UI Financing 101

UWC Annual Conference
2018

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Session Objectives

Gain a general understanding of the history, rationale, and functioning of the major funding components imbedded in the UI program.
Agenda

• Program Data Overview
• UI Financing; a Brief History
• Theory of UI Financing
• State Trust Fund Financing
• UI Administrative Financing
Data Overview

Structural Indicators
Program Impact: Benefits
Program Impact: Revenue
Coverage
Recipiency

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UI Data History—Initial Claims

Initial claims 1967 to May 2018

Data: USDOL Chart: NASWA
UI Data History—Continued Claims

Continued claims 1967 to May 2018

Data: USDOL Chart NASWA
UI Benefits Paid

UI Benefits Paid 1970-2017

NASWA Chart, Source: USDOL

Reg UI Benefits  Add Benefits
Cumulative UI Benefits Paid 1970-2017

Cumulative UI Benefits Paid 1970-2017

NASWA Chart, Source: USDOL

Reg UI Benefits
Add Benefits

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Tax Rate: Total and Taxable with Recessions

Tax Rate as Percent of Taxable & Total Wages 1938 - 2017

Chart: NASWA  Source: USDOL

- Tax as % of Taxable Wages
- Tax as % of Total Wages

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UI Revenue, Benefits, TF Balances

State Revenues, Benefits, & Trust Fund Balances 1990 thru 2017

Source: USDOL Chart NASWA
UI History & Purpose
UI History in Perspective

• European Experience:
  • First known plan—Basle Town Switzerland, 1789—short lived.
  • Middle of 19th Century—a few trade unions, mutual benefit societies, fraternal societies provided benefits for members.
  • Swiss community of St. Gall, 1894, established 1st compulsory plan.
  • Great Britain established first national compulsory program in 1911.
  • Italy followed in 1919, and in the 1920, seven other European counties followed suit.
US Activity Early 20th Century

• 1911-1920: Workmen’s compensation laws enacted in most states.
• John Commons developed a plan with pooled fund and employer rates varying according to industry risk & own employment record.
• Some companies started company or joint union-company plans.
• American Federation of Labor opposed, felt workers should cope with their own problems including unemployment.
US Activity Early 20th Century II

- Depression marked turning point in general public attitude toward unemployment insurance.

- Consequences of Depression led to focus on provision of benefits for the unemployed worker.
UI and Workforce System History

- 1930’s Three areas of Focus:
  - Creation of social welfare programs
  - Wagner-Peyser Act 1933
  - Social Security Act 1935
Wagner-Peyser Act 1933

• Three months after taking office as president, Franklin D. Roosevelt on June 6, 1933
• The Wagner-Peyser Act establishing a nationwide network of public employment service (ES) offices.
• The ES played a key role in economic recovery from the Great Depression by referring jobless workers to available private sector jobs as well as to newly created public sector jobs
• Created first public labor exchange service
• Provides labor related services to employers and job seekers
• The ES continues to serve as the foundation for the national One-Stop delivery system established by the Workforce Investment Act of 1998.
US Activity Early 20th Century III

• Wisconsin acted as pioneer state, passing a UI law in January 1932.
  • Covered employers with 10 or more employees
  • Payroll tax on employers two percent on payroll
  • Revenue went to state controlled individual employer fund until $55 per employee was accumulated.
  • After $55, rate dropped to one percent until $75/employee.

• Employees entitled to 10 weeks of benefits, not to exceed 50 percent of average weekly wage or $10/week.
National Interest

- If only some states had UI programs, employers paying UI taxes would be at a competitive disadvantage.
- Led to call for national legislation.
- 1933 – Wagner-Peyser Act (ES)
- 1934:
  - Wagner-Lewis bill
  - FDR formed Committee on Economic Security.
    - Chaired by Frances Perkins
Report: Committee On Economic Security

• Issued in January 1935
• Basic objectives of UI
  • Paying benefits for periods of involuntary unemployment.
  • Stabilizing employment.
• Expand a system of public employment offices created by Wagner-Peyser Act of 1933.
• Recommended Federal-State system.
• Federal standards necessary to insure states set up UI programs (not relief).
Report: Committee On Economic Security II

• States free to set up any type of UI program they want.
• Most benefit and tax requirements left to states:
  • Monetary entitlement
  • Disqualification provisions
  • Work search
  • Reporting
Why a Federal-State System?

• State-only system wasn’t working.
• Exclusively Federal system would be cumbersome and difficult.
• Federal-State system removes disadvantages in interstate competition while allowing wide latitude for experimentation.
The Social Security Act

The Social Security Act of 1935 spelled out the provisions for UI:

• Title IX provided for:
  • The employer tax,
  • Specified exclusions from coverage,
  • Established standards that state systems must meet, and
  • Set up rules for developing an experience rating.

• Title III was concerned with administration.
Federal “Requirements”

• Concerns about the constitutionality of Federal requirements led to an incentives system,
  • States are given incentives to comply with Federal law.
  • States technically have a choice whether or not to establish their unemployment compensation programs in compliance with the provisions of Federal law.
  • Federal Unemployment Tax Act (FUTA) lets employers take credit against the Federal UI tax if their states’ UI programs comply with Federal law.
Federal Unemployment Tax Act (FUTA)

• Substantial parts of Title IX (taxing provisions) were repealed and reenacted (1939) as FUTA.

• Moved the taxing provision in Title IX of the Social Security Act to the Internal Revenue Code, Chapter 23:
  • Section 3301 – Imposes tax
  • Section 3302 – Credits against tax
  • Section 3303 – Additional credit conditions (experience rating)
  • Section 3304 – Normal credit conditions
Significant UI Amendments

Significant Amendments:

• Allowing employers to make voluntary contributions;
• The Reed Act which allows excess federal funds to be returned to states and the establishment of a loan fund to help states pay benefits when their trust funds are depleted;
• Creation of a permanent extended benefit program;
• Extension of coverage to non-profits, agriculture, state and local government workers;
• Establishment of the Trade Adjustment Assistance Program; and
• Establishment of various additional extended benefit programs.
2008 Supplemental Appropriations Act:
  • Emergency Unemployment Compensation (EUC 08)

2009 American Recovery & Reinvestment Act:
  • $500M transfer from the Employment Security Administration account
Theory of UI Financing
UI Financing

Central Components:
- Federal Law Authority
- FUTA
- Unemployment Trust Fund
- Public Debt
- State Financing System
- Title XII Advance
- Administrative Financing
Federal Law Authority

• The Federal Unemployment Tax Act (FUTA) envisions a cooperative federal-state program of benefits to unemployed workers.

• FUTA imposes an excise tax on every employer equal to a specified percentage of total taxable wages paid during the calendar year.

• The tax mechanism grants a wide range of discretion to the states as long as certain minimum Federal standards are met.
Federal Law Authority

• FUTA requires employers to pay a Federal tax, currently 6.0 percent on the first $7000 paid with respect to each employee’s wages.

• Employers in the state may take two credits against the tax:
  • For the amount of contributions actually paid into the state unemployment fund, and
  • An additional credit for
    • (contributions paid)-(the amount to be paid at the highest rate, up to a cap of 5.4 percent)

• To receive the additional credit, the state’s experience rating system must conform to Federal law.
FUTA Tax
6.0% FUTA Tax
On $7,000 wages

Acceptable UI Program
5.4% Credit

Covered Employers

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FUTA Tax

• The maximum FUTA tax payable for each employee receiving full credit is:
  Full FUTA       6.0% x $7,000 = $420
  With Credit    0.6% x $7,000 =   $42

• If State Taxable Wage Base is $5,000:
  Total FUTA tax = (.06 x 5,000) + (6.0% x 2,000)

• FUTA Tax Collected once a year from taxable employers

• FUTA Tax will increase (credit reduction) if States Borrow without repaying
## History of FUTA

<table>
<thead>
<tr>
<th>Year</th>
<th>FUTA Wage Base</th>
<th>FUTA Rate</th>
<th>FUTA Credit</th>
<th>Final FUTA Rate</th>
<th>Per Employee</th>
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<tr>
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<td>5.4%</td>
<td>0.6%</td>
<td>$42</td>
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</table>
FUTA Accounts

Employer

State Tax

FUTA

State UI

Reg. UI Ben

50% EB

50% EB

Federal Extension

ESAA Program Administration

ESAA

FUA

EUCA

DOL
UI ES VETS BLS

Treasury
IRS UTF

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Unemployment Trust Fund

EUCA - Makes loans to insolvent state accounts when needed
Ceiling = .50% of total wages
Excess flows to ESAA Sept. 30

FUA - Pays 1/2 cost of EB
Ceiling = .50% of total wages
Excess flows to ESAA Sept. 30

ESAA - Pays for state administrative costs
Ceiling = 40% of prior year’s appropriation
Excess flows to ESAA Sept. 30

53 State Accounts

When all 3 Federal accounts reach/exceed their ceilings on Sept. 30, the amount in excess of the ceiling is distributed to state accounts on Oct. 1. (Reed Act)
The Extended Unemployment Compensation Account (EUCA) has an outstanding balance as of 9/30/17 of $13.69B, made up of:
  • $2.61B owed to the General Fund and
  • $11.08B owed to FUA/ESAA.

EUCA earns about $1.25 B/year.
  • Without a new recession under current law will be paid off?

*Source: FY 2019 President's Budget: UI Outlook*
UI Trust Fund in Public Debt

- Total federal debt consists of debt held by the public & intragovernmental debt.
- The Treasury Sec. is authorized to receive and invest all funds collected by a state for the payment of UI benefits and invest such portion not required to meet current withdrawals.
- Such investment may be made only in interest-bearing obligations of the US or in obligations guaranteed as to both principal and interest by the US.
State Trust Fund Financing Systems
State Benefit Financing Systems are Complex, Dynamic Systems

- The basic components of a state’s UI taxing system consists of a set of tax schedules, or a single schedule that may be revised based on specific criteria set in State law.
- The tax schedule in effect in a given year is generally a function of the state’s trust fund balance at a specific point in time.
- An employer’s tax rate is based on State’s formula for determining the employer’s experience with unemployment.
- The more unemployment experienced by an employer, the higher their tax rate.
State Tax Systems

• That’s the simple explanation but each state has defined its system with many different adaptations and limitations on this schema, including:
  • Varying the number of years included in each separate computation,
  • Adapting special provision for new employers, or
  • Varying how benefits get charged to each employer.

• Basic experience rating standard: All employers must be rated over the same time period using the same factor(s) which bear a direct relation to the employers’ experience with unemployment.

Employers with the same experience should pay the same tax rates.
State UI Tax Systems

State Benefit & Tax Systems are designed to be “Countercyclical”

- The demand for UI benefit payments increase as the economy slows, and even more dramatically during more severe recessions.
- Employer taxes are usually lower shortly before recessions and generally do not increase substantially during the downturn or shortly thereafter.
- Tax revenues are designed to begin to increase as the economy improves.
- Individual employers who lay off more workers face higher tax rates based on their “experience” with increased unemployment.
Business Cycles

- Differences in economic recoveries can impact the timing mechanisms in a state’s UI financing system.
- Many systems assume a gradual recovery over 18 to 36 months and they are designed to slowly increase employer tax rates to build trust fund balances as benefit payments decline.
- In the current expansion period neither of these are true. The length and depth of the Great Recession (Blue Line) is evident in the chart, planning for a UI tax system to cover this downturn is difficult.
Length of Recessions

- Understanding how economic cycles may change is important when developing a structure for a State’s UI benefit and financing systems.

- The duration and amplitude of U.S. economic cycles and in turn an individual state’s cycles have varied significantly.

- Planning UI Tax systems to be countercyclical can prove to be a challenge as shown by the varying lengths of recent recessions.
Changes in UI Tax Revenue

State Expected Change in UI Tax Revenue
2010-2015

NASWA 2015 Tax Survey

My state’s UI taxes will remain the same.
My state’s UI taxes will increase.
My state’s UI taxes will decrease.

Percentage of States

100%
80%
60%
40%
20%
0%

2010 2011 2012 2013 2014 2015

Year

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Experience Rating: History

• Employers state UI tax rates are influenced by their “experience with unemployment.”
• The U.S. is the only country that uses experience rating to determine employer UI tax rates.
• Experience rating has been part of the U.S. system since it was established in 1935.
• Basically, experience rating works somewhat like other types of insurance, such as auto insurance, that charge customers variable rates based on certain risk factors.
Experience Rating

- UI benefits are primarily financed through the quarterly assessment of taxes on employer payrolls.
- Employer begins at an initial tax rate (new employer rate)
- Subsequent tax rates will vary based upon the amount of benefits charged to the employer’s account.
- Employers usually need two-three years of “experience” to get an experience rating but some states give it after one year.
- States have many provisions as to what “employment” is charged to an employer and the formula used to compute their experience rating.
- Once an employer’s tax rate is determined, the rate applies to the wages paid to each employee for a specific year up to the state’s maximum taxable wage base.
Federal Unemployment Tax Act (FUTA, 1935)

Acceptable State UI Program

• The Standard Rate must be at least the value of the credit amount 5.4% (0.6% from 6.0%).

• Any reduction in awarded rates must be based on an employers experience with unemployment.
Major Differences in State UI Tax Structures

• Four types of experience rating mechanisms.
• Thirteen states charge the most recent or principal employer, 34 charge in proportion to base period wages, 5 charge in inverse chronological order.
• Wage Base varies from $7,000 to $47,300.
• Three states have employee taxes (AK,NJ,PA).
• Twenty-eight states allow voluntary contributions.
• Three States have no benefit charging.
• Thirty States have taxes for UI Admin or Non-UI Purposes
Primary Features of State UI Tax Systems

Taxable Wage Base
($7,000 - $45,000)

Experience Rating Method
(Reserve Ratio/ Benefit Ratio /Benefit Wage / Payroll Decline)

Tax Table Triggers
(Reserve Ratio/ Benefit Cost Multiple / Dollar Value of the Trust Fund)
Taxable Wage Base

• Federal minimum of $7000
• Varies from State to State
• Two most common methods
  • Flat Rate-Set by Legislature
  • Indexed-Tied to other figure such as average weekly wage
• Employee Contributions
  • AK, NJ, PA
State Taxable Wage Base

<table>
<thead>
<tr>
<th>State</th>
<th>Tax Rate</th>
<th>Taxable Wage Base</th>
<th>Contrib. per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>State 1</td>
<td>1.0%</td>
<td>* $7,000</td>
<td>= $70</td>
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<tr>
<td>State 2</td>
<td>.35%</td>
<td>* $20,000</td>
<td>= $70</td>
</tr>
</tbody>
</table>

Higher Base – lower Rate - Same Revenue

Low Base – Higher Proportion of Wages

<table>
<thead>
<tr>
<th>Wage Base</th>
<th>Avg. Employ. Wage</th>
<th>Total Wages</th>
<th>Taxable Wages</th>
<th>% of Wages Taxed</th>
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<tr>
<td>Low Wage</td>
<td>$7,000 10</td>
<td>$15,000</td>
<td>$150,000</td>
<td>$70,000</td>
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<tr>
<td>High Wage</td>
<td>$7,000 10</td>
<td>$80,000</td>
<td>$800,000</td>
<td>$70,000</td>
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</table>
Indexing the Taxable Wage Base

• Twenty Four (2018) States Multiply the current year, prior year (or second prior year) average annual wage by a specified proportion – 50% - 100%.

• Five States set the Wage Base based on the size of the UI Trust Fund:
  •   State Reserve Ratio        Wage Base
  •   > 1%                      $7,000
  •   >.5% < 1%                 $8,000
  •   < .5%                     $9,000

• Some States may assign different wage base to a different group of employers
## Estimated State & US Tax & Total Rates

<table>
<thead>
<tr>
<th>STATE</th>
<th>Taxable Wage Base ($)</th>
<th>2017 Percent of:</th>
<th>2017 Percent of:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Taxable Wages</td>
<td>Total Wages</td>
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<td>United States</td>
<td>7,000</td>
<td>2.27%</td>
<td>0.59%</td>
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<td>8,000</td>
<td>1.54%</td>
<td>0.34%</td>
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<tr>
<td>Alaska</td>
<td>39,800</td>
<td>1.01%</td>
<td>0.62%</td>
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<td>Arizona</td>
<td>7,000</td>
<td>2.20%</td>
<td>0.43%</td>
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<td>12,000</td>
<td>1.75%</td>
<td>0.57%</td>
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<td>7,000</td>
<td>4.49%</td>
<td>0.68%</td>
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<td>Colorado</td>
<td>12,500</td>
<td>2.00%</td>
<td>0.53%</td>
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<td>Connecticut</td>
<td>15,000</td>
<td>3.57%</td>
<td>0.84%</td>
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<td>Delaware</td>
<td>16,500</td>
<td>1.65%</td>
<td>0.57%</td>
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<td>0.36%</td>
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<td>Minnesota</td>
<td>32,000</td>
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<td>0.64%</td>
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<td>Mississippi</td>
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<td>0.24%</td>
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<table>
<thead>
<tr>
<th>STATE</th>
<th>Taxable Wage Base ($)</th>
<th>2017 Percent of:</th>
<th>2017 Percent of:</th>
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<td>Missouri</td>
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</tr>
<tr>
<td>Wisconsin</td>
<td>14,000</td>
<td>2.04%</td>
<td>0.66%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>25,400</td>
<td>1.50%</td>
<td>0.74%</td>
</tr>
</tbody>
</table>
Employer Tax Rates

• Standard or New Employer Rate
  • May vary based on industry
  • Retain until requirements for a calculated rate are met
  • Generally three years for experience rate

• Successor Rate
  • Transferred with ownership of business
  • May be optional or mandatory
  • Partial or total
Individual Factors Impacting Tax Rates

- Contributions paid in
- Benefits charged to reserve
- Acquisition or liquidation
- Significant change in average payroll amount
- Penalty assessments
Communalized Factors Impacting Rates

• Trust Fund balance
  • Applied to applicable rate table
  • Generally Set Annually

• Industry sector experience
  • Construction
  • Manufacturing
  • Mining
## UI Experience Rating Formulae

<table>
<thead>
<tr>
<th>Formula</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve Ratio:</td>
<td>[ \text{Beg. Balance} + (\text{Contributions} - \text{Benefits}) - 31 ] Taxable Wages</td>
</tr>
<tr>
<td>Benefit Ratio:</td>
<td>[ \text{Benefits Charged (previous 3 years)} - 19 ] Taxable Wages</td>
</tr>
<tr>
<td>Benefit Wage Ratio:</td>
<td>[ \text{Benefit Wages} - 2 ] Taxable Wages</td>
</tr>
<tr>
<td>Payroll Decline:</td>
<td>[ \text{Average Difference in Qtr. Payroll)} - 1 ] Taxable Wages</td>
</tr>
</tbody>
</table>
Assigning State Tax Rates

In addition to the type of experience rating method, states differ in the type of employer ranking employed in the assignment of tax rates:

• Twelve states assign UI tax rates by using a relative ranking of all employers, called the Array Method.
• Forty One states use fixed intervals of their experience rating measure (e.g. reserve ratio) to place employers in tax rate groups.
# Experience Rated Tax System

1) Taxable Wage Base = $10,000

<table>
<thead>
<tr>
<th>% of Taxable Wages</th>
<th>Good Experience-Low Rates</th>
<th>Bad Experience-High Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.5</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>1.0</td>
<td>5.4</td>
</tr>
</tbody>
</table>

2) Employer Experience Factor

- Low Rates
  - 1.5
  - 2.0
  - 2.5
  - 3.0
  - 4.0
- High Rates
  - 4.5
  - 5.4

UI Financing 101 UWC 2018
# Experience Rated Tax System

**Schedule ofRates Based on Measure of Trust Fund Balance**

<table>
<thead>
<tr>
<th>Employer Experience Factor</th>
<th>Good Experience - Low Rates</th>
<th>High Fund/Low Rates</th>
<th>Low Fund/High Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>.5</td>
<td>.6</td>
<td>.7</td>
<td>.8</td>
</tr>
<tr>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>1.3</td>
</tr>
<tr>
<td>1.5</td>
<td>1.6</td>
<td>1.7</td>
<td>1.8</td>
</tr>
<tr>
<td>2.0</td>
<td>2.1</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>2.5</td>
<td>2.6</td>
<td>2.7</td>
<td>2.8</td>
</tr>
<tr>
<td>3.0</td>
<td>3.1</td>
<td>3.2</td>
<td>3.3</td>
</tr>
<tr>
<td>4.0</td>
<td>4.1</td>
<td>4.2</td>
<td>4.3</td>
</tr>
<tr>
<td>4.5</td>
<td>4.5</td>
<td>4.6</td>
<td>4.7</td>
</tr>
<tr>
<td>5.4</td>
<td>5.5</td>
<td>5.6</td>
<td>5.7</td>
</tr>
<tr>
<td>5.8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

UI Financing 101 UWC 2018
# Sample State Unemployment Insurance Tax Table

## Employer Reserve Ratio Intervals (% of Taxable Wages)

<table>
<thead>
<tr>
<th>10.0 and Over</th>
<th>9.0</th>
<th>8.0</th>
<th>7.0</th>
<th>6.0</th>
<th>5.0</th>
<th>4.0</th>
<th>3.0</th>
<th>2.0</th>
<th>1.0</th>
<th>0.0</th>
<th>-.1</th>
<th>-.6</th>
<th>-1.1</th>
<th>Under</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9.9</td>
<td>8.9</td>
<td>7.9</td>
<td>6.9</td>
<td>5.9</td>
<td>4.9</td>
<td>3.9</td>
<td>2.9</td>
<td>1.9</td>
<td>0.9</td>
<td>.5</td>
<td>1.0</td>
<td>-2.0</td>
<td>-2.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employer Reserve Ratio Intervals (% of Taxable Wages)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.0 and Over</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

## State Reserve Ratio Tax Schedule Triggers

- **3.7%**
- **3.7% <**
- **3.4% <**
- **2.7% <**
- **2.0% <**
- **1.5% <**
- **< 1.0%**

<table>
<thead>
<tr>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>.03</td>
<td>.05</td>
<td>.10</td>
<td>.60</td>
<td>.90</td>
<td>1.20</td>
<td>2.70</td>
</tr>
<tr>
<td>.06</td>
<td>.10</td>
<td>.20</td>
<td>.90</td>
<td>1.20</td>
<td>1.50</td>
<td>2.70</td>
</tr>
<tr>
<td>.09</td>
<td>.20</td>
<td>.40</td>
<td>1.20</td>
<td>1.50</td>
<td>1.80</td>
<td>2.70</td>
</tr>
<tr>
<td>.10</td>
<td>.40</td>
<td>.60</td>
<td>1.50</td>
<td>1.80</td>
<td>2.10</td>
<td>2.70</td>
</tr>
<tr>
<td>.30</td>
<td>.60</td>
<td>.80</td>
<td>1.80</td>
<td>2.10</td>
<td>2.40</td>
<td>2.70</td>
</tr>
<tr>
<td>.50</td>
<td>.80</td>
<td>1.10</td>
<td>2.10</td>
<td>2.40</td>
<td>2.70</td>
<td>3.00</td>
</tr>
<tr>
<td>.80</td>
<td>1.10</td>
<td>1.40</td>
<td>2.40</td>
<td>2.70</td>
<td>3.00</td>
<td>3.30</td>
</tr>
<tr>
<td>1.20</td>
<td>1.40</td>
<td>1.70</td>
<td>2.70</td>
<td>3.00</td>
<td>3.30</td>
<td>3.60</td>
</tr>
<tr>
<td>1.50</td>
<td>1.70</td>
<td>2.00</td>
<td>3.00</td>
<td>3.30</td>
<td>3.60</td>
<td>3.90</td>
</tr>
<tr>
<td>1.80</td>
<td>2.00</td>
<td>2.40</td>
<td>3.30</td>
<td>3.60</td>
<td>3.90</td>
<td>4.20</td>
</tr>
<tr>
<td>2.40</td>
<td>2.40</td>
<td>3.30</td>
<td>3.60</td>
<td>3.90</td>
<td>4.20</td>
<td>4.50</td>
</tr>
<tr>
<td>3.30</td>
<td>3.30</td>
<td>3.60</td>
<td>3.90</td>
<td>4.20</td>
<td>4.50</td>
<td>4.80</td>
</tr>
<tr>
<td>4.20</td>
<td>4.20</td>
<td>4.20</td>
<td>4.20</td>
<td>4.50</td>
<td>4.80</td>
<td>5.10</td>
</tr>
<tr>
<td>5.00</td>
<td>5.00</td>
<td>5.00</td>
<td>5.00</td>
<td>5.00</td>
<td>5.10</td>
<td>5.30</td>
</tr>
<tr>
<td>5.40</td>
<td>5.40</td>
<td>5.40</td>
<td>5.40</td>
<td>5.40</td>
<td>5.40</td>
<td>5.40</td>
</tr>
</tbody>
</table>
## Reserve Ratio Experience Rating

<table>
<thead>
<tr>
<th>State</th>
<th>Years of Benefits and Contributions Used</th>
<th>Years of Payrolls Used</th>
<th>State</th>
<th>Years of Benefits and Contributions Used</th>
<th>Years of Payrolls Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>AZ</td>
<td>All past years</td>
<td>Average of 3 years, ending 6 months before computation date</td>
<td>AR</td>
<td>All past years</td>
<td>Average last 3 or 5 years, whichever is lower</td>
</tr>
<tr>
<td>CA</td>
<td>All past years</td>
<td>Average of 3 years, ending 6 months before computation date</td>
<td>CO</td>
<td>All past years</td>
<td>Average 3 years</td>
</tr>
<tr>
<td>DC</td>
<td>All since July 1, 1939</td>
<td>Average of 3 years, ending 3 months before computation date</td>
<td>GA</td>
<td>All past years</td>
<td>Average 3 years</td>
</tr>
<tr>
<td>HI</td>
<td>All past years</td>
<td>Average 3 years</td>
<td>ID</td>
<td>All since Jan. 1, 1940</td>
<td>Average 4 years</td>
</tr>
<tr>
<td>IN</td>
<td>All past years</td>
<td>Aggregate 3 years</td>
<td>KS</td>
<td>All past years</td>
<td>Average 3 years</td>
</tr>
<tr>
<td>KY</td>
<td>All past years</td>
<td>Aggregate 3 years</td>
<td>LA</td>
<td>All since Oct. 1, 1941</td>
<td>Average 3 years</td>
</tr>
<tr>
<td>ME</td>
<td>All past years</td>
<td>Average 3 years</td>
<td>MA</td>
<td>All past years</td>
<td>Last year</td>
</tr>
<tr>
<td>MO</td>
<td>All past years</td>
<td>Average 3 years</td>
<td>MT</td>
<td>All years since Oct. 1, 1981</td>
<td>Average 3 years</td>
</tr>
<tr>
<td>NE</td>
<td>All past years</td>
<td>Average 4 years</td>
<td>NV</td>
<td>All past years</td>
<td>Average 3 years</td>
</tr>
<tr>
<td>NH</td>
<td>All past years; last 5 years under specified conditions</td>
<td>Average 3 years</td>
<td>NJ</td>
<td>All past years</td>
<td>Average last 3 or 5 years, whichever is higher</td>
</tr>
<tr>
<td>NY</td>
<td>All past years</td>
<td>Average of 5 years, ending 3 months before computation date</td>
<td>NC</td>
<td>All past years</td>
<td>Aggregate 3 years</td>
</tr>
</tbody>
</table>
## Benefit-Ratio Calculations, Benefit-Wage Ratio

### Table 2-4: BENEFIT-RATIO FORMULA STATES

<table>
<thead>
<tr>
<th>State</th>
<th>Years of Benefits Used</th>
<th>Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted)</th>
<th>State</th>
<th>Years of Benefits Used</th>
<th>Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AL</td>
<td>Last 3 fiscal years</td>
<td>Last 3 fiscal years</td>
<td>CT</td>
<td>Last 3 years</td>
<td>Last 3 years, ending 6 months before computation date</td>
</tr>
<tr>
<td>FL</td>
<td>Last 3 years</td>
<td>Last 3 years, ending June 30th</td>
<td>IL</td>
<td>Last 3 years</td>
<td>Last 3 years</td>
</tr>
<tr>
<td>IA</td>
<td>Last 5 years</td>
<td>Last 5 years</td>
<td>MD</td>
<td>Last 3 years</td>
<td>Last 3 years</td>
</tr>
<tr>
<td>MI</td>
<td>Last 5 years</td>
<td>Last 5 years</td>
<td>MN</td>
<td>Last 4 years</td>
<td>Last 4 years</td>
</tr>
<tr>
<td>MS</td>
<td>Last 3 years</td>
<td>Last 3 years</td>
<td>NM</td>
<td>Last 4 years</td>
<td>Last 3 years</td>
</tr>
<tr>
<td>OR</td>
<td>Last 3 years</td>
<td>Last 3 years</td>
<td>PA</td>
<td>All past years</td>
<td>Average 3 years</td>
</tr>
<tr>
<td>SC</td>
<td>Last 3 years</td>
<td>Last 3 years</td>
<td>TX</td>
<td>Last 3 years</td>
<td>Last 3 years</td>
</tr>
</tbody>
</table>

### Table 2-5: BENEFIT-WAGE-RATIO FORMULA STATES

<table>
<thead>
<tr>
<th>State</th>
<th>Years of Benefits Used</th>
<th>Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td>Last 3 years</td>
<td>Last 3 years</td>
</tr>
<tr>
<td>OK</td>
<td>Last 3 years</td>
<td>Last 3 years</td>
</tr>
</tbody>
</table>
## Range of Tax Rate Schedules

### Table 2-10: FUND REQUIREMENTS AND RANGE OF RATES

<table>
<thead>
<tr>
<th>State</th>
<th>Most Favorable Schedule</th>
<th>Range of Rates</th>
<th>Least Favorable Schedule</th>
<th>Range of Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>When Fund Balance</td>
<td>Minimum</td>
<td>Maximum</td>
<td>When Fund Balance</td>
</tr>
<tr>
<td>AL</td>
<td>≥125% of desired level</td>
<td>0.14%</td>
<td>5.4%</td>
<td>&lt;70% of desired level</td>
</tr>
<tr>
<td>AK</td>
<td>Law authorizes agency to set rates</td>
<td>≥1.0%</td>
<td>≥5.4%</td>
<td>Law authorizes agency to set rates</td>
</tr>
<tr>
<td>AZ</td>
<td>≥12% of taxable payrolls</td>
<td>0.02%</td>
<td>5.4%</td>
<td>&lt;3.0% of taxable payrolls</td>
</tr>
<tr>
<td>AR(^1)</td>
<td>Based on reserve ratio</td>
<td>0.0%</td>
<td>6.0%</td>
<td>Based on reserve ratio</td>
</tr>
<tr>
<td>CA</td>
<td>&gt;1.8% of taxable payrolls</td>
<td>0.1%</td>
<td>5.4%</td>
<td>&lt;0.6% of taxable payrolls</td>
</tr>
<tr>
<td>CO</td>
<td>Fund reserve ≥1.4</td>
<td>0.51%</td>
<td>6.28%</td>
<td>Fund reserve &lt;0.0</td>
</tr>
<tr>
<td>CT</td>
<td>Based on benefit ratio</td>
<td>0.5%</td>
<td>5.4%</td>
<td>Based on benefit ratio</td>
</tr>
<tr>
<td>DE</td>
<td>Dependent upon the state experience factor</td>
<td>0.1%</td>
<td>8.0%</td>
<td>Dependent upon the state experience factor</td>
</tr>
<tr>
<td>DC</td>
<td>&gt;3.0% of payrolls</td>
<td>0.1%</td>
<td>5.4%</td>
<td>&lt;0.8% of payrolls</td>
</tr>
<tr>
<td>FL</td>
<td>Current adjusted benefit ratio</td>
<td>0.1%</td>
<td>5.4%</td>
<td>Current adjusted benefit ratio</td>
</tr>
</tbody>
</table>
## Additional Surcharges, Surtaxes, Adjustments

<table>
<thead>
<tr>
<th>State</th>
<th>Name</th>
<th>Amount</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>AL</td>
<td>Shared Cost Assessment¹</td>
<td>Varies</td>
<td>Social Cost</td>
</tr>
<tr>
<td>AK</td>
<td>Solvency Adjustment Surcharge¹</td>
<td>-0.4% - 1.1%</td>
<td>Solvency</td>
</tr>
<tr>
<td>AR</td>
<td>Extended Benefit Tax</td>
<td>When in effect, 0.1%</td>
<td>Extended Benefits</td>
</tr>
<tr>
<td></td>
<td>Stabilization Tax</td>
<td>-0.1% - 0.8%</td>
<td>Solvency</td>
</tr>
<tr>
<td>CO</td>
<td>Solvency Surcharge</td>
<td>Varies</td>
<td>Solvency</td>
</tr>
<tr>
<td>CT</td>
<td>Fund Balance Tax Rate</td>
<td>Up to 1.4%</td>
<td>Solvency</td>
</tr>
<tr>
<td>DE</td>
<td>Supplemental Assessment Rate</td>
<td>0.2%</td>
<td>Solvency</td>
</tr>
<tr>
<td>IL</td>
<td>Fund Building Factor</td>
<td>0.4% - 0.55%</td>
<td>Solvency</td>
</tr>
<tr>
<td></td>
<td>Additional Surcharge</td>
<td>0.3%</td>
<td>Solvency</td>
</tr>
</tbody>
</table>
## Misc. Dates & New Employer Rates

**Table 2-12: COMPUTATION, FUND TRIGGER, EFFECTIVE DATES, AND NEW EMPLOYERS**

<table>
<thead>
<tr>
<th>State</th>
<th>Computation Date</th>
<th>Fund Trigger Date</th>
<th>Effective Date for New Rates</th>
<th>Years Needed to Qualify for Experience Rating¹</th>
<th>Reduced Rate for New Employers²</th>
</tr>
</thead>
<tbody>
<tr>
<td>IL</td>
<td>June 30</td>
<td>June 30</td>
<td>Jan. 1</td>
<td>3¹</td>
<td>Average industry rate up to 5.4%</td>
</tr>
<tr>
<td>IN</td>
<td>June 30</td>
<td>Sept. 30</td>
<td>Jan. 1</td>
<td>3¹</td>
<td>2.5%; 1.6% for government employers</td>
</tr>
<tr>
<td>IA</td>
<td>July 1</td>
<td>July 1</td>
<td>Jan. 1</td>
<td></td>
<td>1.0% - 3.0% based upon the rate schedule in effect; 7.0% - 9.0% for construction</td>
</tr>
<tr>
<td>KS</td>
<td>June 30</td>
<td>June 30</td>
<td>Jan. 1</td>
<td>2</td>
<td>2.7%; construction employers receive 6.0%</td>
</tr>
<tr>
<td>KY</td>
<td>July 31</td>
<td>Sept. 30</td>
<td>Jan. 1</td>
<td>3</td>
<td>2.7%; foreign and domestic construction firms receive maximum rate</td>
</tr>
<tr>
<td>LA</td>
<td>June 30</td>
<td>Sept. 1</td>
<td>Jan. 1</td>
<td>3</td>
<td>Up to 6.2% based on average industry rate</td>
</tr>
<tr>
<td>ME</td>
<td>June 30</td>
<td>Sept. 30</td>
<td>Jan. 1</td>
<td>2</td>
<td>Greater of predetermined yield or 1%</td>
</tr>
<tr>
<td>MD</td>
<td>July 1</td>
<td>Sept. 30</td>
<td>Jan. 1</td>
<td>2</td>
<td>2.6%; foreign contractors assigned average industry rate</td>
</tr>
<tr>
<td>MA</td>
<td>Sept. 30</td>
<td>Sept. 30</td>
<td>Jan. 1</td>
<td>1</td>
<td>2.83%; construction employers receive 8.62%</td>
</tr>
<tr>
<td>State</td>
<td>2018 WAGE BASE</td>
<td>2017 WAGE BASE</td>
<td>2016 WAGE BASE</td>
<td>2015 WAGE BASE</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td></td>
</tr>
<tr>
<td>Alabama</td>
<td>$8,000</td>
<td>$8,000</td>
<td>$8,000</td>
<td>$8,000</td>
<td></td>
</tr>
<tr>
<td>Alaska</td>
<td>39,500</td>
<td>39,800</td>
<td>39,700</td>
<td>38,700</td>
<td></td>
</tr>
<tr>
<td>Arizona</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
<td></td>
</tr>
<tr>
<td>Arkansas</td>
<td>10,000</td>
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<td>30,500</td>
<td>29,500</td>
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</table>

Source: American Payroll Association
Other Factors Affecting Employers Tax Rate
Covered Wages

Wages Include:

• Any remuneration in the form of salaries, wages, tips, commissions, fees, bonuses, vacation allowances, whether paid to full-time, part-time, or temporary employees, unless explicitly excluded.

And may include:

• Other forms of remuneration such as value of goods, lodging, food, clothing, and non-cash fringe benefits unless incidental or for the convenience of the employer.

• Section 125 (cafeteria) plan benefits
Excluded Wages

• Services performed by a sole proprietor or a member of a partnership

• Services performed for a sole proprietor by his or her parent, spouse, or child under the age of 18

• Services performed for a church, convention or association of churches, or any other religious organization that is supervised, controlled or principally supported by a church, if the employer is operated primarily for religious purposes.

• Railroad Workers
Benefit Charges

The Benefit Charge Function Includes:

• Distributing Benefit Charges
• Determining Non-Chargeable Benefits
• Charging Reimbursing Employers
• Applying Voluntary Contributions
Distributing Benefit Charges

Methods approved by USDOL include charging:

• Base-period employers proportionately.
• The principal base period employer.
• The most recent base period employer.
• Base period employers in inverse chronological order.
• The most recent employer for some benefits; then charging base period employers proportionately.
Non-Chargeable Benefits

In order to be consistent with Federal law, the benefits must be considered an unreasonable charge against the employer:

• Claimant voluntarily quit their job
• Claimant was discharged for work related misconduct
• Refusal of suitable work
• Benefit award overturned
• Combined Wage Claim charges
• Part-time work
Reimbursing Employers

• FUTA amendments in 1970 and 1976 extended coverage and required the option of reimbursing the State trust fund for benefits paid to workers of:
  • Non-profit Organizations
  • State and Local Governments
  • Indian Tribes

• Billed quarterly or at a flat rate
SUTA Dumping

• SUTA Dumping is a practice used by some employers to circumvent the experience rating process in order to avoid paying higher unemployment insurance taxes.

• Federal Requirements
  • SUTA Dumping Act of 2004
    • Program in place
    • Meaningful penalty
    • 581 Reporting requirement
SUTA Dumping

• Common SUTA Dumping Schemes:
  • Establishing multiple accounts and shuffle employees around to the account number with the lowest rate each year.
  • Acquire a business with a lower unemployment insurance rate and shuffle employees to that other business to pay the lower tax rate

• Outcome
  • Reactivation of employer accounts
  • Recalculation of employer rate
  • Transfer of contribution and wages among accounts
  • Application of penalty rate
Title XII Advances
Title XII Advances

• The SSA allows states to borrow from the FUA (UTF) to pay: “cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.”

• Advances must be requested in writing, or electronically using the Loan & Repayment Application System (LARAS).

• Advances requests must satisfy the following requirements:
  • The request must cover a 3 month period and may not be submitted earlier than the first of the month preceding the first month of the three-month period covered by the request.
  • The request must include an estimate of the amount of advance that will be required by the state for the payment of compensation in each month of the three-month period covered by the request.
Title XII Advances

Title XII Advances 1970 to 2017

Title XII Advances 2010 to 2017

UI Financing 101 UWC 2018
# Current Title XII Advances

## Title XII Advance Activities Schedule
### As of: June 14, 2016
**Interest Rate:** 2.2259842%

<table>
<thead>
<tr>
<th>State</th>
<th>Outstanding Available Balance</th>
<th>Advance Authorization Current Month</th>
<th>Gross Advance Draws Current Month</th>
<th>Interest For FY2016</th>
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</thead>
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<tr>
<td>Arizona</td>
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<td>$205,000,000</td>
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<td>Virgin Islands</td>
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<td><strong>Totals</strong></td>
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## Title XII Advance Activities As of June 22, 2017
### Interest Rate: 2.21240005%

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<tr>
<th>State</th>
<th>Outstanding Available Balance</th>
<th>Advance Authorization Current Month</th>
<th>Gross Advance Draws Current Month</th>
<th>Interest Billed for FY 2017</th>
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</thead>
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<tr>
<td>Arizona</td>
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<tr>
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<td>Indiana</td>
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<tr>
<td>New York</td>
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<td>South Carolina</td>
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**Balance as of June 15, 2018 is:** Virgin Islands $70,011,270.25
FUTA Credit Reduction

• If a state has outstanding loan balances on Jan 1st for two consecutive years, and does not repay the full amount of its loans by Nov 10th of the second year, the FUTA credit rate for employers will be reduced until the loan is repaid.

• The reduction schedule is 0.3% for the first year, plus 0.3% for the second year, and an additional 0.3% for each year thereafter that the state has not repaid its loan in full.

• Additional offset credit reductions may apply to a state beginning with the third and fifth taxable years if a loan balance is still outstanding and certain criteria are not met.
FUTA Credit Reduction Relief

• To avoid a FUTA credit reduction for a taxable year the state must:
  • Pay the amount of the credit reduction prior to Nov 10\textsuperscript{th} of the year for which avoidance is sought;
  • Repay all FUA loans received during the one-year period ending November 9\textsuperscript{th} prior to November 10\textsuperscript{th};
  • Increase solvency for the taxable year through legislative action by an amount equal to or greater than the amount of the FUTA credit reduction; and
  • Not borrow before the next January 31\textsuperscript{st}. 
State Trust Fund Issues
• In the early 1990s, the Federal Advisory Council on UI developed the Average High Cost Multiple (AHCM).

• The AHCM is defined as how long a state could sustain payments equal to the average of the three highest benefit cost rates in the 20-year period ending with the preceding year, without additional tax revenue coming into the UI trust fund.
UI Administrative Financing
UI Administrative Funding

Title III Section 302(a) Social Security Act: Secretary of Labor shall certify to the Secretary of Treasury such amounts as necessary for “proper and efficient administration” of each State’s law.
State Administrative Funding Overview

• Federal UI Admin Budget is a lengthy process
• Estimate is submitted as part of the Presidents Budget to Congress
• Congress modifies as necessary, then passes it in a Federal Budget or most often a Continuing Resolution.
• Budget estimate is then allocated to the states in the UI Base Budget.
• States may earn additional funds by processing workload above that assigned to them in the Base Budget
Budget Timeline for FY 200Y

- **January**: Initial Workload Projection
- **March**: President’s Budget Request
- **June**: Final Workload Projections
- **July**: Final Allocations FY 200Y
- **October**: States Submit SQSP
- **November**: OMB Passback
- **December**: Budget Hearings w/OMB

- **January**: DOL Request to OMB
- **June**: ETA Request to DOL

- **February**: Final Workload Projections
- **August**: Final Allocations FY 200Z

FY200X → FY200Y → FY200Z

UI Financing 101 UWC 2018
Federal Budget Formulation

• Workload Driven
• Workloads projected using statistical methods & Administration’s economic assumptions

• Key workload item: Continued Claims

• Base and Above Base

• Projected Continued Claims/52 get the Average Weekly Insured Unemployment (AWIU) trigger

• Funding in President’s Request considered adequate to process workloads up to the trigger

• Funds automatically available for AWIU above trigger at $28.6M per 100,000 AWIU
Components of Federal Administration Funding

- **Base**—Computed as part of the federal budget process and allocated to states each year
- **Above Base**—Estimated as part of the federal budget process and earned by states if they process workload above base estimates
- **Postage/Travel**—allocated as part of Base
- **Supplemental Budget Requests (SBR)** funding depends on the difference between federal budget levels and actual state usage
- **Funding for extended benefits or special programs**
- **Funding for special activities**—employee misclassification, REA/RES
- **Contingency funding in times of higher unemployment**
Budget Formulation

• Congress obligated to use CBO’s economic assumptions for scoring.

• CBO AWIU projections typically different due primarily to different economic assumptions and projecting methodology.

• Funding gap created when CBO’s AWIU projection higher than Administration’s since Congress typically accepts the dollars requested or something lower.
RJM Data Source for Allocation

• Resource Justification Model (RJM)
  ✓ RJM is a data collection instrument.

• States submit data from cost accounting records
  ✓ Expenditures, hours by functional activity, personnel costs

• Data is subject to review & verification
Allocating Base Funds

Availability by activity:

Allocated base funds assigned to functional activities according to proportions reflected in RJM data and funding available for the 2.1 million AWIU base.

- Claims activities

- Tax/Wage Records
Allocating Base Funds

Overview

• Primary drivers of base allocation levels:
  • Each state’s projected share of national UI workloads (claims, nonmons, appeals, wage records, tax accounts)
  • Each state’s PS/PB rates- most recent FY
  • Time allowed for processing each budgeted workload item (MPUs, which are calculated from RJM data)- most recent FY
  • Non-personal services spending- most recent FY
Allocating Base Funds

Activities Funded

• Workloads
• Salaries/Benefits
• Non-personal Services
• Support
• Administrative Staff & Technical Services
• Postage
Allocating Base Funds

Funding provided in two parts:
Base – costs associated with processing an AWIU of 2.0M FY 2018

- Initial Claims 14.012M
- Weeks Claimed 104.000M
- Non-monetary determinations 6.663M
- Appeals 1.049M
- All subject employers 8.132M
- All wage records 691.760M
Above Base Funds

• Same PS/PB & MPUs used for above base funding

• Funds for special projects funded through SBRs taken from above base resources.
Bottom Line Authority

• States have authority to move allocated resources among activities.

• Cannot move resources in such a way as to increase above base payment.
Administrative Financing Issues
How would you describe the current level of administrative funding in your state? (40 States)

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<thead>
<tr>
<th>Value</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
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<td>Adequate</td>
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<td>3</td>
</tr>
<tr>
<td>Limited but manageable</td>
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<td>15</td>
</tr>
<tr>
<td>Serious shortfall</td>
<td>37.5%</td>
<td>15</td>
</tr>
<tr>
<td>Critical shortfall</td>
<td>17.5%</td>
<td>7</td>
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<tr>
<td>Total</td>
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<td>40</td>
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</table>
Do you have adequate resources (other than staffing) to efficiently prevent, detect and recover fraud and overpayments?

- Yes: 55% (18 States)
- No: 45% (22 States)

Resources Needed:
- Need better IT system
- Training opportunities
- Expand Prison Cross-match
- New Hire crossmatch
- Identity theft detection tools
Are you able to hire the staff you need, and to retain staff to meet your needs? (40 States)

- Yes: 12 States
- No: 28 States

Impediments to obtain/retain appropriate staff:

- Inadequate funding
- Union Positions - Lack of State budget
- Hiring Freeze and Restrictions
- Non-competitive salary levels
- Lack of merit pay increases and benefit packages
- High fringe benefit cost rate
- Competing career advancement and higher salaries in other state departments and private sector
- Limited career paths and promotional opportunities
- Aging workforce
- Geographic location of positions
- Training needs
Funding UI Base Administration

Appropriations for State UI Administration
Per 2.0 Million AWIU
Constant 2009 Dollars

Source: USDOL
Fiscal Year

GDP Deflator 2009
## Fully Funding the RJM

### Fiscal Year Base Allocation (in millions) * | State RJM ** | % Difference
--- | --- | ---
Total FY09-17 | $21,508.71 | $26,092.56 | -17.57%
FY 2017 | $2,327.26 | $2,988.10 | -22.12%
FY 2016 | $2,382.34 | $3,106.99 | -23.32%
FY 2015 | $2,447.02 | $2,756.92 | -11.20%
FY 2014 | $2,408.87 | $2,941.61 | -18.10%
FY 2013 | $2,409.60 | $2,986.20 | -19.30%
FY 2012 | $2,474.84 | $2,851.56 | -13.20%
FY 2011 | $2,407.47 | $2,811.47 | -14.40%
FY 2010 | $2,346.20 | $2,798.20 | -16.20%
FY 2009 **** | $2,305.11 | $2,851.51 | -19.20%

* Does not include Above-Base, Travel, Postage or SBRs.
** Includes state dollars.
**** Does not include ARRA funding.

---

USDOL
Comparison of State RJM Submissions and UI Base Admin Grants
June 29, 2018

* Does not include Above-Base, Travel, Postage or SBRs.
** Includes state dollars.
Does include Base restorations in all years.
---
### State Supplementary Funding

#### Table 5

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment Insurance</th>
<th>Employment Services</th>
<th>Labor Market Information</th>
<th>WIA/WIOA</th>
<th>Multiple Programs</th>
<th>Grand Total</th>
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<tbody>
<tr>
<td>2007</td>
<td>$212,330,142</td>
<td>$166,541,132</td>
<td>$10,919,993</td>
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<td>2008</td>
<td>170,909,398</td>
<td>147,220,102</td>
<td>10,229,797</td>
<td>236,253,011</td>
<td>28,984,158</td>
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<td>2009</td>
<td>153,732,288</td>
<td>178,455,141</td>
<td>9,248,046</td>
<td>173,107,447</td>
<td>43,509,290</td>
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<td>2010</td>
<td>149,786,643</td>
<td>129,074,312</td>
<td>6,942,135</td>
<td>168,926,915</td>
<td>26,561,682</td>
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<td>2011</td>
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<td>2,495,849</td>
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<td>2017</td>
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<td>162,975,216</td>
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<td>Total</td>
<td>$2,281,007,475</td>
<td>$1,558,791,000</td>
<td>$57,920,429</td>
<td>$1,994,571,616</td>
<td>$326,558,374</td>
<td>$5,436,259,724</td>
</tr>
</tbody>
</table>

**Chart 1**

State Supplemental Funding Expenditures By Program (FY 2003-2017)

Data & Chart: NASWA

### UI Financing 101 UWC 2018
## Comparative Budget Amounts

### Omnibus FY 2017 / Omnibus FY 2018

($000s)

<table>
<thead>
<tr>
<th>Programs</th>
<th>Funding Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2017 Omnibus Bill</td>
</tr>
<tr>
<td><strong>Wagner-Peyser State Grants</strong></td>
<td></td>
</tr>
<tr>
<td>Employment Services</td>
<td>671,413</td>
</tr>
<tr>
<td>National Activities (includes WOTC)</td>
<td>19,818</td>
</tr>
<tr>
<td>Foreign Labor Certification</td>
<td>62,310</td>
</tr>
<tr>
<td>Career Center Support /Labor Market Info (2)</td>
<td>67,653</td>
</tr>
<tr>
<td><strong>Subtotal Wagner-Peyser</strong></td>
<td>821,194</td>
</tr>
<tr>
<td>Training &amp; Employment Services Total</td>
<td>3,531,026</td>
</tr>
<tr>
<td><strong>Unemployment Insurance</strong></td>
<td></td>
</tr>
<tr>
<td>Program Operations (3)</td>
<td>2,687,600</td>
</tr>
<tr>
<td><strong>State Consortia to modernize systems (4)</strong></td>
<td>50,000</td>
</tr>
<tr>
<td><strong>REA/RES (Reemployment)</strong></td>
<td>115,000</td>
</tr>
<tr>
<td><strong>UI Integrity Center of Excellence</strong></td>
<td>5,500</td>
</tr>
<tr>
<td>National Activities</td>
<td>14,897</td>
</tr>
</tbody>
</table>

**Unemployment Insurance**

- **Program Operations (3)**
  - 2,687,600 (FY 2017) vs 2,639,600 (FY 2018)
- **State Consortia to modernize systems (4)**
  - 50,000 (FY 2017) vs Not noted (FY 2018)
- **REA/RES (Reemployment)**
  - 115,000 (FY 2017) vs 120,000 (FY 2018)
- **UI Integrity Center of Excellence**
  - 5,500 (FY 2017) vs 9,000 (FY 2018)
- **National Activities**
  - 14,897 (FY 2017) vs 13,897 (FY 2018)
State Supplemental Funding Expenditures By Program (FY 2003-2017)

[Bar chart showing expenditures by program from 2003 to 2017, with data and chart by NASWA]
UI Base & Above Base 2000 to 2017

Millions

FY 2000-2017

UI Financing 101 UWC 2018
UI Continued Claims

Continued Claims NSA vs Continued Claims SA Plus AWIU FY's 15, 16, 17, 18

- FY 2017
- FY 15 AWIU 2.957 M
- FY 16 Budget AWIU 2.680
- FY 17 AWIU 2.249 M

NASWA Chart  Data Source: USDOL

UI Financing 101 UWC 2018
Utilizing SBR’s’s

Historical UI SBRs

Chart NASWA, Source USDOL

Total SBR $$$

2017 Special Approp
FUTA Revenue/Employee

FUTA Revenue/Employee Constant 2009 Dollars

UI Financing 101 UWC 2018
Employment Service Funding

Employment Service in Constant Dollars

Source: Data USDOL  Chart: NASWA

ES State Allotment

UI Financing 101 UWC 2018

NASWA Chart, Source: USDOL

<table>
<thead>
<tr>
<th>Year</th>
<th>Taxable</th>
<th>Reimbursable</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>29,561,557</td>
<td>1,668,015</td>
</tr>
</tbody>
</table>

% 5.64%

UI Financing 101 UWC 2018
QUESTIONS

jvanerden@naswa.org
Solvency Target

AVERAGE HIGH COST MULTIPLE

$$\text{AHCM} = \frac{\text{TF Balance (as of 12/31)}}{\text{Total Wages (calendar year)}}$$

$$\frac{\text{Benefits Paid for a calendar year}}{\text{Total Wages for the same calendar year}}$$

The AHCM represents the number of years a State can pay out benefits if it paid at the rate it paid for the average of the three highest years over the previous 20 (or over the last 3 recessions, whichever is longer) without receiving any additional revenue.
Employers pay 0.6% federal payroll effective tax after 5.4 is offset against the 6.0 percent federal unemployment tax. For the offset, Employers pay a state UI payroll tax based on wages paid, industry, and use of the state’s UI system.

ESAA balance is available to meet federal administrative costs. Up to 95% after transfers to EUCA may be appropriated to finance state admin costs. Each month the ESAA distributes 20% of the net monthly activity to the EUCA (0.12% is transferred to EUCA while 0.48% of the 0.6% employer tax is retained).

The Extended Unemployment Compensation Account (EUCA) is for financing the federal-state extended benefits (EB) and the federal extension programs. The EUCA pays half the costs of EB. The statutory limit (or ceiling) is 0.5% of total wages in covered employment in preceding calendar year. Any excess flows to the ESAA on October 1st of any year.

If all three accounts are over their statutory limits on Oct 1st of any year (and there are no outstanding advances from general revenue), the excess funds are distributed to states as a Rees Act distribution.

Monthly Transfers of all net collections

The Employment Security Administration Account (ESAA) is for financing the administration costs of the employment security program. The statutory limit (or ceiling) at the beginning of a fiscal year is 40% of the appropriation for the prior fiscal year.

If the EUCA balance exceeds the statutory limit, the excess is distributed to the FUA.

The Federal Unemployment Account (FUA) makes loans to insolvent state accounts when needed. The Statutory limit (or ceiling) is 0.50% of total wages in covered employment in preceding calendar year. Any excess flows to the ESAA on October 1st of any year.

Note: The Unemployment Trust Fund in the U.S. Treasury is a single trust fund with 59 accounts: the ESAA, the EUCA, the FUA, 33 state accounts, the Federal Employees Compensation Account (FECA), and two accounts connected to the Railroad Retirement Board.