



**ARIZONA STATE SENATE**  
*Forty-ninth Legislature, First Regular Session*

**PROGRAM PRESENTATION**  
Unemployment Insurance

Background

Arizona's Unemployment Insurance (UI) program is administered through a federal-state partnership between the U.S. Department of Labor and the Division of Employment and Rehabilitation Services in the Department of Economic Security (DES), and provides a measure of economic security to the individual worker and the community when unemployment occurs beyond the worker's control. When an employee is eligible for benefits, the state pays those benefits out of the Unemployment Insurance Trust Fund (Trust Fund). Funding for the Trust Fund comes from Arizona's unemployment tax paid by employers; workers in Arizona do not make any payments into the Trust Fund. Employers who pay Arizona state unemployment tax are also required to pay the federal unemployment tax, known as FUTA. The annual FUTA tax is collected by the federal government and is used to fund the administrative costs of the UI program, while the Arizona state unemployment tax is used solely for the payment of benefits to unemployed workers.

The amount an employer must pay for the Arizona unemployment tax is partially dependent on an employer's "experience rating." Companies with stable workforces that have had few layoffs have better experience ratings and therefore pay less into the Trust Fund. Firms with a history of laying off employees in the last few years have poorer experience ratings and pay more into the Trust Fund. Certain nonprofit organizations, state and local governments and Indian tribes can elect to make payments in lieu of paying taxes. Such payments are a reimbursement to the Trust Fund on a dollar-for-dollar basis for UI claims paid to their former employees.

An unemployed worker's monetary eligibility for UI benefits is based upon the unemployed worker's insured wages paid during a one-year period, known as the base period. The base period is, in most instances, the first four of the last five completed calendar quarters prior to the date when the applicant first applied for UI. An unemployed worker's eligibility is also based upon the individual's nonmonetary eligibility. Specifically, the individual must: 1) have worked for a specified amount of time in a job that is covered by the UI program; 2) have left his or her prior job involuntarily or quit for good cause, such as lack of transportation or providing care for a child when reasonable attempts to obtain arrangements have failed; 3) be currently able and available for work, and actively seeking full-time employment; 4) enroll in employment services or job training programs; and 5) be legally eligible to work – for example, noncitizens must be lawfully present and authorized to work in the U.S. Unless extended in accordance with federal law, the maximum time for receiving UI benefits is 26 weeks.

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The Emergency Extended Unemployment Compensation (EUC) Program, enacted in July of 2008, provided up to 13 weeks of additional UI benefits to individuals who exhausted their regular UI benefits and had a benefit year that ended after May 1, 2007. On November 21, 2008, the President authorized up to seven additional weeks of EUC to individuals who previously filed and were deemed eligible for the July extension. The additional benefits have been added to existing EUC claims, and new claims filed since November 21, 2008, included the additional benefits. The legislation also provided for up to 13 additional weeks of additional EUC benefits when the unemployment rate in a state exceeds six percent for the prior three months. Arizona reached this level on January 5, 2009. The additional benefits may only be added to the EUC award after the prior EUC award is exhausted. The eligibility requirements that apply to receipt of regular UI benefits also apply to EUC.

### Fiscal Information

The UI program does not receive any state General Fund monies. According to the U.S. Department of Labor, Arizona received approximately \$301,970,000 in state employer taxes in calendar year 2007, and paid out about \$264,100,000 in benefits. The U.S. Department of Labor holds the state and federal UI tax monies in trust on behalf of the states in the Unemployment Trust Fund of the U.S. Treasury. The maximum weekly UI benefit varies from state to state; in Arizona it is \$240. According to the Arizona Department of Commerce, in December 2008 there were 64,139 claimants receiving UI benefits at an average weekly benefit amount of \$221.53; 48.6 percent of claimants ran out of unemployment benefits before they found employment.

### Attachments

- 1) Claimants Receiving UI Benefits: January 2000 to December 2008
- 2) Average Duration of UI Payments: December 1998 to December 2008

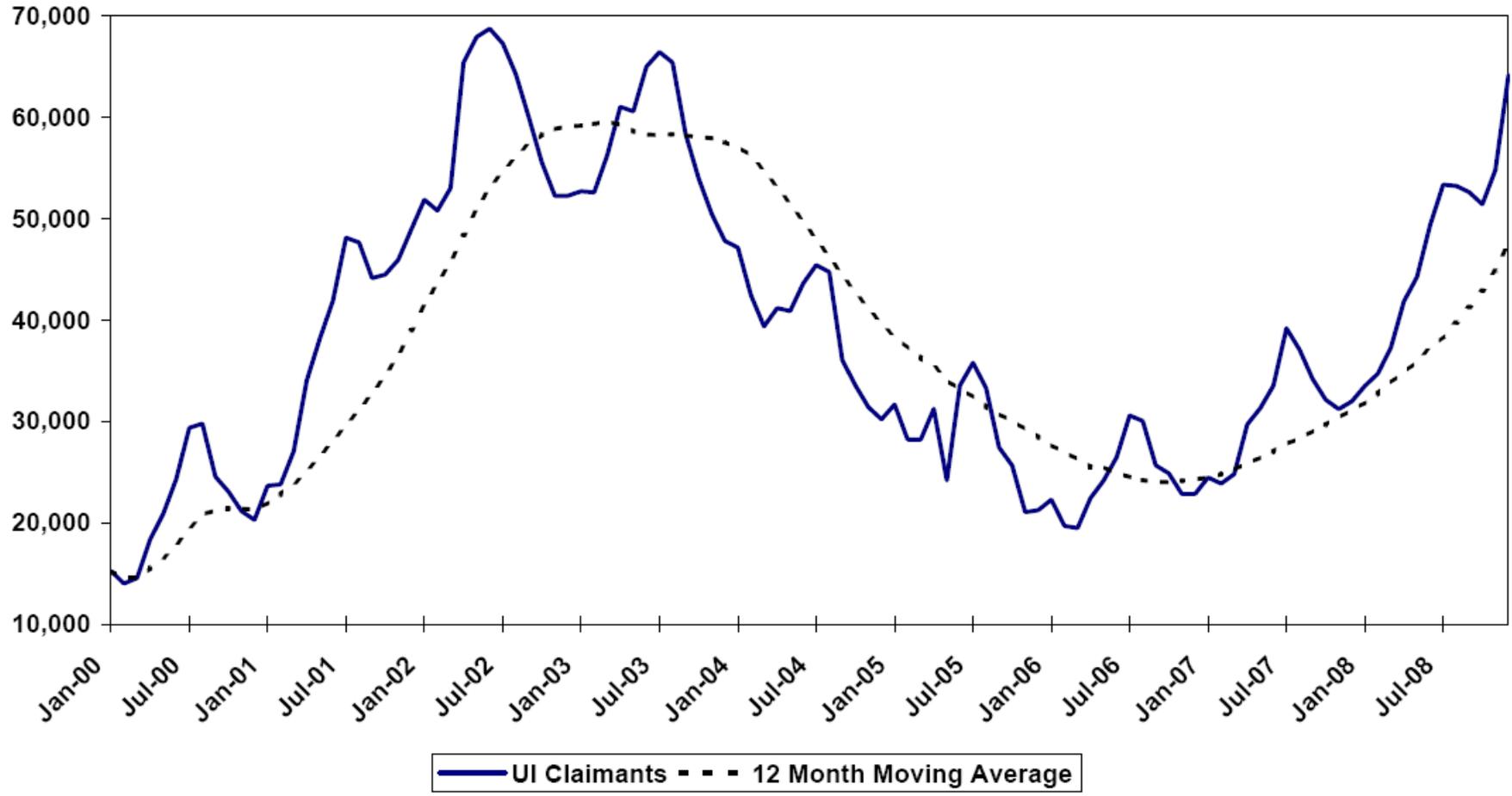
Prepared by Senate Research

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### 1. Claimants Receiving Unemployment Insurance Benefits from January 2000 to December 2008

Source: Arizona Department of Commerce, Research Administration  
Excludes extended benefits of all kinds



## 2. Average Duration of Unemployment Insurance Payments from December 1998 to December 2008

Source: Arizona Department of Commerce, Research Administration

