

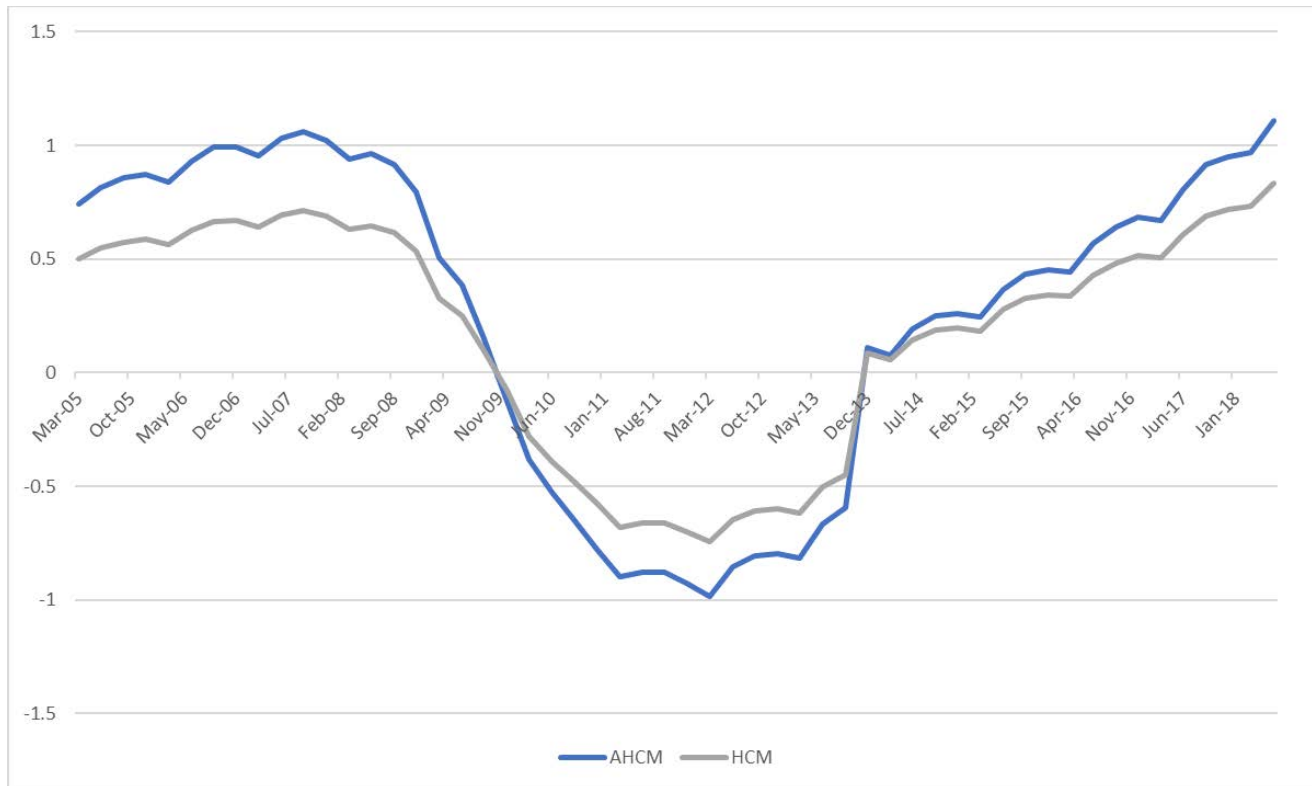
Research Notes



AHCM vs HCM
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Nevada's Unemployment Insurance Trust Fund Balance Capable of Sustaining Ten to Twelve Months of Recession Conditions



- Nevada's Unemployment Insurance (UI) Trust Fund ended the first half of 2018 with a balance of \$1.29 billion, another record level.
- The most common measure of UI Trust Fund solvency is the Average High Cost Multiple (AHCM), which provides an estimate of the amount of time the current Trust Fund balance could pay benefits at the average of a state's three highest cost years in the last two decades. The federally recommended minimum AHCM is 1.0, which represents one year of benefits. With a balance of \$1.29 billion, Nevada's current AHCM of 1.11 at the end of the second quarter of 2018 indicates that the Silver State's Trust Fund would cover just over 13 months of benefits if a similar recession were to occur.
- Alternatively, a more stringent measure of UI Trust Fund solvency would be the High Cost Multiple, which considers only the highest cost year in the past two decades. According to this measure, Nevada's UI Trust Fund could weather just over ten months of recessionary conditions similar to the worst recession year in Nevada's history. The solvency gap for this measure is \$204.4 million.
- According to the latest UI Trust Fund forecasts, taking into account the newly recommended UI tax rate of 1.85 percent, down from 1.95 percent, a High Cost Multiple of 1.0 will likely be achieved in the first quarter of 2019. Looking further out, an Average High Cost Multiple of 2.0 is likely to be achieved in the second quarter of 2022 if the tax rate remains the same through that period.