state is raised to .3% on the maximum taxable wage base. Under this second UI tax scenario, the additional UI tax receipts would range from \$7.282 million in Vermont to highs of \$328 to \$329 million in California and New Jersey. In 16 states, over \$100 million in additional tax receipts would be available. The aggregate value of the additional UI tax receipts that would be collected under scenario two would be equal to \$4.678 billion.

Table 3:
The Potential Annual Supplemental UI Tax Revenue That Could Be Raised By Applying a .3% Supplemental UI Tax to Each State's Wage Base in 2008

| State | 2007 Covered Employment | 2008 Wage Base | Taxable Income | Additional UI Tax Receipts |
|----------------------|-------------------------|----------------|-----------------|----------------------------|
| Alabama | 1952091 | 8000 | 15,616,728,000 | 46,850,184 |
| Alaska | 310810 | 31300 | 9,728,353,000 | 29,185,059 |
| Arizona | 2647691 | 7000 | 18,533,837,000 | 55,601,511 |
| Arkansas | 1173852 | 10000 | 11,738,520,000 | 35,215,560 |
| California | 15640575 | 7000 | 109,484,025,000 | 328,452,075 |
| Colorado | 2292630 | 10000 | 22,926,300,000 | 68,778,900 |
| Connecticut | 1686043 | 15000 | 25,290,645,000 | 75,871,935 |
| Delaware | 423412 | 10500 | 4,445,826,000 | 13,337,478 |
| District of Columbia | 678119 | 9000 | 6,103,071,000 | 18,309,213 |
| Florida | 7945162 | 7000 | 55,616,134,000 | 166,848,402 |
| Georgia | 4077184 | 8500 | 34,656,064,000 | 103,968,192 |
| Hawaii | 625862 | 13000 | 8,136,206,000 | 24,408,618 |
| Idaho | 660683 | 32200 | 21,273,992,600 | 63,821,978 |
| Illinois | 5869157 | 12000 | 70,429,884,000 | 211,289,652 |
| Indiana | 2905725 | 7000 | 20,340,075,000 | 61,020,225 |
| Iowa | 1485627 | 22800 | 33,872,295,600 | 101,616,887 |
| Kansas | 1356966 | 8000 | 10,855,728,000 | 32,567,184 |
| Kentucky | 1801907 | 8000 | 14,415,256,000 | 43,245,768 |
| Louisiana | 1868986 | 7000 | 13,082,902,000 | 39,248,706 |
| Maine | 602321 | 12000 | 7,227,852,000 | 21,683,556 |
| Maryland | 2547351 | 8500 | 21,652,483,500 | 64,957,451 |
| Massachusetts | 3234357 | 14000 | 45,280,998,000 | 135,842,994 |
| Michigan | 4179122 | 9000 | 37,612,098,000 | 112,836,294 |
| Minnesota | 2687482 | 25000 | 67,187,050,000 | 201,561,150 |
| Mississippi | 1135336 | 7000 | 7,947,352,000 | 23,842,056 |
| Missouri | 2719380 | 12000 | 32,632,560,000 | 97,897,680 |
| Montana | 436656 | 23800 | 10,392,412,800 | 31,177,238 |
| Nebraska | 916580 | 9000 | 8,249,220,000 | 24,747,660 |
| Nevada | 1284502 | 24600 | 31,598,749,200 | 94,796,248 |
| New Hampshire | 630204 | 8000 | 5,041,632,000 | 15,124,896 |
| New Jersey | 3961341 | 27700 | 109,729,145,700 | 329,187,437 |
| New Mexico | 821484 | 19900 | 16,347,531,600 | 49,042,595 |
| New York | 8554012 | 8500 | 72,709,102,000 | 218,127,306 |
| North Carolina | 4062955 | 18600 | 75,570,963,000 | 226,712,889 |
| North Dakota | 341705 | 22100 | 7,551,680,500 | 22,655,042 |
| Ohio | 5306812 | 9000 | 47,761,308,000 | 143,283,924 |
| Oklahoma | 1534802 | 13600 | 20,873,307,200 | 62,619,922 |
| Oregon | 1727886 | 30200 | 52,182,157,200 | 156,546,472 |
| Pennsylvania | 5652547 | 8000 | 45,220,376,000 | 135,661,128 |
| Rhode Island | 480132 | 14000 | 6,721,848,000 | 20,165,544 |
| South Carolina | 1891255 | 7000 | 13,238,785,000 | 39,716,355 |
| South Dakota | 392060 | 9000 | 3,528,540,000 | 10,585,620 |

| | | | | |
|------------------------|----------|-------|----------------|----------------------|
| Tennessee | 2745099 | 7000 | 19,215,693,000 | 57,647,079 |
| Texas | 10231906 | 9000 | 92,087,154,000 | 276,261,462 |
| Utah | 1219207 | 25400 | 30,967,857,800 | 92,903,573 |
| Vermont | 303448 | 8000 | 2,427,584,000 | 7,282,752 |
| Virginia | 3672958 | 8000 | 29,383,664,000 | 88,150,992 |
| Washington | 2925908 | 31400 | 91,873,511,200 | 275,620,534 |
| West Virginia | 706172 | 8000 | 5,649,376,000 | 16,948,128 |
| Wisconsin | 2780924 | 10500 | 29,199,702,000 | 87,599,106 |
| Wyoming | 277721 | 20100 | 5,582,192,100 | 16,746,576 |
| U.S. Total Tax Revenue | | | | 4,677,569,184 |

Under our third scenario, the supplemental UI tax rate on maximum taxable earnings would be raised to .5%. There were only two states (including D.C. as a state) across the country that applied a supplemental UI tax rate of .5% or higher to finance workforce development activities in 2007. Under this UI tax scenario, the additional UI tax receipts that would have been generated ranged from nearly \$12.138 million in the state of Vermont to highs of \$547 to \$548 million in California and New Jersey. Over \$100 million in additional UI tax receipts would have been raised in 27 states. The aggregate amount of additional UI tax receipts under our third tax scenario would have been \$7.796 billion in calendar year 2007.

Table 4:
The Potential Annual Supplemental UI Tax Revenue That Could Be Raised By Applying a .5% Supplemental UI Tax to Each State's Wage Base in 2008

| State | 2007 Covered Employment | 2008 Wage Base | Taxable Income | Additional UI Tax Receipts |
|----------------------|-------------------------|----------------|-----------------|----------------------------|
| Alabama | 1952091 | 8000 | 15,616,728,000 | 78,083,640 |
| Alaska | 310810 | 31300 | 9,728,353,000 | 48,641,765 |
| Arizona | 2647691 | 7000 | 18,533,837,000 | 92,669,185 |
| Arkansas | 1173852 | 10000 | 11,738,520,000 | 58,692,600 |
| California | 15640575 | 7000 | 109,484,025,000 | 547,420,125 |
| Colorado | 2292630 | 10000 | 22,926,300,000 | 114,631,500 |
| Connecticut | 1686043 | 15000 | 25,290,645,000 | 126,453,225 |
| Delaware | 423412 | 10500 | 4,445,826,000 | 22,229,130 |
| District of Columbia | 678119 | 9000 | 6,103,071,000 | 30,515,355 |
| Florida | 7945162 | 7000 | 55,616,134,000 | 278,080,670 |
| Georgia | 4077184 | 8500 | 34,656,064,000 | 173,280,320 |
| Hawaii | 625862 | 13000 | 8,136,206,000 | 40,681,030 |
| Idaho | 660683 | 32200 | 21,273,992,600 | 106,369,963 |
| Illinois | 5869157 | 12000 | 70,429,884,000 | 352,149,420 |
| Indiana | 2905725 | 7000 | 20,340,075,000 | 101,700,375 |
| Iowa | 1485627 | 22800 | 33,872,295,600 | 169,361,478 |

| | | | | |
|--------------------|----------|-------|-----------------|----------------------|
| Kansas | 1356966 | 8000 | 10,855,728,000 | 54,278,640 |
| Kentucky | 1801907 | 8000 | 14,415,256,000 | 72,076,280 |
| Louisiana | 1868986 | 7000 | 13,082,902,000 | 65,414,510 |
| Maine | 602321 | 12000 | 7,227,852,000 | 36,139,260 |
| Maryland | 2547351 | 8500 | 21,652,483,500 | 108,262,418 |
| Massachusetts | 3234357 | 14000 | 45,280,998,000 | 226,404,990 |
| Michigan | 4179122 | 9000 | 37,612,098,000 | 188,060,490 |
| Minnesota | 2687482 | 25000 | 67,187,050,000 | 335,935,250 |
| Mississippi | 1135336 | 7000 | 7,947,352,000 | 39,736,760 |
| Missouri | 2719380 | 12000 | 32,632,560,000 | 163,162,800 |
| Montana | 436656 | 23800 | 10,392,412,800 | 51,962,064 |
| Nebraska | 916580 | 9000 | 8,249,220,000 | 41,246,100 |
| Nevada | 1284502 | 24600 | 31,598,749,200 | 157,993,746 |
| New Hampshire | 630204 | 8000 | 5,041,632,000 | 25,208,160 |
| New Jersey | 3961341 | 27700 | 109,729,145,700 | 548,645,729 |
| New Mexico | 821484 | 19900 | 16,347,531,600 | 81,737,658 |
| New York | 8554012 | 8500 | 72,709,102,000 | 363,545,510 |
| North Carolina | 4062955 | 18600 | 75,570,963,000 | 377,854,815 |
| North Dakota | 341705 | 22100 | 7,551,680,500 | 37,758,403 |
| Ohio | 5306812 | 9000 | 47,761,308,000 | 238,806,540 |
| Oklahoma | 1534802 | 13600 | 20,873,307,200 | 104,366,536 |
| Oregon | 1727886 | 30200 | 52,182,157,200 | 260,910,786 |
| Pennsylvania | 5652547 | 8000 | 45,220,376,000 | 226,101,880 |
| Rhode Island | 480132 | 14000 | 6,721,848,000 | 33,609,240 |
| South Carolina | 1891255 | 7000 | 13,238,785,000 | 66,193,925 |
| South Dakota | 392060 | 9000 | 3,528,540,000 | 17,642,700 |
| Tennessee | 2745099 | 7000 | 19,215,693,000 | 96,078,465 |
| Texas | 10231906 | 9000 | 92,087,154,000 | 460,435,770 |
| Utah | 1219207 | 25400 | 30,967,857,800 | 154,839,289 |
| Vermont | 303448 | 8000 | 2,427,584,000 | 12,137,920 |
| Virginia | 3672958 | 8000 | 29,383,664,000 | 146,918,320 |
| Washington | 2925908 | 31400 | 91,873,511,200 | 459,367,556 |
| West Virginia | 706172 | 8000 | 5,649,376,000 | 28,246,880 |
| Wisconsin | 2780924 | 10500 | 29,199,702,000 | 145,998,510 |
| Wyoming | 277721 | 20100 | 5,582,192,100 | 27,910,961 |
| U.S. Total Revenue | | | | 7,795,948,640 |

Under our fourth tax scenario, the supplemental UI tax rate would be raised to a full percentage point in each state. Under this scenario, the additional UI tax receipts would range from \$24.3 million in the state of Vermont to nearly \$1.1 billion in California and New Jersey. In 37 of the 50 states, more than \$100 million in additional UI taxes would be generated by this supplemental UI tax of 1.0%. The aggregate amount of additional UI taxes would have been just under +15.6 billion. However, to put this 1.0% tax rate in perspective, only one state (Idaho) and

D.C. used a supplemental tax rate of 1.0% or greater to finance workforce development activities and the administration of their UI system in recent years.⁷

Table 5:
The Potential Annual Supplemental UI Tax Revenue That Could Be Raised By Applying a 1.0% Supplemental UI Tax to Each State's Wage Base in 2008

| State | 2007 Covered Employment | 2008 Wage Base | Taxable Income | Additional UI Tax Receipts |
|----------------------|-------------------------|----------------|-----------------|----------------------------|
| Alabama | 1952091 | 8000 | 15,616,728,000 | 156,167,280 |
| Alaska | 310810 | 31300 | 9,728,353,000 | 97,283,530 |
| Arizona | 2647691 | 7000 | 18,533,837,000 | 185,338,370 |
| Arkansas | 1173852 | 10000 | 11,738,520,000 | 117,385,200 |
| California | 15640575 | 7000 | 109,484,025,000 | 1,094,840,250 |
| Colorado | 2292630 | 10000 | 22,926,300,000 | 229,263,000 |
| Connecticut | 1686043 | 15000 | 25,290,645,000 | 252,906,450 |
| Delaware | 423412 | 10500 | 4,445,826,000 | 44,458,260 |
| District of Columbia | 678119 | 9000 | 6,103,071,000 | 61,030,710 |
| Florida | 7945162 | 7000 | 55,616,134,000 | 556,161,340 |
| Georgia | 4077184 | 8500 | 34,656,064,000 | 346,560,640 |
| Hawaii | 625862 | 13000 | 8,136,206,000 | 81,362,060 |
| Idaho | 660683 | 32200 | 21,273,992,600 | 212,739,926 |
| Illinois | 5869157 | 12000 | 70,429,884,000 | 704,298,840 |
| Indiana | 2905725 | 7000 | 20,340,075,000 | 203,400,750 |
| Iowa | 1485627 | 22800 | 33,872,295,600 | 338,722,956 |
| Kansas | 1356966 | 8000 | 10,855,728,000 | 108,557,280 |
| Kentucky | 1801907 | 8000 | 14,415,256,000 | 144,152,560 |
| Louisiana | 1868986 | 7000 | 13,082,902,000 | 130,829,020 |
| Maine | 602321 | 12000 | 7,227,852,000 | 72,278,520 |
| Maryland | 2547351 | 8500 | 21,652,483,500 | 216,524,835 |
| Massachusetts | 3234357 | 14000 | 45,280,998,000 | 452,809,980 |
| Michigan | 4179122 | 9000 | 37,612,098,000 | 376,120,980 |
| Minnesota | 2687482 | 25000 | 67,187,050,000 | 671,870,500 |
| Mississippi | 1135336 | 7000 | 7,947,352,000 | 79,473,520 |
| Missouri | 2719380 | 12000 | 32,632,560,000 | 326,325,600 |
| Montana | 436656 | 23800 | 10,392,412,800 | 103,924,128 |
| Nebraska | 916580 | 9000 | 8,249,220,000 | 82,492,200 |
| Nevada | 1284502 | 24600 | 31,598,749,200 | 315,987,492 |
| New Hampshire | 630204 | 8000 | 5,041,632,000 | 50,416,320 |
| New Jersey | 3961341 | 27700 | 109,729,145,700 | 1,097,291,457 |
| New Mexico | 821484 | 19900 | 16,347,531,600 | 163,475,316 |
| New York | 8554012 | 8500 | 72,709,102,000 | 727,091,020 |
| North Carolina | 4062955 | 18600 | 75,570,963,000 | 755,709,630 |
| North Dakota | 341705 | 22100 | 7,551,680,500 | 75,516,805 |
| Ohio | 5306812 | 9000 | 47,761,308,000 | 477,613,080 |

⁷ It is not clear from published data by the U.S. Employment and Training Administration how much of the additional UI tax revenues in D.C. are used to finance their workforce development activities.

| | | | | |
|------------------------|----------|-------|----------------|-----------------------|
| Oklahoma | 1534802 | 13600 | 20,873,307,200 | 208,733,072 |
| Oregon | 1727886 | 30200 | 52,182,157,200 | 521,821,572 |
| Pennsylvania | 5652547 | 8000 | 45,220,376,000 | 452,203,760 |
| Rhode Island | 480132 | 14000 | 6,721,848,000 | 67,218,480 |
| South Carolina | 1891255 | 7000 | 13,238,785,000 | 132,387,850 |
| South Dakota | 392060 | 9000 | 3,528,540,000 | 35,285,400 |
| Tennessee | 2745099 | 7000 | 19,215,693,000 | 192,156,930 |
| Texas | 10231906 | 9000 | 92,087,154,000 | 920,871,540 |
| Utah | 1219207 | 25400 | 30,967,857,800 | 309,678,578 |
| Vermont | 303448 | 8000 | 2,427,584,000 | 24,275,840 |
| Virginia | 3672958 | 8000 | 29,383,664,000 | 293,836,640 |
| Washington | 2925908 | 31400 | 91,873,511,200 | 918,735,112 |
| West Virginia | 706172 | 8000 | 5,649,376,000 | 56,493,760 |
| Wisconsin | 2780924 | 10500 | 29,199,702,000 | 291,997,020 |
| Wyoming | 277721 | 20100 | 5,582,192,100 | 55,821,921 |
| U.S. Total Tax Revenue | | | | 15,591,897,280 |

The projected annual amount of additional UI tax receipts that would have been generated by the four tax scenarios can be compared to each other and to the actual amount of UI taxes due by contributing employers in all states combined in calendar year 2007 (see Table 6). Under the four alternative UI tax scenarios, ranging from .1% to 1.0%, the annual amount of additional UI tax receipts would have ranged from \$1.559 billion to a high of \$15.592 billion. During calendar year 2007, the estimated amount of regular UI taxes owed by contributing employers in all 50 states and D.C. was about \$32 billion.⁸ Thus, the supplemental UI taxes that would have been generated by each of the four alternative tax scenarios ranged from a low of just under 5% to a high of nearly 49% for the 1% supplemental tax rate. The last tax policy clearly would represent a massive increase in UI tax collections at the current time. Given covered employment growth of 1.0% per year between 2007 and 2020 and nominal wage growth of 3.0% per year over this time period, annual UI tax collections in 2020 would range close to \$47 billion. A \$10 billion supplemental UI tax in 2020 to finance adult education would amount to only 20% of the regular UI tax collections of the nation.

⁸ Data on UI taxes due in 2007 were available for 48 states and the District of Columbia, yielding a combined total of \$31.473 billion. We estimated UI taxes owed for about \$580 million in Colorado and Mississippi, the two missing states. This yields a new combined UI tax bill of \$32.053 billion in 2007.

Table 6:
Simulated Additional UI Tax Receipts From Each of the Four Alternative Scenarios As a Percent
of UI Tax Revenues Due in All 50 States and D.C. in 2007 (in billions)

| Scenario | (A) Additional UI Tax Receipts | (B) Amount of UI Taxes Due | (C) Additional Tax Receipts As % of UI Taxes Due |
|-------------------------|--------------------------------------|----------------------------------|---|
| One (.1% Tax Rate) | \$1.559 | \$32 billion | 4.9% |
| Two (.3% Tax Rate) | \$4.678 | \$32 billion | 14.6% |
| Three (.5% Tax Rate) | \$7.796 | \$32 billion | 24.3% |
| Four (1.0% Tax Rate) | \$15.592 | \$32 billion | 48.7% |

Simulating State Supplemental UI Tax Collections From a .5% Supplemental UI Tax Rate At Three Different Annual Wage Bases

The four previous tax simulations were generated by varying the supplemental UI tax rate uniformly in each state and keeping its maximum annual taxable wage base unchanged. Our last set of tax simulations apply a uniform .5% supplemental tax rate to three alternative maximum taxable wage bases in each state. The three annual tax bases are \$10,000, \$14,000, and \$20,000. In 2007, there were 27 states that had a maximum tax base of \$10,000 or higher, 18 states had a maximum taxable earnings base of \$14,000 or higher, and 13 states had a maximum taxable wage base of \$20,000 or higher. A higher maximum wage base allows a lower UI tax rate to be set to finance the UI system, and it helps reduce the regressive nature of the UI payroll tax. While the UI tax is paid directly by the employer, labor economics research shows that payroll taxes are largely shifted backward onto the worker in the form of lower real wages. Supporting a higher UI maximum taxable wage base is in accord with greater fairness in the financing of the UI tax system.

Under our three last UI tax scenarios, the additional amount of UI tax revenue that would be generated would range from \$6.768 billion under a \$10,000 tax base, to \$9.475 billion under a

\$14,000 maximum taxable wage base to \$13.536 billion under a \$20,000 maximum wage base (Table 7).

Table 7:
The Annual Supplemental UI Tax Revenue That Could Be Generated From Applying a .5% Supplemental UI Tax Rate To Each State's Unemployment Insurance Maximum Taxable Wage Base At Selected Annual Wage Bases of \$10,000, \$14,000, and \$20,000

| State | 2007 Covered Employment | 2008 Wage Base = \$10K | 2009 Wage Base = \$14K | 2010 Wage Base = \$20K |
|----------------------|-------------------------|------------------------|------------------------|------------------------|
| Alabama | 1,952,091 | \$ 97,604,550 | \$ 136,646,370 | \$ 195,209,100 |
| Alaska | 310,810 | \$ 15,540,500 | \$ 21,756,700 | \$ 31,081,000 |
| Arizona | 2,647,691 | \$ 132,384,550 | \$ 185,338,370 | \$ 264,769,100 |
| Arkansas | 1,173,852 | \$ 58,692,600 | \$ 82,169,640 | \$ 117,385,200 |
| California | 15,640,575 | \$ 782,028,750 | \$ 1,094,840,250 | \$ 1,564,057,500 |
| Colorado | 2,292,630 | \$ 114,631,500 | \$ 160,484,100 | \$ 229,263,000 |
| Connecticut | 1,686,043 | \$ 84,302,150 | \$ 118,023,010 | \$ 168,604,300 |
| Delaware | 423,412 | \$ 21,170,600 | \$ 29,638,840 | \$ 42,341,200 |
| District of Columbia | 678,119 | \$ 33,905,950 | \$ 47,468,330 | \$ 67,811,900 |
| Florida | 7,945,162 | \$ 397,258,100 | \$ 556,161,340 | \$ 794,516,200 |
| Georgia | 4,077,184 | \$ 203,859,200 | \$ 285,402,880 | \$ 407,718,400 |
| Hawaii | 625,862 | \$ 31,293,100 | \$ 43,810,340 | \$ 62,586,200 |
| Idaho | 660,683 | \$ 33,034,150 | \$ 46,247,810 | \$ 66,068,300 |
| Illinois | 5,869,157 | \$ 293,457,850 | \$ 410,840,990 | \$ 586,915,700 |
| Indiana | 2,905,725 | \$ 145,286,250 | \$ 203,400,750 | \$ 290,572,500 |
| Iowa | 1,485,627 | \$ 74,281,350 | \$ 103,993,890 | \$ 148,562,700 |
| Kansas | 1,356,966 | \$ 67,848,300 | \$ 94,987,620 | \$ 135,696,600 |
| Kentucky | 1,801,907 | \$ 90,095,350 | \$ 126,133,490 | \$ 180,190,700 |
| Louisiana | 1,868,986 | \$ 93,449,300 | \$ 130,829,020 | \$ 186,898,600 |
| Maine | 602,321 | \$ 30,116,050 | \$ 42,162,470 | \$ 60,232,100 |
| Maryland | 2,547,351 | \$ 127,367,550 | \$ 178,314,570 | \$ 254,735,100 |
| Massachusetts | 3,234,357 | \$ 161,717,850 | \$ 226,404,990 | \$ 323,435,700 |
| Michigan | 4,179,122 | \$ 208,956,100 | \$ 292,538,540 | \$ 417,912,200 |
| Minnesota | 2,687,482 | \$ 134,374,100 | \$ 188,123,740 | \$ 268,748,200 |
| Mississippi | 1,135,336 | \$ 56,766,800 | \$ 79,473,520 | \$ 113,533,600 |
| Missouri | 2,719,380 | \$ 135,969,000 | \$ 190,356,600 | \$ 271,938,000 |
| Montana | 436,656 | \$ 21,832,800 | \$ 30,565,920 | \$ 43,665,600 |
| Nebraska | 916,580 | \$ 45,829,000 | \$ 64,160,600 | \$ 91,658,000 |
| Nevada | 1,284,502 | \$ 64,225,100 | \$ 89,915,140 | \$ 128,450,200 |
| New Hampshire | 630,204 | \$ 31,510,200 | \$ 44,114,280 | \$ 63,020,400 |
| New Jersey | 3,961,341 | \$ 198,067,050 | \$ 277,293,870 | \$ 396,134,100 |
| New Mexico | 821,484 | \$ 41,074,200 | \$ 57,503,880 | \$ 82,148,400 |
| New York | 8,554,012 | \$ 427,700,600 | \$ 598,780,840 | \$ 855,401,200 |
| North Carolina | 4,062,955 | \$ 203,147,750 | \$ 284,406,850 | \$ 406,295,500 |
| North Dakota | 341,705 | \$ 17,085,250 | \$ 23,919,350 | \$ 34,170,500 |
| Ohio | 5,306,812 | \$ 265,340,600 | \$ 371,476,840 | \$ 530,681,200 |
| Oklahoma | 1,534,802 | \$ 76,740,100 | \$ 107,436,140 | \$ 153,480,200 |
| Oregon | 1,727,886 | \$ 86,394,300 | \$ 120,952,020 | \$ 172,788,600 |

| | | | | |
|----------------|-------------|------------------|------------------|-------------------|
| Pennsylvania | 5,652,547 | \$ 282,627,350 | \$ 395,678,290 | \$ 565,254,700 |
| Rhode Island | 480,132 | \$ 24,006,600 | \$ 33,609,240 | \$ 48,013,200 |
| South Carolina | 1,891,255 | \$ 94,562,750 | \$ 132,387,850 | \$ 189,125,500 |
| South Dakota | 392,060 | \$ 19,603,000 | \$ 27,444,200 | \$ 39,206,000 |
| Tennessee | 2,745,099 | \$ 137,254,950 | \$ 192,156,930 | \$ 274,509,900 |
| Texas | 10,231,906 | \$ 511,595,300 | \$ 716,233,420 | \$ 1,023,190,600 |
| Utah | 1,219,207 | \$ 60,960,350 | \$ 85,344,490 | \$ 121,920,700 |
| Vermont | 303,448 | \$ 15,172,400 | \$ 21,241,360 | \$ 30,344,800 |
| Virginia | 3,672,958 | \$ 183,647,900 | \$ 257,107,060 | \$ 367,295,800 |
| Washington | 2,925,908 | \$ 146,295,400 | \$ 204,813,560 | \$ 292,590,800 |
| West Virginia | 706,172 | \$ 35,308,600 | \$ 49,432,040 | \$ 70,617,200 |
| Wisconsin | 2,780,924 | \$ 139,046,200 | \$ 194,664,680 | \$ 278,092,400 |
| Wyoming | 277,721 | \$ 13,886,050 | \$ 19,440,470 | \$ 27,772,100 |
| U.S. Total | 135,366,107 | \$ 6,768,305,350 | \$ 9,475,627,490 | \$ 13,536,610,700 |

These three alternative, supplemental UI tax collections could be compared to the amount of regular UI taxes owed by contributing employers in calendar year 2007 (Table 8). The \$6.768 billion in supplemental UI tax receipts under scenario 5 would have been equivalent to 21% of regular UI tax collections in 2007. The \$9.475 billion in supplemental UI tax receipts under scenario six (a \$14,000 taxable wage base) would have been equal to 30% of regular UI taxes in 2007, and the \$13.536 billion in supplemental UI tax receipts under scenario 7 would have been equivalent to 42% of the \$32 billion in regular UI tax receipts during that year.

Table 8:
Simulated Additional UI Tax Receipts From Each of the Three Alternative Scenarios As a Percent of UI Tax Receipts Due in All 50 States and D.C. in 2007 (in billions)

| Scenario | (A) Additional UI Tax Receipts | (B) Amount of UI Taxes Due | (C) Additional Tax Receipts As % of UI Taxes Due |
|------------------------------|--------------------------------------|----------------------------------|---|
| Five (\$10,000 Tax Base) | \$6.768 | \$32 billion | 21% |
| Six (\$14,000 Tax Base) | \$9.475 | \$32 billion | 30% |
| Seven (\$20,000 Tax Base) | \$13.536 | \$32 billion | 42% |

Even the \$9.475 billion in additional tax receipts under scenario six would represent a sizable 30% increase in the level of UI taxes at recent tax rates and earnings levels. By 2020, however, the regular UI tax collections would likely rise to \$47 billion under our assumptions about job growth and the annual increases in nominal wages and the maximum taxable wage base over the next 12 years. At that point, \$9.5 billion would represent only 20% of regular UI taxes collected from employers.

Using the UI tax system to help finance an expansion of adult basic education services for the nation's current and potential workers has a number of important advantages. First, the UI system provides a more stable level of annual funding than federal or state appropriations that are likely to be under intense pressure from rising budget deficits over the next few years. There will be little to no discretionary funds for an expansion of domestic programs over the next few years in most states and at the national level. The Obama Administration will find itself in a serious fiscal bind when it takes office. Second, tying adult education program funding to the UI tax should increase employer involvement in workplace based literacy programs which are more effective in raising worker earnings. Third, individual workers may be more encouraged to participate in ABE programs knowing that taxes on their earnings are being used to finance these activities. Fourth, tying ABE services funding more closely with job training will hopefully increase the ties between the two sets of programs, a major goal under the WIA legislation of 1998, and strengthen the effectiveness of both sets of program services.