MAINE
DEPARTMENT OF
LABOR

Report to the 119th Legislature

SOLVENCY PLAN
FOR THE UNEMPLOYMENT COMPENSATION FUND

March 16, 1999

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BACKGROUND

The Unemployment Compensation Program has two major components: collection of contributions and payment of benefits. It is intended to be counter-cyclical, i.e., revenues are accumulated during relatively good economic times to fund the payment of benefits during high unemployment periods. Unemployment benefits act as an economic stabilizer by providing partial wage replacement to individuals to pay for basic needs and by infusing money into local communities and the state to counteract the multiplier effect of unemployment. The contributions paid by employers are the "premiums" that fund the "insurance" benefits paid to unemployed workers.

The solvency of Maine's Unemployment Compensation Fund has been an issue since the last high unemployment period in the early 1990's. Four times, in 1993, 1995, 1997, and 1998, legislation has been enacted that increased contributions and decreased benefits as temporary measures to prevent the need to borrow to pay benefits and to accumulate some reserves in the Fund. A summary of these four bills is found in Attachment #1.

The Department of Labor Advisory Council (with members representing business, labor, and the public) was instrumental in crafting the compromise solvency bills that were passed in 1993, 1995, and 1997. A Study Commission was established by the Legislature in 1997 to look at the solvency of the Fund and to review the unemployment program and how well it meets the needs of our changing work force. This Commission issued Majority and Minority Reports, including draft legislation at the beginning of 1998. This report builds on the substantial foundation developed by these two groups.

In 1998, the solvency issue was debated by the 118th Legislature, which passed a bill that extended the temporary solvency measures and directed the Department of Labor to report to the First Regular Session of the 119th Legislature with recommendations and proposed legislation. This bill, L.D. 2230, is Attachment #2. The temporary solvency measures enacted in this bill will expire at the end of 1999.

The consequences of insufficient Fund reserves during the next high unemployment period are higher contributions and/or lower benefits during the high unemployment period and/or borrowing to pay benefits and incurring of interest charges. Contribution increases and possible benefit cuts would then be necessary to generate cash flow to repay such loans and interest. Increasing contributions or cutting benefits during the high unemployment period dampens the ability of the unemployment program to help stabilize the economy and slows economic recovery.

PRINCIPLES USED IN DEVELOPMENT OF RECOMMENDATIONS

- Accumulate Trust Fund reserves prior to the next high unemployment period sufficient to pay benefits during this period without borrowing. Prepare for an "average" high unemployment period.

- The Unemployment Compensation system should be structured to achieve ongoing solvency, i.e., the system should automatically adjust revenue to accommodate changes in the employer base, labor force, benefit levels, or Trust Fund balance.

- The contribution burden should be distributed among employers in an equitable manner based on their relative use of the system, i.e., employer premiums should be based on the cost of the insurance benefits paid to their former workers.

- The benefit structure should achieve the purpose of the Unemployment Compensation Program -- Providing an economic safety net through partial wage replacement.

- The examination of the Unemployment compensation system should include an analysis of the contribution, benefit, and administrative components of the system.

PROCESS USED IN DEVELOPMENT OF RECOMMENDATIONS

- The Department of Labor (DOL) held a series of public forums in 8 locations throughout the state in August and September of 1998. They were advertised by press release and public notices in newspapers and through mailings to legislators, local chambers of commerce, employer organizations and client advocacy groups. Attachment #4 is the presentation material used at the forums and Attachment #5 contains attendance information and comments and questions from those meetings.

- In addition, DOL staff attended meetings and made presentations to employer organizations and a client advocacy group. Attachment #6 contains comments and questions from those meetings.

- DOL staff met with the members of the Consensus Economic Forecasting Commission to present and gather feedback on the economic planning assumptions being used in the solvency plan.

- The components of Maine's unemployment benefit program were analyzed and compared to their counterparts in other states in New England and the rest of the country.

- DOL staff constructed a database using employer contribution and wage data from 1996 to allow detailed analysis of the impact of any proposed changes to the contribution system.

SOLVENCY ISSUE

- The Unemployment Compensation System generates too little revenue to fund benefit payments, i.e., premiums paid by employers are too low to fund the insurance benefits provided by the system. This is a structural problem due primarily to two factors.

  - Benefits increase each year because there is an automatic escalator on the maximum weekly benefit amount, and

  - Revenue does not increase substantially each year because:
    - The taxable wage base has been set at $7,000 since 1983, and
    - For the 25 years that this contribution rate system has existed, the highest Contribution Rate Schedule P has been in effect for 17 years, including 6 of the last 7 years.

- Even if the temporary solvency measures were continued <u>and</u> Maine experienced a relatively low insured unemployment rate of 3.0%, beginning in 2000 benefit costs exceed contributions paid. By 2005, benefit costs exceed contributions paid by $35 million for that year alone.

- The chart below shows Trust Fund projections under current law using a set of economic assumptions that include an "average" high unemployment period in the next decade and assuming the "temporary solvency measures" are continued through 2005. Attachment #3 is the complete set of economic assumptions used including: projected increases in wages and the labor force, projected insured unemployment rates, and projected interest rates. <u>Note that these are assumptions, not predictions.</u> This set of assumptions was reviewed by members of the Consensus Economic Forecasting Commission who found them to be reasonable.

TRUST FUND PROJECTIONS UNDER CURRENT LAW[1]

	IUR[2]	Benefits	Contributions	Interest	Fund Balance	Months[3]
1999	3.1%	$110.8 m	$112.5 m	$11.8 m	$ 192.6 m	10.7
2000	3.6%	$134.3 m	$111.9 m	$11.6 m	$ 181.4 m	9.7
2001	4.1%	$158.5 m	$113.9 m	$ 9.9 m	$ 140.1 m	7.3
2002	6.0%	$240.4 m	$113.1 m	$ 4.6 m	$ 5.2 m	0.3
2003	5.0%	$211.7 m	$119.7 m	$ .1 m	$ (93.9 m)	0.0
2004	4.0%	$179.2 m	$127.6 m	$ --------	$(145.5 m)	0.0
2005	3.0%	$142.2 m	$132.2 m	$ --------	$(155.5 m)	0.0

[1]Assumes continuation of the current "temporary solvency measures" that include a surcharge and benefit cuts.
[2]Insured Unemployment Rate--The insured unemployment rate is a measure of the number of individuals actually being paid unemployment benefits. It differs from the total unemployment rate, which is an estimate of the number of individuals who are unemployed. The total unemployment rate is the one most frequently reported in the media.
[3]Trust Fund balance expressed as months of benefits

SOLVENCY GOAL—HOW MUCH IS ENOUGH?

- Reserves in the Trust Fund are measured as the number of months of benefits available in the Fund. To calculate the number of months, a benefit payment rate is used that is the average of the three highest payment rates from the last 20 years.

- The US Department of Labor recommends reserves of at least 12 months of benefits be accumulated prior to a high unemployment period.

- Twelve months of benefits will fund an average high unemployment period without borrowing, assuming that no underlying structural problem exists in the system.

- The Trust Fund balance at the end of December, 1998 was $182 million, or 10.5 months of benefits. The balance is projected to be approximately $192.6 million, or 10.7 months of benefits, at the end of 1999. However, these are not sufficient reserves to fund an average high unemployment period because of Maine's underlying structural problem. As the chart on the previous page shows, the Trust Fund balance drops through 2002 and borrowing to pay benefits is necessary in 2003 through 2005. [Note that the need to borrow would continue beyond 2005 even with a relatively low insured unemployment rate.]

- **DOL Recommendation:** Restructure the Unemployment Compensation system to address the structural problem and to accumulate Fund reserves equal to 12 months of benefits during the part of the business cycle that has relatively low unemployment. Use those reserves fund the increases in benefit payments experienced in a high unemployment period. In addition, develop phase-in provisions that mitigate the impact on employers.

OTHER REVENUE SOURCES

- The possibility of using other State revenue was explored. However, it was rejected because, historically, the Unemployment Compensation program has been an "insurance" program totally funded by contributions or "premiums" from employers. No other state has appropriated general funds to pay unemployment benefits. In addition, only 1 or 2 states have used general funds to pay the interest on loans needed to pay benefits.

SUMMARY OF SOLVENCY PLAN RECOMMENDATIONS

A brief description of each of the solvency plan recommendations is shown below. Each of the recommendations is discussed in detail in the following pages.

IMPACT CHART #3 on the next page lists the solvency plan recommendations that require legislative action and the dollar impact of each.

- **Unemployment Benefit System**
  - Wage Qualifying Requirements--Continue to use the existing requirements.
  - Qualifying Period--Continue to use the existing base period and alternate base period.
  - Weekly Benefit Amount
    - Allow the $3 reduction in all weekly benefit amounts to expire.
    - Change the calculation from 1/22 of the "high quarter wages" to 1/22 of the "average of the two highest quarters of wages."
  - Maximum Weekly Benefit Amount--Allow the 6% reduction to expire.
  - Maximum Benefit Amount--Continue to use the existing calculation.
  - Partial Benefits--Continue to use the existing calculation.
  - Misconduct--Change the definition of misconduct to increase the discharge denial rate.
  - Dependency Allowances--Continue the payment of these benefits.
  - Dislocated Worker Benefits—Continue the payment of these benefits.

- **Overpayment Reduction, Fraud and Overpayment Recovery**
  - When an eligibility issue arises, allow benefits to be held for up to 14 days while the fact-finding interview is scheduled, held, and the written determination is issued.
  - Require verification of earnings before payment when individuals file claims for weeks during which they worked.
  - Assess monetary penalties in fraud cases of 50% to 100% of the overpayment amount.
  - Increase the amount by which benefits can be offset to repay overpayments from 10% to 50%.
  - Charge interest on benefit overpayments but allow a one-year grace period for non-fraud overpayments.
  - Increase resources devoted to the collection of benefit overpayments.

- **Contribution System**
  - Allow the 0.4% surcharge to expire.
  - Increase the taxable wage base to $12,000.
  - Implement an array system that, in conjunction with the $12,000 taxable wage base, will :
    - Generate sufficient revenue to keep the Trust Fund balance from dropping below 2 months of benefits during a projected high unemployment period in the next decade, and
    - Ultimately build Fund reserves of 12 months of benefits.

- **Delinquent Contribution Collections**
  - Create the authority to levy property and to hold officers, directors, or members of the employer personally liable for unpaid contributions, interest, and penalties.
  - Increase resources devoted to the collection of delinquent contributions.

IMPACT CHART #3 SUMMARY OF IMPACT OF RECOMMENDATIONS IN SOLVENCY PLAN

	Impact on Unemployment Compensation Fund				
Benefit System Adjustments	**2000**	**2001**	**2002**	**2003**	**2004**
• Change WBA calculation to 1/22 of the Average of the two highest quarters	+$ 4.9 m	+$ 5.8 m	+$ 9.6 m	+$ 8.6 m	+$ 7.6 m
• Allow $3 WBA reduction to expire	- $ 2.1 m	- $ 2.4 m	- $ 3.5 m	- $ 3.0 m	- $ 2.4 m
• Allow 6% maximum WBA reduction to expire	- $ 7.0 m	- $ 9.3 m	- $10.0 m	- $ 9.5 m	- $ 8.1 m
• Change definition of misconduct	+$ 2.6 m	+$ 2.6 m	+$ 3.8 m	+$ 3.4 m	+$ 3.2 m
Overpayment Reduction, Fraud and Overpayment Recovery					
• Change the "Continue to Pay Benefits" provision To allow the holding of benefits for up to 14 days	+$ .6 m	+$ .7 m	+$ 1.2 m	+$ 1.0 m	+$ .9 m
• Require individuals to provide earnings verification	+$ .6 m	+$ .6 m	+$ .9 m	+$ .8 m	+$ .7 m
• Assess monetary penalties in fraud cases	N/A	N/A	N/A	N/A	N/A
• Change the benefit offset limit from 10% to 50%	+$ 2.4 m	+$ 2.4 m	+$ 3.6 m	+$ 3.1 m	+$ 2.6 m
• Charge interest on overpayments	+$ .3 m	+$ .3 m	+$ .3 m	+$ .3 m	+$ .3 m
• Add 1 staff position for collections	+$ .2 m	+$ .2 m	+$ .2 m	+$ .2 m	+$ .2 m
Total Benefit Impact	+$ 2.5 m	+$ .9 m	+$ 6.1 m	+$ 4.9 m	+$ 5.0 m
Contribution System Adjustments					
• Increase the taxable wage base to $12,000 • Allow the 0.4% surcharge to expire • Implement an array system	+$22.6 m[1]	+$33.1 m	+$29.0 m	+$29.9 m	+$32.8 m
Delinquent Contribution Collection					
• Create authority to levy property and Hold certain individuals personally liable for debt	+$ .2 m	+$ .2 m	+$ .2 m	+$ .2 m	+$ .2 m
• Add 2 staff positions for collections	+$ .8 m	+$ .8 m	+$ .8 m	+$ .8 m	+$ .8 m

[1]Revenue is lower in 2000 because contributions for the 4th calendar quarter are due the following year. Therefore, revenue for 2000 consists of the 4th quarter of 1999 at the old contribution rates and the first 3 quarters of 2000 at the new contribution rates.

INTRODUCTION TO THE ANALYSIS OF MAINE'S BENEFIT SYSTEM

- In developing its recommendations, the Department considered these comments frequently heard at the solvency forums and meetings:

  - Concerns about it being too easy to collect benefits.
  - Concerns about fraud and abuse and overpayments.
  - Concern that the misconduct standard is too hard for employers to meet.
  - Concerns about how Maine benefit levels compare to other states.
  - Concerns about the number of people who do not receive benefits.
  - Concerns about the sufficiency of benefits and the impact of possible benefit cuts.

- The major components of Maine's unemployment benefit system were compared to their counterparts in other states and the Department determined that Maine's current benefit system is somewhat above average for the country.

- Each major component of the benefit system is discussed separately in the following pages.

WAGE QUALILFYING REQUIREMENTS

- 26 MRSA Section 1192,5 establishes the amount of wages an individual must have been paid during the base period to qualify for unemployment benefits: wages of at least 2 times the annual average weekly wage in each of two different quarters in the base period and wages of at least 6 times the annual average weekly wage in the entire 12 month base period.

- Currently the amount of wages needed to qualify for benefits is at least $942.54 in each of two different calendar quarters and at least $2,827.62 during the entire 12 month base period.

- States use a wide variety of methods to set base period wage qualifying requirements. The methods fall into two general categories: variable and flat.

  - A **variable** wage qualifying method requires total base period wages that equal or exceed a multiple of either the high quarter wages or the weekly benefit amount. For example, the base period wage requirement might be 30 times the weekly benefit amount. This method requires individuals with high weekly benefit amounts or high "high quarter wages" to earn more total base period wages that individuals with low weekly benefit amounts or low "high quarter wages."

  - A **flat** method requires the same amount of wages from all applicants. Flat methods may require wages of a certain amount in 20 weeks during the base period or may require wages of a certain amount in the base period. For example, Maine requires wages of $942.54 in each of two different quarters and $2,827.62 during the entire base period.

  - 22 states use a variable method that requires base period wages of at least 1.25 to 1.5 times the high quarter earnings.

  - 13 states use a variable method that requires base period wages of at least 26 to 50 times the weekly benefit amount.

  - 4 states use a flat method that requires wages of at least a certain amount (generally between $100 and $150) in at least 20 weeks during the base period and 1 state requires 680 hours of work.

  - 8 states, including Maine, use a flat method that sets dollar thresholds. All require wages in at least 2 quarters and total base period wages ranging from $1000 to $2904.

  - 44 states, including Maine, require earnings in at least 2 quarters of the base period.

- New England wage qualifying requirements:

▪	Connecticut	Total base period wages of 40 times the WBA Wages in 2 quarters
▪	Maine	Total base period wages of 6 times the average weekly wage ($2827.62) Wages in 2 quarters of 2 times the average weekly wage ($942.54)
▪	Massachusetts	Total base period wages of 30 times the WBA Wages in 2 quarters
▪	New Hampshire	Total base period wages of $2800 Wages of $1200 in each of 2 quarters
▪	Rhode Island	Total base period wages of 1.5 times the high quarter wages Wages in 2 quarters
▪	Vermont	Wages in 1 quarter of $1299 (increases with the minimum wage) Total base period wages of 1.4 times the high quarter wages

- It is difficult to compare states' base period wage qualifying requirements because of the differences between the variable and flat methods. In general, applicants with very low wages are more likely to qualify under a variable method than a flat method and applicants with one quarter of high wages and limited wages in the other 3 quarters are more likely to qualify under a flat method.

- **DOL Recommendation:** Continue to use the existing wage qualifying requirements.

- **Rationale:** While it is difficult to determine the "average" state wage qualifying requirement, Maine's requirements appear to be neither inordinately high nor low.

BASE PERIOD

- 26 MRSA Section 1043,3 establishes the base period as the first 4 of the last 5 completed calendar quarters immediately preceding the effective date of an individual's claim.

- One of the eligibility requirements for unemployment benefits is earning wages of at least a specified amount during the base period.

- 44 states use the first 4 of the last 5 completed calendar quarters as their base period.

- New England base periods:

  - Connecticut, Maine, Rhode Island, and Vermont use the first 4 of the last 5 completed calendar quarters

  - New Hampshire uses the previous calendar year

  - Massachusetts uses the last 4 completed calendar quarters

- **DOL Recommendation:** Continue to define the base period as the first 4 of the last 5 completed calendar quarters.

- **Rationale:** The vast majority of states use the first 4 of the last 5 completed calendar quarters as their base period.

ALTERNATE BASE PERIOD

- 26 MRSA Section 1043,3-A establishes an alternate base period for individuals who do not earn sufficient wages in the "regular" base period to qualify for benefits. This alternate base period is the last 4 completed calendar quarters immediately preceding the effective date of an individual's claim.

- The use of an alternate base period shifts the time period used to establish eligibility forward a quarter. This allows some individuals to qualify for benefits at the time of application rather than 1 to 12 weeks later when the "regular" base period changes and shifts forward a quarter.

- Eight states have alternate base period provisions, including 2 states that provide 2 alternate base periods

- New England alternate base periods

  - Connecticut and New Hampshire do not have an alternate base period.

  - Maine and Rhode Island use the last 4 completed calendar quarters as an alternate base period.

  - Massachusetts uses the last 3 completed calendar quarters plus any weeks during the current quarter that precede the claim as an alternate base period

  - Vermont had 2 alternate base periods: the last 4 completed calendar quarters and the last 3 completed calendar quarters plus any weeks during the current quarter that precede the claim

- Approximately 4% of the benefits paid in Maine go to individuals who qualified via an alternate base period. For 1998, these payments totaled approximately $4 million. However, there is no data available that can be used to accurately estimate how much of these benefits would have been ultimately paid to these individuals when they qualified under the regular base period 1 to 12 weeks later. The Department believes that at least half of these benefits ultimately would have been paid using the regular base period.

- **DOL Recommendation:** Continue the availability of an alternate base period.

- **Rationale:** The alternate base period provides benefits 1 to 12 weeks sooner to individuals who have earned sufficient wages to qualify for benefits but whose wages are not yet available for use in the regular base period. Although Maine is among a minority of states that has an alternate base period, the Department believes that the ultimate eligibility of these individuals and their need for benefits at an earlier point in time justifies the continuance of the alternate base period.

CALCULATION OF THE WEEKLY BENEFIT AMOUNT

- 26 MRSA Section 1191,2 establishes the calculation of an individual's weekly benefit amount as 1/22 of the highest quarter of wages of the four quarters in the qualifying period.

- Since 1993 the "temporary solvency measures" have included reductions in all WBA's (weekly benefit amounts). Currently all WBA's are reduced by $3. For individuals with low WBA's, the $3 reduction represents a higher percentage benefit reduction than that experienced by individuals with higher WBA's.

- States' weekly benefit amount formulas generally utilize a fraction or percentage applied against the wages paid during a specific time period.

  - ➢ Maine's "1/22" formula yields a 59.1% wage replacement rate. This is the 7th highest wage replacement rate in the nation and the 2nd highest in New England.
    - The national average is 53.1% and the median is 52%.
    - The New England average is 54.9% and the median is 55.1%.
    - The most frequently occurring wage replacement rate nationally is 50% (16 states).

  - ➢ Maine uses the highest quarter of wages in the qualifying period as the time period to which the "1/22" portion of the formula is applied. Using the highest quarter of wages is the most liberal of the time periods that states use and 28 states currently use this option. Ten states use the two highest quarters, one uses three quarters, and eleven use the entire qualifying period.

- New England:

	Wage Replacement Rate	Time Period Used
➢ Connecticut	50%	2 highest quarters
➢ Maine	59.1%	Highest quarter
➢ Massachusetts	50%	2 highest quarters or highest quarter
➢ New Hampshire	52%-57.2% (average 52.3%)	Entire base period
➢ Rhode Island	60.1%	Highest quarter
➢ Vermont	57.8%	2 highest quarters

- With the exception of individuals who qualify for the maximum weekly benefit amount:

  - ➢ Changing the "1/22" portion of the formula affects all applicants.

  - ➢ Changing the time period from "highest quarter" to the "average of the two highest quarters" affects applicants whose highest quarter of wages was higher than the second highest quarter.

- A sample of claims from 1995 was reviewed to determine the impact of changing the weekly benefit amount calculation:

  - ➢ If the WBA calculation was changed to "1/22 of the average of the two highest quarters:"
    - The average reduction in the weekly benefit amount was $8.84
    - 43% of the claims experienced no reduction in the weekly benefit amount. The majority of these had the maximum weekly benefit amount but weekly benefit amounts from the lowest to the highest were included.

- If the WBA calculation was changed to "1/24 of the average of the two highest quarters:"
  - The average reduction in the weekly benefit amount was $16.21.
  - 33% of the claims experienced no reduction in the weekly benefit amount. All of these had the maximum weekly benefit amount.

- 1997--Benefits paid $92.8 million

  $3 reduction in WBA in effect all year

  94% limitation on maximum WBA in effect 8 months

  [If in effect all year, benefits would have been $1.5 million less]

- 1997--Estimated benefit costs using different formulas:

1/22 of the highest quarter	$98.6 million
1/24 of the highest quarter	$95.6 million
1/26 of the highest quarter	$92.5 million
1/22 of the average of the two highest quarters	$95.1 million
1/24 of the average of the two highest quarters	$91.7 million
1/26 of the average of the two highest quarters	$88.2 million

- **DOL Recommendation:** Amend 26 MRSA Section 1191,2 to change the calculation of the weekly benefit amount to 1/22 of the average of the two highest quarters in the qualifying period and allow the $3 reduction to expire.

- **Rationale:**

  - The $3 reduction is a regressive benefit decrease, i.e., low weekly benefit amounts are reduced by a higher percentage than high weekly benefit amounts.

  - Using the average of the two highest quarters results in a weekly benefit amount that is a more accurate representation of the individual's past wages. This change affects only applicants whose highest quarter of wages is higher than their second highest quarter.

  - Using "1/22 of the average of the two highest quarters" gives Maine a weekly benefit amount calculation that is above average for the country. However, changing to "1/24 of the average of the two highest quarters" which would move Maine to about the national average would reduce the average weekly benefit amount by $16.21, an amount the Department believes would be an excessive burden on applicants.

- **Impact on the Trust Fund:** Net benefit decreases of: $2.8 million in 2000
  $3.4 million in 2001
  $6.1 million in 2002
  $5.6 million in 2003
  $5.2 million in 2004

CALCULATION OF THE MAXIMUM WEEKLY BENEFIT AMOUNT

- 26 MRSA Section 1191,2 establishes the calculation of the maximum weekly benefit amount as 52% of the prior year's annual average weekly wage. The maximum weekly benefit amount is adjusted automatically every June 1.

- Since 1993 the "temporary solvency measures" have included reductions in the maximum WBA (weekly benefit amount). Currently the maximum WBA is reduced by 6%.

- States set their maximum weekly benefit amounts either by setting a dollar amount in law that requires legislative action to change, or by establishing an automatic escalator formula that computes the maximum weekly benefit amount as a percentage of the average weekly wage.

  - 19 states have their maximum fixed in law. In 1997, these fixed maximums were equivalent to between 39% and 58% of the average weekly wage, with an average of 47%.

  - 31 states have automatic escalator formulas that set the maximum at a percentage of the average weekly wage. These percentages varied from 49.5% to 70% with an average of 59.92%. Five states had varying percentages depending on their Fund balance.

  - In 1997 Maine's maximum weekly benefit amount was reduced by 6% and ranked 34th in the nation as a percentage of the average weekly wage. If the 6% reduction had not been in effect, Maine would have ranked 27th.

- New England:

New England:	Current Maximum WBA	Calculation
Connecticut	$362	60% of the annual average weekly wage
Maine	$227	52% of the annual average weekly wage (currently reduced by 6% & $3)
Massachusetts	$382	57.5% of the annual average weekly wage
New Hampshire	$275	Fixed in law at $275
Rhode Island	$364	67% of the annual average weekly wage
Vermont	$275	Fixed in law with an annual increase equal to the increase in the annual average weekly wage

- The 6% reduction in the maximum WBA reduces benefit costs by $5.5 million in years like 1997 with relatively low claims. Benefit reductions would be higher in years with higher unemployment rates.

- Maine's maximum weekly benefit amount is currently $227. It would be $242 if the maximum WBA was not currently reduced by 6% (but was still subject to the $3 reduction discussed in the previous section). It would be $245 if neither the 6% nor $3 reduction provisions reduced the maximum WBA.

- Approximately half of the individuals who file claims for unemployment benefits qualify for the maximum WBA.

- The wage replacement rate for individuals who qualify for the maximum WBA varies considerably and decreases as the individuals' wages increase. Examples are shown below. The examples are computed under the assumption that the $3 reduction in all WBA's is not in effect.

Weekly Wage	Weekly Benefit Amount	Wage Replacement Rate
$385.00	$227	59%
$400.00	$227	57%
$450.00	$227	50%
$471.27 (average weekly wage)	$227	48%
$500.00	$227	45%
$550.00	$227	41%
$600.00	$227	38%
$750.00	$227	30%

- **DOL Recommendation:** Allow the 6% reduction in the maximum weekly benefit amount to expire at the end of 1999.

- **Rationale:** Allowing the 6% reduction to expire will restore Maine's maximum weekly benefit amount to about the national median.

- **Impact on the Trust Fund:** Net benefit increases of:
  - $ 7.0 million in 2000
  - $ 9.3 million in 2001
  - $10.0 million in 2002
  - $ 9.5 million in 2003
  - $ 8.1 million in 2004

CALCULATION OF THE MAXIMUM BENEFIT AMOUNT

- 26 MRSA Section 1191,4 establishes the maximum amount of benefits that can be paid to an individual as the lesser of one-third of their base period wages or 26 times their weekly benefit amount.

- States use several maximum benefit amount formulas.

  - 17 states, including Maine, compute maximum benefits as the lesser of one-third of base period wages or 26 times the weekly benefit amount.

  - 9 states use similar formulas that yield smaller maximum benefit amounts.

  - 8 states use similar formulas that yield larger maximum benefit amounts.

  - 7 states compute maximum benefits as 26 times the weekly benefit amount.

  - The remaining 9 states use various formulas that do not compare easily to the above methods.

- New England maximum benefit amounts

Connecticut	26 times the WBA
Maine	Lesser of 26 times the WBA or 1/3 of base period wages
Massachusetts	Lesser of 30 times the WBA or 36% of base period wages
New Hampshire	26 times the WBA
Rhode Island	Lesser of 26 times the WBA or 36% of base period wages
Vermont	26 times the WBA

- **DOL Recommendation:** Continue to use the existing maximum benefit amount formula.

- **Rationale:** Maine's existing formula is the most common in use and is the national median.

CALCULATION OF PARTIAL BENEFITS

- 26 MRSA Section 1191,3 establishes the amount of benefits payable to individuals who earn wages during a week for which they file a claim. That amount is the weekly benefit amount less the individual's weekly earnings in excess of $25.

- States use a variety of methods to compute partial benefits when the individual has earned wages during the week for which a claim is filed. Most of these methods "disregard" some portion of the wages.

  - 20 states disregard wages equal to a portion of the WBA (weekly benefit amount). This portion ranges from 20% to 60% of the WBA. Another 3 states disregard either a portion of the WBA or a stated dollar amount depending on whether the dollar amount is more or less than the WBA portion.

  - 12 states disregard a flat amount of wages ranging from $15 to $100. Maine disregards $25.

  - 4 states disregard from 1/5 to 1/2 of the wages. Another 6 states disregard some portion of the wages that exceed a certain amount.

- To compare Maine's partial benefit computation method to other states, benefit payments for 16 sample claims were calculated: WBA of $200 with earnings of $25, $50, $100, $150, and $175;
  WBA of $150 with earnings of $20, $40, $80, $120, and $140;
  WBA of $100 with earnings of $25, $50, and $75; and
  WBA of $ 75 with earnings of $20, $40, and $60.

- How Maine's computation method compares to other states varies with the weekly benefit amount of the claim and the level of earnings:

  - Maine provides median benefits when earnings are $25, or less, and when the WBA = $100.

  - Maine provides benefits above the median when the WBA = $75.

  - Maine provides benefits below the median when the WBA = $200 or $150 and earnings are $100, or less.

  - Maine provides benefits well below the median when the WBA = $200 or $150 and earnings are $120, or more.

- The states that most often provided a median partial benefit payment in the above sample claims use a partial benefit computation that disregards wages equal to 25% of the WBA.

- New England partial benefit calculations

  - Connecticut disregards 25% of the WBA
  - Maine disregards $25
  - Massachusetts disregards 1/3 of the WBA
  - New Hampshire disregards 30% of the WBA
  - Rhode Island disregards 20% of the WBA
  - Vermont disregards the greater of $40 or 30% of the WBA

- Changing Maine's partial benefit computation to disregard wages equal to 25% of the WBA would increase partial benefit payments by 18%. For 1998 such a change would have increased overall benefit payments by approximately $1.7 million.

- **DOL Recommendation:** Continue to use the existing partial benefit calculation.

- **Rationale:** This report attempts to achieve an overall benefit system that is about "average" for the country. While Maine's current partial benefit calculation is somewhat below the national average, the Department recommends maintaining it because we recommend three other Maine benefit provisions that are above the national average—the weekly benefit amount calculation, dependency allowances, and dislocated worker benefits.

DEFINITION OF MISCONDUCT

- 26 MRSA Section 1193,2 disqualifies an individual from receiving benefits if he or she is discharged or suspended for misconduct connected with the work. 26 MRSA Section 1043,23 defines misconduct as

  > "conduct evincing such willful or wanton disregard of an employer's interests as is found in deliberate violations or disregard of standards of behavior which the employer has a right to expect of his employee, or in carelessness or negligence of such degree or recurrence as to manifest equal culpability, wrongful intent or evil design, or to show an intentional and substantial disregard of the employer's interests or of the employee's duties and obligations to his employer."

- A number of employers and their representatives have commented that a major problem with the unemployment program is that it is too easy for fired employees to qualify for benefits.

- A review of Maine discharge cases from the past 4½ years shows denial rates ranging from 16% to 25% with an average of 20% over the entire period.

- The average discharge denial rate for the US was 41%, over twice as high as Maine's rate.

- Changing the definition of misconduct could raise Maine's discharge denial rate and bring it closer to the national average.

- A change in the definition of misconduct that increased Maine's discharge denial rate to 35% would reduce benefit payments as shown below:

2000	$2.6 million
2001	$2.6 million
2002	$3.8 million
2003	$3.4 million
2004	$3.2 million

- **DOL Recommendation:** Amend 26 MRSA Section 1043,23 to change the definition of misconduct as shown on the next page.

23. Misconduct. "Misconduct" means any act or omission by an employee that constitutes a material breach of the employee's duties or obligations to the employer that adversely affects a material or substantial interest of the employer. Misconduct includes, but is not limited to, the following:

A. Refusal, knowing failure, or recurring neglect to perform reasonable and proper duties assigned by the employer;

B. Violation of any rule of conduct, safety rule, or other rule in any way related to the employment that is reasonably imposed and communicated by the employer or that can be reasonably implied from the type of employment or through common knowledge where the violation of the rule was unreasonable;

C. Repeated failure to exercise due care for punctuality or attendance where warnings have been received from the employer;

D. Falsification of employment applications or other written documents relating to obtaining or retaining employment;

E. Intoxication or the use of illegal drugs on the employer's premises or when reporting to work;

F. Frequent absences, sleeping on the employer's premises or inability to perform the employment due to intoxication or the after effects of intoxication or illegal drug use;

G. Insubordination, disobedience, or refusal to follow reasonable and proper instructions given by the employer without good cause;

H. Abusive language, assault on another employee, or fighting;

I. Intentional or negligent destruction of the employer's property;

J. Dishonesty, falsification of time records or work records, or theft of the employer's property;

K. Untruthfulness related to the job that could substantially injure or jeopardize the employer's interest;

L. Conduct substantially endangering the safety of the employee, coworkers, customers, or bystanders; or

M. Conviction of a felony or misdemeanor in connection with the employment or absence from work for more than two workdays due to incarceration for conviction of a felony or misdemeanor.

Misconduct does not include failure to perform employment duties satisfactorily if the employee made a good faith effort to perform the duties but was simply unable to do so, absenteeism caused by the illness of the employee or an immediate family member and the employee notified the employer as to the reason for the absence and complied with the employer's notification rules and policies, or actions taken by the employee that were necessary to protect the employee or an immediate family member from domestic violence and the employee made all reasonable efforts to preserve the employment.

- **Rationale:**

  - Maine's discharge denial rate is half the national average making it significantly easier for employees discharged in Maine to qualify for benefits.

  - Changing the definition of misconduct and raising the denial rate will bring Maine's program closer to the national average and reduce benefit costs.

- **Impact on Trust Fund:** If the proposed definition of misconduct increases the discharge denial rate to 35%, there will be benefit reductions as shown below:

2000	$2.6 million
2001	$2.6 million
2002	$3.8 million
2003	$3.4 million
2004	$3.2 million

DEPENDENCY ALLOWANCES

- 26 MRSA Section 1191,6 provides for the payment of an additional $10 per dependent child per week provided that the claimant is the whole or main support of that child and that the claimant's spouse is not employed full time. Dependency allowances cannot exceed half of the claimant's weekly benefit amount.

- Twelve states pay dependency allowances, including 4 New England states.

  - Alaska pays $24 per dependent for up to 3 dependents
  - Connecticut and Maine pay $10 per dependent and dependency allowance cannot exceed ½ WBA
  - Illinois pays $1 to $38 per dependent with a maximum of $7 to $86
  - Iowa pays $1 to $23 per dependent with a maximum of $1 to $54
  - Maryland pays $8 per dependent for up to 5 dependents but dependency allowances are deducted from the total amount of benefits payable to the individual except for lower WBA's
  - Massachusetts pays $25 per dependent and dependency allowance cannot exceed ½ WBA
  - Michigan determines its WBA using tables that factor in the number of dependents
  - New Jersey pays $3 to $16 per dependent but dependency allowances are deducted from the total amount of benefits payable to the individual except for lower WBA's
  - Ohio pays $1 to $88 per dependent with a maximum of $88
  - Pennsylvania pays $5 for the first dependent and $3 for the second
  - Rhode Island pays the greater of $10 or 10% of the WBA per dependent for up to 5 dependents

- Maine dependency allowances have averaged $2 million per year during low unemployment periods such as 1998 and $3 million per year during high unemployment periods.

- **DOL Recommendation:** Continue the payment of dependency allowances.

- **Rationale:** Although Maine is among a minority of states that pay dependency allowances, the Department considers the needs of families with children to be serious enough to justify the continuance of these allowances and the expenditure of $2 to $3 million each year.

DISLOCATED WORKER BENEFITS

- 26 MRSA Section 1043,5 provides that a "dislocated worker" attending an approved training program may receive an additional 26 weeks of benefits.

- Five states pay extended benefits to individuals attending training.

  - Maine provides up to 26 additional weeks to dislocated workers
  - Massachusetts and Michigan provide up to 18 additional weeks to individuals in industrial retraining or other vocational training
  - New York provides up to 26 additional weeks
  - Oregon provides up to 13 additional weeks to dislocated workers in professional technical training

- Dislocated worker benefit payments average $2.5 to $3 million per year.

- **DOL Recommendation:** Continue the Dislocated Worker Benefits program.

- **Rationale:** Although only five states provide this kind of benefit, the Department believes that the retraining needs of some dislocated workers in Maine are severe enough to justify the continuance of this program and the expenditure of $2.5 to $3 million each year.

SEASONALITY

- 26 MRSA Section 1251 establishes restrictions on the payment of benefits to individuals who worked for employers designated as seasonal. Employers in certain industries who operate less than 26 weeks per year are designated as seasonal. Individuals who work for a seasonal employer during that employer's seasonal period are eligible to collect benefits only during that seasonal period.

- 15 states, including Maine, have some restrictions on benefit payments to individuals who worked for a seasonal employer.

- New England seasonality provisions

  - Maine and Massachusetts have similar restrictions on the payment of benefits to individuals who worked for seasonal employers or industries.

  - No other New England states have seasonality restrictions on benefits.

- Eliminating the restrictions on benefits based on seasonal employment would increase benefit payments by between $2 million and $3.7 million during years with relatively low unemployment and by about twice that amount during years with high unemployment.

  - A review of claims filed in 1995 that included seasonal employment in the base period indicates that benefits for this group would increase by approximately $1 million for a year with low unemployment. This group consisted primarily of individuals who had both seasonal and regular (non-seasonal) employment in the base period.

  - There is a substantial group of workers who do not currently file claims because they are aware they will not be eligible because of the seasonal restrictions. This group can be expected to begin filing claims if the restrictions are eliminated. DOL staff estimates that benefits for this group will total between $1 million and $1.7 million for a year with low unemployment.

- **DOL Recommendation:** Continue the benefit restrictions based on employment with seasonal employers.

- **Rationale:** This report attempts to achieve an overall benefit system that is about "average" for the country. While Maine's benefit restrictions based on seasonal employment are more limiting than the national average, the Department recommends maintaining them because we recommend three other Maine benefit provisions that are above the national average—the weekly benefit amount calculation, dependency allowances, and dislocated worker benefits.

OVERPAYMENT REDUCTION, FRAUD & OVERPAYMENT RECOVERY

- Concerns about fraud, abuse, and overpayments were raised at the solvency forums and meetings, and employers were concerned that these areas be addressed in the solvency plan. This section describes DOL activities in this area and the results of those activities. Note that even if it were possible to completely eliminate fraud and overpayments, the problem with the solvency of the Trust Fund would still exist. The Department has attempted, however, to develop improvements in this area that will contribute to achieving solvency.

- Concerns were expressed about the Department's change to taking applications for unemployment compensation over the phone rather than in person. The states that have been taking claims by phone were surveyed about any changes in their fraud levels. None of them reported any increases. Note that weekly claims for benefits are still filed by mail as they have been since the early 1980's.

- DOL devotes a significant amount of resources to payment integrity and conducts a variety of activities including audits of claims, fraud and overpayment detection, and overpayment recovery.

  - DOL expended a total of 18 positions on integrity activities in the fiscal year ending September 30, 1997. This represents 12% of the total positions used for the administration of unemployment benefits.

  - A crossmatch is done each quarter using the wages reported by employers and the benefit payments for the same time period. In the fiscal year ending September 30, 1997 the crossmatch results generated 16,000 audits that resulted in 8,000 fraud and overpayment investigations. These investigations generated 669 fraud determinations establishing overpayments of $479,000 and 1087 overpayment determinations establishing overpayments of $220,000.

  - Approximately 500 randomly selected claims are selected for an in-depth audit each year. In the fiscal year ending September 30, 1997, there were 478 audits that generated 26 fraud determinations establishing overpayments of $5,000, 46 non-fraud determinations establishing overpayments of $11,000, and 28 underpayment cases that needed supplemental payments of $798. The 26 fraud determinations represent 5% of the total claims audited.

  - Approximately 35,000 address changes are verified each year through letters mailed to individuals at their previous address.

  - A verification of the right to work in the United States is performed for every alien who files a claim. In the fiscal year ending September 30, 1997, 1005 verifications were performed that generated 23 investigations. There were no benefit denials generated by these investigations.

  - Approximately 2,000 calls and letters are received annually from employers and third parties questioning benefit payments. All of these are investigated and they result in about 100 fraud and 200 non-fraud overpayment determinations.

  - Overpayment collection activities include a series of collection letters, telephone contacts, offset of current benefit payments, interception of Maine State Income Tax refunds, and interception of lottery winnings.

- In the fiscal year ending September 30, 1997:
  - ➢ 935 fraud determinations were issued that established overpayments of $630,000. This represents 0.6% of the total benefits paid during this period.
  - ➢ 8199 determinations were issued that established non-fraud overpayments of $1,663,000. This represents 1.5% of the total benefits paid during this period.
  - ➢ Benefit overpayment recovery results:
    - Cash payments of $575,000 were received.
    - Benefit offsets totaled $842,000.
    - Maine State Income Tax refund interceptions totaled $539,000.
    - Lottery winnings interceptions totaled $6,663 (FY 1998 data-authority did not exist in FY 1997).
    - In the fiscal year ending September 30, 1996, Maine ranked 20th in the nation for the collection of non-fraud overpayments and 14th for the collection of fraud overpayments.

- Benefit overpayments that have not been repaid as of September 30, 1998:

Age of Receivable	**Amount**
0 – 90 days	$ 374,980
91 – 180 days	$ 408,116
181 – 270 days	$ 322,900
271 – 360 days	$ 209,866
361 – 450 days	$ 268,622
451 days or more	$4,391,209
Total	$5,975,693

- There is no data available about insurance fraud in Maine. However, last year the Commission to Study Insurance Fraud reported to the Legislature on this issue with these findings:
  - ➢ Many consumers perceive insurance fraud as a victimless crime.
  - ➢ Until this perception changes, the incidence of fraud can be expected to increase.
  - ➢ Industry estimates of insurance fraud range from 10% to almost 20% of claims.
    - In contrast, the audit of random unemployment claims generates a 5% fraud rate. This rate would be a little higher if it were possible to uncover all instances of unreported earnings (including those cases where an employer is colluding with the applicant) and all eligibility issues where DOL is dependent on the applicant to truthfully report their circumstances. It is unlikely, however, that the unemployment fraud rate would rise to 10% should **all** fraud be detected.

- Department recommendations to further reduce overpayments, deter fraud, and increase overpayment recovery are discussed in the following pages.

CONTINUING TO PAY BENEFITS WHEN AN ISSUE ARISES

- 26 MRSA Section 1194,2 requires that anyone already receiving benefits must continue getting benefits when an eligibility issue arises. Payments must continue until a fact-finding interview is held and an eligibility determination written. If this determination denies or reduces benefits an overpayment is established.

- Example 1: An individual has been receiving weekly unemployment checks. He indicates on his claim card that he was on vacation during the week ending July 25, did not seek work, and was not available for work. Rather than simply not issue a check for that week, a check must be mailed and a fact-finding interview scheduled for 5 to 14 days hence. When an eligibility determination denying benefits for the week ending July 25 is written, it includes the establishment of an overpayment.

- Example 2: An individual has been receiving weekly unemployment checks. She indicates on her claim card for the week ending January 2 that she refused a job during that week. A check must be mailed and a fact-finding interview scheduled for 5 to 14 days hence. If an eligibility determination allows benefits, no further action is required as payment has already been made. If the eligibility determination imposes an indefinite disqualification because of the job refusal, the determination includes the establishment of an overpayment for the one, or possibly more, weeks that have been paid while the fact-finding and determination process was being completed.

- Among 1997 non-fraud overpayment cases, a review of a sample of those determinations shows:

  - The "continue to pay" provision generates 49% of the non-fraud overpayment cases and 35% of the non-fraud overpayment dollars

  - In 1997 the "continue to pay" provision generated total overpayments of approximately $575,000 in 3,818 cases.

  - DOL staff estimate that benefits are ultimately denied or reduced in about half of the cases that are affected by the "continue to pay" provision.

- Maine is one of 17 states that continues to pay benefits when an eligibility issue arises. Other states "hold" the payment for the week in question and issue a check only if, and after, an eligibility determination allows benefits for that week. Some states "hold" the payment for a limited period of time such as 14 days. In such states, if the eligibility determination cannot be issued within 14 days, the check is issued and an overpayment established if benefits are subsequently denied. In a few states the "hold" is applied only if the claimant supplied the information.

- New England

  - Connecticut, Maine, Rhode Island, and Vermont continue to pay benefits when an issue arises and create an overpayment if benefits are ultimately denied.

  - Massachusetts and New Hampshire hold benefit payments when an issue arises and issue the payment only if the individual is determined eligible.

- **DOL Recommendation:** Amend 26 MRSA Section 1194,2 to allow benefits to be held for up to 14 days while the fact-finding interview is scheduled, conducted, and an eligibility determination written. (Eligibility determinations are considered "timely" by US DOL if they are written within 14 days from the date the issue is discovered.)

- **Rationale:**

  - Maine is currently more liberal than the majority of states in this area.

  - Holding benefit payments for up to 14 days while eligibility is determined is a way to decrease benefit costs via reducing the creation of overpayments.

- **Impact on Trust Fund:** Benefit overpayment reductions of:

2000	$0.6 million
2001	$0.7 million
2002	$1.2 million
2003	$1.0 million
2004	$0.9 million

- The dollar impact of the overpayment reductions shown above has not been adjusted for the amount of repayments that DOL could reasonably expect to collect over time. If such adjustments were made they would total less than half of the overpayment reduction amount. In addition, the adjustment for each year's overpayment reduction amount would be spread over the following 6 years.

PAYING BENEFITS BASED ON ESTIMATED WAGES

- 26 MRSA Section 1194,2,B requires that benefits be paid based on earnings estimates when individuals have worked during a week for which they are filing a claim. Prior to this provision being enacted in 1987, individuals were not paid unemployment benefits until they had provided verification of the amount of their earnings.

- A wage verification study of 455 weekly claims with reported earnings showed that:

  - 173 individuals (38%) had underreported their earnings resulting in overpayments of $7,011 (average overpayment of $40.53).

  - 52 individuals (11%) had overreported their earnings resulting in supplemental payments of $1,252 (average supplement payment $24.08).

- Applying this data to the universe of claims with earnings generates an estimated benefit reduction for 1998 of approximately $500,000 (projected overpayments minus projected supplemental payments).

- A review of a sample of all determinations written in 1997 that included a non-fraud overpayment shows:

  - Paying based on estimates generates 16% of the non-fraud overpayment **cases** and 17% of the non-fraud overpayment **dollars**

  - About 1,247 determinations were issued that generated total overpayments of approximately $280,000. Based on the wage verification study cited above, this is approximately 56% of the actual overpayment of benefits due to the underreporting of wages. The remaining 44% of these overpayments went undetected.

- New England:

  - New Hampshire requires the claimant to provide a check stub or other verification of earnings before a check is issued.

  - Connecticut, Maine, Massachusetts, Rhode Island, and Vermont pay benefits based on earnings estimates.

  - Information from states outside New England is not readily available.

- **DOL Recommendation:** Repeal 26 MRSA Section 1194,2,B and return to the requirement that individuals provide verification of the amount of their earnings prior to being paid partial benefits for a week in which they earned wages.

- **Rationale:**

  - A study of claims with earnings shows that half had errors in wage reporting.
  - This study also showed that 38% of the individuals who worked during the week claimed reported wages lower than their actual earnings.
  - Holding benefit payments until earnings verification is provided will result in more accurate payments and decreases benefit costs.

- **Impact on Trust Fund:** Benefit reductions of:

2000	$0.6 million
2001	$0.6 million
2002	$0.9 million
2003	$0.8 million
2004	$0.7 million

COLLECTION ACTIVITIES

- Additional resources in the form of one additional staff position devoted to collecting benefit overpayments would increase collections by approximately $0.2 million per year.

- **DOL Recommendation:** Amend 26 MRSA Section 1164 to allow funds in the Special Administrative Expense Fund to be used for activities that would enhance the solvency of the Unemployment Compensation Fund.

- **Rationale:** Adding a staff position devoted to benefit collections would increase the collection of overpayments.

- **Impact on Trust Fund:** Increased collections of benefit overpayments of approximately $0.2 million annually from 2000 through 2004.

ASSESSING MONETARY PENALTIES IN FRAUD CASES

- 26 MRSA Sections 1051 and 1193,6 impose two penalties for "making false statements" to obtain unemployment benefits: any benefits paid become an overpayment and the individual is ineligible to receive benefits for 6 to 12 months following the fraud determination.

- Seventeen states impose a monetary penalty for fraud in addition to the benefit overpayment. The penalties range from 10% to 300% of the amount overpaid.

- New England:

  - Connecticut does not impose a monetary penalty but assesses 2 "penalty" weeks for each week of fraud. A penalty week is a future week for which the individual is otherwise entitled to a benefit payment.
  - Maine and Massachusetts impose no monetary penalties.
  - New Hampshire assesses criminal court costs.
  - Rhode Island does not impose a monetary penalty but may assess an additional year of ineligibility.
  - Vermont does not impose a monetary penalty but assesses 3 "penalty" weeks for each week of fraud. A penalty week is a future week for which the individual is otherwise entitled to a benefit payment.

- A study commissioned by the US Department of Labor recommended the assessment of a progressive monetary penalty when fraudulent activities result in an overpayment of benefits: 50% of the overpayment for the first occurrence, 75% for the second, and 100% thereafter.

- In Maine detected fraud overpayments totaled $0.6 million in the fiscal year ending September 30, 1997.

- **DOL Recommendation:** Consistent with US DOL recommendations, amend 26 MRSA Section 1051 to impose a monetary penalty for fraud: 50% of the overpayment for the first occurrence, 75% for the second, and 100% thereafter. In addition, apply repayments first to outstanding penalties.

- **Rationale:**

  - An additional penalty for fraud will act as a deterrent.

  - Penalty revenue can be devoted to additional fraud detection and overpayment recovery activities.

- **Impact on Trust Fund:** DOL staff expect that, over time, the monetary penalty will act as a deterrent and that penalty revenue expended on fraud and overpayment detection and overpayment recovery will have a positive impact on the Trust Fund. The dollar amount of the impact, however, cannot be estimated with a reasonable degree of accuracy at this time.

BENEFIT OFFSET TO REPAY OVERPAYMENTS

- 26 MRSA Section 1051 allows the recovery of benefit overpayments through the offset of future benefits payable to the individual. This offset is limited to 10% of the benefit payment for the recovery of non-fraud overpayments. [There is no offset limit for the recovery of fraud overpayments.]

- Maine is the only state to limit the offset of future benefits to 10%. Other states' offset percentages are:

25%	4 States
33%	1 State
50%	11 States
100%	33 States

- New England

➢ Connecticut	50% OR 25% if the weekly benefit amount is less than $100
➢ Maine	10%
➢ Massachusetts	50%
➢ New Hampshire	100% OR Negotiable if the individual has been repaying in good faith
➢ Rhode Island	Portion of benefit payment that exceeds $50
➢ Vermont	100% OR 50% if individual has been repaying in good faith

- Collections due to the 10% offset of benefits were approximately $600,000 in 1998. Increasing the offset percentage to 50% would collect an additional $2.4 million.

- **DOL Recommendation:** Amend 26 MRSA Section 1051,7 to change the offset percentage to 50%.

- **Rationale:**

  - ➢ Maine has the lowest offset percentage in the nation.

  - ➢ Increasing the offset percentage will decrease benefit costs by increasing the repayment of benefit overpayments.

- **Impact on Trust Fund:** Increased benefit overpayment collections of:

2000	$2.4 million
2001	$2.4 million
2002	$3.6 million
2003	$3.1 million
2004	$2.6 million

- If recommendations from this solvency plan are implemented that substantially reduce the creation of overpayments, the increased collections resulting from raising the offset percentage will decrease beginning in 2002 or 2003 as total benefit overpayment receivables are reduced.

CHARGING INTEREST ON OVERPAYMENTS

- Maine law does not provide for charging interest on benefit overpayments.

- Twenty-two states charge interest on overpayment balances.

- New England:

  - Connecticut, Maine and Vermont do not charge interest on overpayments.
  - Massachusetts charges interest on fraud overpayments of 12% per year.
  - New Hampshire charges interest on all overpayments of 12% per year.
  - Rhode Island charges interest on fraud overpayments of 18% per year.

- A study commissioned by the US Department of Labor recommended charging interest on the unpaid balances of fraud and non-fraud overpayments and providing collection staff with the authority to use interest as a negotiating tool during the recovery process.

- Overpayments created in Maine in 1997 totaled $2.1 million.

- Overpayments repaid in 1997 totaled $1.4 million. The Department estimates that charging interest would increase collections by approximately 21% or $300,000.

- **DOL Recommendation:** Consistent with US DOL recommendations, amend 26 MRSA Section 1051 to charge interest of 1% per month on overpayment balances, but allow individuals with non-fraud overpayments a year to repay without interest charges. In addition, apply repayments first to outstanding penalties and second to outstanding interest.

- **Rationale:** The charging of interest and the one year grace period for non-fraud overpayments will act as an incentive to repay overpayments in a reasonable time frame and will increase the collection of benefit overpayments. This is a way to reduce benefit costs via overpayment collection.

- **Impact on Trust Fund:** Increased collections of benefit overpayments of $0.3 million annually from 2000 through 2004. In addition, interest revenue expended on fraud and overpayment detection and overpayment recovery will have a further positive impact on the Trust Fund.

INTRODUCTION TO THE ANALYSIS OF MAINE'S CONTRIBUTION SYSTEM

- The Department reviewed various contribution rate systems and taxable wage bases with respect to:
  - Their ability to generate additional revenue,
  - The equity of their distribution of the contribution burden across employers, and
  - Their ability to adjust to changing economic conditions and to achieve and maintain long-term solvency.
- The Department developed recommendations that attempt to:
  - Build fund reserves sufficient to pay benefits during an average high unemployment period without borrowing (in conjunction with benefit changes),
  - Distribute the contribution burden among employers in an equitable manner based on their relative use of the system, and
  - Achieve long-term solvency through self-adjustment of the system to accommodate changes in the employer base, labor force, benefit payouts, or Trust Fund balance.
- In developing its recommendations, the Department considered these comments frequently heard at the solvency forums and meetings:
  - Concerns about the impact of higher contributions on employers.
  - Concerns about the predictability of the contribution system.
- The taxable wage base and contribution rate systems are discussed separately in the following pages.

TAXABLE WAGE BASE

- 26 MRSA Section 1043,19,A sets the taxable wage base at $7,000. This means that employers pay unemployment contributions on the first $7,000 paid to each employee.

- The taxable wage base varies significantly across the country:

  - 11 states have a $7,000 wage base, the minimum allowable under Federal law
  - 13 states have taxable wage bases between $8,000 and $8,500
  - 9 states are between $9,000 and $12,000
  - 8 states are between $13,000 and $17,100
  - 9 states are between $18,100 and $27,000

- 17 states have an automatic escalator on the taxable wage base, i.e., the taxable wage base increases each year. 15 of these states set the taxable wage base as a percentage of the annual average wage.

- The average taxable wage base for the US is $11,682.

- The average taxable wage base for New England is $10,133.

- New England taxable wage bases

Connecticut	$13,000
Maine	$ 7,000
Massachusetts	$10,800
New Hampshire	$ 8,000
Rhode Island	$14,000
Vermont	$ 8,000

- An individual working full time at minimum wage earns $10,712 per year.

- Benefits are payable based on wages exceeding the taxable wage base.

  - To qualify for maximum benefits an individual must have high quarter wages of at least $5,060 and total base period wages of at least $17,706. [$17,706 ÷ 3 = $5,902, the maximum benefit amount.]

  - An individual who qualifies for maximum benefits and whose earnings are distributed evenly throughout the base period has wages of at least $20,240. [The high quarter wages needed for the maximum WBA, $5.060 * 4 = $20,240.]

- **Equity Issue:** A $7,000 taxable wage base places a larger portion of the contribution burden on employers whose employees annually earn $7,000, or less. This would include employers with part-time, seasonal, or short-term employees at relatively low wages.

- Raising the taxable wage base shifts some of the contribution burden from employers whose employees annually earn $7,000, or less, to those employers whose employees earn between $7,000 and the new higher wage base.

- **DOL Recommendation:** Amend 26 MRSA Section 1043,19,A to raise the taxable wage base to $12,000.

- **Rationale:** Raising the taxable wage base to $12,000 will result in a more equitable distribution of the contribution burden among employers. It also moves Maine's taxable wage base to slightly higher than the national average.

CURRENT CONTRIBUTION RATE SYSTEM

- 26 MRSA Section 1221 establishes the **current contribution rate system:**

  - There is a **Contribution Rate Table** that has 16 contribution schedules (columns A through P) each with 33 contribution rates (rows). The Contribution Schedule (column) in effect for a year is determined by a formula that theoretically measures the financial health of the Trust Fund.

  - In the 25 years since this Contribution Rate Table was enacted in the 1970's, Maine has used only the 5 highest schedules:
    1 year at Schedule L
    2 years at Schedule M
    1 year at Schedule N
    4 years at Schedule O, and
    17 years at Schedule P.

  We have been at the highest Contribution Schedule (P) for 6 of the last 7 years.

  - Each year every employer's **Reserve Ratio** is computed. The Reserve Ratio is a measure of the employer's use of the unemployment program. The formula is:

$$\frac{\text{(Contributions Paid – Benefits Charged)}}{\text{Average Annual Payroll for Last 3 Years}}$$

  - The employer's **contribution rate** is determined by locating the appropriate "Reserve Ratio" range in Column A of the Contribution Rate Table and following across that row of the Contribution Rate Table to the Contribution Schedule in effect for that year.

  - In this contribution rate system:
    52.1% of employers have the lowest contribution rate
    13.1% have the highest rate, and
    34.8% are spread throughout the remaining 31 rates.

  - Since 1993, the "temporary solvency measures" have included a surcharge. For 1995 through 1999, the surcharge is 0.4% for all employers.
    - In 1998, the surcharge generated revenue of $13.4 million.
    - For employers with the lowest contribution rate of 2.4%, the 0.4% surcharge represents a 17% increase in their contribution rate.
    - For employers with the highest contribution rate of 7.5%, the 0.4% surcharge represents a 5% increase in their contribution rate.

  - **Equity Issues:** There are substantial differences among the reserve ratios of the 52.1% of employers at the lowest contribution rate and among those of the 13.1% at the highest rate. That is, many employers with the same contribution rate actually have very different usage rates of the unemployment program. In addition, the surcharge imposes a higher percentage increase in the contribution rate on employers with low rates than on those with higher rates.

  - **Self-adjustment Issue:** The current system is unable to generate more revenue because it has a fixed taxable wage base and is locked at the highest contribution schedule.

POSSIBLE CHANGES TO THE CONTRIBUTION RATE SYSTEM AND TAXABLE WAGE BASE

- The Department identified several issues with the existing contribution rate system and taxable wage base:

  - It is not generating sufficient revenue;
  - It does not equitably distribute the contribution burden; and
  - It does not have the ability to self-adjust, i.e., to adjust revenue automatically to accommodate changes in the employer base, labor force, benefit payouts, or Trust Fund balance.

- Various changes could be made to the contribution rate system and taxable wage base that would accomplish the goal of generating additional contributions.

  - The surcharge could be increased.
    - This method does not address equity or self-adjustment.

  - The taxable wage base could be increased.
    - This method does not address self-adjustment and only partially addresses equity.

  - Additional Contribution Schedules (Q through Z) could be added to the Contribution Rate Table or the Table could be completely rebuilt.
    - This method does not address equity and only partially addresses self-adjustment.

  - The ranges of reserve ratios in the Contribution Rate Table that determine the row and contribution rate could be changed.
    - This method addresses equity to some extent at the time of implementation (depending on the extent of the changes). It does not adjust the distribution of employers in future years should employers tend to gravitate toward the lowest and highest rate categories. This method also does not address self-adjustment.

  - The formulas that determine the contribution schedule to be in effect could be changed in conjunction with rebuilding the Contribution Rate Table.
    - This method addresses self-adjustment. The formulas would be similar to those employed by an array system.

- A new contribution system that reasonably addresses the three goals (revenue, equity, and self-adjustment) could be built using a combination of several of the above factors: increasing the taxable wage base, rebuilding the Contribution Table including adjusting the ranges of the reserve ratios, and developing new formulas to determine the Contribution Schedule to be in effect.

- Such a system would have essentially the same initial impact as an array system (see next section, ARRAY SYSTEM) combined with a taxable wage base increase but would not be as effective over time at self-adjustment of revenue or self-adjustment of the employer distribution across the contribution rates.

ARRAY SYSTEM

- In an **array system:**
  - There is no Contribution Rate Table.
  - Every employer's **Reserve Ratio** is still computed each year.
  - All employers are then **"arrayed"** into a list in descending order by their Reserve Ratios. Employers with the least use of the unemployment program are at the top of the list and those with the most use are at the bottom of the list. The employers are then divided into 20 categories with approximately the same amount of taxable wages in each category.
  - The 20 categories each have an **experience factor** that is the proportion of the average contribution rate that is payable by employers in that category.
  - The **planned yield** is determined from a set of formulas. It is the percentage of total wages necessary to generate the desired amount of revenue.
  - The average contribution rate or **predetermined yield** is then computed. It is the average contribution rate needed to generate the desired amount of revenue for the amount of taxable wages.
  - The **contribution rates** for the 20 categories are computed by multiplying the predetermined yield by the experience factors for each category.

- An array system would redistribute the contribution burden significantly:
  - In the existing contribution rate system 65.2% of employers are clustered at the lowest and highest contribution rates with a wide variance in the reserve ratios (and use of the unemployment program) within those two groups. Many of these employers are so solidly ensconced in these groups that their use or non-use of the unemployment program is unlikely to affect their contribution rate.
  - Changing to an array system where employers are spread fairly evenly among 20 categories creates the likelihood that employers will move more freely among the contribution categories and encourages cautious use of the unemployment program.
  - The 52.1% of employers who are currently at the lowest contribution rate would be distributed across 12 contribution rates in the array system.

    Note that these 12 contribution rates in the array system are all lower than the contribution rate currently assigned to this 52.1% of employers. Refer to IMPACT CHART #16A for more detailed information.

- **DOL Recommendation:**

  > Amend 26 MRSA Section 1221 to implement an array system that, in conjunction with the $12,000 taxable wage base, will accumulate Trust Fund reserves equal to 12 months of benefits during the part of the business cycle that has relatively low unemployment. In addition, allow the surcharge to expire.

  > Set the array system's planned yield at 1.21% for 2000 through 2004. This will generate sufficient revenue to keep the Fund balance from dropping below 2 months of benefits during the next projected high unemployment period. After that time, the formulas that determine the planned yield would begin to generate the revenue needed to accumulate 12 months of benefits in the Fund.

  > Establish two sets of compressed "phase-in" experience factors to be effective in 2000/2001 and 2002/2003 before the permanent experience factors take effect in 2004. These "phase-in" experience factors will generate contribution rates that lessen the impact on employers, i.e., those employers whose contributions increase will see smaller increases during the phase-in period and those whose contributions decrease will see smaller decreases. [More detail about these sets of experience factors is on the following page.]

- **Rationale:**

  - Raising the taxable wage base to $12,000 and distributing employers across the 20 contribution categories will result in a more equitable distribution of the contribution burden among employers.

  - The formulas in the array system that generate the contribution rates self-adjust based on the revenue needed to pay benefits and to build fund reserves up to 12 months of benefits.

  - Setting the planned yield at 1.21% will generate sufficient revenue to keep the projected Fund balance from dropping below 2 months of benefits during the next projected high unemployment period. Using this preset planned yield during the phase-in period requires lower contribution levels than accumulating 12 months of benefits prior to the high unemployment period.

  - Subsequent to the phase-in, the system will begin accumulating revenue toward the goal of 12 months of benefits in the Fund.

  - The phase-in experience factors will reduce the extent of contribution increases and decreases during the 4 phase-in years thereby lessening the adverse impact on employers whose contributions increase.

- **Impact on Trust Fund:** Revenue increases of : $22.6 million in 2000
  $33.1 million in 2001
  $29.0 million in 2002
  $29.9 million in 2003
  $32.8 million in 2004

- Department staff are still developing formulas that would enhance the array system's ability to self-adjust revenue and act in a counter-cyclical fashion. These formulas would begin to act in 2005 when the phase-in recommendation relative to setting the predetermined yield expires. We expect to have these enhanced formulas available at the work session on the proposed legislation.

- The two sets of "phase-in" experience factors and the permanent experience factors are shown below with the contribution rates that each would generate assuming an average contribution rate of 2.90.

  - The phase-in sets of experience factors are more compressed that the permanent factors, i.e., the factors are clustered closer to the number 1. This has the effect of clustering the rates closer to the average rate which is 2.90 in this example. Therefore, the lowest rates (array system category 1) are highest in phase-in set #1 and lowest in the permanent set and halfway between in phase-in set #2. Likewise, the highest rates (array system category 20) are lowest in phase-in set #1 and highest in the permanent set and halfway between in phase-in set #2.

    The rates shown below are intended only to illustrate the impact of the two phase-in sets of experience factors and they are calculated using an average contribution rate of 2.90 which is the projected rate for 2000. Future years would have different rates because they would have different average contribution rates.

Array System	Phase-In Set #1		Phase-In Set #2		Permanent	
Category	Exp. Factors	Rates	Exp. Factors	Rates	Exp. Factors	Rates
1	0.4750	1.38	0.38750	1.12	.30	0.87
2	0.5125	1.49	0.43125	1.25	.35	1.02
3	0.5500	1.60	0.47500	1.38	.40	1.16
4	0.5875	1.70	0.51875	1.50	.45	1.31
5	0.6250	1.81	0.56250	1.63	.50	1.45
6	0.6625	1.92	0.60625	1.76	.55	1.60
7	0.7000	2.03	0.65000	1.89	.60	1.74
8	0.7375	2.14	0.69375	2.01	.65	1.89
9	0.7750	2.25	0.73750	2.14	.70	2.03
10	0.8125	2.36	0.78125	2.27	.75	2.18
11	0.8500	2.47	0.82500	2.39	.80	2.32
12	0.9250	2.68	0.91250	2.65	.90	2.61
13	1.0000	2.90	1.00000	2.90	1.00	2.90
14	1.0750	3.12	1.08750	3.15	1.10	3.19
15	1.1875	3.44	1.21875	3.53	1.25	3.63
16	1.3000	3.77	1.35000	3.92	1.40	4.06
17	1.4500	4.21	1.52500	4.42	1.60	4.64
18	1.6750	4.86	1.78750	5.18	1.90	5.51
19	1.9000	5.51	2.05000	5.95	2.20	6.38
20	2.2000	6.38	2.40000	6.96	2.60	7.54

COMPARISON OF THE CURRENT AND PROPOSED CONTRIBUTION SYSTEMS

CURRENT SYSTEM	PROPOSED SYSTEM FOR 2000
Estimated annual revenue 2000 $111.9 million 2001 $113.9 million 2002 $113.1 million 2003 $119.7 million 2004 $127.6 million	Estimated annual revenue 2000 $135.5 million 2001 $148.0 million 2002 $143.1 million 2003 $150.6 million 2004 $161.4 million
Contributions paid on the first $7,000 of each employee's wages	Contributions paid on the first $12,000 of each employee's wages
33 contribution rates ranging from 2.8% to 7.9% (Includes the .4% surcharge)	20 contribution rates ranging from 1.38% to 6.38%
Range of contributions per employee earning ≥ $7,000 $196.00 – $553.00	Range of contributions per employee earning ≥ $12,000 $166.00 - $766.00
	Range of contributions per employee earning $7,000 $97.00 - $447.00
Average contribution rate 3.52%	Average contribution rate 2.90%
Average contribution per employee earning ≥ $7,000 $246.40	Average contribution per employee earning ≥ $12,000 $348.00
	Average contribution per employee earning $7,000 $203.00
Average contribution per employee $275.50	Average contribution per employee $319.24
Average contribution per employee as a percentage of the average annual wage 1.2%	Average contribution per employee as a percentage of the average annual wage 1.4%
Employers distributed unevenly among contribution rates 52.1% at lowest rate 13.1% at highest rate 0.3% - 3.3% at each of remaining 31 rates	Employers distributed fairly evenly among contribution rates 2.5% – 7.8% in each of the 20 contribution categories
Taxable wages distributed unevenly among rates 56.1% at lowest rate 8.8% at highest rate 0.2% - 3.0% at each of remaining 31 rates	Taxable wages distributed fairly evenly among rates 4.8% - 5.2% in each of the 20 contribution categories

DELINQUENT CONTRIBUTION COLLECTIONS

- DOL conducts a variety of activities to collect delinquent contributions, interest, and penalties: a series of collection letters are mailed, telephone and in-person contacts are made, liens and bankruptcy proofs of claim are filed, cases are filed in disclosure court, business licenses are held, and income tax refunds are withheld.

- Contributions, penalties, and interest that were delinquent as of July 31, 1998:

Age of Receivable	Amount
0 – 180 days	$ 968,773
181 – 270 days	$ 191,709
271 – 360 days	$ 282,851
361 – 450 days	$ 290,148
451 days or more	$3,556,763
Total	$5,290,244

- DOL expends about 13.5 positions on collection activities. This represents 27% of the total positions used for the administration of unemployment contributions.

- Department recommendations to increase the collection of delinquent contributions are discussed in the following pages.

COLLECTION POWERS

- Maine unemployment law does not grant the authority to levy property held by a third party to pay delinquent unemployment contributions, interest, or penalties. In addition, the law does not hold officers, directors, or members of the employer liable for the payment of contributions.

- Title 36 grants such authority to Maine Revenue Services (MRS) for the collection of a variety of taxes including income, sales, and income tax withholding. MRS staff report that these collection tools are very effective both directly and indirectly.

- The most common use of the levy authority would be the seizure of bank accounts.

- Expanding unemployment contribution collection methods to include levy authority and holding officers, directors, and members personally liable is estimated to increase collections by approximately $200,000 annually.

- **DOL Recommendation:** Enact 26 MRSA Section 1225, Sub-sections 1-A and 1-B and Section 1233 to grant levy authority and to hold officers, directors, or members of the employer personally liable for unpaid contributions, penalties, and interest.

- **Rationale:** Adding these collection tools would increase the collection of delinquent contributions.

- **Impact on Trust Fund:** Increased collections of delinquent contributions of $0.2 million annually from 2000 through 2004.

COLLECTION ACTIVITIES

- Additional resources in the form of two additional staff positions devoted to collecting delinquent contributions would increase collections by approximately $0.8 million per year.

- **DOL Recommendation:** Amend 26 MRSA Section 1164 to allow funds in the Special Administrative Expense Fund to be used for activities that would enhance the solvency of the Unemployment Compensation Fund.

- **Rationale:** Adding two staff positions devoted to contribution collections would increase the collection of delinquent contributions.

- **Impact on Trust Fund:** Increased collections of delinquent contributions of approximately $0.8 million annually from 2000 through 2004.

IMPACT OF SOLVENCY PLAN RECOMMENDATIONS

The following charts and summary sheets illustrate the impact of this solvency plan. The instructions for reading each chart are found on the facing page.

HOW TO READ IMPACT CHART #1

- The top chart, **TRUST FUND PROJECTIONS UNDER SOLVENCY PLAN**, shows the benefit costs, contributions, interest earnings, and Trust Fund balance (in dollars and months) for 1999 through 2004.

- The first column lists the year, 1999 through 2004. Note that this solvency plan does not change either benefits or contributions for 1999.

- The second column, **IUR**, gives the insured unemployment rate for each year. Example:

  The IUR for 2003 is 5.0%.

  Note that the insured unemployment rate is a measure of the number of individuals actually being paid unemployment benefits. It differs from the total unemployment rate, which is an estimate of the number of individuals who are unemployed. The total unemployment rate is the one most frequently reported in the media.

- The third column, **Benefits**, gives the projected benefit costs under this solvency plan for each year. Example:

  Benefits are projected to be $206.8 million in 2003.

- The fourth column, **Contributions**, gives the projected contributions under this solvency plan for each year. Example:

  Contributions are projected to be $150.6 million in 2003.

- The fifth column, **Interest**, gives the projected interest earnings for each year. Example:

  Interest is projected to be $4.9 million in 2003.

- The sixth column, **Fund Balance**, gives the projected Trust Fund balance for each year. Example:

  The Trust Fund Balance is projected to be $53.6 million in 2003.

- The last column, **Months**, gives the projected Trust Fund balance expressed as months of benefits. Example:

  The Trust Fund Balance is projected to be 2.5 months of benefits in 2003.

- The bottom chart, **TRUST FUND PROJECTIONS UNDER CURRENT LAW**, shows the same projected information under current law assuming that the "temporary solvency measures" are continued through 2004. The chart is read in the same way as the top chart on this page.

TRUST FUND PROJECTIONS UNDER SOLVENCY PLAN

	IUR[2]	Benefits	Contributions	Interest	Fund Balance	Months
1999	3.1%	$110.8 m	$112.5 m	$11.8 m	$192.6 m	10.7
2000	3.6%	$131.8 m	$135.5 m[1]	$12.2 m	$208.5 m	11.2
2001	4.1%	$157.6 m	$148.0 m	$12.6 m	$205.1 m	10.6
2002	6.0%	$234.3 m	$143.1 m	$ 9.8 m	$111.8 m	5.6
2003	5.0%	$206.8 m	$150.6 m	$ 4.9 m	$ 53.6 m	2.5
2004	4.0%	$174.2 m	$161.4 m	$ 2.9 m	$ 43.7 m	2.0

[1]Assumes contribution system changes are effective 1/1/2000. Revenue is lower in 2000 because contributions for the 4th calendar quarter are due the following year. Therefore, revenue for 2000 consists of the 4th quarter of 1999 at the old contribution rates and the 1st 3 quarters of 2000 at the new contribution rates.
[2]Insured Unemployment Rate

Note that the Array System has a forced planned yield of 1.21 from 2000-2004.

TRUST FUND PROJECTIONS UNDER CURRENT LAW[1]

	IUR[2]	Benefits	Contributions	Interest	Fund Balance	Months
1999	3.1%	$110.8 m	$112.5 m	$11.8 m	$ 192.6 m	10.7
2000	3.6%	$134.3 m	$111.9 m	$11.6 m	$ 181.4 m	9.7
2001	4.1%	$158.5 m	$113.9 m	$ 9.9 m	$ 140.1 m	7.3
2002	6.0%	$240.4 m	$113.1 m	$ 4.6 m	$ 5.2 m	0.3
2003	5.0%	$211.7 m	$119.7 m	$ .1 m	$ (93.9 m)	0.0
2004	4.0%	$179.2 m	$127.6 m	$ --------	$(145.5 m)	0.0

[1]Assumes continuation of the current "temporary solvency measures" that include a surcharge and benefit cuts.
[2]Insured Unemployment Rate

HOW TO READ IMPACT CHART #2

- This chart shows benefit and contribution information for 1999 through 2004 under current law and this solvency plan.
- The first column lists the year, 1999 through 2004. Note that this solvency plan does not change either benefits or contributions for 1999.
- The second through fourth columns give **BENEFITS** information. The second column, **Current**, lists projected benefits under current law assuming the "temporary solvency measures" are extended through 2004. The third column, **Proposed**, lists projected benefits under this solvency plan. The fourth column, **Decrease**, lists the decrease in benefits that occurs under this solvency plan. Example:

  In 2002 Benefits under the current system are projected to be $240.4 million,
  Benefits under the proposed system are projected to be $234.3 million, and
  The benefit decrease is $6.1 million.

- The fifth through seventh columns give **CONTRIBUTIONS** information. The fifth column, **Current**, lists projected contributions under current law assuming the "temporary solvency measures" are extended through 2004. The sixth column, **Proposed**, lists projected contributions under this solvency plan. The seventh column, **Increase**, lists the increase in contributions that occurs under this solvency plan. Example:

  In 2002 Contributions under the current system are projected to be $113.1 million,
  Contributions under the proposed system are projected to be $143.1 million, and
  The contribution increase is $30.0 million.

- The eighth column, **COMBINED ANNUAL IMPACT ON SOLVENCY**, gives the sum of the benefit decrease and the increase in contributions. Example:

  The combined impact on solvency for 2002 is $36.1 million.

IMPACT CHART #2

COMPARISON OF BENEFITS AND CONTRIBUTIONS UNDER CURRENT LAW AND SOLVENCY PLAN

	BENEFITS			CONTRIBUTIONS			COMBINED ANNUAL IMPACT ON SOLVENCY
	Current	Proposed	Decrease	Current	Proposed[2]	Increase[2]	
1999	$110.8 m	$110.8 m	N/A	$112.5 m	$112.5 m	N/A	N/A
2000	$134.3 m	$131.8 m	$2.5 m	$111.9 m	$135.5 m[1]	$23.6 m	$26.1 m
2001	$158.5 m	$157.6 m	$ .9 m	$113.9 m	$148.0 m	$34.1 m	$35.0 m
2002	$240.4 m	$234.3 m	$6.1 m	$113.1 m	$143.1 m	$30.0 m	$36.1 m
2003	$211.7 m	$206.8 m	$4.9 m	$119.7 m	$150.6 m	$30.9 m	$35.8 m
2004	$179.2 m	$174.2 m	$5.0 m	$127.6 m	$161.4 m	$33.8 m	$38.8 m

[1]Assumes contribution changes are effective 1/1/2000. Revenue is lower in 2000 because contributions for the 4th calendar quarter are due the following year. Therefore, revenue for 2000 consists of the 4th quarter of 1999 at the old contribution rates and the 1st 3 quarters of 2000 at the new contribution rates.

[2]Includes $1 million of increased contributions for each year that come from additional collection of delinquent contributions.

Note that the Array System has a forced planned yield of 1.21 from 2000-2004.

HOW TO READ IMPACT CHART #3

- This chart shows the dollar impact of each of the recommendations in this solvency plan for 2000 through 2004.
  - Positive dollar amounts indicate either a benefit reduction or contribution increase
  - Negative dollar amounts indicate a benefit increase.
- The first column lists the individual legislative recommendations.
- The second column gives the dollar impact of each of the recommendations for 2000. The third through seventh columns provide the same information for 2001 through 2004. Examples:

  Changing the definition of misconduct has a positive effect on the Trust Fund (reduces benefits) of $2.6 million for 2000.

  Changing the benefit offset limit from 10% to 50% has a positive effect on the Trust Fund (increases repayments) of $3.6 million in 2002.

  Increasing the taxable wage base to $12,000, allowing the 0.4% surcharge to expire and implementing the array system have a positive effect on the Trust Fund (increased contributions) of $33.1 million for 2001.

IMPACT CHART #3 SUMMARY OF IMPACT OF RECOMMENDATIONS IN SOLVENCY PLAN

	Impact on Unemployment Compensation Fund				
Benefit System Adjustments	**2000**	**2001**	**2002**	**2003**	**2004**
• Change WBA calculation to 1/22 of the Average of the two highest quarters	+$ 4.9 m	+$ 5.8 m	+$ 9.6 m	+$ 8.6 m	+$ 7.6 m
• Allow $3 WBA reduction to expire	- $ 2.1 m	- $ 2.4 m	- $ 3.5 m	- $ 3.0 m	- $ 2.4 m
• Allow 6% maximum WBA reduction to expire	- $ 7.0 m	- $ 9.3 m	- $10.0 m	- $ 9.5 m	- $ 8.1 m
• Change definition of misconduct	+$ 2.6 m	+$ 2.6 m	+$ 3.8 m	+$ 3.4 m	+$ 3.2 m
Overpayment Reduction, Fraud and Overpayment Recovery					
• Change the "Continue to Pay Benefits" provision To allow the holding of benefits for up to 14 days	+$ .6 m	+$ .7 m	+$ 1.2 m	+$ 1.0 m	+$ .9 m
• Require individuals to provide earnings verification	+$ .6 m	+$ .6 m	+$ .9 m	+$ .8 m	+$ .7 m
• Assess monetary penalties in fraud cases	N/A	N/A	N/A	N/A	N/A
• Change the benefit offset limit from 10% to 50%	+$ 2.4 m	+$ 2.4 m	+$ 3.6 m	+$ 3.1 m	+$ 2.6 m
• Charge interest on overpayments	+$ .3 m	+$ .3 m	+$ .3 m	+$ .3 m	+$ .3 m
• Add 1 staff position for collections	+$ .2 m	+$ .2 m	+$ .2 m	+$ .2 m	+$ .2 m
Total Benefit Impact	+$ 2.5 m	+$ .9 m	+$ 6.1 m	+$ 4.9 m	+$ 5.0 m
Contribution System Adjustments					
• Increase the taxable wage base to $12,000 • Allow the 0.4% surcharge to expire • Implement an array system	+$22.6 m[1]	+$33.1 m	+$29.0 m	+$29.9 m	+$32.8 m
Delinquent Contribution Collection					
• Create authority to levy property and Hold certain individuals personally liable for debt	+$ .2 m	+$ .2 m	+$ .2 m	+$ .2 m	+$ .2 m
• Add 2 staff positions for collections	+$ .8 m	+$ .8 m	+$ .8 m	+$ .8 m	+$ .8 m

[1]Revenue is lower in 2000 because contributions for the 4th calendar quarter are due the following year. Therefore, revenue for 2000 consists of the 4th quarter of 1999 at the old contribution rates and the first 3 quarters of 2000 at the new contribution rates.

SUMMARY SHEET #1

ANALYSIS OF THE CHANGE IN CONTRIBUTIONS DUE

- The analysis in this section was done using the following data and assumptions:
  - Wages reported by employers for calendar year 1996
  - Employer contribution rates and reserve ratios for 1999 for those employers who were "experience rated" in 1999. Employers at the new employer rate in 1999 were not included.
  - Total taxable wages of: $4.9 billion for 2000; $4.8 billion for 2002; $ 5.1 billion for 2004
  - Average contribution rate of: 2.90 for 2000; 2.92 for 2002; 3.17 for 2004
  - All increases and decreases are calculated as comparisons to hypothetical contribution levels computed using 1996 wages and 1999 contribution rates.
- Changing from the existing contribution system and $7,000 taxable wage base to the proposed array system and $12,000 wage base changes nearly all employers' contributions due.
  - The average change in contributions for an employer is: $ 710 for 2000; $ 739 for 2002; $1,146 for 2004
  - The average percentage change in contributions for an employer is: +10% for 2000; +10% for 2002; +17% for 2004
  - Percent of employers whose contributions decrease: 39% for 2000; 40% for 2002; 34% for 2004
  - Percent of employers whose contributions increase: 61% for 2000; 60% for 2002; 66% for 2004

- Contribution decreases total: $3.8 million for 2000
  $5.8 million for 2002
  $6.7 million for 2004

- Contribution increases total: $22.6 million for 2000
  $25.3 million for 2002
  $37.1 million for 2004

- The average contribution per employee increases: $48.57 for 2000 ($275.50 to $324.07)
  $50.53 for 2002 ($275.50 to $326.03)
  $78.37 for 2004 ($275.50 to $353.87)

- The average contribution per employee as a percent of the average annual wage increases:

  From 1.2% in 1999 to 1.4% for 2000 and 2002

  From 1.2% in 1999 to 1.5% for 2004.

• The charts on the following pages illustrate the impact of the proposed array system and $12,000 taxable wage base on contributions due.

  - **IMPACT CHARTS #4A, B, &C** present data with employers grouped by size.

  - **IMPACT CHARTS #5A, B, & C** present data with employers grouped by the array system category to which they are assigned.

  - **IMPACT CHARTS #6A, B, & C** present data with employers grouped by broad industry classification.

  - **IMPACT CHART #7** presents data with employers grouped by narrow industry classification.

  - **IMPACT CHARTS #8A & B** show the number and percent of employers for each range of dollar change in contributions due.

  - **IMPACT CHARTS #9A & B** show the number and percent of employers for each range of percentage change in contributions due.

• Instructions for reading the charts are found on the page facing each chart.

HOW TO READ IMPACT CHART #4A

- Employers are grouped by size in this chart. The first column gives the **Number of Employees** for the employers in each row of the chart. The second column gives the **Number of Employers** for each size group (row). Example:

  There are 3,296 employers with between 10 and 19 employees.

- The third, fourth, and fifth columns, **Average Percent Change**, give the average percentage change in contributions for employers in that group (row) for each of the three phase-in levels. Example:

  Employers with between 10 and 19 employees had the following average percentage changes in their contributions:

2000	+14%
2002	+ 13%
2004	+ 21%

- The sixth, seventh, and eighth columns, **Average Dollar Change**, give the average dollar change in contributions for the employers in that group (row) for each of the three phase-in levels: Example:

  Employers with between 10 and 19 employees had the following average dollar changes in their contributions:

2000	+$ 601
2002	+$ 674
2004	+$1,099

IMPACT CHART #4A

AVERAGE CHANGE IN CONTRIBUTIONS DUE BY EMPLOYER SIZE
Changing From Existing Contribution Rates and $7,000 Taxable Wage Base To The Proposed Array System and $12,000 Taxable Wage Base

Number of Employees	Number of Employers	Average Percent Change 2000	2002	2004	Average Dollar Change 2000	2002	2004
1 - 4	14,447	+ 7%	+ 6%	+13%	+$ 69	+$ 86	+$ 160
5 - 9	5,530	+13%	+13%	+21%	+$ 287	+$ 328	+$ 544
10 - 19	3,296	+14%	+13%	+21%	+$ 601	+$ 674	+$ 1,099
20 - 49	2,039	+18%	+17%	+26%	+$ 1,717	+$ 1,895	+$ 2,909
50 - 99	635	+18%	+17%	+25%	+$ 3,786	+$ 4,038	+$ 6,156
100 - 249	362	+20%	+18%	+26%	+$ 9,084	+$ 9,754	+$ 14,757
250+	148	+16%	+13%	+18%	+$ 34,021	+$ 29,176	+$ 41,827

HOW TO READ IMPACT CHARTS #4B & #4C

- Employers are grouped by size in these charts. The first column gives the **Number of Employees** for the employers in each row of the chart. The second column gives the **Number of Employers** for each size group (row). Example:

  There are 3,296 employers with between 10 and 19 employees.

- The third, fourth, and fifth columns of **IMPACT CHART #4B** give the largest percentage decrease in contributions and largest percentage increase in contributions that were experienced by employers in that group (row) for each of the three phase-in levels. Example:

  Employers with between 10 and 19 employees had the following ranges of percentage changes in their contributions:

2000	-51% to + 85%
2002	-60% to + 98%
2004	-66% to +129%

- The third, fourth, and fifth columns of **IMPACT CHART #4C** give the largest decrease in contributions and the largest increase in contributions that were experienced by employers in that group (row) for each of the three phase-in levels. Example:

  Employers with between 10 and 19 employees had the following ranges of changes in contributions:

2000	-$3,243 to +$ 5,330
2002	-$3,201 to +$ 7,105
2004	-$3,713 to +$10,909

IMPACT CHART #4B

RANGE OF PERCENTAGE CHANGE IN CONTRIBUTIONS DUE BY EMPLOYER SIZE
Changing From Existing Contribution Rates and $7,000 Taxable Wage Base
To The Proposed Array System and $12,000 Taxable Wage Base

Number of Employees	Number of Employers	2000	2002	2004
1 - 4	14,447	-51% to + 94%	-60% to +108%	-66% to +140%
5 - 9	5,530	-51% to + 92%	-60% to +106%	-66% to +138%
10 - 19	3,296	-51% to + 85%	-60% to + 98%	-66% to +129%
20 - 49	2,039	-48% to + 83%	-57% to + 96%	-64% to +126%
50 - 99	635	-41% to + 84%	-51% to + 98%	-59% to +128%
100 - 249	362	-38% to + 74%	-49% to + 84%	-57% to +110%
250+	148	-41% to + 70%	-51% to + 79%	-59% to +104%

IMPACT CHART #4C

RANGE OF DOLLAR CHANGE IN CONTRIBUTIONS DUE BY EMPLOYER SIZE
Changing From Existing Contribution Rates and $7,000 Taxable Wage Base
To The Proposed Array System and $12,000 Taxable Wage Base

Number of Employees	Number of Employers	2000	2002	2004
1 - 4	14,447	-$ 2,300 to +$ 2,112	-$ 1,347 to +$ 2,453	-$ 1,143 to +$ 3,786
5 - 9	5,530	-$ 33,189 to +$ 3,826	-$ 23,162 to +$ 3,909	-$ 4,390 to +$ 5,690
10 - 19	3,296	-$ 3,243 to +$ 5,330	-$ 3,201 to +$ 7,105	-$ 3,713 to +$ 10,909
20 - 49	2,039	-$ 13,115 to +$ 17,295	-$ 8,611 to +$ 22,771	-$ 5,660 to +$ 33,952
50 - 99	635	-$ 17,137 to +$ 23,031	-$ 12,478 to +$ 33,557	-$ 10,264 to +$ 57,498
100 - 249	362	-$ 16,163 to +$ 61,357	-$ 21,342 to +$ 84,733	-$ 25,070 to +$130,373
250+	148	-$ 50,000+[1] to +$200,000+[2]	-$100,000+[1] to +$200,000+[2]	-$200,000+[1] to +$200,000+[2]

[1]Reduction in contributions of: $50,000, or more, for 2000; $100,000, or more, for 2002; $200,000, or more, for 2004.
[2]Increase in contributions of $200,000, or more.

HOW TO READ IMPACT CHART #5A

- Employers in this chart are grouped by the array system category to which they are assigned. The first column gives the **Array System Category** number for the employers in each row of the chart. The second column gives the **Number of Employers** for each array system category group (row). Example:

  There are 1,052 employers in array system category 9.

- The third, fourth, and fifth columns, **Average Percent Change**, give the average percentage change in contributions for the employers in that group (row) for each of the three phase-in levels. Example:

  Employers in array system category 9 had the following average percentage changes in their contributions:

2000	+14%.
2002	+ 9%
2004	+12%

- The sixth, seventh, and eighth columns, **Average Dollar Change**, give the average dollar change in contributions for the employers in that group (row) for each of the three phase-in levels. Example:

  Employers in array system category 9 had an average dollar change in their contributions of:

2000	+$766
2002	+$562
2004	+$705

IMPACT CHART #5A

AVERAGE CHANGE IN CONTRIBUTIONS DUE BY ARRAY SYSTEM CATEGORY
Changing From Existing Contribution Rates and $7,000 Taxable Wage Base To The Proposed Array System and $12,000 Taxable Wage Base

Array System Category	Number of Employers	Average Percent Change 2000	2002	2004	Average Dollar Change 2000	2002	2004
1	2,049	- 31%	- 43%	- 52%	- $ 458	- $ 737	- $ 939
2	1,281	- 23%	- 35%	- 43%	- $ 532	- $ 898	- $ 1,136
3	824	- 18%	- 29%	- 35%	- $ 734	- $ 1,285	- $ 1,599
4	486	- 12%	- 22%	- 26%	- $ 184	- $ 1,033	- $ 1,391
5	1,054	- 7%	- 16%	- 19%	- $ 116	- $ 464	- $ 566
6	1,387	- 3%	- 11%	- 12%	+ $ 25	- $ 209	- $ 256
7	1,158	+ 2%	- 5%	- 5%	+ $ 316	+$ 74	+$ 74
8	1,108	+ 8%	+ 2%	+ 4%	+ $ 497	+$ 280	+$ 339
9	1,052	+14%	+ 9%	+12%	+$ 766	+$ 562	+$ 705
10	1,371	+19%	+15%	+20%	+$ 704	+$ 578	+$ 736
11	1,265	+24%	+21%	+27%	+$ 1,010	+$ 906	+$ 1,132
12	1,460	+32%	+31%	+40%	+$ 1,099	+$ 1,069	+$ 1,347
13	1,583	+30%	+31%	+42%	+$ 1,050	+$ 1,077	+$ 1,422
14	1,170	+31%	+34%	+47%	+$ 1,703	+$ 1,813	+$ 2,382
15	1,655	+33%	+38%	+54%	+$ 1,296	+$ 1,453	+$ 1,975
16	988	+37%	+43%	+62%	+$ 2,383	+$ 2,763	+$ 3,880
17	975	+41%	+49%	+69%	+$ 2,870	+$ 3,432	+$ 4,884
18	1,538	+30%	+39%	+61%	+$ 1,597	+$ 2,066	+$ 3,107
19	1,879	+ 0%	+ 9%	+27%	+$ 296	+$ 828	+$ 1,956
20	2,174	+ 6%	+16%	+37%	+$ 762	+$ 1,389	+$ 2,613

HOW TO READ IMPACT CHART #5B

- Employers in this chart are grouped by the array system category to which they are assigned. The first column gives the **Array System Category** number for the employers in each row of the chart. The second column gives the **Number of Employers** for each array system category group (row). Example:

  There are 1,052 employers in array system category 9.

- The third, fourth, and fifth columns give the ranges of the percentage changes in contributions that were experienced by employers in that group (row) for each of the three phase-in levels. Example:

  Employers in array system category 9 had changes in contributions that ranged from:

2000	-20% to +38%
2002	-23% to +32%
2004	-21% to +36%

IMPACT CHART #5B

RANGE OF PERCENTAGE CHANGE IN CONTRIBUTIONS DUE BY ARRAY SYSTEM CATEGORY

Changing From Existing Contribution Rates and $7,000 Taxable Wage Base To The Proposed Array System and $12,000 Taxable Wage Base

Array System Category	Number of Employers	2000	2002	2004
1	2,049	-51% to -16%	-60% to - 31%	- 66% to - 42%
2	1,281	-47% to - 9%	-55% to - 23%	- 60% to - 32%
3	824	-43% to - 2%	-50% to - 15%	- 55% to - 22%
4	486	-39% to + 4%	-46% to - 8%	- 49% to - 12%
5	1,054	-35% to +11%	-41% to + 0%	- 43% to - 3%
6	1,387	-31% to +18%	-37% to + 8%	- 38% to + 7%
7	1,158	-28% to +24%	-32% to + 16%	- 32% to + 16%
8	1,108	-24% to +31%	-28% to + 24%	- 26% to + 26%
9	1,052	-20% to +38%	-23% to + 32%	- 21% to + 36%
10	1,371	-16% to +44%	-19% to + 40%	- 15% to + 46%
11	1,265	-12% to +51%	-14% to + 48%	- 9% to + 56%
12	1,460	- 8% to +64%	- 8% to + 63%	- 2% to + 74%
13	1,583	- 9% to +66%	- 9% to + 67%	- 1% to + 81%
14	1,170	- 5% to +67%	- 4% to + 70%	+ 6% to + 87%
15	1,655	- 4% to +73%	- 1% to + 79%	+10% to +100%
16	988	- 3% to +80%	+ 1% to + 88%	+14% to +111%
17	975	- 2% to +85%	+ 3% to + 96%	+18% to +123%
18	1,538	-16% to +94%	-10% to +108%	+ 4% to +140%
19	1,879	-30% to +63%	-24% to + 77%	- 12% to +106%
20	2,174	-19% to +38%	-11% to + 52%	+ 4% to + 79%

HOW TO READ IMPACT CHART #5C

- Employers in this chart are grouped by the array system category to which they are assigned. The first column gives the **Array System Category** number for the employers in each row of the chart. The second column gives the **Number of Employers** for each array system category group (row). Example:

  There are 1,052 employers in array system category 9.

- The third, fourth, and fifth columns give the range of dollar changes in contributions that were experienced by employers in that group (row) for each of the phase-in levels. Example:

  Employers in array system category 9 had changes in contributions that ranged from:

2000	-$1,258 to +$108,951
2002	-$1,807 to +$ 90,159
2004	-$1,423 to +$103,314

IMPACT CHART #5C

RANGE OF DOLLAR CHANGE IN CONTRIBUTIONS DUE BY ARRAY SYSTEM CATEGORY

Changing From Existing Contribution Rates and $7,000 Taxable Wage Base To The Proposed Array System and $12,000 Taxable Wage Base

Array System Category	Number of Employers	2000	2002	2004
1	2,049	- $ 50,000+[1] to - $ 0	-$100,000+[1] to - $ 0	- $163,472 to - $ 0
2	1,281	- $ 39,239 to - $ 3	-$ 83,278 to - $ 3	- $112,000 to - $ 3
3	824	- $ 50,000+[1] to - $ 4	-$100,000+[1] to - $ 8	- $200,000+[1] to - $ 9
4	486	- $ 9,876 to +$ 45,350	-$100,000+[1] to - $ 11	- $200,000+[1] to - $ 12
5	1,054	- $ 42,725 to +$ 32,369	-$ 89,122 to +$ 10	- $104,516 to - $ 3
6	1,387	- $ 7,623 to +$ 11,305	-$ 18,510 to +$ 3,753	- $ 22,834 to +$ 2,332
7	1,158	- $ 6,959 to +$115,027	-$ 10,318 to +$ 74,432	- $ 10,318 to +$ 74,432
8	1,108	- $ 5,608 to +$ 65,494	-$ 10,615 to +$ 48,836	- $ 9,249 to +$ 53,370
9	1,052	- $ 1,258 to +$108,951	-$ 1,807 to +$ 90,159	- $ 1,423 to +$103,314
10	1,371	- $ 902 to +$ 69,963	-$ 1,807 to +$ 62,156	- $ 788 to +$ 71,914
11	1,265	- $ 1,300 to +$148,528	-$ 1,564 to +$137,263	- $ 992 to +$161,670
12	1,460	- $ 2,099 to +$109,706	-$ 2,290 to +$107,330	- $ 477 to +$129,903
13	1,583	+$ 406 to +$ 91,365	-$ 150 to +$ 93,116	- $ 6 to +$115,006
14	1,170	- $ 68 to +$117,426	-$ 38 to +$123,621	+$ 0 to +$155,628
15	1,655	- $ 52 to +$200,000+[2]	-$ 12 to +$200,000+[2]	+$ 0 to +$200,000+[2]
16	988	- $ 37 to +$200,000+[2]	-$ 0 to +$200,000+[2]	+$ 1 to +$200,000+[2]
17	975	- $ 25 to +$200,000+[2]	-$ 0 to +$200,000+[2]	+$ 2 to +$200,000+[2]
18	1,538	- $ 5,578 to +$126,591	-$ 2,898 to +$153,469	+$ 2 to +$213,198
19	1,879	- $ 33,189 to +$ 79,624	-$ 23,162 to +$103,073	- $ 2,966 to +$150,947
20	2,174	- $ 11,377 to +$200,000+[2]	-$ 3,263 to +$200,000+[2]	+$ 0 to +$200,000+[2]

[1]Reduction in contributions of: $50,000, or more, for 2000; $100,000, or more, for 2002; $200,000, or more, for 2004.
[2]Increase in contributions of $200,000, or more.

HOW TO READ IMPACT CHART #6A

- Employers in this chart are grouped by broad industry classification. The first column gives the name of the **Industry** for the employers in each row of the chart. The second column gives the **Number of Employers** for each broad industry group (row). Example:

  There are 9,182 employers in the Services industry.

- The third, fourth, and fifth columns, **Average Percent Change**, give the average percentage changes in contributions for the employers in that group (row) for each of the three phase-in levels. Example:

  Employers in the Services industry had the following average percentage changes in contributions:

2000	+10%
2002	+ 8%
2004	+14%

- The sixth, seventh, and eighth columns, **Average Dollar Change**, give the average dollar changes in contributions for the employers in that group (row) for each of the three phase-in levels. Example:

  Employers in the Services industry had the following average dollar changes in their contributions:

2000	+$472
2002	+$489
2004	+$758

- Note that it is possible to have a **negative** average percentage change in contributions and a **positive** average dollar change in contributions.

IMPACT CHART #6A

AVERAGE CHANGE IN CONTRIBUTIONS DUE BY BROAD INDUSTRY CLASSIFICATION
Changing From Existing Contribution Rates and $7,000 Taxable Wage Base To The Proposed Array System and $12,000 Taxable Wage Base

Industry	Number of Employers	Average Percent Change 2000	2002	2004	Average Dollar Change 2000	2002	2004
Agriculture, Forestry, & Fishing	695	+ 7%	+10%	+21%	+$ 272	+$ 433	+$ 944
Mining	25	+18%	+22%	+35%	+$ 363	+$ 486	+$ 781
Construction	3,245	+17%	+21%	+35%	+$ 770	+$ 1,115	+$ 1,873
Manufacturing	1,852	+20%	+22%	+33%	+$ 2,991	+$ 2,995	+$ 4,289
Transportation & Public Utilities	1,425	+14%	+14%	+24%	+$ 668	+$ 605	+$ 893
Wholesale Trade	2,143	+20%	+17%	+23%	+$ 613	+$ 524	+$ 737
Retail Trade	6,174	+ 1%	- 1%	+ 5%	+$ 458	+$ 448	+$ 766
Finance, Insurance, & Real Estate	1,559	+11%	+ 7%	+11%	+$ 653	+$ 466	+$ 595
Services	9,182	+10%	+ 8%	+14%	+$ 472	+$ 489	+$ 758
Public Administration	149	- 1%	- 4%	+ 1%	+$ 689	+$ 676	+$ 1,004
Other	8	+17%	+21%	+35%	+$ 252	+$ 346	+$ 572

HOW TO READ IMPACT CHART #6B

- Employers in this chart are grouped by broad industry classification. The first column gives the name of the **Industry** for the employers in each row of the chart. The second column gives the **Number of Employers** for each broad industry group (row). Example:

  There are 9,182 employers in the Services industry.

- The third, fourth, and fifth columns give the ranges of the percentage changes in contributions that were experienced by employers in that group (row) for each of the three phase-in levels. Example:

  Employers in the Services industry had changes in contributions that ranged from:

2000	-51% to + 94%
2002	-60% to +108%
2004	-66% to +140%

IMPACT CHART #6B

RANGE OF PERCENTAGE CHANGE IN CONTRIBUTIONS DUE BY BROAD INDUSTRY CLASSIFICATION

Changing From Existing Contribution Rates and $7,000 Taxable Wage Base To The Proposed Array System and $12,000 Taxable Wage Base

Industry	Number of Employers	2000	2002	2004
Agriculture, Forestry, & Fishing	695	-51% to +73%	-60% to + 79%	-66% to +103%
Mining	25	-35% to +66%	-47% to + 67%	-56% to + 81%
Construction	3,245	-51% to +94%	-60% to +108%	-66% to +140%
Manufacturing	1,852	-51% to +83%	-60% to + 97%	-66% to +127%
Transportation & Public Utilities	1,425	-51% to +80%	-60% to + 88%	-66% to +115%
Wholesale Trade	2,143	-51% to +94%	-60% to +108%	-66% to +140%
Retail Trade	6,174	-51% to +94%	-60% to +108%	-66% to +140%
Finance, Insurance, & Real Estate	1,559	-51% to +94%	-60% to +108%	-66% to +140%
Services	9,182	-51% to +94%	-60% to +108%	-66% to +140%
Public Administration	149	-51% to +67%	-60% to + 77%	-66% to +102%
Other	8	-35% to +63%	-41% to + 72%	-43% to + 96%

HOW TO READ IMPACT CHART #6C

- Employers in this chart are grouped by broad industry classification. The first column gives the name of the **Industry** for the employers in each row of the chart. The second column gives the **Number of Employers** for each broad industry group (row). Example:

  There are 9,182 employers in the Services industry.

- The third, fourth, and fifth columns give the range of dollar changes in contributions that were experienced by employers in that group (row) for each of the phase-in levels. Example:

  Employers in the Services industry had changes in contributions that ranged from:

2000	-$17,804 to +$126,591
2002	-$21,169 to +$153,469
2004	-$22,834 to +$213,198

IMPACT CHART #6C

RANGE OF DOLLAR CHANGE IN CONTRIBUTIONS DUE BY BROAD INDUSTRY CLASSIFICATION

Changing From Existing Contribution Rates and $7,000 Taxable Wage Base To The Proposed Array System and $12,000 Taxable Wage Base

Industry	Number of Employers	2000	2002	2004
Agriculture, Forestry, & Fishing	695	-$ 13,115 to +$ 27,865	-$ 8,605 to +$ 23,099	-$ 2,817 to +$ 42,909
Mining	25	-$ 160 to +$ 1,511	-$ 213 to +$ 2,294	-$ 251 to +$ 3,824
Construction	3,245	-$ 3,634 to +$200,000+[2]	-$ 1,347 to +$200,000+[2]	-$ 1,629 to +$200,000+[2]
Manufacturing	1,852	-$ 48,675 to +$148,528	-$100,000+[1] to +$152,881	-$200,000+[1] to +$200,000+[2]
Transportation & Public Utilities	1,425	-$ 50,000+[1] to +$ 47,295	-$100,000+[1] to +$ 37,217	-$163,472 to +$ 44,272
Wholesale Trade	2,143	-$ 50,000+[1] to +$ 56,018	-$100,000+[1] to +$ 58,932	-$200,000+[1] to +$ 83,540
Retail Trade	6,174	-$ 50,000+[1] to +$200,000+[2]	-$ 89,122 to +$200,000+[2]	-$104,516 to +$200,000+[2]
Finance, Insurance, & Real Estate	1,559	-$ 38,057 to +$200,000+[2]	-$ 62,596 to +$200,000+[2]	-$ 95,518 to +$200,000+[2]
Services	9,182	-$ 17,804 to +$126,591	-$ 21,169 to +$153,469	-$ 22,834 to +$213,198
Public Administration	149	-$ 615 to +$ 22,127	-$ 1,056 to +$ 24,696	-$ 1,313 to +$ 32,255
Other	8	-$ 112 to +$ 1,184	-$ 90 to +$ 1,702	-$ 47 to +$ 2,853

[1]Reduction in contributions of: $50,000, or more, for 2000; $100,000, or more, for 2002; $200,000, or more, for 2004.
[2]Increase in contributions of $200,000, or more.

HOW TO READ IMPACT CHART #7

- Employers in this chart are grouped by industry classification. The first column gives the name and number of the **Industry** for the employers in each row of the chart. The second column gives the **Number of Employers** for each industry group (row). Example:

  There are 437 employers in 07 Agricultural Services.

- The third, fourth, and fifth columns, **Average Percent Change**, give the average percentage change in contributions for the employers in that group (row) for each of the three phase-in levels. Example:

  Employers in 07 Agricultural Services had the following average percentage changes in their contributions:

2000	+ 6%
2002	+ 9%
2004	+21%

- The sixth, seventh, and eighth columns, **Average Dollar Change**, give the average dollar change in contributions for the employers in that group (row) for each of the phase-in levels. Example:

  Employers in 07 Agricultural Services had the following average dollar changes in their contributions of

2000	+$327
2002	+$449
2004	+$885

- Note that it is possible to have a **positive** average percentage change in contributions and a **negative** average dollar change in contributions, or visa versa.

IMPACT CHART #7

AVERAGE CHANGE IN CONTRIBUTIONS DUE BY INDUSTRY CLASSIFICATION
Changing From Existing Contribution Rates and $7,000 Taxable Wage Base
To The Proposed Array System and $12,000 Taxable Wage Base

Industry	Number of Employers	Average Percent Change 2000	2002	2004	Average Dollar Change 2000	2002	2004
Agriculture, Forestry, & Fishing	**695**	**+ 7%**	**+10%**	**+21%**	**+$ 272**	**+$ 433**	**+$ 944**
01 Agricultural Production—Crops	137	+ 4%	+ 8%	+21%	- $ 98	+$ 295	+$ 1,236
02 Agricultural Production—Livestock	32	+25%	+25%	+35%	+$ 913	+$ 804	+$ 1,126
07 Agricultural Services	437	+ 6%	+ 9%	+21%	+$ 327	+$ 449	+$ 885
08 Forestry	39	+ 3%	+ 2%	+10%	+$ 193	+$ 317	+$ 690
09 Fishing, Hunting, and Trapping	50	+14%	+13%	+22%	+$ 456	+$ 522	+$ 740
Mining	**25**	**+18%**	**+22%**	**+35%**	**+$ 363**	**+$ 486**	**+$ 781**
10 Metal Mining & 13 Oil & Gas Extraction	3	+26%	+26%	+36%	+$ 392	+$ 449	+$ 653
14 Nonmetallic Minerals, Except Fuels	22	+17%	+21%	+35%	+$ 359	+$ 491	+$ 799
Construction	**3,245**	**+17%**	**+21%**	**+35%**	**+$ 770**	**+$ 1,115**	**+$ 1,873**
15 General Building Contractors	968	+16%	+20%	+34%	+$ 497	+$ 689	+$ 1,146
16 Heavy Construction, Except Building	115	+13%	+21%	+39%	+$ 6,293	+$ 9,620	+$16,195
17 Special Trade Contractors	2,162	+17%	+21%	+36%	+$ 599	+$ 854	+$ 1,437

IMPACT CHART #7--AVERAGE CHANGE IN CONTRIBUTIONS DUE BY INDUSTRY CLASSIFICATION (Continued)

Industry	Number of Employers	Average Percent Change 2000	2002	2004	Average Dollar Change 2000	2002	2004
Manufacturing	**1,852**	**+20%**	**+22%**	**+33%**	**+$ 2,991**	**+$ 2,995**	**+$ 4,289**
20 Food & Kindred Products	126	+ 6%	+ 7%	+16%	+$ 2,916	+$ 3,745	+$ 6,502
22 Textile Mill Products	49	+28%	+31%	+45%	+$14,098	+$16,442	+$22,878
23 Apparel & Other Textile Products	65	+21%	+21%	+31%	+$ 2,654	+$ 3,071	+$ 4,377
24 Lumber & Wood Products	567	+16%	+21%	+36%	+$ 1,659	+$ 2,035	+$ 3,094
25 Furniture & Fixtures	33	+33%	+37%	+52%	+$ 2,977	+$ 3,024	+$ 4,114
26 Paper & Allied Products	37	+15%	+10%	+12%	+$ 6,895	- $ 1,650	- $ 3,368
27 Printing & Publishing	246	+15%	+12%	+17%	+$ 534	+$ 203	+$ 263
28 Chemicals & Allied Products	38	+31%	+31%	+42%	+$ 4,660	+$ 4,878	+$ 6,390
29 Petroleum & Coal Products	3	+28%	+41%	+65%	+$25,154	+$35,671	+$56,205
30 Rubber & Misc. Plastics Products	44	+30%	+32%	+46%	+$ 4,812	+$ 4,848	+$ 6,581
31 Leather & Leather Products	40	+18%	+23%	+37%	+$10,167	+$11,718	+$19,010
32 Stone, Clay, & Glass Products	57	+22%	+27%	+43%	+$ 2,911	+$ 3,887	+$ 6,031
33 Primary Metal Industries	7	+21%	+18%	+24%	+$ 3,819	+$ 2,780	+$ 2,990
34 Fabricated Metal Products	102	+28%	+29%	+41%	+$ 2,905	+$ 3,013	+$ 4,043
35 Industrial Machinery & Equipment	167	+33%	+33%	+44%	+$ 2,418	+$ 2,474	+$ 3,206
36 Electronic & Other Electric Equipment	42	+34%	+34%	+45%	+$16,437	+$15,382	+$19,019
37 Transportation Equipment	130	+21%	+22%	+31%	+$ 2,504	+$ 973	+$ 1,010
38 Instruments & Related Products	17	+31%	+31%	+41%	+$ 3,062	+$ 2,738	+$ 3,582
39 Miscellaneous Manufacturing Industries	82	+12%	+14%	+24%	+$ 612	+$ 815	+$ 1,420
Transportation & Public Utilities	**1,425**	**+14%**	**+14%**	**+24%**	**+$ 668**	**+$ 605**	**+$ 893**
41 Local & Interurban Passenger Transit	88	+ 6%	+ 7%	+16%	+$ 583	+$ 743	+$ 1,348
42 Trucking & Warehousing	779	+17%	+19%	+31%	+$ 788	+$ 871	+$ 1,267
44 Water Transportation	119	+ 3%	+ 2%	+ 9%	+$ 333	+$ 431	+$ 789
45 Transportation by Air	51	+17%	+15%	+22%	+$ 2,326	+$ 2,072	+$ 2,663
47 Transportation Services	139	+14%	+11%	+17%	+$ 364	+$ 361	+$ 496
48 Communications	112	+19%	+16%	+22%	+$ 928	+$ 309	+$ 351
49 Electric, Gas, & Sanitary Services & 46 Pipelines, Except Natural Gas	137	+ 9%	+ 5%	+ 9%	- $ 188	- $ 905	- $ 1,249

IMPACT CHART #7--AVERAGE CHANGE IN CONTRIBUTIONS DUE BY INDUSTRY CLASSIFICATION (Continued)

Industry	Number of Employers	Average Percent Change 2000	2002	2004	Average Dollar Change 2000	2002	2004
Wholesale Trade	**2,143**	**+20%**	**+17%**	**+23%**	**+$ 613**	**+$ 524**	**+$ 737**
50 Wholesale Trade—Durable Goods	1,245	+22%	+19%	+25%	+$ 703	+$ 675	+$ 888
51 Wholesale Trade—Nondurable Goods	898	+17%	+15%	+21%	+$ 489	+$ 316	+$ 527
Retail Trade	**6,174**	**+ 1%**	**- 1%**	**+ 5%**	**+$ 458**	**+$ 448**	**+$ 766**
52 Building Materials & Garden Supplies	401	+10%	+ 7%	+13%	+$ 674	+$ 659	+$ 939
53 General Merchandise Stores	215	- 10%	- 14%	- 11%	+$ 1,510	+$ 1,390	+$ 2,356
54 Food Stores	953	- 6%	- 8%	- 4%	- $ 88	- $ 200	- $ 136
55 Automotive Dealers & Service Stations	787	+12%	+ 9%	+15%	+$ 979	+$ 946	+$ 1,298
56 Apparel & Accessory Stores	321	- 2%	- 5%	- 0%	+$ 518	+$ 502	+$ 801
57 Furniture & Homefurnishings Stores	395	+12%	+ 9%	+14%	+$ 317	+$ 286	+$ 420
58 Eating & Drinking Places	1,803	- 4%	- 5%	+ 2%	- $ 4	- $ 11	+$ 270
59 Miscellaneous Retail	1,299	+ 3%	+ 2%	+ 8%	+$ 975	+$ 1,075	+$ 1,573
Finance, Insurance, & Real Estate	**1,559**	**+11%**	**+ 7%**	**+11%**	**+$ 653**	**+$ 466**	**+$ 595**
60 Depository Institutions	151	+13%	+ 6%	+ 7%	+$ 1,509	+$ 625	+ $ 675
61 Nondepository Institutions	46	+29%	+28%	+36%	+$ 6,004	+$ 6,577	+$ 8,762
62 Security & commodity Brokers	57	+27%	+24%	+31%	+$ 855	+$ 737	+$ 918
63 Insurance Carriers	85	+ 8%	- 0%	- 0%	+$ 2,192	+$ 561	+$ 276
64 Insurance Agents, Brokers, & Service	422	+10%	+ 4%	+ 6%	+$ 184	+$ 49	+ $ 44
65 Real Estate	761	+10%	+ 8%	+13%	+$ 259	+$ 285	+$ 428
67 Holding & Other Investment Offices	37	+ 1%	- 6%	- 7%	+$ 111	+$ 59	+$ 76

IMPACT CHART #7--AVERAGE CHANGE IN CONTRIBUTIONS DUE BY INDUSTRY CLASSIFICATION (Continued)

Industry	Number of Employers	Average Percent Change 2000	2002	2004	Average Dollar Change 2000	2002	2004
Services	**9,182**	**+10%**	**+ 8%**	**+14%**	**+$ 472**	**+$ 489**	**+$ 758**
70 Hotels & Other Lodging Places	841	- 7%	- 7%	+ 1%	-$ 13	+$ 121	+$ 521
72 Personal Services	582	- 0%	- 4%	- 1%	+$ 104	+$ 79	+$ 169
73 Business Services	1,020	+18%	+18%	+28%	+$ 966	+$ 1,137	+$ 1,773
75 Auto Repair, Services, & Parking	654	+20%	+20%	+28%	+$ 478	+$ 511	+$ 722
76 Miscellaneous Repair Services	238	+18%	+18%	+27%	+$ 398	+$ 473	+$ 739
78 Motion Pictures	124	- 2%	- 4%	+ 1%	+$ 210	+$ 218	+$ 376
79 Amusement & Recreation Services	422	- 0%	- 0%	+ 8%	+$ 450	+$ 605	+$ 1,097
80 Health Services	1,730	+14%	+ 8%	+11%	+$ 456	+$ 322	+$ 444
81 Legal Services	546	+11%	+ 6%	+ 8%	+$ 146	+$ 37	+$ 37
82 Educational Services	122	+ 8%	+ 5%	+11%	+$ 829	+$ 767	+$ 1,036
83 Social Services	586	+13%	+12%	+20%	+$ 1,400	+$ 1,535	+$ 2,254
84 Museums, Botanical, Zoological Gardens	19	+ 4%	+ 3%	+ 9%	+$ 184	+$ 111	+$ 273
86 Membership Organizations	427	- 2%	- 6%	- 4%	+$ 112	+$ 77	+$ 150
87 Engineering & Management Services	1,066	+21%	+20%	+28%	+$ 715	+$ 741	+$ 994
88 Private Households	771	+ 4%	+ 3%	+10%	+$ 56	+$ 61	+$ 110
89 Services, NEC	34	+18%	+14%	+20%	+$ 268	+$ 243	+$ 308
Public Administration	**149**	**- 1%**	**- 4%**	**+ 1%**	**+$ 689**	**+$ 676**	**+$ 1,004**
91 Executive, Legislative, & General	112	- 5%	- 8%	- 2%	+$ 704	+$ 711	+$ 1,102
92 Justice, Public Order, & Safety	3	+ 2%	- 6%	- 8%	+$ 10	-$ 15	-$ 15
93 Finance, Taxation, & Monetary Policy	1	- 51%	- 60%	- 66%	-$ 61	-$ 72	-$ 80
94 Administration of Human Resources	1	- 9%	- 23%	- 32%	-$ 34	-$ 90	-$ 126
95 Environmental Quality & Housing	28	+13%	+ 7%	+10%	+$ 333	+$ 290	+$ 375
96 Administration of Economic Programs	4	+39%	+40%	+53%	+$ 3,661	+$ 3,279	+$ 3,970
Other	**8**	**+17%**	**+21%**	**+35%**	**+$ 252**	**+$ 346**	**+$ 572**
99 Nonclassifiable Establishments	8	+17%	+21%	+35%	+$ 252	+$ 346	+$ 572

HOW TO READ IMPACT CHART #8A

- This chart shows the number of employers for each range of dollar change in contributions due.
- The first column, **Range of Dollar Change**, lists various ranges of dollar changes in contributions due.
- The second, third, and fourth columns give the number of employers for each range of dollar change in contributions due for each of the three phase-in levels. Examples:

  151 employers had dollar changes in contributions between - $4,999 and - $2,000 for 2000.

  1,767 employers had dollar changes in contributions between +$1,001 and +$2,000 for 2002.

IMPACT CHART #8A

NUMBER OF EMPLOYERS
FOR EACH RANGE OF DOLLAR CHANGE IN CONTRIBUTIONS DUE
Changing From Existing Contribution Rates and $7,000 Taxable Wage Base
To The Proposed Array System and $12,000 Taxable Wage Base

	Range of Dollar Change		2000	2002	2004
Decreases	- $100,000	or more	1	4	8
	- $ 99,999	to - $ 50,000	3	10	11
	- $ 49,999	to - $ 25,000	10	11	11
	- $ 24,999	to - $ 10,000	21	35	40
	- $ 9,999	to - $ 5,000	45	58	78
	- $ 4,999	to - $ 2,000	151	225	256
	- $ 1,999	to - $ 1,000	314	406	428
	- $ 999	to - $ 500	644	865	875
	- $ 499	to - $ 250	1,224	1,486	1,486
	- $ 249	to - $ 100	2,505	2,635	2,255
	- $ 99	to - $ 50	2,018	2,060	1,685
	- $ 49	to $ 0	3,511	2,846	1,902
Increases	+$ 1	to +$ 50	1,962	2,012	2,214
	+$ 51	to +$ 100	1,485	1,381	1,345
	+$ 101	to +$ 250	3,645	3,014	2,603
	+$ 251	to +$ 500	2,886	2,896	2,968
	+$ 501	to +$ 1,000	2,489	2,625	2,970
	+$ 1,001	to +$ 2,000	1,653	1,767	2,289
	+$ 2,001	to +$ 5,000	1,144	1,284	1,771
	+$ 5,001	to +$ 10,000	429	473	686
	+$ 10,001	to +$ 25,000	214	249	387
	+$ 25,001	to +$ 50,000	59	65	113
	+$ 50,001	to +$100,000	29	34	43
	+$100,001	or more	15	16	33

HOW TO READ IMPACT CHART #8B

- This chart shows the percent of employers for each range of dollar change in contributions due.
- The first column, **Range of Dollar Change**, lists various ranges of dollar changes in contributions due.
- The second, third, and fourth columns give the percentage of employers for each range of dollar change in contributions due for each of the three phase-in levels. Examples:

  0.57% of employers had dollar changes in contributions between - $4,999 and - $2,000 for 2000.

  6.68% of employers had dollar changes in contributions between +$1,001 and +$2,000 for 2002.

IMPACT CHART #8B

PERCENT OF EMPLOYERS
FOR EACH RANGE OF DOLLAR CHANGE IN CONTRIBUTIONS DUE
Changing From Existing Contribution Rates and $7,000 Taxable Wage Base
To The Proposed Array System and $12,000 Taxable Wage Base

	Range of Dollar Change	2000	2002	2004
Decreases	- $100,000 or more	0.00%	0.02%	0.03%
	- $ 99,999 to - $ 50,000	0.01%	0.04%	0.04%
	- $ 49,999 to - $ 25,000	0.04%	0.04%	0.04%
	- $ 24,999 to - $ 10,000	0.08%	0.13%	0.15%
	- $ 9,999 to - $ 5,000	0.17%	0.22%	0.29%
	- $ 4,999 to - $ 2,000	0.57%	0.85%	0.97%
	- $ 1,999 to - $ 1,000	1.19%	1.53%	1.62%
	- $ 999 to - $ 500	2.43%	3.27%	3.31%
	- $ 499 to - $ 250	4.63%	5.62%	5.62%
	- $ 249 to - $ 100	9.47%	9.96%	8.52%
	- $ 99 to - $ 50	7.63%	7.79%	6.37%
	- $ 49 to $ 0	13.27%	10.76%	7.19%
Increases	+$ 1 to +$ 50	7.42%	7.60%	8.37%
	+$ 51 to +$ 100	5.61%	5.22%	5.08%
	+$ 101 to +$ 250	13.78%	11.39%	9.84%
	+$ 251 to +$ 500	10.91%	10.95%	11.22%
	+$ 501 to +$ 1,000	9.41%	9.92%	11.23%
	+$ 1,001 to +$ 2,000	6.25%	6.68%	8.65%
	+$ 2,001 to +$ 5,000	4.32%	4.85%	6.69%
	+$ 5,001 to +$ 10,000	1.62%	1.79%	2.59%
	+$ 10,001 to +$ 25,000	0.81%	0.94%	1.46%
	+$ 25,001 to +$ 50,000	0.22%	0.25%	0.43%
	+$ 50,001 to +$100,000	0.11%	0.13%	0.16%
	+$100,001 or more	0.06%	0.06%	0.12%

HOW TO READ IMPACT CHART #9A

- This chart shows the number of employers for each range of percentage change in contributions due.
- The first column, **Range of % Change**, lists various ranges of percentage changes in contributions due.
- The second, third, and fourth columns give the number of employers for each range of percentage change in contributions due for each of the three phase-in levels. Examples:

  1,668 employers had percentage changes in contributions between - 29% and - 20% for 2000.

  2,588 employers had percentage changes in contributions between +11% and +20% for 2002.

IMPACT CHART #9A

NUMBER OF EMPLOYERS
FOR EACH RANGE OF PERCENTAGE CHANGE IN CONTRIBUTIONS DUE
Changing From Existing Contribution Rates and $7,000 Taxable Wage Base
To The Proposed Array System and $12,000 Taxable Wage Base

	Range of % Change	2000	2002	2004
Decreases	- 66% to - 60%	0	0	755
	- 59% to - 50%	484	949	689
	- 49% to - 40%	461	827	1,751
	- 39% to - 30%	1,130	2,109	1,445
	- 29% to - 20%	1,668	1,913	1,223
	- 19% to - 10%	3,430	2,258	1,464
	- 9% to 0%	3,274	2,585	1,708
Increases	+ 1% to + 10%	3,068	3,028	2,607
	+ 11% to + 20%	3,109	2,588	2,199
	+ 21% to + 30%	2,449	2,421	2,141
	+ 31% to + 40%	2,586	2,383	2,085
	+ 41% to + 50%	2,021	1,877	1,952
	+ 51% to + 60%	1,512	1,619	1,792
	+ 61% to + 70%	905	1,103	1,547
	+ 71% to + 80%	294	547	1,378
	+ 81% to + 90%	59	162	803
	+ 91% to +100%	7	80	522
	+101% to +110%	0	8	232
	+111% to +120%	0	0	107
	+121% to +130%	0	0	49
	+131% to +140%	0	0	8

HOW TO READ IMPACT CHART #9B

- This chart shows the number of employers for each range of percentage change in contributions due.
- The first column, **Range of % Change**, lists various ranges of percentage changes in contributions due.
- The second, third, and fourth columns give the percentage of employers for each range of percentage change in contributions due for each of the three phase-in levels. Examples:

  6.30% of employers had percentage changes in contributions between - 29% and - 20% for 2000.

  9.78% of employers had percentage changes in contributions between +11% and +20% for 2002.

IMPACT CHART #9B

PERCENT OF EMPLOYERS
FOR EACH RANGE OF PERCENTAGE CHANGE IN CONTRIBUTIONS DUE
Changing From Existing Contribution Rates and $7,000 Taxable Wage Base
To The Proposed Array System and $12,000 Taxable Wage Base

	Range of % Change	2000	2002	2004
Decreases	- 69% to - 60%	0.00%	0.00%	2.85%
	- 59% to - 50%	1.83%	3.59%	2.60%
	- 49% to - 40%	1.74%	3.13%	6.62%
	- 39% to - 30%	4.27%	7.97%	5.46%
	- 29% to - 20%	6.30%	7.23%	4.62%
	- 19% to - 10%	12.96%	8.53%	5.53%
	- 9% to 0%	12.37%	9.97%	6.46%
Increases	+ 1% to +10%	11.60%	11.44%	9.85%
	+11% to +20%	11.75%	9.78%	8.31%
	+21% to +30%	9.26%	9.15%	8.09%
	+31% to +40%	9.77%	9.01%	7.88%
	+41% to +50%	7.64%	7.09%	7.38%
	+51% to +60%	5.71%	6.12%	6.77%
	+61% to +70%	3.42%	4.17%	5.85%
	+71% to +80%	1.11%	2.07%	5.21%
	+81% to +90%	0.22%	0.61%	3.04%
	+91% to +101%	0.03%	0.30%	1.97%
	+101% to +110%	0.00%	0.03%	0.88%
	+111% to +120%	0.00%	0.00%	0.40%
	+121% to +130%	0.00%	0.00%	0.19%
	+131% to +140%	0.00%	0.00%	0.03%

SUMMARY SHEET #2

ANALYSIS OF RAISING THE TAXABLE WAGE BASE FROM $7,000 TO $12,000

- The analysis in this section was done using wages reported by employers for calendar year 1996. Employers who were "experience rated" in 1999 were included. Employers at the new employer rate in 1999 were not included.

- Raising the taxable wage base from $7,000 to $12,000 affects employers in different ways. The smallest impact is experienced by employers who have **no** employees who earned wages exceeding $7,000 and the largest impact is experienced by employers whose employees **all** earned wages of at least $12,000.

    - Individual Maine employers would see their taxable wages increase from $0 to more than $20 million.

    - The average increase in taxable wages is $52,068.

    - Individual Maine employers would see percentage increases in taxable wages ranging from 0% to 71%.

    - The average percentage increase in taxable wages is 38%.

- The following charts illustrate the impact of the higher taxable wage base on employers.

    - **IMPACT CHARTS #10** through **#13** present data with employers grouped by size, the array system category to which they are assigned, broad industry classification, and narrower industry classification.

    - **IMPACT CHART #14** shows the number and percent of employers for each range of percentage increase in taxable wages.

- Instructions for reading the charts are found on the page facing each chart.

- Trends shown in the charts.

    - **IMPACT CHART #10.** There is a correlation between employer size and the impact of the higher taxable wage base. The smallest employers see their taxable wages increase by the lowest average percentage. The average percentage increase goes up as employers increase in size.

    - **IMPACT CHART #11.** There is a correlation between array system category and the impact of the higher taxable wage base. The employers in categories 1-12 that have contribution rates less than the average see higher percentage increases in their taxable wages than do employers in categories 13-20 that have contribution rates greater than or equal to the average.

HOW TO READ IMPACT CHART #10

- Employers are grouped by size in this chart. The first column gives the **Number of Employees** for the employers in each row of the chart. The second column gives the **Number of Employers** for each size group (row). Example:

  There are 3,296 employers with between 10 and 19 employees.

- The third column, **Range of % Change**, gives the smallest and largest percentage increases in taxable wages that were experienced by employers in that group (row). Example:

  Employers with between 10 and 19 employees had increases in their taxable wages that ranged from no increase (0%) to a 71% increase.

- The fourth column, **Average % Change**, gives the average percentage increase in taxable wages for the employers in that group (row). Example:

  Employers with between 10 and 19 employees had an average percentage increase in their taxable wages of 40%.

- The fifth column, **Range of $$ Change**, gives the smallest and largest dollar increases in taxable wages that were experienced by employers in that group (row). Example:

  Employers with between 10 and 19 employees had increases in their taxable wages that ranged from no increase ($0) to an increase of $145,381.

- The last column, **Average $$ Change**, gives the average dollar increase in taxable wages for the employers in that group (row). Example:

  Employers with between 10 and 19 employees had an average increase in their taxable wages of $40,955.

IMPACT CHART #10

CHANGE IN TAXABLE WAGES BY EMPLOYER SIZE
Raising Taxable Wage Base from $7,000 to $12,000

Number of Employees	Number of Employers	Range of % Change	Average % Change	Range of $$ Change	Average $$ Change
1 - 4	14,447	+0% to +71%	+36%	+$ 0 to +$ 52,671	+$ 6,119
5 - 9	5,530	+0% to +71%	+40%	+$ 0 to +$ 211,894	+$ 20,140
10 - 19	3,296	+0% to +71%	+40%	+$ 0 to +$ 145,381	+$ 40,955
20 - 49	2,039	+0% to +71%	+43%	+$ 0 to +$ 417,589	+$ 102,542
50 - 99	635	+0% to +71%	+45%	+$ 0 to +$ 644,053	+$ 246,667
100 - 249	362	+2% to +69%	+47%	+$11,853 to +$ 1,490,596	+$ 561,410
250+	148	+3% to +71%	+51%	+$63,886 to +$20+ million[1]	+$3,201,666

[1]Increase in taxable wages of $20 million, or more.

HOW TO READ IMPACT CHART #11

- Employers in this chart are grouped by the array system category to which they are assigned. The first column gives the **Array System Category** number for the employers in each row of the chart. The second column gives the **Number of Employers** for each array system category group (row). Example:

  There are 1,206 employers in array system category 9.

- The third column, **Range of % Change,** gives the smallest and largest percentage increases in taxable wages that were experienced by employers in that group (row). Example:

  Employers in array system category 9 had increases in their taxable wages that ranged from no increase (0%) to a 71% increase.

- The fourth column, **Average % Change,** gives the average percentage increase in taxable wages for the employers in that group (row). Example:

  Employers in array system category 9 had an average increase in their taxable wages of 41%.

- The fifth column, **Range of $$ Change,** gives the smallest and largest dollar increases in taxable wages that were experienced by employers in that group (row). Example:

  Employers in array system category 9 had increases in their taxable wages that ranged from no increase ($0) to an increase of $3.5 million.

- The last column, **Average $$ Change,** gives the average dollar increase in taxable wages for the employers in that group (row). Example:

  Employers in array system category 9 had an average increase in their taxable wages of $56,027.

IMPACT CHART #11

CHANGE IN TAXABLE WAGES BY ARRAY SYSTEM CATEGORY
Raising Taxable Wage Base from $7,000 to $12,000

Array System Category	Number of Employers	Range of % Change	Average % Change	Range of $$ Change	Average $$ Change
1	2,049	+0% to +71%	+41%	+$0 to +$ 9.3 million	+$ 40,333
2	1,281	+0% to +71%	+44%	+$0 to +$ 7.6 million	+$ 55,388
3	824	+0% to +71%	+43%	+$0 to +$20+ million[1]	+$ 86,093
4	486	+0% to +71%	+44%	+$0 to +$20+ million[1]	+$169,054
5	1,054	+0% to +71%	+43%	+$0 to +$ 9.6 million	+$ 68,190
6	1,387	+0% to +71%	+42%	+$0 to +$ 4.6 million	+$ 49,950
7	1,158	+0% to +71%	+42%	+$0 to +$12.7 million	+$ 62,583
8	1,108	+0% to +71%	+41%	+$0 to +$ 5.9 million	+$ 64,156
9	1,052	+0% to +71%	+41%	+$0 to +$ 7.6 million	+$ 67,470
10	1,371	+0% to +71%	+41%	+$0 to +$ 4.0 million	+$ 49,866
11	1,265	+0% to +71%	+40%	+$0 to +$ 7.5 million	+$ 56,514
12	1,460	+0% to +71%	+40%	+$0 to +$ 4.4 million	+$ 47,215
13	1,583	+0% to +71%	+37%	+$0 to +$ 3.7 million	+$ 41,608
14	1,170	+0% to +71%	+37%	+$0 to +$ 4.1 million	+$ 59,842
15	1,655	+0% to +71%	+34%	+$0 to +$ 6.8 million	+$ 38,639
16	988	+0% to +71%	+36%	+$0 to +$11.1 million	+$ 62,119
17	975	+0% to +71%	+37%	+$0 to +$20+ million[1]	+$ 65,757
18	1,538	+0% to +71%	+35%	+$0 to +$ 2.2 million	+$ 37,434
19	1,879	+0% to +71%	+32%	+$0 to +$ 1.8 million	+$ 32,411
20	2,174	+0% to +71%	+31%	+$0 to +$ 7.6 million	+$ 28,794

[1]Increase in taxable wages of $20 million, or more.

HOW TO READ IMPACT CHART #12

- Employers in this chart are grouped by broad industry classification. The first column gives the name of the **Industry** for the employers in each row of the chart. The second column gives the **Number of Employers** for each broad industry group (row). Example:

  There are 9,182 employers in the Services industry.

- The third column, **Range of % Change**, gives the smallest and largest percentage increases in taxable wages that were experienced by employers in that group (row). Example:

  Employers in the Services industry had increases in their taxable wages that ranged from no increase (0%) to a 71% increase.

- The fourth column, **Average % Change**, gives the average percentage increase in taxable wages for the employers in that group (row). Example:

  Employers in the Services industry had an average increase in their taxable wages of 38%.

- The fifth column, **Range of $$ Change**, gives the smallest and largest dollar increases in taxable wages that were experienced by employers in that group (row). Example:

  Employers in the Services industry had increases in their taxable wages that ranged from no increase ($0) to an increase of $4,640,751.

- The last column, **Average $$ Change**, gives the average dollar increase in taxable wages for the employers in that group (row). Example:

  Employers in the Services industry had an average increase in their taxable wages of $32,131.

IMPACT CHART #12

CHANGE IN TAXABLE WAGES BY BROAD INDUSTRY CLASSIFICATION
Raising Taxable Wage Base from $7,000 to $12,000

Industry	Number of Employers	Range of % Change	Average % Change	Range of $$ Change	Average $$ Change
Agriculture, Forestry, & Fishing	695	+0% to +71%	+31%	+$0 to +$ 1,199,877	+$ 22,859
Mining	25	+0% to +71%	+47%	+$0 to +$ 43,050	+$ 15,337
Construction	3,245	+0% to +71%	+41%	+$0 to +$ 7,585,232	+$ 29,841
Manufacturing	1,852	+0% to +71%	+45%	+$0 to +$20+ million[1]	+$217,851
Transportation & Public Utilities	1,425	+0% to +71%	+40%	+$0 to +$ 9,252,975	+$ 61,505
Wholesale Trade	2,143	+0% to +71%	+53%	+$0 to +$20+ million[1]	+$ 55,489
Retail Trade	6,174	+0% to +71%	+28%	+$0 to +$20+ million[1]	+$ 39,239
Finance, Insurance, & Real Estate	1,559	+0% to +71%	+47%	+$0 to +$16,724,108	+$ 72,012
Services	9,182	+0% to +71%	+38%	+$0 to +$ 4,640,751	+$ 32,131
Public Administration	149	+0% to +71%	+28%	+$0 to +$ 799,844	+$ 32,260
Other	8	+0% to +63%	+33%	+$0 to +$ 40,151	+$ 9,329

[1]Increase in taxable wages of $20 million, or more.

HOW TO READ IMPACT CHART #13

- Employers in this chart are grouped by industry classification. The first column gives the name and number of the **Industry** for the employers in each row of the chart. The second column gives the **Number of Employers** for each industry group (row). Example:

  There are 246 employers in 27 Printing & Publishing.

- The third column, **Average % Change**, gives the average percentage increase in taxable wages for the employers in that group (row). Example:

  Employers in 27 Printing & Publishing had an average increase in their taxable wages of 47%.

- The last column, **Average $$ Change**, gives the average dollar increase in taxable wages for the employers in that group (row). Example:

  Employers in 27 Printing & Publishing had an average increase in their taxable wages of $94,769.

IMPACT CHART #13

CHANGE IN TAXABLE WAGES BY INDUSTRY CLASSIFICATION
Raising Taxable Wage Base from $7,000 to $12,000

Industry	Number of Employers	Average % Change	Average $$ Change
Agriculture, Forestry, & Fishing	**695**	**+31%**	**+$ 22,859**
01 Agricultural Production—Crops	137	+23%	+$ 23,325
02 Agricultural Production—Livestock	32	+47%	+$ 72,005
07 Agricultural Services	437	+30%	+$ 20,134
08 Forestry	39	+35%	+$ 20,202
09 Fishing, Hunting, and Trapping	50	+38%	+$ 16,013
Mining	**25**	**+47%**	**+$ 15,337**
10 Metal Mining & 13 Oil & Gas Extraction	3	+57%	+$ 19,366
14 Nonmetallic Minerals, Except Fuels	22	+45%	+$ 14,787
Construction	**3,245**	**+41%**	**+$ 29,841**
15 General Building Contractors	968	+41%	+$ 20,831
16 Heavy Construction, Except Building	115	+43%	+$ 197,712
17 Special Trade Contractors	2,162	+41%	+$ 24,946
Manufacturing	**1,852**	**+45%**	**+$ 217,851**
20 Food & Kindred Products	126	+32%	+$ 217,807
22 Textile Mill Products	49	+50%	+$ 466,653
23 Apparel & Other Textile Products	65	+41%	+$ 95,151
24 Lumber & Wood Products	567	+43%	+$ 71,552
25 Furniture & Fixtures	33	+48%	+$ 172,805
26 Paper & Allied Products	37	+62%	+$2,169,541
27 Printing & Publishing	246	+47%	+$ 94,769
28 Chemicals & Allied Products	38	+53%	+$ 199,592
29 Petroleum & Coal Products	3	+58%	+$ 639,608
30 Rubber & Misc. Plastics Products	44	+50%	+$ 284,793
31 Leather & Leather Products	40	+43%	+$ 781,790
32 Stone, Clay, & Glass Products	57	+42%	+$ 91,609
33 Primary Metal Industries	7	+58%	+$ 366,682
34 Fabricated Metal Products	102	+51%	+$ 143,594
35 Industrial Machinery & Equipment	167	+56%	+$ 110,998
36 Electronic & Other Electric Equipment	42	+54%	+$ 906,657
37 Transportation Equipment	130	+45%	+$ 448,642
38 Instruments & Related Products	17	+53%	+$ 234,787
39 Miscellaneous Manufacturing Industries	82	+33%	+$ 37,521

IMPACT CHART #13

CHANGE IN TAXABLE WAGES BY INDUSTRY CLASSIFICATION (Continued)

Industry	Number of Employers	Average % Change	Average $$ Change
Transportation & Public Utilities	**1,425**	**+40%**	**+$ 61,505**
41 Local & Interurban Passenger Transit	88	+24%	+$ 41,718
42 Trucking & Warehousing	779	+41%	+$ 39,781
44 Water Transportation	119	+28%	+$ 23,175
45 Transportation by Air	51	+44%	+$ 153,710
47 Transportation Services	139	+45%	+$ 21,396
48 Communications	112	+51%	+$ 175,019
49 Electric, Gas, & Sanitary Services & 46 Pipelines, Except Natural Gas	137	+45%	+$ 144,608
Wholesale Trade	**2,143**	**+53%**	**+$ 55,489**
50 Wholesale Trade—Durable Goods	1,245	+56%	+$ 42,425
51 Wholesale Trade—Nondurable Goods	898	+50%	+$ 73,600
Retail Trade	**6,174**	**+28%**	**+$ 39,239**
52 Building Materials & Garden Supplies	401	+44%	+$ 45,549
53 General Merchandise Stores	215	+21%	+$ 132,951
54 Food Stores	953	+21%	+$ 26,481
55 Automotive Dealers & Service Stations	787	+44%	+$ 58,157
56 Apparel & Accessory Stores	321	+26%	+$ 38,045
57 Furniture & Homefurnishings Stores	395	+43%	+$ 25,467
58 Eating & Drinking Places	1,803	+17%	+$ 25,225
59 Miscellaneous Retail	1,299	+31%	+$ 43,611
Finance, Insurance, & Real Estate	**1,559**	**+47%**	**+$ 72,012**
60 Depository Institutions	151	+55%	+$ 243,714
61 Nondepository Institutions	46	+55%	+$ 197,933
62 Security & commodity Brokers	57	+54%	+$ 64,999
63 Insurance Carriers	85	+55%	+$ 422,212
64 Insurance Agents, Brokers, & Service	422	+53%	+$ 36,093
65 Real Estate	761	+40%	+$ 14,350
67 Holding & Other Investment Offices	37	+46%	+$ 16,639

CHANGE IN TAXABLE WAGES BY INDUSTRY CLASSIFICATION (Continued)

Industry	Number of Employers	Average % Change	Average $$ Change
Services	**9,182**	**+38%**	**+$ 32,131**
70 Hotels & Other Lodging Places	841	+14%	+$ 19,394
72 Personal Services	582	+32%	+$ 16,212
73 Business Services	1,020	+37%	+$ 40,133
75 Auto Repair, Services, & Parking	654	+47%	+$ 22,905
76 Miscellaneous Repair Services	238	+46%	+$ 21,615
78 Motion Pictures	124	+22%	+$ 14,281
79 Amusement & Recreation Services	422	+19%	+$ 19,614
80 Health Services	1,730	+51%	+$ 49,779
81 Legal Services	546	+53%	+$ 29,409
82 Educational Services	122	+34%	+$ 54,362
83 Social Services	586	+33%	+$ 70,350
84 Museums, Botanical, Zoological Gardens	19	+28%	+$ 33,593
86 Membership Organizations	427	+32%	+$ 16,235
87 Engineering & Management Services	1,066	+48%	+$ 34,262
88 Private Households	771	+28%	+$ 4,506
89 Services, NEC	34	+46%	+$ 16,955
Public Administration	**149**	**+28%**	**+$ 32,260**
91 Executive, Legislative, & General	112	+19%	+$ 28,501
92 Justice, Public Order, & Safety	3	+48%	+$ 5,563
93 Finance, Taxation, & Monetary Policy	1	+ 0%	+$ 0
94 Administration of Human Resources	1	+71%	+$ 10,000
95 Environmental Quality & Housing	28	+55%	+$ 26,313
96 Administration of Economic Programs	4	+52%	+$ 212,783
Other	**8**	**+33%**	**+$ 9,329**
99 Nonclassifiable Establishments	8	+33%	+$ 9,329

HOW TO READ IMPACT CHART #14

- This chart shows the number and percentage of employers for each range of percentage increase in taxable wages from No Increase to a 70% to 71% increase.
- The first column, **Range of % Change**, lists various ranges of percentage increases in taxable wages.
- The second column, **Number of Employers**, gives the number of employers for each range of percentage increase in taxable wages. Examples:

  3,928 employers had no increase in their taxable wages.

  1,613 employers had their taxable wages increase from 36% to 40%.

- The last column, **Percentage of Employers**, gives the percentage of employers for each range of percentage increase in taxable wages. Examples:

  15% of employers had no increase in their taxable wages.

  6% of employers had their taxable wages increase from 36% to 40%.

IMPACT CHART #14

NUMBER AND PERCENT OF EMPLOYERS
FOR EACH RANGE OF PERCENTAGE INCREASE IN TAXABLE WAGES
Raising Taxable Wage Base from $7,000 to $12,000

Range of % Change	Number of Employers	Percentage of Employers
No increase	3,928	15%
1% to 5%	581	2%
6% to 10%	665	3%
11% to 15%	845	3%
16% to 20%	1,022	4%
21% to 25%	1,214	5%
26% to 30%	1,361	5%
31% to 35%	1,412	5%
36% to 40%	1,613	6%
41% to 45%	1,745	7%
46% to 50%	1,887	7%
51% to 55%	1,944	7%
56% to 60%	1,986	8%
61% to 65%	1,770	7%
66% to 70%	1,140	4%
70% to 71%	3,344	13%

SUMMARY SHEET #3

ANALYSIS OF THE CHANGE IN CONTRIBUTION RATES

- The analysis in this section was done using the following data and assumptions:
  - Employer contribution rates and reserve ratios for 1999 for those employers who were "experience rated" in 1999. Employers at the new employer rate in 1999 were not included.
  - Average contribution rate of: 2.90 for 2000
    2.92 for 2002
    3.17 for 2004
- Changing from the existing contribution system to the proposed array system changes all employers' contribution rates.
  - The average change in contribution rate is: -0.73 for 2000
    -0.67 for 2002
    -0.37 for 2004
  - The average percentage change in contribution rate is: -20% for 2000
    -20% for 2002
    -15% for 2004
- The charts on the following pages illustrate the impact of the proposed array system and $12,000 taxable wage base on contribution rates.
  - **IMPACT CHARTS #15A, B, &C** present data with employers grouped by size.
  - **IMPACT CHARTS #16A, B, & C** present data with employers grouped by the array system category to which they are assigned.
  - **IMPACT CHARTS #17A, B, & C** present data with employers grouped by broad industry classification.
  - **IMPACT CHART #18** presents data with employers grouped by narrow industry classification.
- Instructions for reading the charts are found on the page facing each chart.

HOW TO READ IMPACT CHART #15A

- Employers are grouped by size in this chart. The first column gives the **Number of Employees** for the employers in each row of the chart. The second column gives the **Number of Employers** for each size group (row). Example:

  There are 3,296 employers with between 10 and 19 employees.

- The third, fourth, and fifth columns, **Average Rate Change**, give the average rate change for the employers in that group (row) for each of the three phase-in levels. Example:

  Employers with between 10 and 19 employees had the following average changes in their contribution rates:

2000	- 0.64
2002	- 0.60
2004	- 0.32

- The sixth, seventh, and eighth columns, **Average Percent Change**, gives the average percentage change in the contribution rates for the employers in that group (row) for each of the three phase-in levels. Example:

  Employers with between 10 and 19 employees had the following average percentage rate changes in their contribution rates:

2000	- 18%
2002	- 19%
2004	- 13%

IMPACT CHART #15A

AVERAGE CHANGE IN CONTRIBUTION RATES BY EMPLOYER SIZE
Changing from Existing Contribution Rates to the Proposed Array System Rates

Number of Employees	Number of Employers	Average Rate Change 2000	2002	2004	Average Percent Change 2000	2002	2004
1 - 4	14,447	-0.81	-0.74	-0.41	-21%	-22%	-16%
5 - 9	5,530	-0.65	-0.61	-0.31	-18%	-19%	-13%
10 - 19	3,296	-0.64	-0.60	-0.32	-18%	-19%	-13%
20 - 49	2,039	-0.60	-0.56	-0.28	-17%	-18%	-12%
50 - 99	635	-0.62	-0.60	-0.34	-18%	-19%	-14%
100 - 249	362	-0.65	-0.62	-0.35	-19%	-19%	-14%
250+	148	-0.67	-0.71	-0.54	-22%	-25%	-21%

HOW TO READ IMPACT CHARTS #15B & #15C

- Employers are grouped by size in these charts. The first column gives the **Number of Employees** for the employers in each row of the chart. The second column gives the **Number of Employers** for each size group (row). Example:

  There are 3,296 employers with between 10 and 19 employees.

- The third, fourth, and fifth columns of **IMPACT CHART $15B** give the largest percentage rate decrease and largest percentage rate increase that were experienced by employers in that group (row) for each of the three phase-in levels. Example:

  Employers with between 10 and 19 employees had the following ranges of percentage changes in their contribution rates:

2000	- 51% to + 13%
2002	- 60% to +21%
2004	- 66% to +40%

- The third, fourth, and fifth columns of **IMPACT CHART #15C** give the largest rate decrease and largest rate increase that were experienced by employers in that group (row) for each of the three phase-in levels. Example:

  Employers with between 10 and 19 employees had the following ranges of changes in their contribution rates:

2000	-2.39 to +0.56
2002	-1.91 to +0.92
2004	-1.85 to +1.72

IMPACT CHART #15B

RANGE OF PERCENTAGE CHANGE IN CONTRIBUTION RATES BY EMPLOYER SIZE
Changing from Existing Contribution Rates to the Proposed Array System Rates

Number of Employees	Number of Employers	2000	2002	2004
1 - 4	14,447	-51% to +13%	-60% to +21%	-66% to +40%
5 - 9	5,530	-51% to +13%	-60% to +21%	-66% to +40%
10 - 19	3,296	-51% to +13%	-60% to +21%	-66% to +40%
20 - 49	2,039	-51% to +13%	-60% to +21%	-66% to +40%
50 - 99	635	-51% to +13%	-60% to +21%	-66% to +40%
100 - 249	362	-51% to +13%	-60% to +21%	-66% to +40%
250+	148	-51% to +8%	-60% to +16%	-66% to +34%

IMPACT CHART #15C

RANGE OF CHANGE IN CONTRIBUTION RATES BY EMPLOYER SIZE
Changing from Existing Contribution Rates to the Proposed Array System Rates

Number of Employees	Number of Employers	2000	2002	2004
1 - 4	14,447	-2.39 to +0.56	-1.91 to +0.92	-1.85 to +1.72
5 - 9	5,530	-2.39 to +0.56	-1.91 to +0.92	-1.85 to +1.72
10 - 19	3,296	-2.39 to +0.56	-1.91 to +0.92	-1.85 to +1.72
20 - 49	2,039	-2.39 to +0.56	-1.91 to +0.92	-1.85 to +1.72
50 - 99	635	-2.39 to +0.56	-1.91 to +0.92	-1.85 to +1.72
100 - 249	362	-2.39 to +0.56	-1.91 to +0.92	-1.85 to +1.72
250+	148	-2.39 to +0.36	-1.91 to +0.72	-1.85 to +1.52

HOW TO READ IMPACT CHART #16A

- Employers in this chart are grouped by the array system category to which they are assigned. The first column gives the **Array System Category** number for the employers in each row of the chart. The second column gives the **Number of Employers** in each array system category group (row). Example:

  There are 1,052 employers in array system category 9.

- The third column gives the **Current Rate** or range of rates for employers in that group (row). Example:

  Employers in array system category 9 have a current contribution rate of 2.8.

- The fourth column gives the **Exp. Factor** (experience factor) for that array system category for **2000**. The experience factor is the fraction or multiple of the average contribution rate that employers in that category have as their contribution rate. Example:

  Array system category 9 has an experience factor of .7750 for 2000. This means that employers in this category have a contribution rate equal to .7750 times 2.90, the average contribution rate projected for 2000.

- The fifth column gives the **New Rate** for employers in that group (row) for **2000**. Example:

  Employers in array system category 9 have a new rate of 2.25 for 2000.

- The sixth column gives the **Exp. Factor** (experience factor) for that array system category for **2002**. Example:

  Array system category 9 has an experience factor of .73750 for 2002. This means that employers in this category have a contribution rate equal to .73750 times 2.92, the average contribution rate projected for 2002.

- The seventh column gives the **New Rate** for employers in that group (row) for **2002**. Example:

  Employers in array system category 9 have a new rate of 2.15 for 2002.

- The eighth column gives the **Exp. Factor** (experience factor) for that array system category for **2004**. Example:

  Array system category 9 has an experience factor of .70 for 2004. This means that employers in this category have a contribution rate equal to .70 times 3.17, the average contribution rate projected for 2004.

- The ninth column gives the **New Rate** for employers in that group (row) for **2004**. Example:

  Employers in array system category 9 have a new rate of 2.22 for 2004.

IMPACT CHART #16A

PHASE-IN CONTRIBUTION RATES FOR EACH ARRAY SYSTEM CATEGORY
Changing from Existing Contribution Rates to the Proposed Array System Rates

Array System Category	Number of Employers	Current Rate	2000 Exp. Factor[1]	2000 New Rate	2002 Exp. Factor[1]	2002 New Rate	2004 Exp. Factor[1]	2004 New Rate
1	2,049	2.8	0.4750	1.38	0.38750	1.13	.30	0.95
2	1,281	2.8	0.5125	1.49	0.43125	1.26	.35	1.11
3	824	2.8	0.5500	1.60	0.47500	1.39	.40	1.27
4	486	2.8	0.5875	1.70	0.51875	1.51	.45	1.43
5	1,054	2.8	0.6250	1.81	0.56250	1.64	.50	1.59
6	1,387	2.8	0.6625	1.92	0.60625	1.77	.55	1.74
7	1,158	2.8	0.7000	2.03	0.65000	1.90	.60	1.90
8	1,108	2.8	0.7375	2.14	0.69375	2.03	.65	2.06
9	1,052	2.8	0.7750	2.25	0.73750	2.15	.70	2.22
10	1,371	2.8	0.8125	2.36	0.78125	2.28	.75	2.38
11	1,265	2.8	0.8500	2.47	0.82500	2.41	.80	2.54
12	1,460	2.8-2.9	0.9250	2.68	0.91250	2.66	.90	2.85
13	1,583	3.0-3.2	1.0000	2.90	1.00000	2.92	1.00	3.17
14	1,170	3.2-3.4	1.0750	3.12	1.08750	3.18	1.10	3.49
15	1,655	3.4-3.6	1.1875	3.44	1.21875	3.56	1.25	3.96
16	988	3.6-3.9	1.3000	3.77	1.35000	3.94	1.40	4.44
17	975	3.9-4.3	1.4500	4.21	1.52500	4.45	1.60	5.07
18	1,538	4.3-5.8	1.6750	4.86	1.78750	5.22	1.90	6.02
19	1,879	5.8-7.9	1.9000	5.51	2.05000	5.99	2.20	6.97
20	2,174	7.9	2.2000	6.38	2.40000	7.01	2.60	8.24

[1]The "Experience Factor" is the fraction or multiple of the average contribution rate that employers in that category have as their contribution rate. The average contribution rates used were 2.90 for 2000, 2.92 for 2002, and 3.17 for 2004.

HOW TO READ IMPACT CHART #16B

- Employers in this chart are grouped by the array system category to which they are assigned. The first column gives the **Array System Category** number for the employers in each row of the chart. The second column gives the **Number of Employers** in each array system category group (row).

  Example: There are 1,052 employers in array system category 9.

- The third, fourth, and fifth columns give the percentage change of the difference between the current rate and the new rate for employers in that group (row) for each of the three phase-in levels. Example:

  Employers in array system category 9 experienced the following percentage rate changes:

2000	- 20%
2002	- 23%
2004	- 21%

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IMPACT CHART #16B

PERCENTAGE CHANGE IN CONTRIBUTION RATES BY ARRAY SYSTEM CATEGORY
Changing from Existing Contribution Rates to the Proposed Array System Rates

Array System Category	Number of Employers	2000	2002	2004
1	2,049	- 51%	- 60%	- 66%
2	1,281	- 47%	- 55%	- 60%
3	824	- 43%	- 50%	- 55%
4	486	- 39%	- 46%	- 49%
5	1,054	- 35%	- 41%	- 43%
6	1,387	- 31%	- 37%	- 38%
7	1,158	- 28%	- 32%	- 32%
8	1,108	- 24%	- 28%	- 26%
9	1,052	- 20%	- 23%	- 21%
10	1,371	- 16%	- 19%	- 15%
11	1,265	- 12%	- 14%	- 9%
12	1,460	- 4% to - 8%	- 5% to - 8%	+ 2% to - 2%
13	1,583	- 3% to - 9%	- 3% to - 9%	+ 6% to - 1%
14	1,170	- 3% to - 8%	- 1% to - 6%	+ 9% to + 3%
15	1,655	+ 1% to - 4%	+ 5% to - 1%	+16% to + 10%
16	988	+ 5% to - 3%	+ 9% to + 1%	+23% to +14%
17	975	+ 8% to - 2%	+14% to + 3%	+30% to +18%
18	1,538	+13% to - 16%	+21% to - 10%	+40% to + 4%
19	1,879	- 5% to - 30%	+ 3% to - 24%	+20% to - 12%
20	2,174	- 19%	- 11%	+ 4%

HOW TO READ IMPACT CHART #16C

- Employers in this chart are grouped by the array system category to which they are assigned. The first column gives the **Array System Category** number for the employers in each row of the chart. The second column gives the **Number of Employers** in each array system category group (row).

  Example: There are 1,052 employers in array system category 9.

- The third, fourth, and fifth columns give the differences between the current rate and the new rates for each of the three phase-in levels. Example:

  Employers in array system category 9 experienced the following rate changes:

2000	- .55
2002	- .65
2004	- .58

IMPACT CHART #16C

CHANGE IN CONTRIBUTION RATES BY ARRAY SYSTEM CATEGORY
Changing from Existing Contribution Rates to the Proposed Array System Rates

Array System Category	Number of Employers	2000	2002	2004
1	2,049	- 1.42	- 1.67	- 1.85
2	1,281	- 1.31	- 1.54	- 1.69
3	824	- 1.20	- 1.41	- 1.53
4	486	- 1.10	- 1.29	- 1.37
5	1,054	- 0.99	- 1.16	- 1.21
6	1,387	- 0.88	- 1.03	- 1.06
7	1,158	- 0.77	- 0.90	- 0.90
8	1,108	- 0.66	- 0.77	- 0.74
9	1,052	- 0.55	- 0.65	- 0.58
10	1,371	- 0.44	- 0.52	- 0.42
11	1,265	- 0.33	- 0.39	- 0.26
12	1,460	- 0.12 to - 0.22	- 0.14 to - 0.24	+0.05 to - 0.05
13	1,583	- 0.10 to - 0.30	- 0.08 to - 0.28	+0.17 to - 0.03
14	1,170	- 0.08 to - 0.28	- 0.02 to - 0.22	+0.29 to +0.09
15	1,655	+0.04 to - 0.16	+0.16 to - 0.04	+0.56 to +0.36
16	988	+0.17 to - 0.13	+0.34 to +0.04	+0.84 to +0.54
17	975	+0.31 to - 0.09	+0.55 to +0.15	+1.17 to +0.77
18	1,538	+0.56 to – 0.94	+0.92 to - 0.58	+1.72 to +0.22
19	1,879	- 0.29 to - 2.39	+0.19 to - 1.91	+1.17 to - 0.93
20	2,174	- 1.52	- 0.89	+0.34

HOW TO READ IMPACT CHART #17A

- Employers in this chart are grouped by broad industry classification. The first column gives the name of the **Industry** for the employers in each row of the chart. The second column gives the **Number of Employers** for each broad industry group (row). Example:

  There are 9,182 employers in the Services industry.

- The third, fourth, and fifth columns, **Average Rate Change**, give the average rate changes for the employers in that group (row) for each of the three phase-in levels. Example:

  Employers in the Services industry had the following average rate changes:

2000	- 0.66
2002	- 0.65
2004	- 0.43

- The sixth, seventh, and eighth columns, **Average Percent Change**, give the average percentage changes in the contribution rates for the employers in that group (row) for each of the three phase-in levels. Example:

  Employers in the Services industry had the following average percentage rate changes:

2000	- 20%
2002	- 21%
2004	- 17%

IMPACT CHART #17A

AVERAGE CHANGE IN CONTRIBUTION RATES BY BROAD INDUSTRY CLASSIFICATION

Changing from Existing Contribution Rates to the Proposed Array System Rates

Industry	Number of Employers	Average Rate Change 2000	2002	2004	Average Percent Change 2000	2002	2004
Agriculture, Forestry, & Fishing	695	-0.91	-0.70	-0.14	-18%	-16%	- 7%
Mining	25	-1.13	-0.87	-0.23	-20%	-17%	- 8%
Construction	3,245	-0.98	-0.70	-0.03	-17%	-14%	- 4%
Manufacturing	1,852	-0.78	-0.63	-0.16	-18%	-16%	- 8%
Transportation & Public Utilities	1,425	-0.73	-0.64	-0.26	-18%	-18%	-11%
Wholesale Trade	2,143	-0.69	-0.70	-0.49	-21%	-23%	-19%
Retail Trade	6,174	-0.68	-0.67	-0.44	-21%	-22%	-17%
Finance, Insurance, & Real Estate	1,559	-0.73	-0.78	-0.64	-24%	-27%	-24%
Services	9,182	-0.66	-0.65	-0.43	-20%	-21%	-17%
Public Administration	149	-0.71	-0.74	-0.57	-22%	-25%	-21%
Other	8	-0.76	-0.55	+0.01	-14%	-11%	- 1%

HOW TO READ IMPACT CHART #17B

- Employers in this chart are grouped by broad industry classification. The first column gives the name of the **Industry** for the employers in each row of the chart. The second column gives the **Number of Employers** for each broad industry group (row). Example:

  There are 9,182 employers in the Services industry.

- The third, fourth, and fifth columns give the largest percentage rate decreases and largest percentage rate increases that were experienced by employers in that group (row) for each of the three phase-in levels. Example:

  Employers in the Services industry had the following percentage changes in contribution rates that ranged from:

2000	- 51% to + 13%
2002	- 60% to +21%
2004	- 66% to +40%

IMPACT CHART #17B

RANGE OF PERCENTAGE CHANGE IN CONTRIBUTION RATES BY BROAD INDUSTRY CLASSIFICATION

Changing from Existing Contribution Rates to the Proposed Array System Rates

Industry	Number of Employers	2000	2002	2004
Agriculture, Forestry, & Fishing	695	- 51% to + 13%	- 60% to +21%	- 66% to +40%
Mining	25	- 51% to + 2%	- 60% to + 5%	- 66% to +18%
Construction	3,245	- 51% to + 13%	- 60% to +21%	- 66% to +40%
Manufacturing	1,852	- 51% to + 13%	- 60% to +21%	- 66% to +40%
Transportation & Public Utilities	1,425	- 51% to + 13%	- 60% to +21%	- 66% to +40%
Wholesale Trade	2,143	- 51% to + 13%	- 60% to +21%	- 66% to +40%
Retail Trade	6,174	- 51% to + 13%	- 60% to +21%	- 66% to +40%
Finance, Insurance, & Real Estate	1,559	- 51% to + 13%	- 60% to +21%	- 66% to +40%
Services	9,182	- 51% to + 13%	- 60% to +21%	- 66% to +40%
Public Administration	149	- 51% to + 8%	- 60% to +16%	- 66% to +34%
Other	8	- 35% to + 0%	- 41% to + 6%	- 43% to +21%

HOW TO READ IMPACT CHART #17C

- Employers in this chart are grouped by broad industry classification. The first column gives the name of the **Industry** for the employers in each row of the chart. The second column gives the **Number of Employers** for each broad industry group (row). Example:

  There are 9,182 employers in the Services industry.

- The third, fourth, and fifth columns give the largest rate decreases and largest rate increases that were experienced by employers in that group (row) for each of the three phase-in levels. Example:

  Employers in the Services industry had rate changes that ranged from:

2000	- 2.39 to +0.56
2002	- 1.91 to +0.92
2004	- 1.85 to +1.72

IMPACT CHART #17C

RANGE OF CHANGE IN CONTRIBUTION RATES
BY BROAD INDUSTRY CLASSIFICATION
Changing from Existing Contribution Rates to the Proposed Array System Rates

Industry	Number of Employers	2000	2002	2004
Agriculture, Forestry, & Fishing	695	- 2.39 to +0.56	- 1.91 to +0.92	-1.85 to +1.72
Mining	25	- 2.39 to + 0.04	- 1.91 to +0.16	-1.85 to +0.92
Construction	3,245	- 2.39 to +0.56	- 1.91 to +0.92	-1.85 to +1.72
Manufacturing	1,852	- 2.39 to +0.56	- 1.91 to +0.92	-1.85 to +1.72
Transportation & Public Utilities	1,425	- 2.39 to +0.56	- 1.91 to +0.92	-1.85 to +1.72
Wholesale Trade	2,143	- 2.39 to +0.56	- 1.91 to +0.92	-1.85 to +1.72
Retail Trade	6,174	- 2.39 to +0.56	- 1.91 to +0.92	-1.85 to +1.72
Finance, Insurance, & Real Estate	1,559	- 2.39 to +0.56	- 1.91 to +0.92	-1.85 to +1.72
Services	9,182	- 2.39 to +0.56	- 1.91 to +0.92	-1.85 to +1.72
Public Administration	149	- 2.39 to +0.36	- 1.91 to +0.72	-1.85 to +1.52
Other	8	- 2.39 to +0.01	- 1.91 to +0.25	-1.21 to +0.87

HOW TO READ IMPACT CHART #18

- Employers in this chart are grouped by industry classification. The first column gives the name and number of the **Industry** for the employers in each row of the chart. The second column gives the **Number of Employers** for each industry group (row). Example:

  There are 437 employers in 07 Agricultural Services.

- The third, fourth, and fifth columns, **Average Percent Change**, give the average percentage change in the contribution rates for the employers in that group (row) for each of the three phase-in levels. Example:

  Employers in 07 Agricultural Services had the following average percentage changes in their contribution rates:

2000	- 19%
2002	- 16%
2004	- 7%

- The sixth, seventh, and eighth columns, **Average Rate Change**, give the average change in the contribution rates for the employers in that group (row) for each of the three phase-in levels. Example:

  Employers in 07 Agricultural Services had the following average rate changes:

2000	- 0.95
2002	- 0.73
2004	- 0.14

IMPACT CHART #18

AVERAGE CHANGE IN CONTRIBUTION RATES BY INDUSTRY CLASSIFICATION
Changing from Existing Contribution Rates to the Proposed Array System Rates

Industry	Number of Employers	Average Percent Change 2000	Average Percent Change 2002	Average Percent Change 2004	Average Rate Change 2000	Average Rate Change 2002	Average Rate Change 2004
Agriculture, Forestry, & Fishing	**695**	**-18%**	**-16%**	**- 7%**	**-0.91**	**-0.70**	**-0.14**
01 Agricultural Production—Crops	137	-16%	-12%	- 2%	-0.93	-0.66	-0.01
02 Agricultural Production—Livestock	32	-15%	-15%	- 9%	-0.52	-0.48	-0.19
07 Agricultural Services	437	-19%	-16%	- 7%	-0.95	-0.73	-0.14
08 Forestry	39	-23%	-23%	-17%	-0.87	-0.76	-0.37
09 Fishing, Hunting, and Trapping	50	-19%	-19%	-13%	-0.68	-0.62	-0.29
Mining	**25**	**-20%**	**-17%**	**- 8%**	**-1.13**	**-0.87**	**-0.23**
10 Metal Mining & 13 Oil & Gas Extraction	3	-20%	-19%	-12%	-0.88	-0.73	-0.27
14 Nonmetallic Minerals, Except Fuels	22	-20%	-17%	- 8%	-1.16	-0.89	-0.22
Construction	**3,245**	**-17%**	**-14%**	**- 4%**	**-0.98**	**-0.70**	**-0.03**
15 General Building Contractors	968	-17%	-14%	- 4%	-0.92	-0.67	-0.06
16 Heavy Construction, Except Building	115	-20%	-15%	- 2%	-1.41	-0.97	-0.04
17 Special Trade Contractors	2,162	-17%	-14%	- 3%	-0.98	-0.69	-0.02

IMPACT CHART #18—AVERAGE CHANGE IN CONTRIBUTION RATES BY INDUSTRY CLASSIFICATION (Continued)

Industry	Number of Employers	Average Percent Change 2000	2002	2004	Average Rate Change 2000	2002	2004
Manufacturing	**1,852**	**-18%**	**-16%**	**- 8%**	**-0.79**	**-0.63**	**-0.16**
20 Food & Kindred Products	126	-20%	-19%	-11%	-0.86	-0.70	-0.23
22 Textile Mill Products	49	-15%	-13%	- 3%	-0.68	-0.50	+0.01
23 Apparel & Other Textile Products	65	-15%	-14%	- 7%	-0.52	-0.45	-0.13
24 Lumber & Wood Products	567	-18%	-15%	- 4%	-1.07	-0.77	-0.06
25 Furniture & Fixtures	33	-10%	- 7%	+ 3%	-0.51	-0.34	+0.15
26 Paper & Allied Products	37	-28%	-31%	-29%	-0.87	-0.93	-0.81
27 Printing & Publishing	246	-22%	-24%	-20%	-0.69	-0.71	-0.52
28 Chemicals & Allied Products	38	-15%	-15%	- 7%	-0.52	-0.45	-0.13
29 Petroleum & Coal Products	3	-19%	-11%	+ 4%	-1.52	-0.89	+0.34
30 Rubber & Misc. Plastics Products	44	-13%	-11%	- 1%	-0.55	-0.40	-0.06
31 Leather & Leather Products	40	-18%	-15%	- 4%	-0.91	-0.65	-0.02
32 Stone, Clay, & Glass Products	57	-15%	-11%	+ 0%	-0.82	-0.54	+0.13
33 Primary Metal Industries	7	-24%	-26%	-22%	-0.69	-0.70	-0.49
34 Fabricated Metal Products	102	-15%	-14%	- 7%	-0.60	-0.50	-0.11
35 Industrial Machinery & Equipment	167	-15%	-14%	- 7%	-0.53	-0.46	-0.14
36 Electronic & Other Electric Equipment	42	-13%	-13%	- 6%	-0.42	-0.38	-0.09
37 Transportation Equipment	130	-16%	-16%	- 9%	-0.60	-0.53	-0.20
38 Instruments & Related Products	17	-15%	-15%	- 9%	-0.49	-0.47	-0.23
39 Miscellaneous Manufacturing Industries	82	-16%	-16%	- 8%	-0.65	-0.54	-0.15
Transportation & Public Utilities	**1,425**	**-18%**	**-18%**	**-11%**	**-0.73**	**-0.64**	**-0.26**
41 Local & Interurban Passenger Transit	88	-14%	-14%	- 6%	-0.58	-0.49	-0.13
42 Trucking & Warehousing	779	-17%	-15%	- 6%	-0.79	-0.62	-0.12
44 Water Transportation	119	-20%	-21%	-15%	-0.73	-0.68	-0.37
45 Transportation by Air	51	-18%	-19%	-14%	-0.67	-0.64	-0.38
47 Transportation Services	139	-21%	-23%	-19%	-0.66	-0.68	-0.49
48 Communications	112	-21%	-23%	-19%	-0.60	-0.63	-0.46
49 Electric, Gas, & Sanitary Services & 46 Pipelines, Except Natural Gas	137	-24%	-26%	-23%	-0.74	-0.77	-0.60

IMPACT CHART #18--AVERAGE CHANGE IN CONTRIBUTION RATES BY INDUSTRY CLASSIFICATION (Continued)

Industry	Number of Employers	Average Percent Change 2000	2002	2004	Average Rate Change 2000	2002	2004
Wholesale Trade	**2,143**	**-21%**	**-23%**	**-19%**	**-0.69**	**-0.70**	**-0.49**
50 Wholesale Trade—Durable Goods	1,245	-21%	-23%	-19%	-0.67	-0.69	-0.50
51 Wholesale Trade—Nondurable Goods	898	-21%	-23%	-18%	-0.72	-0.72	-0.48
Retail Trade	**6,174**	**-21%**	**-22%**	**-17%**	**-0.68**	**-0.67**	**-0.44**
52 Building Materials & Garden Supplies	401	-24%	-25%	-21%	-0.82	-0.80	-0.54
53 General Merchandise Stores	215	-26%	-29%	-26%	-0.80	-0.85	-0.72
54 Food Stores	953	-22%	-24%	-20%	-0.65	-0.69	-0.53
55 Automotive Dealers & Service Stations	787	-22%	-24%	-20%	-0.70	-0.71	-0.51
56 Apparel & Accessory Stores	321	-22%	-24%	-21%	-0.70	-0.72	-0.52
57 Furniture & Homefurnishings Stores	395	-22%	-24%	-20%	-0.69	-0.71	-0.52
58 Eating & Drinking Places	1,803	-18%	-18%	-12%	-0.63	-0.59	-0.30
59 Miscellaneous Retail	1,299	-21%	-22%	-17%	-0.69	-0.67	-0.42
Finance, Insurance, & Real Estate	**1,559**	**-24%**	**-27%**	**-24%**	**-0.73**	**-0.78**	**-0.64**
60 Depository Institutions	151	-27%	-32%	-31%	-0.76	-0.88	-0.86
61 Nondepository Institutions	46	-16%	-17%	-12%	-0.50	-0.49	-0.26
62 Security & Commodity Brokers	57	-17%	-19%	-14%	-0.50	-0.53	-0.36
63 Insurance Carriers	85	-31%	-35%	-35%	-0.86	-0.99	-0.98
64 Insurance Agents, Brokers, & Service	422	-27%	-31%	-30%	-0.79	-0.88	-0.82
65 Real Estate	761	-22%	-23%	-19%	-0.70	-0.70	-0.49
67 Holding & Other Investment Offices	37	-31%	-35%	-36%	-0.90	-1.03	-1.01

IMPACT CHART #18--AVERAGE CHANGE IN CONTRIBUTION RATES BY INDUSTRY CLASSIFICATION (Continued)

Industry	Number of Employers	Average Percent Change 2000	2002	2004	Average Rate Change 2000	2002	2004
Services	**9,182**	**-20**	**-21%**	**-17%**	**-0.66**	**-0.65**	**-0.43**
70 Hotels & Other Lodging Places	841	-19	-18%	-11%	-0.78	-0.67	-0.27
72 Personal Services	582	-24	-27%	-24%	-0.75	-0.79	-0.64
73 Business Services	1,020	-14	-14%	- 7%	-0.51	-0.45	-0.12
75 Auto Repair, Services, & Parking	654	-18	-18%	-12%	-0.64	-0.59	-0.29
76 Miscellaneous Repair Services	238	-19	-19%	-13%	-0.71	-0.63	-0.29
78 Motion Pictures	124	-20	-22%	-18%	-0.62	-0.65	-0.50
79 Amusement & Recreation Services	422	-16	-16%	- 9%	-0.61	-0.53	-0.18
80 Health Services	1,730	-25	-28%	-26%	-0.71	-0.79	-0.71
81 Legal Services	546	-27	-30%	-29%	-0.78	-0.86	-0.78
82 Educational Services	122	-19	-21%	-17%	-0.57	-0.60	-0.43
83 Social Services	586	-15	-16%	-10%	-0.48	-0.47	-0.23
84 Museums, Botanical, Zoological Gardens	19	-18	-19%	-13%	-0.73	-0.68	-0.37
86 Membership Organizations	427	-26	-29%	-27%	-0.78	-0.84	-0.72
87 Engineering & Management Services	1,066	-18	-19%	-14%	-0.61	-0.59	-0.33
88 Private Households	771	-18	-19%	-14%	-0.61	-0.59	-0.34
89 Services, NEC	34	-18	-21%	-17%	-0.56	-0.61	-0.47
Public Administration	**149**	**-22**	**-25%**	**-21%**	**-0.71**	**-0.74**	**-0.57**
91 Executive, Legislative, & General	112	-21	-23%	-19%	-0.69	-0.70	-0.50
92 Justice, Public Order, & Safety	3	-30	-35%	-36%	-0.84	-0.98	-1.00
93 Finance, Taxation, & Monetary Policy	1	-51	-60%	-66%	-1.42	-1.67	-1.85
94 Administration of Human Resources	1	-47	-55%	-60%	-1.31	-1.54	-1.69
95 Environmental Quality & Housing	28	-27	-30%	-29%	-0.79	-0.87	-0.79
96 Administration of Economic Programs	4	- 9	- 8%	+ 0%	-0.26	-0.22	+0.09
Other	**8**	**-14**	**-11%**	**- 1%**	**-0.76**	**-0.55**	**+0.01**
99 Nonclassifiable Establishments	8	-14	-11%	- 1%	-0.76	-0.55	+0.01

HOW TO READ IMPACT CHART #19

- This chart shows the number of employers for each Array System Category and Broad Industry Classification combination.
- The array system category numbers are in the first column.
- The broad industry classifications are columns 2 through 12.
- Column 13 gives the total number of employers for each array system category.
- The last row of the chart, **Total**, gives the total number of employers in each broad industry classification.
- Examples:

  134 Construction employers are in category 1.

  76 Manufacturing employers are in category 14.

IMPACT CHART #19

EMPLOYER DISTRIBUTION BY BROAD INDUSTRY CLASSIFICATION AND ARRAY SYSTEM CATEGORY
Numbers of Employers for Each Industry and Array System Category Combination

Array System Category	Agriculture, Forestry, & Fishing	Mining	Construction	Manufacturing	Transportation & Public Utilities	Wholesale Trade	Retail Trade	Finance, Insurance & Real Estate	Services	Public Admin.	Other	Total
1	26	2	134	99	97	236	523	192	731	9	0	2049
2	22	0	78	62	59	112	347	119	476	6	0	1281
3	9	0	38	42	42	71	238	74	304	6	0	824
4	6	0	24	26	22	42	138	40	183	5	0	486
5	16	1	43	47	31	115	281	82	426	11	1	1054
6	24	0	70	55	52	134	364	112	560	16	0	1387
7	22	0	49	63	47	101	323	84	457	12	0	1158
8	26	1	58	54	43	82	285	83	457	9	0	1108
9	21	2	61	62	55	102	255	72	416	6	0	1052
10	20	0	99	84	65	118	339	89	548	9	0	1371
11	28	0	85	85	69	103	318	78	488	11	0	1265
12	25	3	118	75	81	134	348	88	580	7	1	1460
13	31	1	128	101	85	133	392	93	613	6	0	1583
14	31	0	112	76	86	106	283	60	408	7	1	1170
15	36	2	142	99	91	134	369	99	679	3	1	1655
16	17	0	118	93	66	73	246	32	338	5	0	988
17	28	0	173	84	48	75	225	31	304	6	1	975
18	55	1	266	171	94	102	352	53	438	5	1	1538
19	108	4	514	209	140	94	321	40	443	5	1	1879
20	144	8	935	265	142	76	227	38	333	5	1	2174
Total	695	25	3245	1852	1425	2143	6174	1559	9182	149	8	26457

HOW TO READ IMPACT CHART #20

- This chart shows the percentage of employers in each Array System Category for each Broad Industry Classification.
- The array system category numbers are in the first column.
- The broad industry classifications are columns 2 through 12.
- Examples:

  4.1% of Construction employers are in category 1.

  4.1% of Manufacturing employers are in category 14.

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IMPACT CHART #20

EMPLOYER DISTRIBUTION BY BROAD INDUSTRY CLASSIFICATION AND ARRAY SYSTEM CATEGORY

Percentage of Industries' Employers in Each of the Array System Categories

Array System Category	Agriculture, Forestry, & Fishing	Mining	Construction	Manufacturing	Transportation & Public Utilities	Wholesale Trade	Retail Trade	Finance, Insurance & Real Estate	Services	Public Admin.	Other
1	3.7%	8.0%	4.1%	5.3%	6.8%	11.0%	8.5%	12.3%	8.0%	6.0%	0.0%
2	3.2%	0.0%	2.4%	3.3%	4.1%	5.2%	5.6%	7.6%	5.2%	4.0%	0.0%
3	1.3%	0.0%	1.2%	2.3%	2.9%	3.3%	3.9%	4.7%	3.3%	4.0%	0.0%
4	0.9%	0.0%	0.7%	1.4%	1.5%	2.0%	2.2%	2.6%	2.0%	3.4%	0.0%
5	2.3%	4.0%	1.3%	2.5%	2.2%	5.4%	4.6%	5.3%	4.6%	7.4%	12.5%
6	3.5%	0.0%	2.2%	3.0%	3.6%	6.3%	5.9%	7.2%	6.1%	10.7%	0.0%
7	3.2%	0.0%	1.5%	3.4%	3.3%	4.7%	5.2%	5.4%	5.0%	8.1%	0.0%
8	3.7%	4.0%	1.8%	2.9%	3.7%	3.8%	4.6%	5.3%	5.0%	6.0%	0.0%
9	3.0%	8.0%	1.9%	3.3%	3.9%	4.8%	4.1%	4.6%	4.5%	4.0%	0.0%
10	2.9%	0.0%	3.1%	4.5%	4.6%	5.5%	5.5%	5.7%	6.0%	6.0%	0.0%
11	4.0%	0.0%	2.6%	4.6%	4.8%	4.8%	5.2%	5.0%	5.3%	7.4%	0.0%
12	3.6%	12.0%	3.6%	4.0%	5.7%	6.3%	5.6%	5.6%	6.3%	4.7%	12.5%
13	4.5%	4.0%	3.9%	5.5%	6.0%	6.2%	6.3%	6.0%	6.7%	4.0%	0.0%
14	4.5%	0.0%	3.5%	4.1%	6.0%	4.9%	4.6%	3.8%	4.4%	4.7%	12.5%
15	5.2%	8.0%	4.4%	5.3%	6.4%	6.3%	6.0%	6.4%	7.4%	2.0%	12.5%
16	2.4%	0.0%	3.6%	5.0%	4.6%	3.4%	4.0%	2.1%	3.7%	3.4%	0.0%
17	4.0%	0.0%	5.3%	4.5%	3.4%	3.5%	3.6%	2.0%	3.3%	4.0%	12.5%
18	7.9%	4.0%	8.2%	9.2%	6.6%	487%	5.7%	3.4%	4.8%	3.4%	12.5%
19	15.5%	16.0%	15.8%	11.3%	9.8%	4.4%	5.2%	2.6%	4.8%	3.4%	12.5%
20	20.7%	32.0%	28.8%	14.3%	10.0%	3.5%	3.7%	2.4%	3.6%	3.4%	12.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

ATTACHMENT #1

PRIOR LEGISLATIVE ACTION THAT ADDRESSED THE SOLVENCY ISSUE

PRIOR LEGISLATIVE ACTION THAT ADDRESSED THE SOLVENCY ISSUE

L.D. 978 enacted in 1993:

- Imposed a surcharge of .7% for 1993 and .8% for 1994;
- Increased the maximum tax rate by 1.0%;
- Froze the maximum weekly benefit amount until 5/31/95;
- Reduced all weekly benefit amounts by $6 for claims filed between 4/1/93 and 1/1/95;
- Extended the alternate base period through 3/26/95; and
- Extended the Dislocated Worker Benefit program through 3/31/95.

L.D. 842 enacted in 1995:

- Imposed a surcharge of .4% for 1995, 1996, and 1997;
- Limited the maximum weekly benefit amount to 94% of the amount otherwise available for claims filed between 10/29/95 through 5/31/97;
- Reduced all weekly benefit amounts by $3 for claims filed between 4/1/95 and 1/1/98;
- Eliminated the alternate base period sunset provision; and
- Eliminated the Dislocated Worker Benefit program sunset provision.

L.D. 1753 enacted in 1997:

- Continued the .4% surcharge for 1998;
- Forced tax schedule P for 1998;
- Continued the 94% limitation on the maximum weekly benefit amount for claims filed between 9/28/97 and 9/26/98; and
- Continued the $3 reduction in all weekly benefit amounts for claims filed between 1/1/98 and 1/1/99.

L.D. 332 enacted in 1997 established the Commission to Study the Unemployment Compensation System. This Commission reported to the 118th Legislature on February 9, 1998.

L.D. 2230 enacted in 1998:

- Continued the .4% surcharge for 1999;
- Forced tax schedule P for 1999;
- Continued the 94% limitation on the maximum weekly benefit amount for claims filed between 9/27/98 and 12/31/99;
- Continued the $3 reduction in all weekly benefit amounts for claims filed between 1/1/99 and 1/1/2000; and
- Directed the Department of Labor to Labor to report to the First Regular Session of the 119th Legislature with recommendations and proposed legislation.

ATTACHMENT #2

L.D. 2230 FROM 1998

APPROVED

APR 14 '98

BY GOVERNOR

CHAPTER

745

PUBLIC LAW

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-EIGHT

H.P. 1604 - L.D. 2230

An Act to Implement the Majority Report Recommendations of the Commission to Study the Unemployment Compensation System

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 26 MRSA §1191, sub-§2, as amended by PL 1997, c. 380, §1, is further amended to read:

2. **Weekly benefit amount for total unemployment.** Each eligible individual establishing a benefit year on or after October 1, 1983 who is totally unemployed in any week must be paid with respect to that week benefits equal to 1/22 of the wages, rounded to the nearest lower full dollar amount, paid to that individual in the high quarter of the base period, but not less than $12. The maximum weekly benefit amount for claimants requesting insured status determination beginning October 1, 1983 and thereafter from June 1st of a calendar year to May 31st of the next calendar year may not exceed 52% of the annual average weekly wage, rounded to the nearest lower full dollar amount, paid in the calendar year preceding June 1st of that calendar year. No increase in the maximum weekly benefit amount may occur for the period from June 1, 1992 to October 28, 1995. For the periods from October 29, 1995 to May 31, 1997 and from September 28, 1997 to ~~September 26, 1998~~ December 31, 1999, the maximum weekly benefit amount is limited to 94% of the amount calculated previously in this subsection, rounded to the nearest lower full dollar amount. For claimants requesting insured status determination on or after April 1, 1993 and before January 1, 1995, the weekly benefit amount must be the amount determined by this subsection minus $6. For claimants requesting insured status determination on or after April 1, 1995 and before January

1, ~~1999~~ 2000, the weekly benefit amount must be the amount determined by this subsection minus $3.

Sec. 2. 26 MRSA §1221, sub-§2, ¶C, as amended by PL 1997, c. 380, §2, is further amended to read:

C. Each employer subject to this chapter, other than those liable for payments in lieu of contributions, shall pay, in addition to the contribution rate as prescribed in subsection 4, 7/10 of 1% of the wages paid by the employer with respect to employment during the calendar year 1993, 8/10 of 1% of the wages paid by the employer with respect to employment during the calendar year 1994 and 4/10 of 1% of the wages paid by the employer with respect to employment during calendar years 1995, 1996, 1997, 1998 and ~~1998~~ 1999.

Sec. 3. 26 MRSA §1221, sub-§4, ¶C, as amended by PL 1997, c. 380, §3, is further amended to read:

C. To designate the contribution rate schedule to be effective for a rate year, a reserve multiple must be determined. The reserve multiple must be determined by dividing the fund reserve ratio by the composite cost rate. The determination date is September 30th of each calendar year, and the schedule of contribution rates to apply for the 12-month period commencing January 1st, is determined by this reserve multiple, except that for the 1998 and 1999 rate ~~year~~ years Schedule P is in effect.

Sec. 4. Solvency plan and recommendations. The Department of Labor, within existing resources, shall report to the First Regular Session of the 119th Legislature by January 1, 1999. The report must include the recommendations of the department for ensuring the long-term solvency of the Unemployment Compensation Fund, referred to in this section as the solvency plan. The department shall develop a solvency plan that provides for reserves adequate to fund benefits consistent with the historical analysis and future projections necessary to provide long-term solvency to the Unemployment Compensation Fund. The department also shall submit proposed legislation that effects the requirements of this section.

In developing the solvency plan and proposed legislation, the department shall consider the following:

1. Tax structures that provide equity among payors, including, but not limited to, the array system;

2. Adjustments to the taxable wage base;

3. A recommended solvency reserve target amount;

4. A schedule within which the solvency plan will be achieved;

5. Other revenue sources that may be used to assist in achieving the solvency plan;

6. Benefit structures consistent with the purpose of the unemployment insurance program for replacement of lost wages; and

7. The administration of the Unemployment Compensation Fund to ensure fiduciary responsibility.

In addition to the solvency plan and proposed legislation, the department shall include a detailed report demonstrating the basis upon which the department performed its evaluation. The detailed report must include the projected impacts of the solvency plan, both during the life of the solvency plan and after the solvency plan is complete.

Sec. 5. Allocation. The following funds are allocated from Other Special Revenue to carry out the purposes of this Act.

	1998-99
BAXTER STATE PARK AUTHORITY	
Baxter State Park Authority	
Personal Services	$2,079
Provides funds for additional unemployment compensation costs.	

ATTACHMENT #3

ECONOMIC ASSUMPTIONS
EMPLOYED BY THE FINANCIAL FORECASTING MODEL

MAINE
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20 Union Street, Augusta, ME 04330-6826

Economic Assumptions Employed By The Financial Forecasting Model For Unemployment Compensation Projections, 1988-2005

12/08/98

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TABLE 1

ACTUAL AND ASSUMED AVERAGE WEEKLY WAGE (AWW) INCREASES FOR TAX-RATED COVERED EMPLOYMENT, 1988-2005

Year	Yearly	Percent Increase
Actual		
1988	$345.94	5.1%
1989	359.32	3.9
1990	376.70	4.8
1991	386.71	2.7
1992	403.95	4.5
1993	410.11	1.5
1994	416.69	1.6
1995	429.09	3.0
1996	444.21	3.5
1997	466.37	5.0
Assumption		
1998	492.00	5.6
1999	513.00	4.4*
2000	533.00	3.9*
2001	554.00	3.9*
2002	576.00	4.0*
2003	598.00	3.9*
2004	621.00	3.9*
2005	645.00	3.9*

* Based on the Preliminary Maine State Planning Office Short-Range Economic Forecast, Fall 1998.

12/08/98

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TABLE 2

ACTUAL AND ASSUMED RATE OF INCREASE IN THE TOTAL LABOR FORCE, 1988-2005

Year	Population*	Percent Increase	Labor Force	Percent Increase
Actual				
1988..................	1,206,000	1.7%	597,000	1.7%
1989..................	1,223,000	1.4	616,000	3.2
1990..................	1,231,000	0.7	635,000	3.1
1991..................	1,235,000	0.3	642,000	1.1
1992..................	1,235,000	0.0	650,000	1.2
1993..................	1,237,000	0.2	632,000	-2.8
1994..................	1,236,000	-0.1	614,000	-2.8
1995..................	1,234,000	-0.2	640,000	4.2
1996..................	1,239,000	0.4	667,000	4.2
1997..................	1,242,000	0.2	659,000	-1.2
Assumption				
1998..................	1,245,000*	0.2	650,000	-1.4
1999..................	1,248,000*	0.2	655,000	0.8
2000..................	1,251,000*	0.2	660,000	0.8
2001..................	1,256,000*	0.4	665,000	0.8
2002..................	1,261,000*	0.4	670,000	0.8
2003..................	1,266,000*	0.4	675,000	0.7
2004..................	1,271,000*	0.4	680,000	0.7
2005..................	1,277,000*	0.5	685,000	0.7

A slight reduction in the labor force participation rate and a drop in the number of young adults contributed to the labor force decline between 1996 and 1998. Small increases in the labor force participation rate and some population growth is expected to fuel continued labor force expansion.

The 1998 labor force is based on actual data through November. Projections for 1998 through 2000 were developed through analysis of labor force participation trends and growth patterns in the labor force and population.

*NOTE: The population trends for the 1998-2005 period are those developed by the US Department of Commerce, Bureau of the Census.

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TABLE 3

ACTUAL AND ASSUMED INSURED UNEMPLOYMENT RATES (IUR), 1988-2005

Year	Tax-Rated IUR		Total Unemployment Rate
Actual			
1988	2.1%		3.8%
1989	2.6		4.1
1990	4.1		5.2
1991	6.5		7.6
1992	4.7		7.2
1993	3.3		7.9
1994	3.5		7.4
1995	3.4		5.7
1996	3.3		5.1
1997	2.8		5.4
Assumption: IUR			
	Low	Mod.*	High
1998	2.3%	2.3%	2.3%
1999	2.0	3.1	5.0
2000	2.0	3.6	5.0
2001	2.0	4.1	5.0
2002	2.0	6.0	5.5
2003	2.0	5.0	5.0
2004	2.0	4.0	5.0
2005	2.0	3.0	5.0

* The moderate assumption uses an insured unemployment rate trend assuming a moderate recession in 2002. The average insured unemployment rate for the projection period is 3.9 percent. This is slightly higher than the average insured unemployment rate for the last 10 years.
The Emergency Unemployment Compensation Option caused the 1993 IUR to be lower.

Note: Tax-Rated Insured Unemployment Rate is the percentage of the average weekly tax-rated regular continued claims divided by the average tax-rated covered employment for the calendar year.

12/03/98

20 Union Street, Augusta, ME 04330-6826

TABLE 4

ACTUAL AND ASSUMED AVERAGE ANNUAL INTEREST RATES EARNED BY THE UC FUND, 1988-2005

Year	Average Annual Interest Rate
Actual	
1988	8.51%
1989	8.75
1990	8.81
1991	8.51
1992	7.68
1993	7.23
1994	6.76
1995	6.88
1996	6.94
1987	6.83
Assumption	
1998	6.60
1999	6.60
2000	6.40
2001	6.30
2002	6.25
2003	6.25
2004	6.25
2005	6.25

Interest rate projections are from U.S. Dept. of Labor, Unemployment Insurance Actuarial Services.

12/08/98

ATTACHMENT #4

SOLVENCY OF THE UNEMPLOYMENT COMPENSATION FUND
SLIDES USED IN THE PUBLIC FORUMS

Maine Department of Labor

SOLVENCY OF THE UNEMPLOYMENT COMPENSATION FUND

September, 1998

MAINE'S UNEMPLOYMENT PROGRAM

- 1997 Taxes: 36,700 employers
  $106 million taxes paid
  $5 million reimbursements paid

- 1997 Benefits: 89,300 applications for benefits
  686,000 weekly claims for benefits
  $106 million benefits paid

- 1991 Benefits: 218,000 applications for benefits
  1.5 million weekly claims for benefits
  $208 million benefits paid

UNEMPLOYMENT INSURANCE DESIGNED AS AN ECONOMIC STABILIZER

- Partial wage replacement for individuals to pay for basic needs.

- Infuses money into local communities and the state to counteract the multiplier effect of unemployment

- The Unemployment Insurance program is designed to build up reserves in good economic times and draw on those reserves when the economy turns down

MEASURING TRUST FUND RESERVES

- Trust Fund Reserves are measured as the number of months of benefits available in the Fund

- To calculate the number of months available we use a payout rate equal to the average of the payout rates in the 3 highest years in the last 20 years

HOW MUCH IS ENOUGH?

- The US DOL recommends reserves of at least 12 months of benefits
- Reserves equal to 12 months of benefits would be enough to weather a moderate recession of moderate length without borrowing to pay benefits
- Maine had 13.5 months of benefits in the Fund prior to the 1990's recession. To avoid borrowing it was necessary to increase taxes and cut benefits
- The balance in the Trust Fund as of 12/31/97 was $132 million which is 7.4 months of benefits

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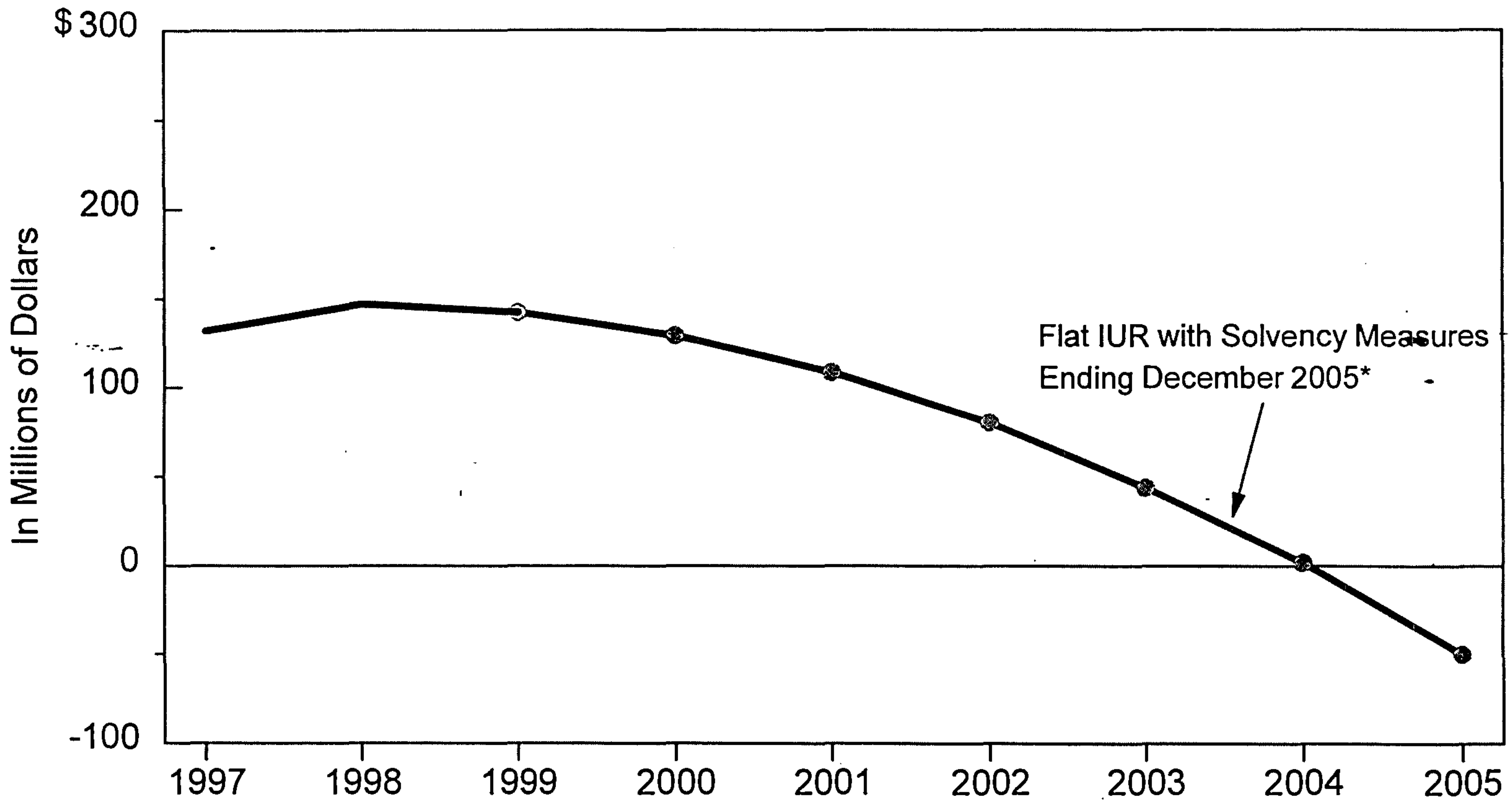
Projected Maine Unemployment Trust Fund Ending Balances Under Flat Insured Unemployment Rates (IUR), 1997 - 2005



*Solvency Measures are a 94% limitation of the maximum weekly benefit amount (WBA), a $3 reduction on all WBA's, a 0.4% surtax on taxable wages, and mandating tax schedule P.

Note: Projections are based on a moderate insured unemployment rate with a flat 3.5% for 1999-2005. This is **not a prediction,** but one of many possible scenarios that could occur.

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LABOR
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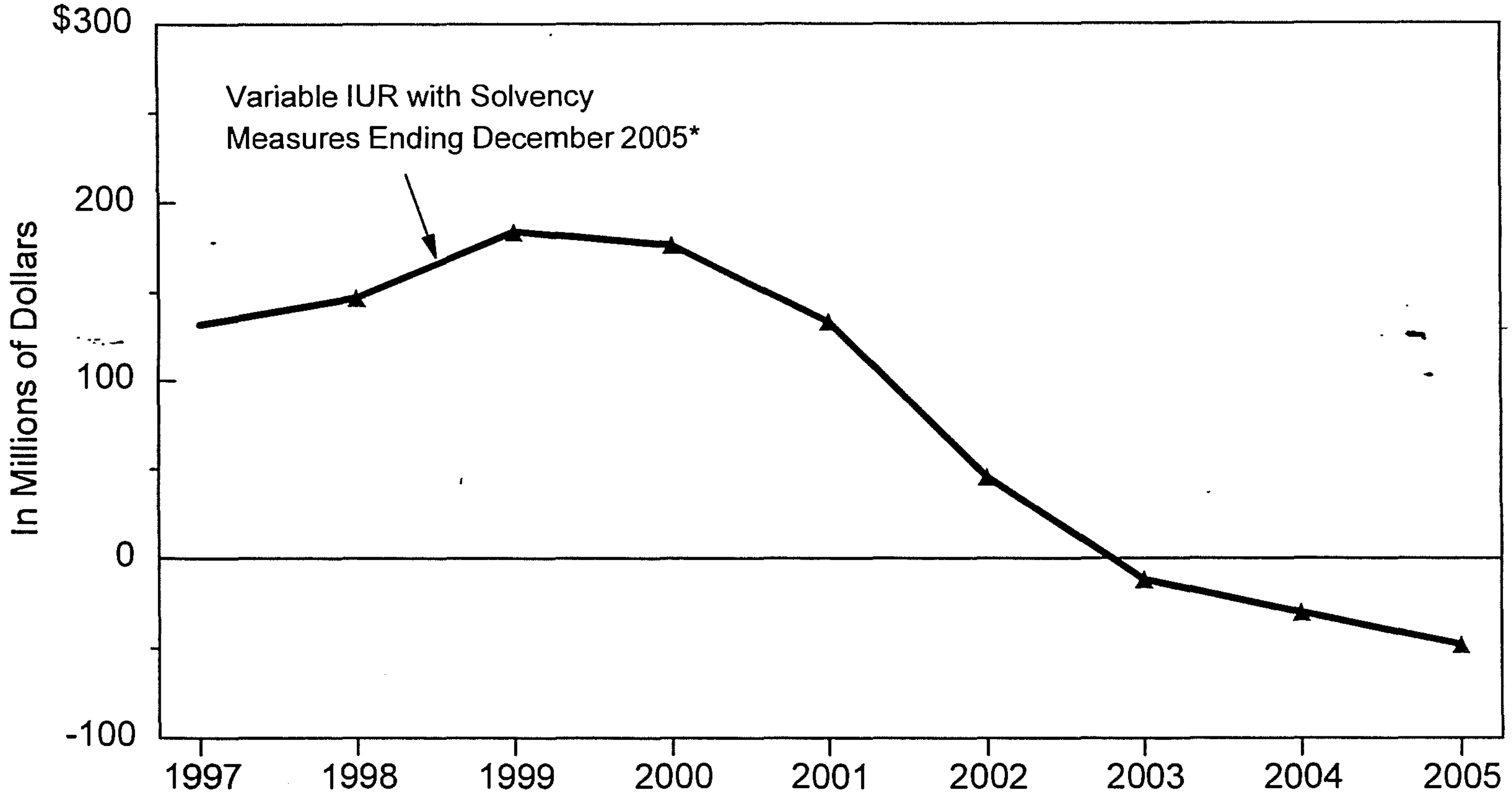
Projected Maine Unemployment Trust Fund Ending Balances Under Variable Insured Unemployment Rates (IUR), 1997 - 2005



*Solvency Measures are a 94% limitation of the maximum weekly benefit amount (WBA), a $3 reduction on all WBA's, a 0.4% surtax on taxable wages, and mandating tax schedule P.

Note: Projections are based on a variable moderate insured unemployment rate which averages 3.5% from 1996-2005. The variable scenario has rates from 2.8% to 5.1%. This is **not prediction,** but one of many possible scenarios that could occur.

MAINE
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LABOR

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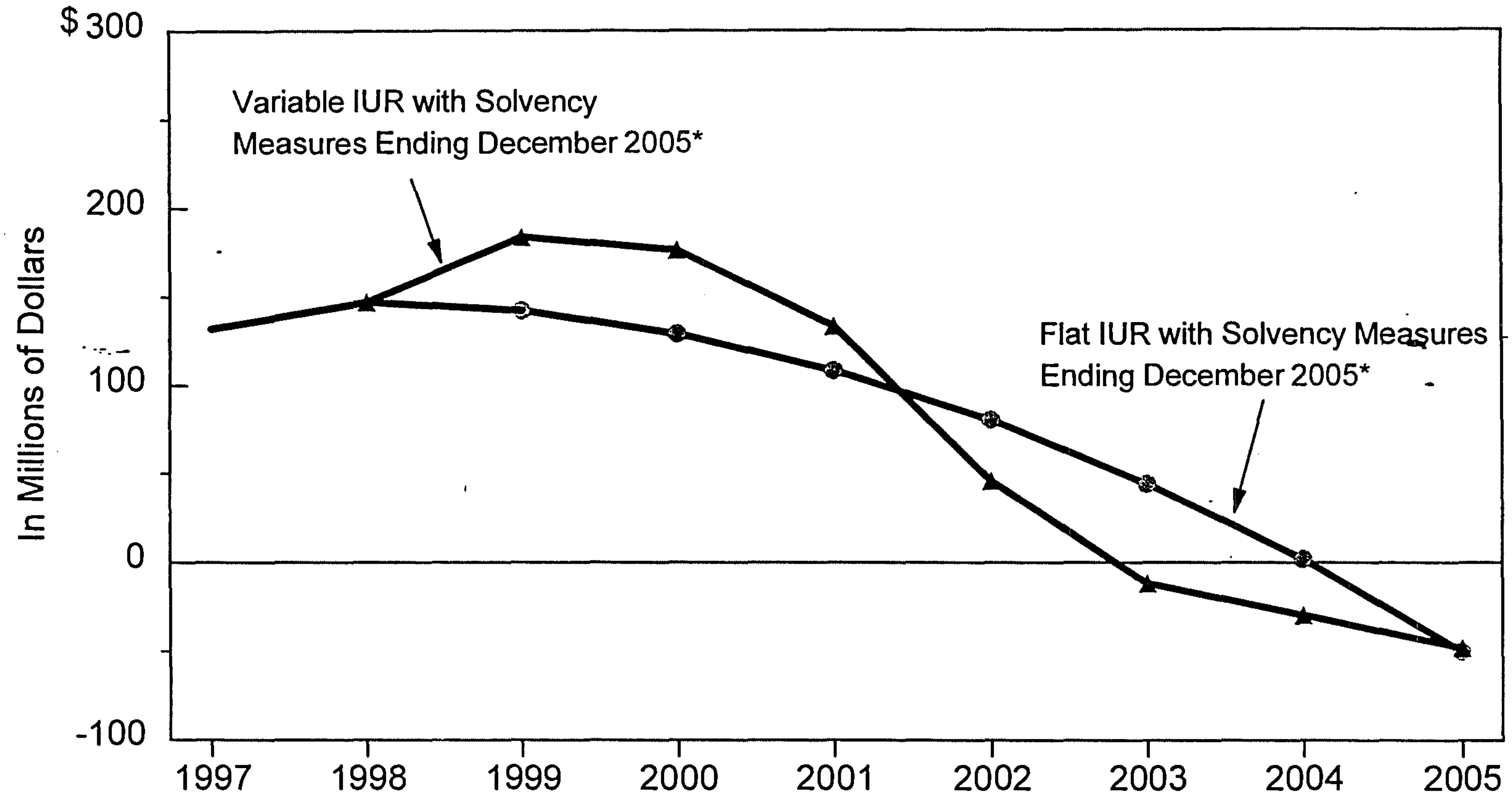
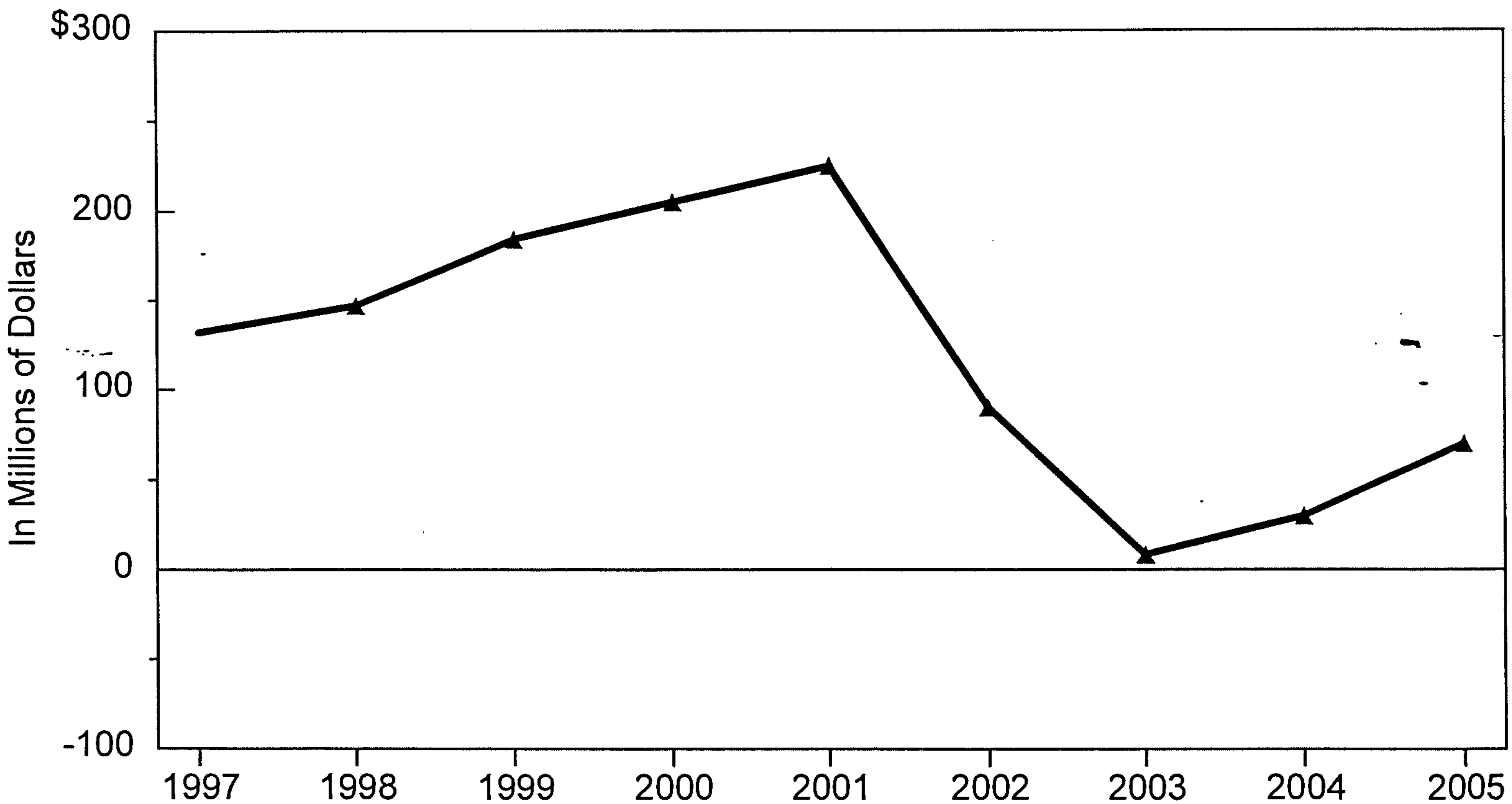
Projected Maine Unemployment Trust Fund Ending Balances Under Variable and Flat Insured Unemployment Rates (IUR), 1997 - 2005



*Solvency Measures are a 94% limitation of the maximum weekly benefit amount (WBA), a $3 reduction on all WBA's, a 0.4% surtax on taxable wages, and mandating tax schedule P.

Note: Projections are based on a moderate insured unemployment rate with a flat 3.5% for 1999-2005 and with a variable which averages 3.5% from 1999-2005. The variable scenario has rates from 2.8% to 5.1%. These are **not predictions,** but two of many possible scenarios that could occur.



$300
200
100
0
-100
In Millions of Dollars
1997
1998
1999
2000
2001
2002
2003
2004
2005

CONSEQUENCES OF GOING BROKE

- We must borrow to continue to pay benefits. Loans are available from the Federal Government for this purpose.
- Cost of interest on loans
- Taxes may be increased and benefits cut during the recession and recovery thereby dampening the ability of the unemployment system to help stabilize the economy and slowing recovery

NATIONAL BORROWING HISTORY

- During the recession in the mid-1970's, all of the states with less than 12 months of benefits had to borrow compared to 33% of the states with 12 to 18 months of benefits and 16% of the states with more than 18 months of benefits.

- During the recession in the early 1980's, 89% of the states with less than 12 months of benefits had to borrow compared to 44% of the states with 12 to 18 months of benefits and 13% of the states with more than 18 months of benefits.

- During the recession in the early 1990's, 30% of the states with less than 12 months of benefits had to borrow. No states with 12 months of benefits or more had to borrow.

PAST APPROACHES TO SOLVENCY ISSUE

- L.D. 978 in 1993
  - Imposed a surtax of .7% for 1993 and .8% for 1994
  - Increased the maximum tax rate by 1.0%
  - Froze the maximum weekly benefit amount
  - Reduced all weekly benefit amounts by $6

- L.D. 842 in 1995
  - Imposed a surtax of .4% for 1995, 1996, and 1997
  - Reduced the maximum weekly benefit amount by 6%
  - Reduced all weekly benefit amounts by $3

PAST APPROACHES TO SOLVENCY ISSUE (cont.)

- L.D. 1753 in 1997
  - Continued the .4% surtax for 1998
  - Forced tax schedule P for 1998
  - Continued the 6% reduction of the maximum weekly benefit
  - Continued the $3 reduction in all weekly benefit amounts
- L.D. 2230 in 1998
  - Continued the .4% surtax for 1999
  - Forced tax schedule P for 1999
  - Continued the 6% reduction of the maximum weekly benefit
  - Continued the $3 reduction in all weekly benefit amounts

WHY IS THERE A SOLVENCY PROBLEM?

- Over the long term, benefit payments exceed tax revenues

- Unemployment benefits increase as wages go up--the maximum weekly benefit amount is a percentage of the state average weekly wage and increases each year

- There is no corresponding increase in unemployment taxes--the taxable wage base has been $7000 since 1983 and we have been at the highest tax schedule for 6 of the last 7 years

TAXABLE WAGE BASE

- Maine has had a taxable wage base of $7,000 since 1983
- Employers pay unemployment taxes on the first $7,000 of each employee's wages
- 11 states have a $7,000 taxable wage base, other states range from $7,700 to $26,400
- The average taxable wage base is $11,538
  In New England, the average is $10,833
- Increasing the taxable wage base redistributes the tax burden

EMPLOYER'S CONTRIBUTION RATE IN PERCENT OF WAGES

Employer Reserve Ratio		When Reserve Multiple is:															
Equal to or more than	Less than	over 2.50	2.37-2.50	2.23-2.36	2.09-2.22	1.95-2.08	1.81-1.94	1.67-1.80	1.53-1.66	1.39-1.52	1.25-1:38	1.11-1.24	.97-1.10	.83-.96	.68-.82	.45-.67	under .45
		SCHEDULES															
Column A		A	B	C	D.	E	F	G	H	I	J	K	L	M	N	O	P
19.0%	and over	0.5%	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.4%
18.0%	19.0%	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.5%
17.0%	18.0%	0.7%	0.8%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.6%
16.0%	17.0%	0.8%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.7%
15.0%	16.0%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.8%
14.0%	15.0%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.9%
13.0%	14.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	3.0%
12.0%	13.0%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	3.1%
11.0%	12.0%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	3.2%
10.0%	11.0%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	3.3%
9.0%	10.0%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.4%
8.0%	9.0%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.5%
7.0%	8.0%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.6%
6.0%	7.0%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.7%
5.0%	6.0%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.8%
4.0%	5.0%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.9%
3.0%	4.0%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	4.1%
2.0%	3.0%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	4.3%
1.0%	2.0%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.5%
.0%	1.0%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.7%
-1.0%	.0%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.9%
-2.0%	-1.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	5.0%
-3.0%	-2.0%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	5.1%
-4.0%	-3.0%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	5.2%
-5.0%	-4.0%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	5.3%
-6.0%	-5.0%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.4%
-7.0%	-6.0%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.5%
-8.0%	-7.0%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.6%
-9.0%	-8.0%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	5.7%
-10.0%	-9.0%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.9%
-11.0%	-10.0%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	6.1%
-12.0%	-11.0%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	5.7%	5.8%	6.3%
under	-12.0%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.5%	6.6%	6.7%	6.8%	6.9%	7.0%	7.5%

TAX RATE TABLE

- The Tax Rate Table has 16 tax schedules (columns) each with 33 tax rates (rows)

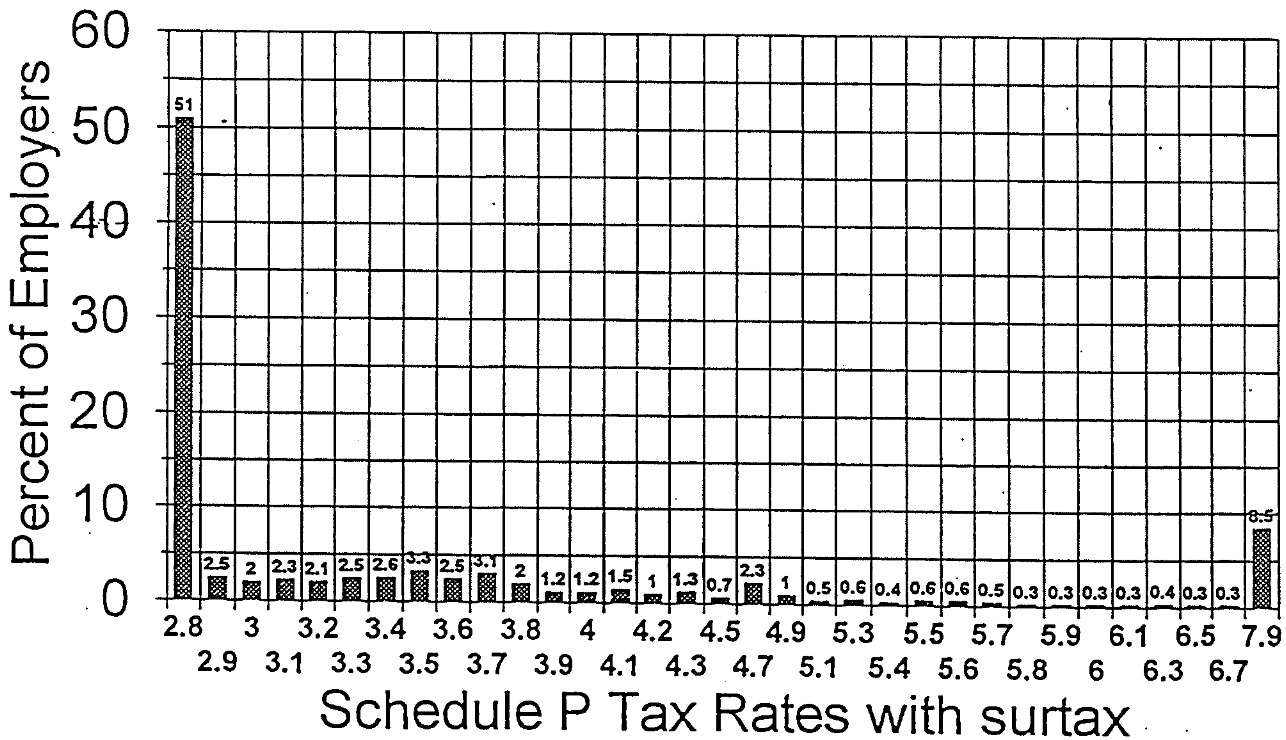
- A formula determines the Tax Schedule to be in effect for a tax year

- An employer is assigned to a row of the Tax Rate Table based on their experience with the unemployment system

- 51% of employers have the lowest tax rate
  8.5% have the highest tax rate
  40.5% are spread throughout the remaining 31 tax rates

Maine

Distribution of Employers by Tax Rate



EMPLOYER RESERVE RATIO

$$\frac{\text{Taxes Paid} - \text{Benefits Charged}}{\text{Average Annual Payroll for Last 3 Years}}$$

SURTAXES

- Surtaxes have been in effect since 1993
- For 1998 the surtax is .4%
- In 1997 the .4% surtax generated revenue of $13 million
- For employers with the lowest tax rate of 2.4%, the .4% surtax represents a 17% tax increase
- For employers with the highest tax rate of 7.5%, the .4% surtax represents a 5% tax increase

ARRAY SYSTEM

- An "Array" tax system would distribute employers across 20 tax rate categories with taxable wages spread equally among these categories

- An employer's experience with the unemployment system determines where it lands in this distribution

- There is no tax rate table. The set of tax rates for a year are determined by formulas that calculate the tax rates needed to generate the amount of revenue required.

- An Array system would redistribute the tax burden

WAGE QUALIFYING REQUIREMENTS

- An individual must earn a minimum amount of wages during our qualifying period to be potentially eligible for benefits
- Today the regular qualifying period is 4/1/97 to 3/31/98
- You must have earned at least $2827.62 during this entire period and at least $942.54 in each of 2 calendar quarters
- If you did not earn this amount you may try an alternate qualifying period of 7/1/97 to 6/30/98
- For an individual earning minimum wage, these earning requirements are equivalent to 550 hours during the entire period and 183 hours during each of 2 calendar quarters

WEEKLY BENEFIT AMOUNT CALCULATION

- An individual's weekly benefit amount is their highest quarter of wages divided by 22 up to a set maximum

- For individuals not limited by the maximum, their weekly benefit amount replaces 59% of their wages from their highest-quarter of earnings

- Since 1995, all weekly benefit amounts have been reduced by $3. This reduction lowers the wage replacement rate.

- Individuals who receive the maximum weekly amount have less than 59% of their high quarter wages replaced

High Quarter Wages	Weekly Benefit Amount
$ 942.54 - 945.99	$ 39
$1166.00 - 1187.99	$ 50
$1716.00 - 1737.99	$ 75
$2266.00 - 2287.99	$100
$2816.00 - 2837.99	$125
$3366.00 - 3387.99	$150
$3916.00 - 3937.99	$175
$4466.00 - 4487.99	$200
$5060.00 and over	$227

MAXIMUM WEEKLY BENEFIT AMOUNT

- The maximum weekly benefit amount is set each year at 52% of the prior year's average weekly wage

- Since 1995 the maximum weekly benefit amount has been reduced by 6%

- The maximum weekly benefit amount is currently $227

- An individual earning the 1997 average weekly wage of $471.27 would qualify for the maximum weekly benefit amount of $227. This benefit would replace 48% of their wages.

TOTAL BENEFITS AVAILABLE

- There is a limit on the total amount of unemployment benefits an individual can receive in their one year benefit period

- The total amount that an individual can receive is 1/3 of their qualifying period wages but no more than 26 times their weekly amount

- An individual who qualified for maximum weekly and total benefits would have a weekly amount of $227 and a total amount of $5902

DEPENDENCY ALLOWANCES

- An additional payment of $10 per dependent child is payable each week to individuals who are the primary support of the child and whose spouses are not employed full time

- 12 states pay dependency allowances including 4 New England states

- Dependency allowances totalled $2 million in 1997

DISLOCATED WORKER BENEFITS

- An additional 26 weeks of benefits is available to individuals who are dislocated workers and are attending approved training

- Dislocated Worker Benefits totalled $3 million in 1997

ATTACHMENT #5

Information from the 1998 Solvency Forums

This attachment contains comments made and questions asked by individuals who attended the Solvency Forums held by the Department of Labor in August and September of 1998. The views expressed do not necessarily represent the opinions or position of the Department of Labor on this issue.

Portland
August 13, 1998

ATTENDANCE

2 Senators, 1 employer representative, 3 client advocates

SUMMARY

Concerns about the number of people who receive benefits and the amount of those benefits.

Concerns with balance between having too much or too little reserves in the Fund.

COMMENTS AND QUESTIONS

Have to find balance between being too prudent and too risky with respect to the level of the Fund.

Benefit cuts haven't been restored.

We're obviously not putting enough in Fund.

What is a moderate recession of moderate length?

Our benefit and tax systems are out of whack.

Bangor
August 18, 1998

ATTENDANCE

1 Senator, 4 Representatives, 1 employer, 3 client advocates

SUMMARY

Concerns about the impact of higher contributions on employers.

Concerns about individuals who are not able to collect benefits.

Concerns about attendance at forums.

1 participant suggested an employee tax for higher wage workers.

COMMENTS AND QUESTIONS

What is effect of Array by county?

Array system is good.

Does a higher wage base help with wage replacement?

How many other states use array?

Have benefits gone up in recent years?

Are there other tax systems to review besides array?

Employers have to pay taxes on employees who will never qualify for benefits. Examples are students and part time employees.

Is array what DOL supports? Does it adversely affect any particular industry?

One problem is that some individuals don't apply for training until they have exhausted regular benefits.

People fall through the cracks--not eligible if quit due to transportation or child care or if part time.

What is the new employer contribution rate?

These meetings were supposed to be for employers and there are no employers here.

How did you advertise the forums?

What comments have you had?

Are there any voluntary supplemental unemployment systems?

Maybe higher wage employees could contribute via an employee tax.

Does it make sense to use the highest 3 years in the last 20 to determine how many months of benefits we need in the Fund?

When will we have the next recession?

Will there be more part time workers laid off in the next recession?

Have other states used general funds?

Is the IRS pushing a higher wage base?

Are there any attempts to figure the impact of proposed changes on individual employers?

There's $6 million in uncollected contributions due from employers.

Lewiston
August 20, 1998

ATTENDANCE

4 Representatives, 1 client advocate, 1 former client, 2 members of the media

SUMMARY

1 participant was very concerned about the impact of higher taxes and wanted to know why the state surplus wasn't being used for this problem.

Concerns about the groups of workers who are not receiving benefits in the system.

Former client stated that it was hard to get by on her benefits.

COMMENTS AND QUESTIONS

Why isn't the state surplus being used to deal with fund solvency?

Are loans taken out by DOL or the State of Maine?

What committee handles solvency bills?

Can we assume a continuation of the temporary solvency measures?

How much do contributions go up for each $1000 increase in taxable wage base?

How many states have the array system?

Who is not eligible for benefits?

How are seasonal and temporary employees treated?

What are other eligibility criteria?

It was hard to live on the benefits I received--had been hard to live on my limited wages too.

Rumford
August 24, 1998

ATTENDANCE

1 Senator

SUMMARY

Detailed explanation of issue to Senator.

COMMENTS AND QUESTIONS

Array system might be good even if it means some changes in the distribution of the contribution burden.

Do other states index the taxable wage base?

Augusta
August 25, 1998

ATTENDANCE

5 Representatives, 6 employers, 3 employer representatives, 2 client advocates

SUMMARY

Lots of questions.

Some interest in an employee tax.

Concerns about the current system making it too easy to collect benefits.

One employer stated that benefits should not be lowered.

One employer stated that all employers are going to have to address this issue and pay more, but indicated that they would feel better if they knew Department was aggressively enforcing eligibility requirements. Another agreed that employers would respond more favorably to an increase if they knew Department was really looking at how benefits are paid.

Concern that higher reserves in the Fund would generate more expansions of benefits and less incentive to find a job.

Some interest in having tax payments spread throughout the year more evenly.

Some frustrations with people not going back to work fast enough.

COMMENTS AND QUESTIONS

Why are we assuming a recession in the early 2000's?

Why are there so many (33) tax rates? Maine School Management Association's shared cost pool has fewer rates.

Do changes have to be made by rule or statute?

Can the reserve ratio be changed?

Does the array system end up looking more like a bell curve? How long will it take to accumulate reasonable Fund reserves? How long before employers hear about proposed changes?

Have benefits ever been extended?--State EB and Federal programs

Is DWB a one time deal?

When the Federal Government pays money toward benefits does it have to be paid back?

Why don't employees shoulder some of the tax burden? What states have an employee tax? In the states in which employees pay, do they have more of a say in the program?

Why shouldn't new businesses be given rates based on their industry average?

Has anyone brought up the point about how hard it is to prevent someone from collecting benefits?

Can direct reimbursement be changed?

What impact does drawing against the program have?

Who developed the array model?

What is the average duration of benefits? What impact would reducing this average have?

The shift to call centers keeps claimants further from labor market assistance. How is the Department addressing?

Couldn't we redistribute employers over a smaller number of tax rates. Get an array system or tax table that works. Shift the differential between steps because it is too small. Need to consolidate. Schools (Maine School Management Association) do this with 7 rates.

Are other states dealing with this issue? Are there other state solutions we can draw from?

How do we compare with other states with regard to benefits?

Do employers get charged for dependency? DWB?

What is the dollar impact of raising the taxable wage base to $10,000?

Think raising the taxable wage base is unfair because it would target industries that don't use system the most--restaurants use it a lot and don't pay that much.

In general, you can say that employers who pay lower salaries pay a taxes on a higher percentages of their payroll. Simply raising the wage base has a bigger impact on other aspects. Can't just raise wage base and get "x" dollar increase. One solution method won't solve problem.

Who can collect DWB benefits?

Is there a reserve ratio built into the array system? Is this where the policy decision would lie in terms of using an array?

How often does the array system change?

How much money do we need to collect to get to the reserve level we need? Has US DOL given any thought to mandating the number of months of reserves states need to have in the Fund? Are states penalized for not meeting reserve levels?

Would it generate more dollars if employers were liable for taxes from the date wages are paid rather than waiting until $1,500 in wages have been paid?

Will the Department produce any data to publish on the impact on the Fund of the low discharge denial rate?

The discharge denial rate is usually discussed on an "impression" basis. An examination of appeal reversals suggests a different result. Would Department look at this data? Appeals data seems to favor employee at lower level and employer at Commission.

Don't monkey with benefits. $227 doesn't go very far from human standpoint--need to help these people survive. Solvency problem is not a result of benefits; it's a problem with not generating income. Vast majority of people that collect should get benefits; they deserve them.

Didn't have to borrow in early 90's to get through recession.

How many months of benefits in reserve before 90's recession?

All employers are going to have to address this issue. No choice. If employers don't address now Feds will step in. Been in several of these meetings. Cutting on worker side is too emotional. As an employer I know I'll have to pay more. Will not like it but will go on. Would feel better knowing Dept. will be looking at insuring people are paid if justified, i.e., researching low denial rate.

Think employers would accept increase better if they knew agency was really looking at how benefits are paid—address low denial rate and decrease number of weeks paid.

Can tax payments be spread over the year more evenly--employers would find more palatable. Pattern after the way the hospital system does it for Medicaid. What about employers where the first quarter is the slow time?

Which state has the $26,400 wage base and how is their fund?

How is fund invested and what is interest rate?

What is the current unemployment rate? If we just put these folks to work we wouldn't have a problem.

Don't want to give people "space" to find a new job. There is a small percentage of people that see UI as an entitlement. If we collect too much are we setting up a situation where we feel too ready to expand benefits and make them more generous, which doesn't motivate people to get jobs.

We should be doing everything possible to get people back into a job whether it's the best match or not; this will impact fund positively.

There are a number of people who don't file for benefits out of pride or stigma of collecting. Hard to count them but don't forget these people.

Keep in mind that as the unemployment rate goes down the ones left are usually the hardest to place--lack of skills, etc. Benefits provide them help while they gain the skills to get needed jobs.

What did Maine do about Fund reserves and borrowing in recessions prior to 90's?

Can surtax be increased for a few years to build fund back and then be removed?

We're maxed out in terms of what we will get with current system. Raising tax base gives us more flexibility to address fund problem.

Were employers notified of this problem and of these forums?

Kennebunk
September 1, 1998

ATTENDANCE

1 Senator, 3 Representatives, 6 employers, 2 client advocates, 1 reporter

SUMMARY

Concerns about how Maine benefit levels compare to other states.

Concern about the unpredictability of an array system.

Concerns about fraud and uncollected taxes and overpayments.

COMMENTS AND QUESTIONS

How do Maine's benefit levels compare with other states?

How many states have automatic increases in benefits and how do those compare with Maine? How much does the automatic increase cost?

Do any states tie benefit increases directly to tax increases?

How much money would be saved by using an average of the 2 high quarters (or all 4 quarters) for determining the WBA?

How much would reducing benefit levels cost in increases in other programs such as welfare?

The array system seems less predictable than the current tax system and employers like predictability.

The "effective" tax rate based on total wages paid in the system is 1.0%; the changes proposed in last year's legislation would have increased that to 1.2%.

Increase the tax on employees with dependents since they are eligible for higher benefits.

Instead of increasing the tax base above $7000, assess tax on the first $7000 and additional tax on amounts between predetermined levels (example: tax wages between $20K and $24K in addition to the first $7K).

We always look first at raising taxes whenever there is a problem with the UI fund instead of fighting fraud or adjusting the benefit side.

There's always more comparative information of how we relate to other states on tax issues but very little on how benefit levels and eligibility standards relate to other states.

We are always compared to states like Oregon and Wisconsin; let's compare ourselves to NH and Utah.

Can we be more flexible in using our resources against fraud to target particular areas? With all the jobs unfilled in York County now, why is anyone in that county getting an unemployment check?

How many staff work on fraud in York County?

Fraud is rampant in the UI system and the whole system needs to be redesigned.

The system is not responsive to the needs of claimants or particularly employers.

Overpayments and uncollected taxes amount to $13 million; more effort should be put into collecting that before raising taxes.

One employer reporting having no problems with the system either as an employer nor as a claimant in the past. Suggested that improving business practices and decisions would reduce the amount of layoffs.

Caribou
September 3, 1998

ATTENDANCE

4 Representatives

SUMMARY

Extensive discussion of an employee tax--interesting parallels to the Social Security system. Some participants appeared to support the idea of an employee tax while another disagreed on the basis that many individuals have a hard time making ends meet now

Concerns that higher reserves in the Fund would generate more expansions of benefits and higher costs.

One participant was very interested in the cost of benefit expansions that have occurred in the past.

COMMENTS AND QUESTIONS

How many months of benefits were in the Fund in 1996?

Are other States in debt to Federal Government?

Is Maine in debt to the Federal Government?

What interest rate does the Federal Government charge for borrowing?

Is there a limit to the amount a state can borrow?

What would you recommend relative to the $7,000 taxable wage base?

Have we changed the law since 1960 about the payment of benefits?

Were there extended benefits in the early 90's and who paid for them?

Has there ever been a study to determine if the benefit amount matches up to claimant costs?

Has there been discussion about taxing employees?

Why is the employer responsible for the employee when he is out of work? The employer should have some responsibility, however, not all the responsibility.

Social Security originally was paid all by the employer--copied Sweden.

Common sense for both the employer and the employee to pay a percentage.

If the employee paid some they would have some ownership in the fund.

Would be helpful to have a table of cost of average benefits over the years and cost of legislative changes.

Government is giving away benefits and the employer is paying.

Would the array system create a situation where the tax rates swing up and down from year to year?

If the fund reserve is increased then the Legislature will take it away in the form of higher benefits. If our back is to the wall then they cannot give it away.

Is the fund an interest bearing account?

Is DWB just for Maine workers?

What does moderate length mean?

If the Fund won't build to 12 months until 2000, then for 1999 there needs to be a tax by Legislature.

Are there other states that compare with Maine solvency situation and have they come up with any solutions?

Machias
September 4, 1998

ATTENDANCE

1 Senator, 1 Representative, 1 member of the public

SUMMARY

Some interest in an automatic escalator in the taxable wage base.

Concerns about the impact of tax changes on seasonal businesses and the overall impact on business.

Discussion about how to improve attendance--daytime and evening meetings, mailing to employers, local media.

COMMENTS AND QUESTIONS

Are benefits based on need?

What are the tax rates?

The $7,000 wage base has been in effect since the 80's.

How are the fund dollars invested?

What is the unemployment rate?

Why is the fund diminishing in a good economy?

Why wasn't an escalator factor included in the legislation in 1983 that raised the taxable wage base to $7,000?

Need to educate legislators and the public to sell this package.

Was hard to find out about the forums.

Put issue on cable access channel.

Seasonality impacts the tax rate for some industries.

Businesses that make really bad decisions and go out of business no longer contribute financial support to the Fund.

Can there be a break for seasonality?

Is the rate recalculated annually?

Is it true that on average UC replaces approximately 39% of individuals' weekly wages?

You need to get feedback from employers who are paying the bill.

Compared array system redistribution of tax burden to a revaluation and tax increase in property tax in the same year--very confusing to people.

If we raise more revenue than anticipated, could we then cut back?

Does anyone crunch the numbers about the impact on society when a person exhausts benefits?

We need to consider the political ramifications of increasing yet another tax.

Look at UI as an investment to provide bridge between jobs.

Are there statistics on how many people have collected benefits multiple times?

Focus on finding the fairest way to achieve solvency.

Maybe proposed changes can include assistance that can benefit businesses in another way to offset the financial impact of the solvency proposal.

Content interviews with local press prior to forum might be beneficial.

Get on morning shows (Voice of Maine) and announce meetings

Is there a regional breakout of the use of the unemployment system by county--%, $, etc.?

ATTACHMENT #6

Information from Meetings with Employer and Client Organizations and Advocates

This attachment contains comments made and questions asked by individuals who were present at meetings attended by DOL staff to discuss the solvency of the Unemployment Compensation Fund. The views expressed do not necessarily represent the opinions or position of the Department of Labor on this issue.

Meetings with Employer and Client Advocates/Groups

6/1/98 Maine Chamber Human Resources Committee

Misconduct standard too hard for employers to meet, consider changing, problems with misconduct standard mostly issues with poor performance or attendance; not worth the $$ for attorney to pursue, participants will think about how to soften statute

Deal with issue of "too easy to collect"--why should employers pay more into a fund when benefits are draining out the other end

Concerns with impact on "good, full-time, high wage" employers being disproportionately affected by a raise in the wage base

They will convene a sub-committee to review the solvency issue in more depth

8/17/98 Maine Chamber Subcommittee on Solvency

Easier to react to scenarios/projections on solvency than to discuss the issue conceptually

Issues with paying people who shouldn't get paid, discharges, winters in Florida, these are perception issues with employers who will be asked to pay more

They are working on misconduct language

Temporary agencies are frustrated with being charged for benefits if they lay off someone after 5 weeks because base period wages were earned with other employers.

Employers fear that a healthy Fund would lead to benefit expansions and are concerned that Government is expecting employers to take over welfare

Some discussion of the merits of a percentage surcharge rather than a flat one

Suggest examples to illustrate impact on various employers

9/8/98 Maine Innkeepers Board Meeting

Concerns about effect on employers of taxable wage base change

Concerns about misconduct

Why are people collecting UI at the same time that seasonal businesses are having trouble finding workers?

Consider the problems of seasonal industries

Low rate businesses don't get enough of a rate break

Community driven "zero unemployment rate" project--Mahominy, MI

Seasonal industries would benefit from higher wage base and more spread in rates

Create incentives to keep people working year round

9/9/98 Lewiston/Auburn Chamber Business Advocacy Committee

Prefer a system that does not self adjust--Legislature should have to act to raise taxes

Wage base fairness issues

Should compare benefit levels among states

Can local catastrophic unemployment be dealt with differently and paid for out of general taxes rather than just employer taxes? Is "planned unemployment" a conscious act or an evolved culture; maybe make employers start over with the $7000 wage base if there is a layoff during the year, i.e., pay on the first $7000 earned before layoff and start over at 0 when return to work after layoff

9/10/98 Maine Association of Interdependent Neighborhoods (MAIN) Board Meeting

System is not providing sufficient benefits to unemployed workers; Workers Comp was cut too; need the help when out of work; benefits are not sufficient; shift cost back to employers

Should not put benefit cuts on table; people can't get by now; MAIN cannot support cuts

Frame debate as paying for basic needs

Changing work force
- Dual jobs--lose one and can't get UI because still have second job
- Seasonal workers
- School employees
- Downsizing of higher income workers
- Part time workers

Need more job developers and they should get performance pay/commissions; better connection with vocational schools, better programs; total assessment of individual's needs including DHS and Rehab; people need help; need referrals to other sources of help

Raise taxable wage base and add automatic escalator

Benefits should not be cut because this problem was not addressed sooner

Employee Tax
- Would rather pay when working in order to have benefits when unemployed
- Nominal tax--maybe only have employee tax if income is over a certain amount
- Increased right to benefits if pay employee tax--guaranteed benefits

Tax employers based on size, behavior, profits

Create optional unemployment system for self-employed; safety net systems for the self employed and home based workers

9/15/98 Portland Chamber Public Policy Committee

Presented material and answered questions.

9/17/98 Briefing for MSEA Representative

Suggested a limit on amount taxes could go up or down if implementing an array system.

ATTACHMENT #7

PROPOSED LEGISLATION

Draft Legislation Submitted by the Department of Labor Pursuant to Public Law 1997, chapter 745

An Act to Address the Solvency of the Unemployment Compensation Fund

DRAFT

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 26 MRSA §1043, sub-§19, ¶A, is amended to read:

A. For purposes of section 1221, the term "wages" shall not include that part of remuneration which after remuneration equal to $3,000 through December 31, 1971, $4,200 through December 31, 1977, $6,000 through December 31, 1982, ~~and on and after January 1, 1983, that part of remuneration equal to~~ $7,000 through December 31, 1999, and on and after January 1, 2000, that part of remuneration equal to $12,000 has been paid in a calendar year to an individual by an employer or his predecessor with respect to employment during any calendar year, is paid to the individual by the employer during that calendar year, unless that part of the remuneration is subject to a tax under a federal law imposing a tax against which credit may be taken for contributions required to be paid into a state unemployment fund. The wages of an individual for employment with an employer shall be subject to this exception whether earned in this State or any other state when the employer-employee relationship is between the same legal entities;

Sec. 2. 26 MRSA §1043, sub-§23, is amended to read:

23. Misconduct. "Misconduct" means ~~conduct evincing such willful or wanton disregard of an employer's interests as is found in deliberate violations or disregard of standards of behavior which the employer has a right to expect of his employee, or in carelessness or negligence of such degree or recurrence as to manifest equal culpability, wrongful intent or evil design, or to show an intentional and substantial disregard of the employer's interests or of the employee's duties and obligations to his employer.~~ any act or omission by an employee that constitutes a material breach of the employee's duties or obligations to the employer that adversely affects a material or substantial interest of the employer. Misconduct includes, but is not limited to, the following:

A. Refusal, knowing failure, or recurring neglect to perform reasonable and proper duties assigned by the employer;

B. Violation of any rule of conduct, safety rule, or other rule in any way related to the employment that is reasonably imposed and communicated by the employer or that can be reasonably implied from the type of employment or through common knowledge where the violation of the rule was unreasonable;

C. Repeated failure to exercise due care for punctuality or attendance where warnings have been received from the employer;

D. Falsification of employment applications or other written documents relating to obtaining or retaining employment;

E. Intoxication or the use of illegal drugs on the employer's premises or when reporting to work;

F. Frequent absences, sleeping on the employer's premises, or inability to perform the employment due to intoxication or the after effects of intoxication or illegal drug use;

G. Insubordination, disobedience, or refusal to follow reasonable and proper instructions given by the employer without good cause;

H. Abusive language, assault on another employee, or fighting;

I. Intentional or negligent destruction of the employer's property;

J. Dishonesty, falsification of time records or work records, or theft of the employer's property;

K. Untruthfulness related to the job that could substantially injure or jeopardize the employer's interest;

L. Conduct substantially endangering the safety of the employee, coworkers, customers, or bystanders; or

M. Conviction of a felony or misdemeanor in connection with the employment or absence from work for more than two workdays due to incarceration for conviction of a felony or misdemeanor.

Misconduct does not include failure to perform employment duties satisfactorily if the employee made a good faith effort to perform the duties but was simply unable to do so, absenteeism caused by the illness of the employee or an immediate family member and the employee notified the employer as to the reason for the absence and complied with the employer's notification rules and policies, or actions taken by the employee that were necessary to protect the employee or an immediate family member from domestic violence and the employee made all reasonable efforts to preserve the employment.

Sec. 3. 26 MRSA §1051, sub-§7, is amended to read:

7. Limitation on recovery. Deduction from benefits that may be or may become payable to an individual as provided for in subsection 5 shall be limited to not more than ~~10%~~ 50% of any weekly benefit payment otherwise due the claimant.

Sec. 4. 26 MRSA §1051, sub-§9, is enacted to read:

9. Interest on overpayments. Benefit payments owed to the commissioner bear interest at the rate of 1.0% per month or fraction of a month. Interest shall accrue on any balance that remains unpaid one year after the first of the month following the date the determination establishing the benefit overpayment becomes final until payment plus accrued interest is received by the bureau. Except, if the benefit overpayment was established in a determination rendered under section 1193, sub-section 6, interest shall accrue from the first of the month following the date the determination establishing the benefit overpayment becomes final until payment plus accrued interest is received by the bureau.

Sec. 5. 26 MRSA §1051, sub-§10, is enacted to read:

10. Application of benefit repayments. Amounts received through any means to repay benefit payments owed to the commissioner shall be applied first to any outstanding penalties, second to any outstanding interest, and third to any benefit payments owed to the commissioner.

Sec. 6. 26 MRSA §1164 is amended to read:

§1164. Special Administrative Expense Fund.

The special Administrative Expense Fund, as heretofore created, is a special fund in the State Treasury. All interest, fines and penalties collected under this chapter, together with any voluntary contributions tendered as a contribution to this fund, must be paid into this fund. The money may not be expended or available for expenditure in any manner which would permit its substitution for or a corresponding reduction in federal funds which would in the absence of that money be available to finance expenditures for the administration of the Employment Security Law. Nothing in this section may prevent the money from being used as a revolving fund to cover expenditures, necessary and proper under the law, for which federal funds have been duly requested but not yet received, subject to the charging of those expenditures against those funds when received. The money in this fund must be used by the commissioner either for the payment of costs of administration which are found not to have been properly and validly chargeable against federal grants or other funds received for or in the Employment Security Administration Fund on or after January 1, 1943, to finance the Maine Wage Assurance Fund established in section 632; ~~or~~ for the payment of costs of administering chapter 26, for which federal funds are not available, <u>or to fund activities that will improve the solvency of the Unemployment Compensation Fund,</u> except that on or before June 30, 1991, the Commissioner of Labor is authorized to transfer $100,000 of this fund to General Fund undedicated revenues. The money must be available either to satisfy the obligations incurred by the bureau directly or by requesting the Treasurer of State to transfer the required amount from the Special Administrative Expense Fund to the Employment Security Administration fund or the Maine Wage Assurance Fund. The Treasurer of State shall upon receipt of a written request of the commissioner make any such transfer. The commissioner shall give notice to the commission prior to any expenditures from this fund. The commissioner shall order the transfer of the funds or the payment of any such obligation and the funds must be paid by the Treasurer of State on requisitions drawn by the commissioner directing the State Controller to issue the State Controller's warrant therefor. Any such warrant must be drawn by the State Controller based upon bills of particulars and vouchers certified by an officer or employee designated by the commissioner. The money in this fund is specifically made available to replace, within a reasonable time, any money received by this State pursuant to section 302 of the Federal Social Security Act as amended, which because of any action or contingency, has been lost or has been expended for purposes other than, or in amounts in excess of, those necessary for the proper administration of the Employment Security Law. The money in this fund must be continuously available to the commissioner for expenditure in accordance with this section and may not lapse at any time or be transferred to any other fund except as provided. Any money in the Special Administrative Expense Fund may be used to make refunds of interest, penalties or fines erroneously collected and deposited in the Special Administrative Expense Fund. On June 30th of each year all money in excess of $100,000 in this fund must be transferred to the Unemployment Compensation Fund, except that on June 30, 1986, all money in excess of $100,000 in this fund must be placed in a Dislocated Workers Fund to be used in fiscal year 1986-87 to provide training and supportive services for persons displaced from employment by imports in accordance with chapter 26. Eligibility for assistance is not related to an individual's income or resources.

Sec. 7. 26 MRSA §1191, sub-§2, is amended to read:

2. Weekly benefit amount for total unemployment. Each eligible individual establishing a benefit year on or after October 1, 1983 and before January 1, 2000 who is totally unemployed in any week must be paid with respect to that week benefits equal to 1/22 of the wages, rounded to the nearest lower full dollar amount, paid to that individual in the high quarter of the base period, but not less than $12. Each eligible individual establishing a benefit year on or after January 1, 2000 who is totally unemployed in any week must be paid with respect to that week benefits equal to 1/22 of the average of the wages, rounded to the nearest lower full dollar amount, paid to that individual in the two highest quarters of the base period. The maximum weekly benefit amount for claimants requesting insured status determination beginning October 1, 1983 and thereafter from June 1st of a calendar year to May 31st of the next calendar year may not exceed 52% of the annual average weekly wage, rounded to the nearest lower full dollar amount, paid in the calendar year preceding June 1st of that calendar year. No increase in the maximum weekly benefit amount may occur for the period from June 1, 1992 to October 28, 1995. For the periods from October 29, 1995 to May 31, 1997 and from September 28, 1997 to December 31, 1999, the maximum weekly benefit amount is limited to 94% of the amount calculated previously in this subsection, rounded to the nearest lower full dollar amount. For claimants requesting insured status determination on or after April 1, 1993 and before January 1, 1995, the weekly benefit amount must be the amount determined by this subsection minus $6. For claimants requesting insured status determination on or after April 1, 1995 and before January 1, 2000, the weekly benefit amount must be the amount determined by this subsection minus $3.

Sec. 8. 26 MRSA §1193, sub-§6, is amended to read:

6. Has falsified. For any week for which the deputy finds that the claimant made a false statement or representation knowing it to be false or knowingly fails to disclose a material fact in ~~his~~ the claimant's application to obtain benefits~~, and in~~. In addition, the claimant shall be ineligible to receive any benefits for a period of not less than 6 months nor more than one year from the mailing date of the determination, and the commissioner shall assess a penalty of 50% of the benefits falsely obtained for the first occurrence, 75% for the second occurrence, and 100% for the third and any subsequent occurrences. ;

Sec. 9. 26 MRSA §1194, sub-§2, is amended to read:

2. Determination. A representative designated by the commissioner, and in this chapter referred to as a deputy, shall promptly examine the first claim filed by a claimant in each benefit year and shall determine the weekly benefit amount and maximum benefit amount potentially payable to the claimant during that benefit year in accordance with section 1192, subsection 5.

The deputy shall promptly examine all subsequent claims filed and, on the basis of facts, shall determine whether or not that claim is valid with respect to sections 1192 and 1193, other than section 1192, subsection 5, or shall refer that claim or any question involved therein to the Division of Administrative Hearings or to the commission, which shall make a determination with respect thereto in accordance with the procedure described in subsection 3, except that in any case in which the payment or denial of benefits will be subject to section 1193, subsection 4, the deputy shall promptly transmit a report with respect to that subsection to the Director of Unemployment Compensation upon the basis of which the director shall notify appropriate deputies as to the applicability of that subsection.

The deputy shall determine in accordance with section 1221, subsection 3, paragraph A, the proper employer's experience rating record, if any, against which benefits of an eligible individual shall be charged, if and when paid.

The deputy shall promptly notify the claimant and any other interested party of the determinations and reasons therefor. Subject to subsection 11, unless the claimant or any such interested party, within 15 calendar days after that notification was mailed to his last known address, files an appeal from that determination, that determination shall be final, provided that the period within which an appeal may be filed may be extended, for a period not to exceed an additional 15 calendar days, for good cause shown. If new evidence or pertinent facts that would alter that determination become known to the deputy prior to the date that determination becomes final, a redetermination is authorized, but that redetermination must be mailed before the original determination becomes final.

If an employer's separation report for an employee is not received by the office specified thereon within 10 days after that report was requested, the claim shall be adjudicated on the basis of information at hand. If the employer's separation report containing possible disqualifying information is received after the 10-day period and the claimant is denied benefits by a revised deputy's decision, benefits paid prior to the date of the revised decision shall not constitute an overpayment of benefits. Any benefits paid after the date of the revised decision shall constitute an overpayment.

If an employer files an amended separation report or otherwise raises a new issue as to the employee's eligibility or changes the wages or weeks used in determining benefits which results in a denial of benefits or a reduction of the weekly benefit amount, the benefits paid prior tot he date the determination is mailed shall not constitute an overpayment. Any benefits received after that date to which the claimant is not entitled pursuant to a new determination based on that new employer information shall constitute an overpayment.

If, during the period a claimant is receiving benefits, new information or a new issue arises concerning the claimant's eligibility or which affects the claimant's weekly benefit amount, no benefits may be withheld <u>for more than 14 days</u> until a determination is made on the issue. Before a determination is made, written notice shall be mailed to the claimant and other interested parties, which shall include the issue to be decided, the law upon which it is based, any factual allegations known to the bureau, the right to a fact-finding interview, the date and location of the scheduled interview and the conduct of the interview and appeal. The fact-finding interview shall be scheduled not less than 5 days nor more than 14 days after the notice is mailed. The bureau shall include in the notice a statement notifying the claimant that any benefits paid prior to the determination may be an overpayment under applicable law and recoverable by the bureau if it is later determined that the claimant was not entitled to the benefits. If the claimant does not appear for the scheduled interview, the deputy shall make a determination on the basis of available evidence. The deputy shall make a prompt determination of the issue based solely on any written statements of interested parties filed with the bureau before the interview, together with the evidence presented by interested parties who personally appeared at the interview. Upon request and notice to all parties at the interview, the deputy may accept corroborative documentary evidence after the interview. In no other case may the deputy base a decision on evidence received after the interview has been held.

A. This subsection does not apply when the claimant reports that, in the week claimed:

(1) The claimant worked and reports a specific amount of earnings for that work;

(2) The claimant worked and had earnings from that work, but does not furnish the amount of earnings;

(3) The claimant was not able or available for work for a specific portion of the week and there is sufficient information for the deputy to determine that the inability or unavailability for work was for good cause; or

(4) The claimant received a specific amount of other remuneration as described in section 1193, subsection 5.

~~**B.** The commissioner shall notify all claimants when a weekly claim is filed that they must provide an estimate of their earnings if they do not know the actual amount and, if no estimate is provided, benefits will be withheld pending receipt of that information. Benefits shall be paid on the basis of the estimate provided until actual information is available.~~

Sec. 10. 26 MRSA §1221, sub-§4-A, is enacted to read:

4-A. Employer's experience classifications after January 1, 2000. On and after January 1, 2000, the commissioner shall compute annually contribution rates for each employer based on the employer's own experience rating record and shall designate a schedule and planned yield.

A. The standard rate of contributions is 5.4%. A contributing employer's rate may not be varied from the standard rate, unless the employer's experience rating record has been chargeable with benefits throughout the 24-consecutive-calendar-month period ending on the computation date applicable to such a year. A contributing employer newly subject to this chapter shall pay contributions at a rate equal to the predetermined yield until the employer's experience rating record has been chargeable with benefits throughout the 24-consecutive-calendar-month period ending on the computation date applicable to such a year. For rate years thereafter, the employer's contribution rate is determined in accordance with this subsection and subsection 3.

B. Subject to paragraph A, an employer's contribution rate for the 12-month period commencing January 1st of each year is based upon the employer's experience rating record and determined from the employer's reserve ratio. The employer's reserve ratio is the percent obtained by dividing the amount, if any, by which the employer's contributions credited from the time the employer first or most recently became an employer, whichever date is later, and up to and including June 30th of the preceding year, including any part of the employer's contributions due for that year paid on or before July 31st of that year, exceed the employer's benefits charged during the same period, by the employer's average annual payroll for the 36-consecutive-month period ending June 30th of the preceding year. The employer's contribution rate is determined under subparagraphs (1) to (7).

(1) The commissioner shall prepare a schedule listing all employers for whom a reserve ratio has been computed pursuant to this paragraph, in the order of their reserve ratios, beginning with the highest ratio. For each employer, the schedule must show:

(a) The amount of the employer's reserve ratio;

(b) The amount of the employer's annual taxable payroll; and

(c) A cumulative total consisting of the amount of the employer's annual taxable payroll plus the amount of the annual taxable payrolls of all other employers preceding the employer on the list.

(2) The commissioner shall segregate employers into contribution categories in accordance with the cumulative totals under subparagraph (1), division (c). The contribution category is determined by the cumulative payroll percentage limits in column B. Each contribution category is identified by the contribution category number in column A that is opposite the figures in column B, which represent the percentage limits of each contribution category. If an employer's taxable payroll falls in more than one contribution category, the employer must be assigned to the lower-numbered contribution category, except that an employer may not be assigned to a higher contribution category than is assigned any other employer with the same reserve ratio.

A	B		C	D	E
Contribution	% of Taxable Payrolls		Experience	Phase-in Experience Factors	
Category	From	To	Factors	2002 & 2003	2000 & 2001
1	00.00	05.00	.30	.38750	.4750
2	05.01	10.00	.35	.43125	.5125
3	10.01	15.00	.40	.47500	.5500
4	15.01	20.00	.45	.51875	.5875
5	20.01	25.00	.50	.56250	.6250
6	25.01	30.00	.55	.60625	.6625
7	30.01	35.00	.60	.65000	.7000
8	35.01	40.00	.65	.69375	.7375
9	40.01	45.00	.70	.73750	.7750
10	45.01	50.00	.75	.78125	.8125
11	50.01	55.00	.80	.82500	.8500
12	55.01	60.00	.90	.91250	.9250
13	60.01	65.00	1.00	1.00000	1.0000
14	65.01	70.00	1.10	1.08750	1.0750
15	70.01	75.00	1.25	1.21875	1.1875
16	75.01	80.00	1.40	1.35000	1.3000
17	80.01	85.00	1.60	1.52500	1.4500
18	85.01	90.00	1.90	1.78750	1.6750
19	90.01	95.00	2.20	2.05000	1.9000
20	95.01	100.00	2.60	2.40000	2.2000

(3) The commissioner shall compute a reserve multiple to determine the schedule and planned yield in effect for a rate year. The reserve multiple is determined by dividing the fund reserve ratio by the average benefit cost rate. The determination date is October 31st of each calendar year. The schedule and planned yield that apply for the 12-month period commencing every January 1st are shown on the line of the following table that corresponds with the applicable reserve multiple in column A except that a planned yield of 1.21% must be in effect for the 12-month periods commencing January 1, 2000, January 1, 2001, January 1, 2002, January 1, 2003, and January 1, 2004.

A Reserve Multiple	B Schedule	C Planned Yield
1.50 and Over	A	0.8%
1.25 - 1.49	B	1.0%
1.00 - 1.24	C	1.2%
.75 - .99	D	1.4%
.50 - .74	E	1.6%
Under .50	F	1.8%

(4) The commissioner shall compute the predetermined yield by multiplying the ratio of total wages to taxable wages for the preceding calendar year by the planned yield.

(5) The commissioner shall determine the contribution rates effective for a rate year by multiplying the predetermined yield by the experience factors for each contribution category. Contribution category 20 in the table in subparagraph (2) must be assigned a contribution rate of at least 5.4%. The employer's experience factor is the number shown in column C in the table in subparagraph (2) that corresponds with the employer's contribution category in column A except that the experience factors in column E shall be used to determine the contribution rates for rate years 2000 and 2001 and those in column D shall be used for rate years 2002 and 2003.

(6) If, subsequent to the assignment of contribution rates for a rate year, the reserve ratio of an employer is recomputed and changed, the employer must be placed in the position on the schedule prepared pursuant to subparagraph (1) that the employer would have occupied had the corrected reserve ratio been shown on the schedule. The altered position on the schedule does not affect the position of any other employer.

(7) In computing the contribution rates, only the wages reported by employers liable for payment of contributions into the fund and net benefits paid that are charged to an employer's experience rating record or to the fund are considered in the computation of the average benefit cost rate and the ratio of total wages to taxable wages.

C. The commissioner shall:

(1) Promptly notify each employer of the employer's rate of contributions as determined for the 12-month period commencing January 1st of each year. The determination is conclusive and binding upon the employer unless within 30 days after notice of the determination is mailed to the employer's last known address or, in the absence of mailing, within 30 days after the delivery of the notice, the employer files an application for review and redetermination, setting forth the employer's reasons. If the commission grants the review, the employer must be promptly notified and must be granted an opportunity for a hearing. An employer does not have standing in any proceedings involving the employer's rate of contributions or contribution liability to contest the chargeability to the employer's experience

rating record of any benefits paid in accordance with a determination, redetermination or decision pursuant to section 1194, except upon the ground that the services for which benefits were found to be chargeable did not constitute services performed in employment for the employer and only when the employer was not a party to the determination, redetermination or decision or to any other proceedings under this chapter in which the character of the services was determined. The employer must be promptly notified of the commission's denial of the employer's application or the commission's redetermination, both of which are subject to appeal pursuant to Title 5, chapter 375, subchapter VII; and

(2) Provide each employer at least monthly with a notification of benefits paid and chargeable to the employer's experience rating record. In the absence of an application for redetermination filed in the manner and within the period prescribed by the commission, a notification is conclusive and binding upon the employer for all purposes. A redetermination made after notice and opportunity for hearing and the commission's findings of fact may be introduced in subsequent administrative or judicial proceedings involving the determination of the rate of contributions of an employer for the 12-month period commencing January 1st of any year and is entitled to the same finality as is provided in this section with respect to the findings of fact made by the commission in proceedings to redetermine the contribution rates of an employer.

Sec. 11. 26 MRSA §1221, sub-§6, is amended to read:

6. Definitions. The following ~~words~~ terms, as used in this section, ~~shall~~ have the following meanings, unless the context ~~already requires~~ otherwise indicates.

A. "Computation date" ~~shall be~~ is June 30th of each calendar year, and the reserve ratio of each employer ~~entitled to this section shall be~~ is determined by the commissioner as of that date.

B. "Effective date" ~~shall be~~ means the date on which the new rates ~~shall~~ become effective and ~~shall be~~ is January 1st of each calendar year.

C. "Fund reserve ratio" means the percentage obtained by dividing the net balance available for benefits payments as of September 30th of each calendar year by the total wages for the preceding calendar year.

D. "Cost rate" means the percentage obtained by dividing net benefits paid for a calendar year by the total wages for the same period.

E. ~~Net balance available for benefit payments.~~ "Net balance available for benefit payments" means the sum of the balance in the trust fund, the benefit fund~~,~~ and the clearing account after adjustment for outstanding checks~~,~~ and adjustment for funds in transit between either of ~~said~~ the funds or ~~said~~ the account.

F. "Rate year" ~~shall be~~ is the 12-month period commencing January 1st of each year.

G. "Reserve multiple" is a measure of the fund reserve ~~which~~ that expresses the current fund reserve ratio as a multiple of the composite cost rate. The reserve multiple ~~shall~~ must be rounded to 2 decimal places. For rate years that begin on and after January 1, 2000, the "reserve multiple" is a measure of the fund reserve that expresses the current fund reserve ratio as a multiple of the average benefit cost rate.

H. "Total wages" means the aggregate total wages paid in Maine for a calendar year in covered employment by contributing employers, as reported on employer contribution reports.

I. "Composite ~~Cost Rate~~ cost rate" means the arithmetic average of the annual cost rates for the last 15 completed calendar years multiplied by a factor of 1.95; either the resulting composite rate ~~shall apply~~ applies for the reserve multiple calculation or the rate of 2.20, whichever is greater; but in no case ~~will~~ may a composite cost rate higher than 2.83 apply.

J. "Average benefit cost rate" means the percentage obtained by averaging the 3 highest cost rates for the last 20 completed calendar years preceding the computation date. The rate is rounded down to the nearest 0.1%.

K. "Planned yield" is the percentage of total wages determined by the reserve multiple for the rate year in accordance with the table in subsection 4-A, paragraph B, subparagraph (3).

L. "Ratio of total wages to taxable wages" is the factor obtained by dividing total wages for the preceding calendar year by taxable wages for the same period, except that a ratio of total wages to taxable wage wages equal to 2.4 shall be used to determine the contribution rates effective for rate year 2000 and a ratio equal to 2.5 shall be used to determine the contribution rates effective for rate year 2001.

M. "Predetermined yield" is determined by multiplying the ratio of total wages to taxable wages by the planned yield. The predetermined yield is rounded up to the nearest 0.01% and is the calculated average contribution rate for the rate year.

N. "Experience factors" means the weights in subsection 4-A, paragraph B, subparagraph (2) assigned to the contribution categories and used to calculate the contribution rates.

O. "Contributions credited" means the contributions credited to the experience rating record of an employer as provided in subsection 3, including all contributions due and paid on or before July 31st following the computation date.

P. "Benefits charged" means the benefits paid and charged against the experience rating record of an employer as provided in subsection 3, including all benefits paid and charged on or before the computation date.

Sec. 12. 26 MRSA §1225, sub-§1-A, is enacted to read:

1-A. Liability of employer and certain individuals. The liability for contributions or fees and the interest or penalties due on contributions is enforceable by assessment and collection, in the manner prescribed in this Section, against the employer and against any officer, director, or member of that employer who, in that capacity, is responsible for the control or management of the funds or finances of that employer or is responsible for the payment of that employer's contributions.

Sec. 13. 26 MRSA §1225, sub-§1-B, is enacted to read:

1-B. Responsible individual. Each employer liable for contributions shall inform the commissioner, or the commissioner's duly authorized representative, at the time an audit of that employer's account is performed, of the name and position of the individual who generally is responsible for the control or management of that employer's funds or finances and, if different, the individual who is specifically responsible for the collection and paying over of those contributions.

Sec. 14. 26 MRSA §1233, is enacted to read:

§ 1233. Collection by levy on third parties

1. Notice of Levy. If an employer fails to pay any part of the contribution, interest, or penalties due under this chapter, the Director of Unemployment Compensation may notify by mail a third party who has possession or control of property in which the delinquent employer may have an interest; or may be indebted to the delinquent employer for, other than earnings.

A. A notice under this section may be given any time after the amount due under Title 26 becomes delinquent. The notice must state the aggregate amount of contributions, penalties, interest, or other amounts due, and any additional amount that will accrue by operation of law in a period not to exceed the computation ending date of the month in which the notice is given, and, in the case of a credit, bank, or savings account or deposit, is effective only up to that amount.

2. Notification and freezing of assets. Upon receipt of a notice provided under this section, the person receiving the notice:

A. Shall advise the Director not later than twenty (20) calendar days after the date the notice was sent of any property belonging to the delinquent employer that is possessed or controlled by the person receiving the notice and of any debt owed by the person receiving the notice to the delinquent employer, except earnings; and

B. May not transfer or dispose of the property or debt possessed, controlled, or owed by the person receiving the notice as of the time the person received the notice during the sixty (60) calendar day period after the date the notice was sent.

C. A notice under this section that attempts to prohibit the transfer or disposition of any property possessed or controlled by a bank is effective if it is mailed to the principal or any branch office of the bank, including any office of the bank at which the deposit is carried or the credit or property is held.

D. A person who has received a notice under this section and who transfers or disposes of any property or debt in a manner that violates this section is liable to the Director for the amount of the indebtedness of the delinquent person with respect to whose obligation the notice was given to the extent of the value of that property or debt.

3. Levy on property. At any time during the sixty (60) calendar day period described in this section, the Director may levy on the property or debt by delivery of a notice of levy. Upon receipt of the levy notice, the person possessing the property or debt shall transfer the property to the Director or pay to the Director the amount owed to the delinquent employer.

4. Effect of levy. A notice is effective:

A. At the time of delivery against all property, rights to property, credits, and debts involving the delinquent employer that are not, as of the date of the notice, subject to a preexisting lien, attachment garnishment, or execution issued through a judicial process; and

B. Against all property, rights to property, credits, and debts involving the delinquent employer that come into the possession or control of the person served with the notice within the sixty (60) calendar day period described in this section.

C. A person acting in accordance with the terms of the notice of freeze or levy issued by the Director is discharged from any obligation or liability to the delinquent employer with respect to the affected property, rights to property, credits, and debts of the person affected by compliance with the notice of freeze or levy.

5. Property subject to levy. The delinquent employer property subject to levy includes:

A. A credit, bank, or savings account or deposit that is subject to execution pursuant to Section 4751 of Title 14; or

B. Any other interest or personal property that is not exempt from attachment or execution pursuant to Sections 4421 through 4426 of Title 14.