

## HB 5276 Would Reduce Unemployment Benefits by Nearly a Quarter and Further Erode Them Over Time

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### Overview

Unemployment insurance is an earned benefit that provides income support to workers who have lost their jobs through no fault of their own. Unemployment insurance helps families avoid economic shocks as the person who lost their job transitions to new work, and it helps sustain consumer demand during economic downturns.

Across the country, most states offer 26 weeks of unemployment insurance contingent upon the laid off worker demonstrating their continued eligibility. Despite the obvious familial and economic benefits of unemployment insurance, special interest groups in West Virginia have pushed in recent years to cut earned unemployment insurance benefits. Proposals included reducing the number of weeks of unemployment benefits available to the state’s unemployed workers and capping benefits.<sup>1</sup> HB 5276, introduced during the 2024 legislative session, would cut the number of weeks available, cap the weekly benefit amount available, and freeze the employer threshold for unemployment insurance tax contributions. While justifications for cutting unemployment insurance typically emphasize trust fund solvency and employer tax competitiveness, a deeper look at the data shows that West Virginia is well-positioned under current law.

### HB 5276 Would Reduce Economic Security for Displaced Workers

HB 5276 would reduce both the number of weeks unemployed workers are eligible for benefits and the maximum weekly benefit amount.

Thirty-eight states and the District of Columbia offer 26 weeks of unemployment insurance.<sup>2</sup> HB 5276 would make West Virginia an outlier by reducing the weeks available to 20 weeks, an immediate benefit reduction of 23 percent. That significant reduction of benefits would result in decreased economic stability for at least one in five West Virginia claimants at any given time, with a much higher rate impacted during economic downturns. In each of the last 14 years, the exhaustion rate for unemployment insurance—or the percentage of claimants that use all 26 available weeks—is above 20 percent, with the rate nearly doubling during periods of high unemployment (Figure 1).

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<sup>1</sup> House Bill 5276, 2024 West Virginia Legislative Session.

<sup>2</sup> Center on Budget and Policy Priorities, “Policy Basics: How Many Weeks of Unemployment Compensation Are Available?,” Updated January 17, 2024, <https://www.cbpp.org/research/economy/how-many-weeks-of-unemployment-compensation-are-available>.

Figure 1

**The Percentage of Workers Using All 26 Available Weeks of Unemployment Benefits Fluctuates With Unemployment Rate**

Year	Unemployment Rate	Percent Exhaustions
2023*	3.8%	21.1%
2022	3.9%	20.7%
2021	5.0%	26.1%
2020	8.3%	35.4%
2019	4.9%	25.5%
2018	5.2%	26.5%
2017	5.2%	28.9%
2016	6.1%	30.7%
2015	6.6%	29.8%
2014	6.5%	21.8%
2013	6.7%	34.2%
2012	7.2%	33.6%
2011	7.8%	34.5%
2010	8.7%	39.6%

\*through third quarter

Source: Workforce WV and U.S. Department of Labor, Unemployment Insurance Data

Additionally, HB 5276 would reduce and cap the weekly benefit amount claimants can receive. Under current law, the maximum weekly benefit for unemployment insurance is redetermined every year based on a calculation of 66.67 percent of the average weekly wage in West Virginia, meaning it automatically adjusts with the economy.<sup>3</sup> Under HB 5276, the maximum weekly wage would be pegged to a lower percentage of the average weekly wage (55 percent) and have a hard dollar cap of \$550 codified into law. The current maximum weekly cap is \$662, meaning passage of the legislation would result in an immediate reduction in weekly benefits for those at the highest wages. Further, within a few years, the benefit for all workers would erode as the average weekly wage grows beyond that artificial cap.

HB 5276 would also set the employer contribution threshold at \$10,000. Prior to 2021, most businesses paid a tax of 2.7 percent on the first \$12,000 of wages for each employee, or \$324 per employee, with some businesses paying more or less depending on their utilization of the unemployment system.<sup>4</sup> Since 2021, the employer contribution threshold has fluctuated with wages, as a means of keeping contributions in line with unemployment insurance payments. Under HB 5276, employers would pay unemployment insurance taxes on the first \$10,000 of wages for each employee, a fixed amount that would no longer fluctuate with wages. On average, this would cost most employers \$270 per employee, a reduction of \$44 per employee compared with 2021, at which point the employer tax was notably already near historic lows (Figure 2).

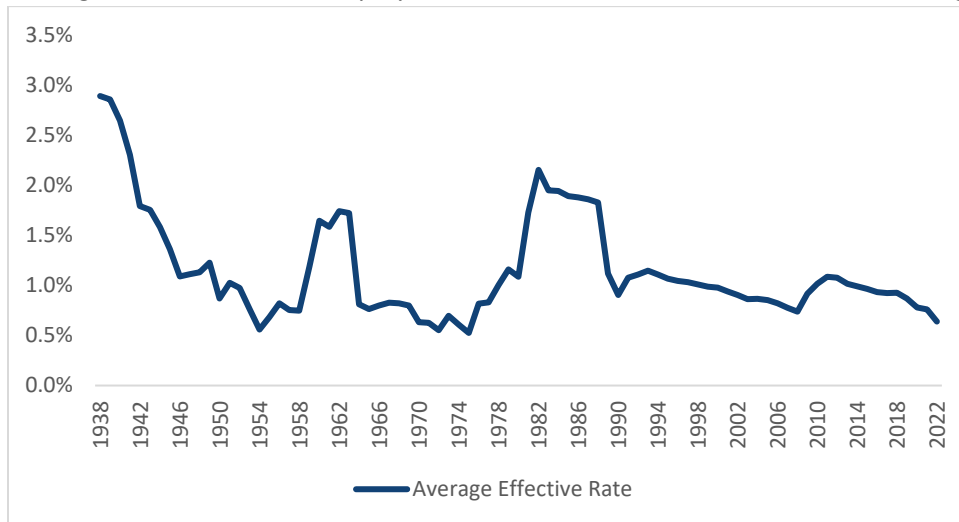
<sup>3</sup> West Virginia State Code §21A-1A-28.

<sup>4</sup> West Virginia State Code §21A-6-10.

Figure 2

### West Virginia's Unemployment Tax Rate is Near Historic Lows

Average effective state unemployment insurance tax rate as a share of total wages, 1938-2022



Source: U.S. Department of Labor, Unemployment Insurance data

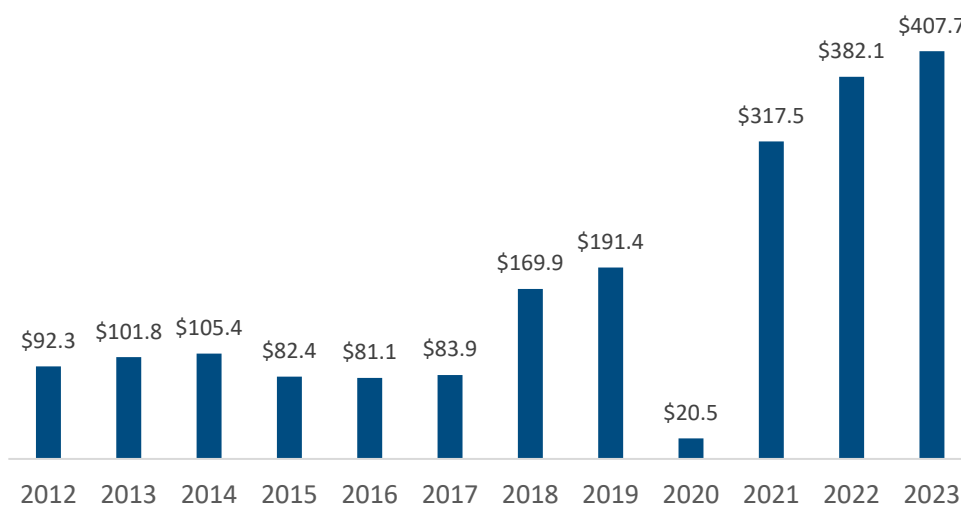
### West Virginia's Unemployment Trust Fund is Recession-ready

As of mid-January 2024, West Virginia's unemployment trust fund had a balance of \$397.4 million, one of its highest balances on record.<sup>5</sup> In fact, West Virginia began 2024 with the highest trust fund balance by far than it had seen in any year in over a decade, ending 2023 with a balance of \$407.7 million. That is \$25.6 million more than the fund ended with in 2022, and \$216.3 million more than it ended with in 2019, the year before the pandemic hit the state (Figure 3).

Figure 3

### West Virginia's Unemployment Trust Fund is Healthy

West Virginia's unemployment trust fund balance, end of year 2012–2023 (millions)



Source: U.S. Department of Labor, Treasury Direct Trust Fund Reports

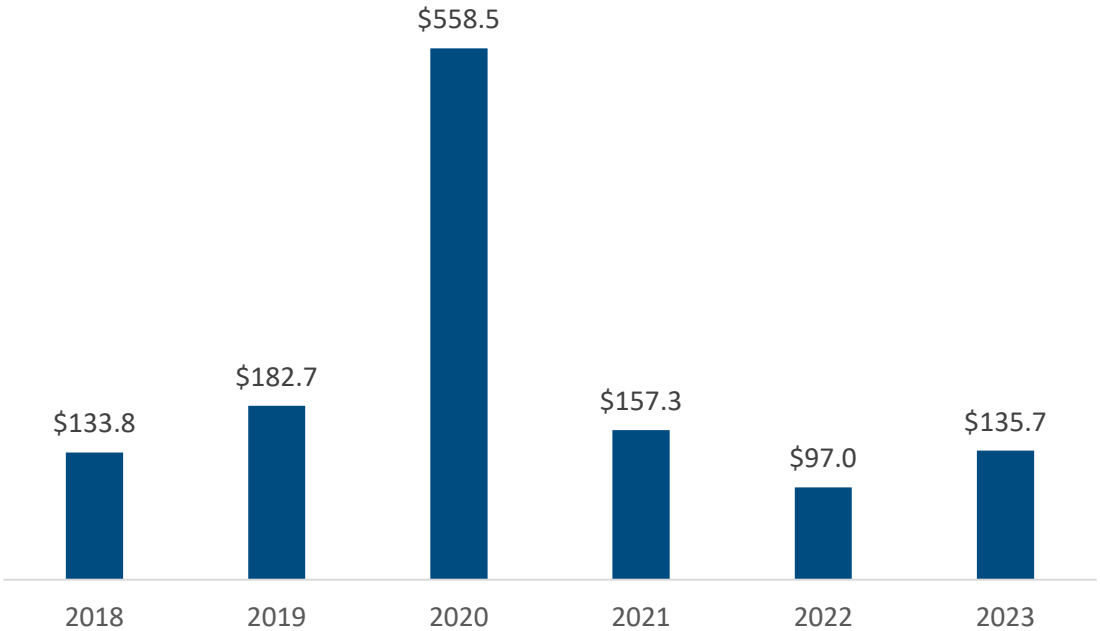
<sup>5</sup> United States Department of Labor, Treasury Direct Trust Fund Reports.

West Virginia’s unemployment trust fund balance makes it one of the most recession-ready of its kind in the country. One measure of trust fund solvency is the trust fund balance as a share of total wages in the state. West Virginia’s trust fund solvency is 1.4 percent, ranking the state 17<sup>th</sup> highest in the country.<sup>6</sup>

During the worst of the pandemic, over 100,000 West Virginians were claiming unemployment benefits, quickly draining the trust fund. However, the state is currently enjoying near record low unemployment rates, and at the end of January 2024, only 10,507 West Virginia workers were claiming unemployment benefits—nearly half the number that were claiming benefits this time of year, pre-pandemic. That means the state is paying out much less in unemployment benefits than it did during the pandemic—and even prior to the pandemic—despite the higher benefit amounts. In 2023, West Virginia paid \$135.7 million in unemployment benefits, compared to \$182.7 million in 2019 (Figure 4). West Virginia’s current low unemployment rate, coupled with its high trust fund solvency level, makes it well-positioned to handle a potential recession.

Figure 4  
**Total Unemployment Benefits Paid in Recent Years are Below Pre-Pandemic Levels, Despite Higher Maximum Benefit**

Total state unemployment benefits paid in West Virginia, 2018-2023 (millions)



Source: U.S. Department of Labor, Employment & Training Administration, Monthly Program and Financial Data

**Despite Changes, Contributions are Exceeding Benefits Paid**

Despite both a lower contribution from employers and a higher maximum benefit from COVID-related average salary increases, contributions are outpacing payments, and West Virginia’s unemployment trust fund has not only remained healthy but continued to grow. In 2023, \$135.7 million was paid out from the state’s trust fund, while \$144.8 million was deposited, mainly from employer contributions.<sup>7</sup>

<sup>6</sup> U.S. Department of Labor.  
<sup>7</sup> U.S. Department of Labor, Treasury Direct Trust Fund Reports.

## Conclusion

The past several years have shown in multiple ways how unemployment insurance mitigates hardship but doesn't reduce labor force participation or harm the state's economy. In fact, the unemployment insurance system keeps workers connected to the labor force and provides them the time needed to find a job that is a good fit for their skills, which is beneficial both for families and our economy. Efforts to reduce earned unemployment insurance benefits by reducing the number of weeks or the average benefit amount are short-sighted and would leave West Virginia less able to respond to a recession.

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