

# RESEARCH NOTES



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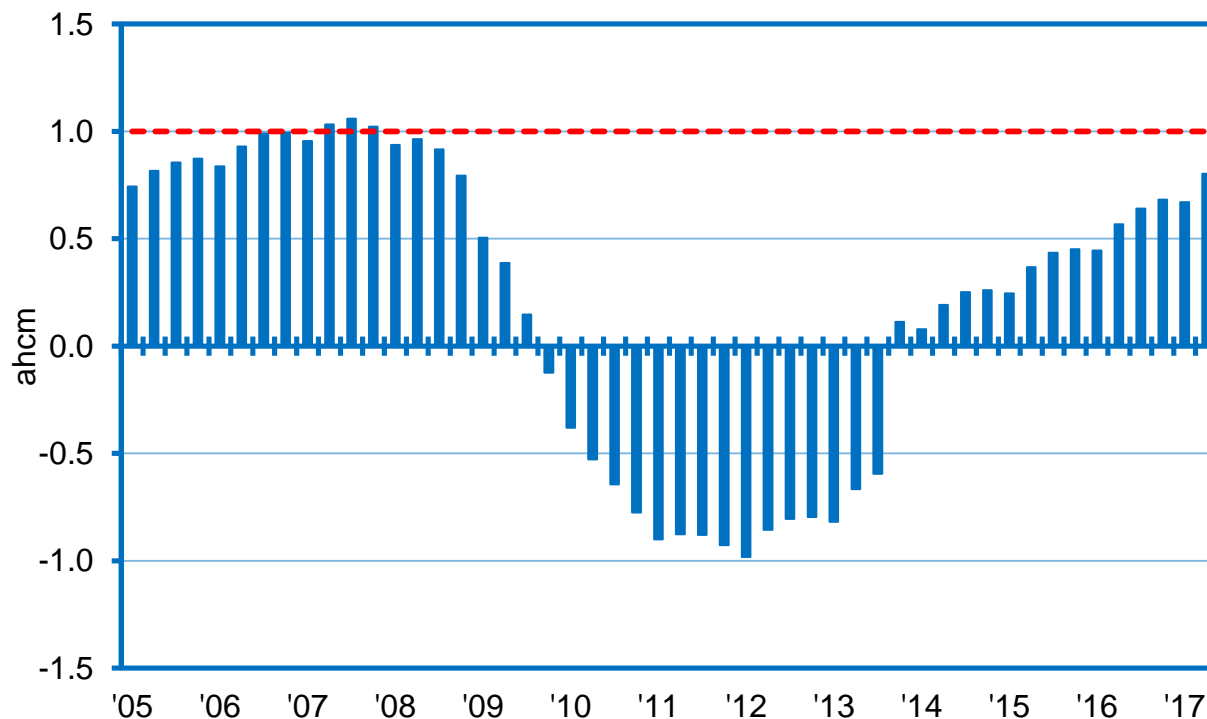
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UI Trust Fund AHCM  
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Note 2017:118  
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## Nevada's Unemployment Insurance Trust Fund Solvency Level Improved; Will Reach Solvency in 2018



- The ability of a state's Unemployment Insurance Trust Fund to withstand an economic downturn is commonly measured by the average high cost multiple (AHCM). The AHCM solvency measure uses a state's three worst years in recent history (usually in the last 20 years or a period of time spanning three recessions, whichever is longer), to estimate the balance required for a Trust Fund to withstand a similar recession before depletion.
- The federally recommended minimum AHCM is 1.0, which means a state would be able to pay benefits for one year at the average cost of its three worst years before running out of funds.
- Prior to the recession, Nevada had attained an AHCM of 1.0, but the severity of the Great Recession was far worse than the years the multiple was based on, resulting in the Fund's depletion at the end of 2009. This forced the State to borrow from the federal government.
- Over the last several years, Nevada's AHCM has seen significant improvement, reaching a multiple of 0.8 at the end of the second quarter of 2017.
- Due to the severity of the recession, the Trust Fund balance needed to reach the 1.0 multiple is much higher than it was in 2008. Nevada would need approximately \$1.1 billion in the Trust Fund to attain this federally recommended minimum multiple of 1.0. It is expected that the Trust Fund will reach this balance in the second quarter of 2018.