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# **MAINE** **DEPARTMENT OF** **LABOR**

**Report to the Maine 122<sup>nd</sup> Legislature  
Joint Standing Committee on Labor**

**Examination of the  
Maine Unemployment Insurance Tax Array System**

**March 2006**

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## **I. Executive Summary**

In response to a request from the Joint Standing Committee on Labor of the One Hundred and Twenty- Second Legislature, the Department of Labor conducted an analysis of how wage base adjustments impact solvency and equity of the Maine Unemployment Insurance Trust Fund. In a letter dated March 22, 2005 to Commissioner of Labor, Laura A. Fortman; Senate Chair Ethan Strimling and House Chair William J. Smith stated as the primary reason for the study that:

“the Committee believes, however, that the question of whether the wage base for the unemployment insurance system should be adjusted, or whether the unemployment insurance tax formula should be adjusted in some other way to achieve greater equity is worthy of further study.”

### **A. Summary of major findings:**

- The current system is working as it was intended by ensuring the maintenance of trust balances while avoiding volatility in contribution rates for employers.
- The adoption of 5-year or annual adjustments to the taxable wage base would not significantly impact or improve the solvency of the Maine unemployment insurance trust fund over the projected performance of the current Tax Array system.
- There is some evidence that the imposition of wage base indexing would help trust balances recover slightly faster after the experience of an economic downturn.
- The adoption of wage base indexing would redistribute some of the tax burden from lower wage to higher wage employers and thus achieve some improvement in equity for Maine's unemployment insurance financing system.
- Wage base indexing would likely have some indeterminate effect by shifting some employers with negative reserve ratios into a higher tax category faster. More elaborate modeling is needed to more precisely identify how and where these impacts would occur.

### **B. Department Recommendation:**

- Based on the results of this analysis, it is not entirely clear to us at this time that the imposition of wage base indexing would significantly impact or resolve equity concerns ensuring that all employers pay their fair share. We recommend further study to examine these issues at greater depth using sophisticated modeling techniques that incorporate more refined information about reserve ratios by industry type and firm size classification.

A more detailed summation of the issue studied, the study methodology used and the study findings follows.

## **II. Study Charge**

- During the first session of the 122<sup>nd</sup> Legislature, the Joint Standing Committee on Labor voted "Ought Not to Pass" on LD 156, "An Act to Adjust the Wage Base for the Unemployment Compensation System." This bill proposed adding an indexing factor to the taxable wage base to increase it at regular intervals thus keeping the system in better line with inflation and hopefully, to create a more equitable spread of taxes across high and low wage employers.
- The bill as proposed would have created an unanticipated adverse impact by collecting more taxes than were needed at certain times. Additionally, the interval placement between automatic increases caused significant spikes in taxes each time a scheduled taxable wage increase was to occur.
- The sponsor of the bill requested that the Committee vote "Ought Not to Pass." The Committee agreed but felt that the question as to whether the wage base for the unemployment insurance tax system should be adjusted, or whether the unemployment tax formula should be revised is some other way to create greater equity was worthy of further study.
- In a letter dated March 22, 2005, the Standing Committee on Labor requested that the Department of Labor examine the current unemployment tax system design to determine whether a potential problem existed with regard to the taxable wage base and equity in tax allocation and if so, define the scope of the issue and make a recommendation as to how best to address the issue.
- The following is a report of the department's evaluation and findings.

### III. Overview of Maine Unemployment Insurance Tax Systems

#### A. Maine Unemployment Trust Fund Solvency

The Unemployment Compensation Program has two major components: collection of unemployment taxes 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 taxes paid by employers are the "premiums" that fund the "insurance" benefits paid to unemployed workers.

##### 1. Solvency History:

- The solvency of the Maine Unemployment Trust Fund had been an issue since the last high unemployment period in the early 1990's. Legislation was enacted 4 times (1993, 1995, 1997 & 1998) to increase contributions and decrease benefits as temporary measures to prevent the need to borrow to pay benefits and to try to accumulate some reserves in the fund.
- The consequences of having insufficient fund reserves during a high period of unemployment are higher taxes and/or lower benefits during the high unemployment period and/or borrowing to pay benefits and incurring interest charges. Additionally, increasing taxes or cutting benefits during high unemployment periods dampens the ability of the unemployment program to help stabilize the economy and slows economic recovery.
- The Maine Unemployment Tax System in place during this period had 16 tax rate schedules that theoretically should have self-adjusted to attain adequate trust fund reserves but had not. The highest tax schedule had been in effect for 18 of the 26 years it had operated (from 1974 to 1999). Additionally in some years, lower tax schedules became effective even though adequate reserve levels had not been reached.
- By the early to mid 1990's, it had become very apparent that the tax system in place was seriously flawed to the point that it was not salvageable and serious action was needed to keep the trust fund from becoming totally insolvent.
  - Benefit reserves had dropped to **6.8 months** of benefits at the end of 1996 making Maine **the 9<sup>th</sup> weakest** trust fund balance in the nation and the 3<sup>rd</sup> weakest in New England. The national average was 13.4 months of benefits.
  - Maine had to **borrow \$3.2 million** in a cash-flow loan to pay for benefits in 1993. Additional need for borrowing to pay benefits was projected to occur in 2002 (**\$36.5 million**), 2003 (**\$52.0 million**), 2004 (**\$55.6 million**) and 2005 (**\$53.4 million**). These were projected to be interest-bearing loans.
  - Maine had the **8<sup>th</sup> highest average UI tax rate on taxable wages** in the nation and the 4<sup>th</sup> highest rate in New England – attributable in part to Maine's low taxable wage base and the low reserves in the trust fund.
  - Maine had the **14<sup>th</sup> highest average UI tax rate on total wages** in the nation and the 4<sup>th</sup> highest rate in New England.

- 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 met the needs of the changing workforce. This Commission issued Majority and Minority Reports, including draft legislation in 1998.
- In 1998, the solvency issue was debated by the 118<sup>th</sup> Legislature which passed a bill extending the temporary solvency measures and directing the Department of Labor to report to the first Regular Session of the 119<sup>th</sup> Legislature with recommendations and proposed legislation for changes to the unemployment tax system that would address the solvency problems in a more permanent manner.

## **B. New Maine Unemployment Tax Array System**

- During the first session of the 119<sup>th</sup> Legislature, legislation was enacted to address the long-term solvency of the Unemployment Compensation Fund. This legislation essentially overhauled the entire unemployment tax system and included changes to unemployment benefits and eligibility, an increase in the taxable wage base from \$7,000 to \$12,000, and the implementation of an array system to set contribution rates for employers.
- During the second session of the 119<sup>th</sup> Legislature, legislation was enacted to implement the methodology by which the array system would determine the total contributions to be payable for a calendar year. This is done through the setting of the planned yield for each calendar year and is a major driver of the unemployment contribution array system.
- **Planned Yield:** the planned yield is expressed as a percentage of total wages. For example, if the planned yield is 1.1% and total wages are \$12 billion, then contributions are set at \$132 million. To determine the methodology for setting the planned yield, the Department of Labor developed and analyzed 16 different options, each of which were modeled over six different economic scenarios for the following decade.
- The performance of each of the planned yield options was evaluated with respect to Fund balance levels experienced, the need for interest bearing loans, and the variance in the planned yield and contribution levels during the economic cycle. Each option's ability to cap the balance in the Fund was also tested.
- For the first year, the planned yield was initially set by law using the existing tax rate on total wages. Additionally for the first two years, the law set an estimation of the ratio of total wages to taxable wages to adjust for the changes made to the taxable wage base. This brought about an insurgence of funds into the trust fund to bring it back to a viable, solvent level.
- **Benefit Reserves:** Unemployment trust funds are established to pay currently needed unemployment benefit payments and to ensure that enough reserves are maintained to continue funding unemployment benefits when unemployment levels increase. Ideally, the amount of benefit reserves a state strives to maintain should be at a level that would sustain the system during increased unemployment periods without having to dramatically increase unemployment taxes during poor economic times. Additionally, the ratio of taxes collected to pay for current benefits and for maintaining benefit reserves should be such that limits any major fluctuations in overall tax rates from year to year.

- After extensive study and analysis of different benefit reserve caps, the Legislature established a benefit reserve cap of 20 to 21 months of benefit reserves (20 to 21 months of benefit reserves using the average of the highest 3 benefit payout years over the past 20 years) during the second session of the 119<sup>th</sup> Legislature.

1. Solvency Recovery under the New Tax Array System:

- Initially, recovery was expected to take significantly longer than it actually did and employer taxes were projected to remain at much higher levels for a protracted period of time. However, due to lower than anticipated unemployment levels which held for a longer period of time and the receipt of a federal Reed Act Distribution of approximately \$32.5 million in 2002; unemployment tax rates were dropped to the lowest tax schedule A in 2003 and remained at that schedule in 2004. Even today unemployment tax rates are in the second lowest rate schedule (B) for the second year in a row.
- The new unemployment tax array system implemented by the Legislature in 1999 and 2000 has successfully restored the solvency of the Maine unemployment trust fund and established a level of stability to the system that had never been experienced in the Maine Unemployment Insurance Program. Maine now has one of the most stable Unemployment Trust Funds in the nation and its Tax Array System is being held up as a model to other states that are struggling with trust fund solvency in their own systems. As of the end of 2005:
  - **Six** years after the initial implementation of the new Unemployment Tax Array system, the Maine Unemployment Trust fund has gone from a critically low reserve balance of **under 7 months** of benefits to a consistently maintained **19 to 21 months** of benefit reserves.
  - Maine has **moved** from having the **9<sup>th</sup> weakest** trust fund balance to the **6<sup>th</sup> most stable** trust fund balance in the nation.
  - A number of states have had to borrow money to pay benefits over the past several years – many of them for multiple years running. The burden of loan and interest payback will rest on the employers of those states in addition to increased taxes to try and regain trust fund solvency. **23 states** currently have 6 months or less of benefit reserves which places them in jeopardy of having to borrow within a year. In 1998, Maine was forecasted to be one of these states. **Today, Maine is no longer in danger of having to borrow.**
  - Maine has **dropped** from the **8<sup>th</sup> highest** to the **43rd lowest average UI tax rate on taxable wages** in the nation.
  - Maine has **dropped** from the **14<sup>th</sup> highest** to the **34th lowest average UI tax rate on total wages** in the nation.

C. How the Unemployment Tax Array System Works

- Employers pay unemployment taxes on the first **\$12,000** of each employee's wages. This is the "taxable wage base."



- The Array System sets contribution rates for employers based largely on their experience with the Unemployment Insurance Program (i.e. benefits paid to employees separating from their businesses). Employers' contribution rates for **2006** at Schedule B range from **0.53% to 5.40%** (5.4% is the lowest maximum rate allowed under federal law). The amount of taxes paid by an employer and the amount of benefits charged against their account are tracked over the years and used to determine the employer's unemployment tax rate.
- Technical explanation of tax rates:
  - Every year the "reserve ratio" for each employer is computed which is then used in determining the contribution rate category for that employer. The "reserve ratio" is computed as:

$$\frac{[\text{Contributions Paid} - \text{Benefit Charges}]}{\text{Average Taxable Payroll for the last 3 years}}$$

- All employers are then "arrayed" into a list in descending order by their "reserve ratios." The employers are then divided into 20 categories with approximately the same amount of taxable wages in each category.
- These 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" for **2006** is **0.7%**. This establishes the revenue for rate year 2006 as 0.7% of the total wages projected to be paid by Maine employers during that year.
- The "predetermined yield" is then computed. It is the average contribution rate needed to generate an amount of revenue equal to 0.7% of projected total wages. (This step is necessary because only the first \$12,000 of each employee's wages is subject to unemployment contributions.)
- The contribution rates for the 20 categories are computed by multiplying the "predetermined yield" by the "experience factors" for each category. The lowest rate for **2006** is **0.53%** and the highest is **5.40%**.

#### IV. 'Set' versus 'Indexed' Taxable Wage Base

- In a constant taxable wage base system, tax rates increase to keep pace with the growth in wages. Indexed taxable wage base systems allow the tax rates to decrease or remain the same while still collecting the *same* percentage of total wages depending on the contribution rate schedule in effect.
- Maine's Unemployment Tax System is designed to collect a percentage of Total Wages. It is a fixed or constant taxable wage base system that uses the Ratio of Total Wages to Taxable Wages to adjust the unemployment tax rates to keep pace with the growth in wages.

##### A. Taxable Wage Base

- The statutory changes made by the 119<sup>th</sup> Legislature established the taxable wage base in Maine at \$12,000. This means that employers pay unemployment taxes on the first \$12,000 paid to each employee. Taxable wage bases vary widely in state unemployment insurance programs across the country:
  - 10 states have a \$7,000 taxable wage base, the minimum allowable under federal law
  - 12 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 \$20,000
  - 11 states are between \$20,400 and \$32,300
  - The average taxable wage base for the United States is \$11,066
- New England taxable wage bases:

○ Connecticut	\$15,000
○ Maine	\$12,000
○ Massachusetts	\$14,000
○ New Hampshire	\$ 8,000
○ Rhode Island	\$16,000
○ Vermont	\$ 8,000

  - The average taxable wage base for New England is \$12,167
- Unemployment Benefits are payable based on wages exceeding the taxable wage base. Currently, an individual working full time at minimum wage earns \$13,520 a year. To qualify for maximum benefits (\$313 a week), an individual must have an average of the two highest quarter (in the base period) wages of at least \$6,886 and total base period wages of at least \$24,414. The current total maximum benefit amount is \$8,138.
- Taxable wage base amounts and Equity: Whatever amount the taxable wage base is set at, employers whose employees annually earn an amount equal to or less than the taxable wage base amount will be paying unemployment taxes on a larger proportion of their total wages than do employers whose employees annually earn more than the taxable wage.
- In Maine, this would mean that employers whose employees annually earn \$12,000 or less are paying unemployment taxes on a larger proportion of their total wages than do those employers whose employees earn more than \$12,000 annually. Raising the taxable wage

base changes the ratio of unemployment taxes to total wages and thus causes shifts in some of the unemployment tax burden.

## B. Indexing

- When referring to unemployment insurance financing systems, indexing is the automatic adjustment of taxable wage bases in conjunction with growth in wages.
- Advocates of indexing taxable wage bases argue that this provides a stronger financing foundation for the state's unemployment insurance program. Automatically raising taxable wage bases gives states the ability to replenish their trust funds more quickly. Additionally, indexing the yearly adjustment of state taxable wage base helps state trust funds keep pace with the growth in wages.
- Opponents of base wage indexing argue that raising taxable wages is nothing more than an automatically recurring tax hike.
- Indexing can be a way to keep unemployment insurance program financing in line with a growth in benefits. Wages grow each year and as a result, benefit amounts grow as well. A low taxable wage base means that the state must finance higher benefit payments on a narrower portion of its overall wages, which can result in increasing tension between benefit levels and revenue-generating capacity over time.
- A low taxable wage base makes the unemployment insurance tax a regressive tax. Employers pay the tax on the full amount paid to workers making less than the taxable wage base but not on amounts paid in excess of the taxable wage base. As a result, employers of workers with higher earnings are taxed at a fraction of their total wages. Employers of workers with low wages therefore pay a higher real unemployment insurance tax.

	<u>Employer A</u>	<u>Employer B</u>
Total Wages (per worker)	\$10,000	\$50,000
Taxable Wages	\$10,000	\$12,000
Tax Rate (2006 ave rate)	1.78%	1.78%
Taxes Due	\$178.00	\$213.60
Percent of Total Wages	1.78%	0.40%
Weekly Benefit Amount	\$113.00	\$313.00

- Indexed taxable wage bases are found in 16 states (HI, WA, OR, ID, NV, MT, UT, OK, ND, NM, MN, IO, NC and NJ). Iowa and Hawaii index their wages bases at 100% of state average wages while North Carolina and Oklahoma do so at 50% of average wages.
- In 2003, all states with taxable wage bases over \$15,000 used indexing. None of the 31 states with taxable wage bases at \$10,000 or below used indexing.
- Research suggests that raising the taxable wage base will have a minimal impact on employment levels and labor costs. According to a 1995 U.S. Department of Labor study, the impact of raising the taxable wage base from \$7,000 to \$14,000 would have a minimal effect on employment levels. This is partly because increases in the taxable wage base would result in reductions in unemployment tax rates (since more overall revenue is collected, lower rate schedules are needed to maintain targeted trust fund solvency levels).

## **V. Study Methodology**

### **A. Key Considerations of the Current Tax Array System:**

- The current Unemployment Insurance Tax Array System was structured to achieve ongoing trust fund solvency by automatically adjusting revenue to accommodate changes in the employer base, labor force, benefit levels, or Trust Fund balance. Particular emphasis was given during the re-design with regard to how much the State needed to collect to pay for benefits. Benefit Cost Rates from 1969 to 1999 were reviewed under 5, 10, 15, 20, 25, & 30 year averages. The rates ranged from 0.68 to 2.84 percent of total wages. The 10-year average of approximately 1.25 percent of total wages was the most consistent from 1988 to 1999 under benefit conditions in place at that time.
- When changes in benefits are proposed that effect the number of people eligible as well as provide for changes in dollar amount of benefits, maximum amount or duration of benefits payable, a review must to be conducted by the Department of Labor under 26 MRSA §1190 to assess the impact of the proposed change to trust fund solvency, costs and employer and claimant populations. Impacts assessed include:
  - Total change in cost to the unemployment compensation trust fund;
  - Future impact on the planned yield adjustment and the experience rating records of employers, sorted by size and industry;
  - Review of the impact of a proposed benefit change on recipient groups, including an analysis by gender, income levels and geographic distribution; and
  - Any other information that the bureau considers appropriate to assist the Legislature in deciding on the proposed benefit change.
- To ensure system stability and reduce economic burden for employers during high unemployment periods, contribution schedules are set in statute to adjust for changes in the economy. The lowest contribution schedules are used to restrict growth in the Trust Fund after reserves reach the 20 to 21 month cap. The highest contribution schedule is set at 1.3 percent of total wages. This is slightly higher than the 10-year average. Even though benefit cost rates can be higher, rates are set to allow employers time to recover from an economic downturn over several years (rather than in a one-year period) to soften the impact on employers while not cutting benefits during an economic downturn.
- Additionally, the tax array system is designed to provide stability in the contribution rates year to year while trust fund reserves are accumulating. Under the current system, Schedule F sets contributions at 1.1 percent of total wages when reserves are between 6 months and 18 months of benefits. This allows reserves to build one to two months a year during an economic recovery while maintaining stability in the contribution rates. This also allows employers the ability to readily project their unemployment taxes for the future.

### **B. Study Model Used:**

- Standard analytical models for assessing policy change to Maine's unemployment insurance system were used in this study. The model is designed to project the impact of a policy change 10 years ahead under varying assumptions of economic conditions.
- Impacts on key elements of the unemployment insurance financing system were assessed under three economic scenarios including benefits paid, contributions received and interest

earned. With these varying assumptions, the impact on trust fund levels, contribution rate schedules and trust fund recovery periods were calculated to assess the magnitude of impacts and how adjustments occur over time.

- It is important to note that these are **not** predictions in changes to the economy. This model is designed to assist policymakers in making decisions related to the unemployment insurance system by evaluating the scope of risk of any potential change in benefits and contributions under varying assumptions about economic conditions.
- The study is broken down into four components:
  1. Review of the Array System under Current Law (10-year projection)
  2. Analysis of proposal under LD 156
  3. Current system with additional indexing variations
  4. Analysis of employer equity under current system

### C. Study Findings

Our findings from these modeling efforts are summarized below (detailed tables are provided in an appendix to this report):

#### 1. Review of the Array System Under Current Law (10-yr projection):

We took the current system of unemployment insurance financing in Maine and simply projected ten years ahead how changes in key factors (benefits paid, contributions received and interest earned) impact trust balances, contribution rate schedules and recovery times under the three economic scenarios. We relied on the Consensus Economic Forecasting Commission (CEFC) reports for the Maine economic outlook. Our projections were made under assumptions that included:

- Low Unemployment (2.4 Insured Unemployment Rate)
- Moderate Unemployment (4.0-5.0 Insured Unemployment Rate)
- High Unemployment (6.5 Insured Unemployed Rate)

The model also includes assumptions about the following (Tables A-D in Appendix):

- Employment Growth
- Wage Growth
- Interest Earnings Rates for the Trust Fund

Results of the analysis are found in Tables 2, 3, and 4 of the Appendix. Table 1 has actual financial data for Maine's Unemployment Insurance system from 1991 – 2004.

#### *Findings:*

- With an assumption of *current* and continued low unemployment, the Maine UI Trust Fund remains healthy and continues to meet the federal standards for reserve amounts.
- Under *current* conditions, contribution rate schedules would remain at the second to lowest contribution schedule through 2006; move up a couple of levels between 2007

and 2011; and move back to lowest contribution levels after 2013, fully maintaining needed reserve levels.

- If we assume changes to the conditions of Maine's economy and assume *higher* levels of unemployment, we would begin to see an erosion of Maine's unemployment insurance trust fund beginning in 2007. This would require us to move to the 6<sup>th</sup> highest contribution rate schedule and remain there through 2015. This is consistent with the design of the system to maintain stability.
- Should we experience *significantly higher* levels of unemployment (similar to those of the early 1990's), trust fund balances would erode further, requiring the imposition of the seventh and eighth highest contribution rate schedules through 2015 to return trust fund balances to recommended levels while tempering employer impacts.

2. Analysis of Proposal under LD 156: (Indexing taxable wage base every 5 years without subsequent adjustments to account for increases in the wage base)

We analyzed the initial legislative proposal under LD 156 that called for increasing the taxable wage base every 5 years. We modeled two separate methods of fully incorporating wage base adjustments. Under the first method, we assumed a change in the wage base without any corresponding adjustments to contribution rates. Under the second method, we assumed a change in the wage base and corresponding adjustments to contribution rates. We employed previously referenced economic assumptions to make 10-year projections so that comparisons can be made to current law. Results of the analysis are reported in Tables 5, 6, and 7 with no adjustments, and 8, 9 and 10 with adjustments.

*Method 1 Findings (Change in wage base without adjustments to contribution rates):*

- Under an initial assumption of low unemployment, trust fund balances would continue to grow and be maintained at healthy levels, resulting in the lowest contribution rate schedule over the last three years. This is entirely consistent with what occurs under the current system when projected over the same period.
- Since the taxable wage base is increased under an indexing model, the net effect of adopting wage base indexing every five years leads to slightly higher trust fund balances as additional revenues are collected. Similar effects occur under moderate and high unemployment assumptions with comparable effects on trust fund levels.
- Without any adjustment to the ratio of total wages to taxable wages, the first two years of the wage base change will cause contribution rates to be pushed upwards and thus result in an over-collection of revenues. This comes about as tax rates are set for a lower wage base.

*Method 2 Findings (Change in wage base with adjustments in the first two years):*

- The impacts on trust fund levels are entirely consistent with those shown earlier in the review of the array system under current law. However, there is a discernable difference in the contributions received during the first two years of a wage base change and the adjustment would eliminate a tendency to over-collect revenues during this period.

### 3. Current System with Additional Indexing Variations:

We formulated additional simulations by indexing the wage base annually and by phasing in an annual adjustment to get to 50 percent of the Annual Average State Wage in 5 years starting from 2007. The \$12,000 wage base was approximately 50 percent of the Annual Average State Wage in effect for 2000. As we did in modeling the LD 156 proposal, we first assumed a change in wage base without any corresponding adjustments to contribution rates. Next, we assumed a change in the wage base and corresponding adjustments to contribution rates under the standard economic assumptions. Results of the analysis are reported in Tables 11, 12, and 13 with no adjustments; and in Tables 14, 15, and 16 with adjustments. Tables 17, 18, and 19 show the projected taxable wage base, projected average contribution rate, and projected contribution schedule under the current law and the analysis of the four options for indexing the taxable wage base. Each table compares the projected taxable wage base, average contribution rate, and contribution schedule under the low, moderate, and high unemployment assumptions.

*Method 1 Findings (Annual Wage Base Indexing with no adjustments to contribution rates while phasing in to percent of average annual wage over 5 years in increments of \$1500 dollars.):*

- Under the low unemployment scenario, this change would result in slightly higher levels of contributions received along with growth in trust fund levels and over time, move to the lowest contribution rate schedule.
- Similar effects can be seen under moderate and high unemployment scenarios suggesting that wage base indexing might be associated with faster recovery towards solvency in times of economic downturn. As in the analysis of LD 156, without adjustment to the ratio of total wages to taxable wages during the first two years, contribution rates will be pushed upwards and thus over-collect revenues.

*Method 2 Findings (Annual Wage Base Indexing with adjustments to contribution rates & indexing taxable wage base every year with estimated ratio of total wages to taxable wages for two years starting 2007 while phasing in to percent of annual average wage):*

- The outcomes under these conditions are almost entirely consistent with Method 1 findings above. However, the tendency in evidence under Method 1 to over-collect during the first two years is eliminated and a smoother revenue collection is achieved. By applying the adjustment over 5 years, the tendency for over-collection would be moderated.

### 4. Analysis of Employer Equity under Current System:

We were asked to analyze whether the current unemployment insurance financing system treated employers equitably. For the tax year 2005, we examined Employers' Reserve Ratios (a critical performance factor for experience-rated systems). An employer's reserves are determined by looking at all the contributions paid, minus the benefits charged to the account since inception of the account. The average taxable wages over the past three years is divided into the ending excess to determine the reserve ratio.

These reserve ratios are sorted from the highest to lowest. The taxable wages are split into 20 categories with approximately five percent of taxable wages in each group. The most positive ratios have the lowest contribution rates and are designated as "one". The highest contribution rate category has employers with the most negative reserve ratios and is designated as "twenty". Tables 20, 21, and 22 report average reserve ratios for each contribution category by

major industry classification and firm size. Table 23 shows the change in the average annual wage by major industry classification from 2000 to 2004.

The resulting tables help us to analyze how employers in various industry groups and size classification perform under the Maine array system used to assign experience ratings.

*Findings (Assessing equity in the Unemployment Insurance financing system by examining the incidence of negative reserve ratios by major industry groups and employer size):*

- Using employer reserve ratios for major industry groups for rate year 2005, our analysis data showed that three major industry groups, including natural resource industries (40%), construction (31%) and transportation and warehousing (22%), reported the highest proportion of all the employers in that industry group with negative balances. The incidence of negative balances ranged from a low of 3.8 percent for education and health services to high of 40 percent for natural resource industries. The mean for all industries was 13.8 percent.
- When we examine all employers with negative reserve ratios in rate year 2005, we find that construction (31%), professional and business services (13%) and leisure and hospitality (12%) are among the industry groups with the highest percent of negative reserve ratios. The percent of negative reserve ratios among all employer groups with negative reserve ratios ranged from a low of 0.1 percent for utilities to high of 31 percent for construction.
- Our analysis indicates that industry groups with negative reserve ratios are not evenly distributed when examined for employers by size of firm. While construction reported negative reserve ratios across all establishments; not surprisingly, the firms with the highest negative reserve ratios were those with more than 250 employees. For natural resources and mining, however, negative reserve ratios are reported for smaller employers including those with 0-4 employees, 5-9 employees and 10-19 employees. Employers with more than 250 employees reported positive reserve ratios. (Data tables 20, 21, 22, and 24 that support these findings are in the Appendix of this report)

#### **D. Study Summary and Recommendation**

The analysis conducted of the current Unemployment Tax Array System demonstrated that it is a sound system that is working as it was intended by its designers at ensuring a secure level of trust fund reserves for paying unemployment benefits during fluctuating economic times while at the same time avoiding volatility in unemployment tax rates for Maine employers. Although the adoption of annual or incremental indexing to the taxable wage base would possibly enable the trust fund to recover slightly faster after an economic downturn, it does not appear that it would significantly improve the solvency of the unemployment trust fund over the performance of the existing system that does not contain indexing.

Wage base indexing would redistribute some of the current tax burden from lower wage to higher wage employers thus providing some improvement in equitable distribution of unemployment taxes among employers. However, wage indexing appears unlikely to significantly address equity issues associated with moving employers with negative reserve ratios into higher tax categories at a faster rate. As it is not entirely clear at this time whether wage base indexing would resolve equity concerns that all employers pay their fair share of unemployment taxes, the department recommends that we study this issue at a greater depth using more sophisticated modeling techniques that incorporate more refined information about reserve ratios by industry type and firm size classifications.



# **Appendix**

TABLE 1

Maine Unemployment Insurance Financial Information  
 Actual Data for 1991 - 2004  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate %	Current Law							
		Benefits Paid	Contributions Received	Reed Act Distribution	Reed Act Disbursement	Interest Earned	Trust Fund		Contribution Rate Schedule**
							Balance	Months of Benefits	
1991	6.5%	\$179.9	\$66.8	--	--	\$12.3	\$76.0	5.2	--
1992	4.7	136.4	86.4	--	--	4.5	31.0	1.9	--
1993	3.3	96.1	113.5	--	--	2.4	50.8*	3.1	--
1994	3.5	106.8	124.0	--	--	3.6	71.9	4.2	--
1995	3.4	101.5	116.4	--	--	5.4	92.5	5.1	--
1996	3.3	103.1	115.0	--	--	6.6	111.1	6.7	--
1997	2.8	92.8	106.0	--	--	7.6	131.9	7.4	--
1998	2.4	82.6	121.6	--	--	9.8	182.0	10.6	--
1999	2.2	79.1	128.5	--	--	13.2	246.2	13.4	--
2000	1.9	74.1	141.1	--	--	17.6	332.7	17.1	F
2001	2.2	98.1	142.1	--	--	22.9	401.4	19.9	F
2002	2.7	119.0	104.6	\$32.5	--	26.9	447.3	21.9	C
2003	2.7	124.2	82.6	--	\$0.3	27.0	434.0	20.7	A
2004	2.4	112.2	82.1	--	0.9	25.3	429.7	20.7	A

\* Received a cash-flow loan in March and repaid completely before September.

\*\* New contribution rate schedule effective in 2000.

TABLE 2

Maine Unemployment Insurance Financial Projections  
**Current Law -- Updated Based on Assumed Economic Scenario 1 -- Low Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Current Law						
		Benefits Paid	Contributions Received	Reed Act Disbursement	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	2.4	124.9	99.8	1.9	19.2	436.5	19.3	B
2007	2.4	131.9	117.3	1.9	18.7	438.7	18.5	C
2008	2.4	138.1	139.0	0.8	19.1	458.6	18.3	D
2009	2.4	141.2	147.4	--	21.9	487.4	18.6	D
2010	2.4	148.0	155.7	--	24.8	520.6	19.0	D
2011	2.4	154.7	161.6	--	27.6	555.7	19.4	D
2012	2.4	161.4	134.5	--	29.4	558.4	19.8	B
2013	2.4	168.8	118.4	--	29.7	537.5	23.8	A
2014	2.4	176.7	121.8	--	28.8	511.1	25.6	A
2015	2.4	184.5	127.6	--	27.4	481.2	23.1	A

(1) Insured Unemployment Rate assumptions are based on the Consensus Economic Forecasting Commission Forecast of October 2005.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.

TABLE 3

Maine Unemployment Insurance Financial Projections  
**Current Law --Updated Based on Assumed Economic Scenario 2 -- Moderate Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Current Law						
		Benefits Paid	Contributions Received	Reed Act Disbursement	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	4.0	205.3	98.5	1.9	17.0	352.6	15.8	B
2007	5.0	267.0	153.5	1.9	11.8	239.9	10.3	F
2008	4.0	226.6	169.1	0.8	9.3	190.5	7.7	F
2009	3.5	203.6	178.8	--	8.5	174.1	6.4	F
2010	3.0	183.8	187.5	--	8.6	186.6	6.5	F
2011	3.0	192.2	196.0	--	9.6	200.3	6.7	F
2012	2.5	168.0	204.9	--	11.3	249.2	7.9	F
2013	2.5	175.7	213.8	--	14.2	302.3	10.9	F
2014	2.5	183.9	223.0	--	17.4	359.6	13.2	F
2015	2.5	192.0	233.7	--	20.8	422.8	14.9	F

(1) Insured Unemployment Rate assumptions are based on a light to moderate recession 2007-2008.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.

TABLE 4

Maine Unemployment Insurance Financial Projections  
**Current Law -- Updated Based on Assumed Economic Scenario 3 -- High Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Current Law						
		Benefits Paid	Contributions Received	Reed Act Distribution	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	4.0	205.3	98.5	1.9	17.0	352.6	15.8	B
2007	5.0	267.0	153.5	1.9	13.0	239.9	10.3	F
2008	6.5	359.6	165.5	0.8	6.7	29.7	1.3	F
2009	4.0	231.7	206.6	--	0.9	5.7	0.2	H
2010	3.5	213.5	220.6	--	0.5	13.4	0.4	H
2011	3.5	223.2	231.1	--	0.9	22.3	0.7	H
2012	3.0	200.6	240.8	--	1.7	64.8	1.9	H
2013	3.0	209.7	251.5	--	4.0	111.2	3.4	H
2014	2.5	183.9	245.3	--	7.1	180.7	5.5	G
2015	2.5	192.0	254.9	--	11.0	255.4	7.5	G

(1) Insured Unemployment Rate assumptions are based on a moderate to severe recession 2007-2008. Cash flow loans received 2009-2012.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.



TABLE 5

Maine Unemployment Insurance Financial Projections  
**Option 1 -- Indexing Taxable Wage Base Every Five Years Based on Assumed Economic Scenario 1 -- Low Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase in 2007 to \$14,000 and in 2012 to \$16,000						
		Benefits Paid	Contributions Received	Reed Act Disbursement	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	2.4	124.9	99.8	1.9	19.2	436.5	19.3	B
2007	2.4	131.9	129.0	1.9	19.1	450.8	19.0	C
2008	2.4	138.1	155.4	0.8	20.6	487.9	19.5	D
2009	2.4	141.2	135.0	--	23.8	505.5	19.3	C
2010	2.4	148.0	137.3	--	25.8	520.6	19.0	C
2011	2.4	154.7	159.4	--	27.4	553.3	19.3	D
2012	2.4	161.4	145.8	--	29.8	567.5	20.1	B
2013	2.4	168.8	130.8	--	30.4	559.9	24.8	A
2014	2.4	176.7	123.8	--	29.8	536.8	26.9	A
2015	2.4	184.5	128.3	--	28.4	509.0	24.4	A

(1) Insured Unemployment Rate assumptions are based on the Consensus Economic Forecasting Commission Forecast of October 2005.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.

TABLE 6

Maine Unemployment Insurance Financial Projections  
**Option 1 -- Indexing Taxable Wage Base Every Five Years Based on Assumed Economic Scenario 2 -- Moderate Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase in 2007 to \$14,000 and in 2012 to \$16,000						
		Benefits Paid	Contributions Received	Reed Act Disbursement	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	4.0	205.3	98.5	1.9	17.0	352.6	15.8	B
2007	5.0	267.0	169.2	1.9	12.1	255.9	11.1	F
2008	4.0	226.6	189.1	0.8	10.5	227.8	9.3	F
2009	3.5	203.6	181.6	--	10.1	215.9	7.9	F
2010	3.0	183.8	187.4	--	11.0	230.5	8.0	F
2011	3.0	192.2	195.8	--	11.8	246.2	8.2	F
2012	2.5	168.0	223.4	--	14.9	316.5	10.0	F
2013	2.5	175.7	236.2	--	19.3	396.3	14.3	F
2014	2.5	183.9	226.7	--	23.6	462.7	17.0	F
2015	2.5	192.0	234.9	--	27.1	532.7	18.7	F

(1) Insured Unemployment Rate assumptions are based on a light to moderate recession 2007-2008.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.

TABLE 7

Maine Unemployment Insurance Financial Projections  
**Option 1 -- Indexing Taxable Wage Base Every Five Years Based on Assumed Economic Scenario 3 -- High Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase in 2007 to \$14,000 and in 2012 to \$16,000						
		Benefits Paid	Contributions Received	Reed Act Distribution	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	4.0	205.3	98.5	1.9	17.0	352.6	15.8	B
2007	5.0	267.0	169.2	1.9	12.1	255.9	11.1	F
2008	6.5	359.6	185.2	0.8	5.6	66.5	2.8	F
2009	4.0	231.7	194.9	--	1.6	32.3	1.2	G
2010	3.5	213.5	219.2	--	1.5	39.5	1.3	H
2011	3.5	223.2	229.9	--	1.8	48.2	1.5	H
2012	3.0	200.6	262.9	--	4.1	114.6	3.3	H
2013	3.0	209.7	257.9	--	7.4	170.2	5.2	G
2014	2.5	183.9	247.4	--	11.3	245.0	7.5	G
2015	2.5	192.0	236.9	--	14.8	304.7	8.9	F

(1) Insured Unemployment Rate assumptions are based on a moderate to severe recession 2007-2008. Cash flow loans required 2010-2012.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.



TABLE 8

Maine Unemployment Insurance Financial Projections  
**Option 2 -- Indexing Taxable Wage Base Every Five Years With Estimated Ratio of Total Wages to Taxable Wages for Two Years**  
**Based on Assumed Economic Scenario 1 -- Low Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase in 2007 to \$14,000 and in 2012 to \$16,000						
		Benefits Paid	Contributions Received	Reed Act Disbursement	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	2.4	124.9	99.8	1.9	19.2	436.5	19.3	B
2007	2.4	131.9	119.9	1.9	18.8	441.4	18.6	C
2008	2.4	138.1	142.1	0.8	20.0	464.6	18.6	D
2009	2.4	141.2	148.4	--	22.9	494.7	18.9	D
2010	2.4	148.0	154.8	--	25.9	527.4	19.3	D
2011	2.4	154.7	161.3	--	27.9	562.5	19.7	D
2012	2.4	161.4	136.9	--	29.9	567.9	20.1	B
2013	2.4	168.8	120.6	--	30.1	549.8	24.4	A
2014	2.4	176.7	122.8	--	29.2	525.1	26.3	A
2015	2.4	184.5	128.3	--	27.8	496.7	23.8	A

(1) Insured Unemployment Rate assumptions are based on the Consensus Economic Forecasting Commission Forecast of October 2005.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.

TABLE 9

Maine Unemployment Insurance Financial Projections  
**Option 2 -- Indexing Taxable Wage Base Every Five Years With Estimated Ratio of Total Wages to Taxable Wages for Two Years**  
**Based on Assumed Economic Scenario 2 -- Moderate Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase in 2007 to \$14,000 and in 2012 to \$16,000						
		Benefits Paid	Contributions Received	Reed Act Disbursement	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	4.0	205.3	98.5	1.9	17.0	352.6	15.8	B
2007	5.0	267.0	157.0	1.9	11.8	243.4	10.5	F
2008	4.0	226.6	172.2	0.8	9.2	197.4	8.0	F
2009	3.5	203.6	179.6	--	8.5	181.9	6.6	F
2010	3.0	183.8	187.4	--	9.2	194.7	6.8	F
2011	3.0	192.2	195.8	--	9.9	208.5	6.9	F
2012	2.5	168.0	209.1	--	12.4	262.0	8.3	F
2013	2.5	175.7	217.5	--	15.6	319.4	11.6	F
2014	2.5	183.9	224.9	--	19.1	379.5	14.0	F
2015	2.5	192.0	234.9	--	22.3	444.7	15.7	F

(1) Insured Unemployment Rate assumptions are based on a light to moderate recession 2007-2008.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.

TABLE 10

Maine Unemployment Insurance Financial Projections  
**Option 2 -- Indexing Taxable Wage Base Every Five Years With Estimated Ratio of Total Wages to Taxable Wages for Two Years**  
**Based on Assumed Economic Scenario 3 -- High Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase in 2007 to \$14,000 and in 2012 to \$16,000						
		Benefits Paid	Contributions Received	Reed Act Distribution	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	4.0	205.3	98.5	1.9	17.0	352.6	15.8	B
2007	5.0	267.0	157.0	1.9	11.8	243.4	10.5	F
2008	6.5	359.6	168.6	0.8	4.6	36.4	1.5	F
2009	4.0	231.7	193.0	--	0.4	-1.2	0.0	G
2010	3.5	213.5	219.2	--	0.4	4.9	0.2	H
2011	3.5	223.2	229.9	--	0.5	12.2	0.3	H
2012	3.0	200.6	245.9	--	1.9	59.4	1.7	H
2013	3.0	209.7	255.9	--	4.2	109.8	3.3	H
2014	2.5	183.9	247.4	--	8.0	181.3	5.5	G
2015	2.5	192.0	256.4	--	11.8	257.5	7.5	G

(1) Insured Unemployment Rate assumptions are based on a moderate to severe recession 2007-2008. Cash flow loans required 2009-2012.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.

Benefits paid, contributions received, and interest earned reflect actual data through October 2005.

TABLE 11

Maine Unemployment Insurance Financial Projections  
**Option 3 -- Indexing Taxable Wage Base Every Year Starting in 2007**  
**Based on Assumed Economic Scenario 1 -- Low Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase to \$13,500 in 2007 to \$21,700 in 2015						
		Benefits Paid	Contributions Received	Reed Act Disbursement	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	2.4	124.9	99.8	1.9	19.2	436.5	19.3	B
2007	2.4	131.9	126.6	1.9	19.0	448.3	18.9	C
2008	2.4	138.1	160.8	0.8	19.7	490.9	19.7	D
2009	2.4	141.2	152.3	--	23.5	526.3	20.1	C
2010	2.4	148.0	154.9	--	26.7	560.6	20.5	C
2011	2.4	154.7	139.9	--	29.2	575.4	20.1	B
2012	2.4	161.4	121.5	--	30.2	565.7	20.0	A
2013	2.4	168.8	124.1	--	29.9	550.8	24.5	A
2014	2.4	176.7	129.1	--	29.6	532.6	26.7	A
2015	2.4	184.5	134.3	--	28.5	510.5	24.4	A

(1) Insured Unemployment Rate assumptions are based on the Consensus Economic Forecasting Commission Forecast of October 2005.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.

TABLE 12

Maine Unemployment Insurance Financial Projections  
**Option 3 -- Indexing Taxable Wage Base Every Year Starting 2007**  
**Based on Assumed Economic Scenario 2 -- Moderate Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase to \$13,500 in 2007 to \$21,700 in 2015						
		Benefits Paid	Contributions Received	Reed Act Disbursement	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	4.0	205.3	98.5	1.9	17.0	352.6	15.8	B
2007	5.0	267.0	165.8	1.9	12.1	252.5	10.9	F
2008	4.0	226.6	195.6	0.8	10.2	230.9	9.4	F
2009	3.5	203.6	204.3	--	10.7	242.6	8.9	F
2010	3.0	183.8	211.6	--	12.4	283.4	9.9	F
2011	3.0	192.2	215.1	--	14.9	321.8	10.7	F
2012	2.5	168.0	219.6	--	17.8	392.0	12.4	F
2013	2.5	175.7	227.2	--	22.1	466.7	16.8	F
2014	2.5	183.9	216.8	--	26.3	526.8	19.4	E
2015	2.5	192.0	203.7	--	29.3	568.1	20.0	D

(1) Insured Unemployment Rate assumptions are based on a light to moderate recession 2007-2008.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.

TABLE 13

Maine Unemployment Insurance Financial Projections  
**Option 3 -- Indexing Taxable Wage Base Every Year Starting in 2007**  
**Based on Assumed Economic Scenario 3 -- High Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase to \$13,500 in 2007 to \$21,700 in 2015						
		Benefits Paid	Contributions Received	Reed Act Distribution	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	4.0	205.3	98.5	1.9	17.0	352.6	15.8	B
2007	5.0	267.0	165.8	1.9	13.2	252.5	10.9	F
2008	6.5	359.6	191.5	0.8	7.4	69.4	2.9	F
2009	4.0	231.7	219.9	--	2.8	61.3	2.3	G
2010	3.5	213.5	246.9	--	3.0	98.2	3.1	H
2011	3.5	223.2	235.4	--	4.9	115.5	3.5	G
2012	3.0	200.6	238.2	--	6.3	160.1	4.6	G
2013	3.0	209.7	246.8	--	8.9	206.7	6.3	G
2014	2.5	183.9	238.3	--	12.1	274.2	8.4	F
2015	2.5	192.0	246.7	--	15.9	345.5	10.1	F

(1) Insured Unemployment Rate assumptions are based on a moderate to severe recession 2007-2008.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.

Benefits paid, contributions received, and interest earned reflect actual data through October 2005.



TABLE 14

Maine Unemployment Insurance Financial Projections  
**Option 4 -- Indexing Taxable Wage Base Every Year With Estimated Ratio of Total Wages to Taxable Wages for Two Years Starting 2007**  
**Based on Assumed Economic Scenario 1 -- Low Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase to \$13,500 in 2007 to \$21,700 in 2015						
		Benefits Paid	Contributions Received	Reed Act Disbursement	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	2.4	124.9	99.8	1.9	19.2	436.5	19.3	B
2007	2.4	131.9	119.9	1.9	18.8	441.4	18.6	C
2008	2.4	138.1	150.2	0.8	19.4	472.9	18.9	D
2009	2.4	141.2	168.3	--	22.9	523.9	20.0	D
2010	2.4	148.0	157.0	--	26.7	560.3	20.5	C
2011	2.4	154.7	139.9	--	29.2	575.0	20.1	B
2012	2.4	161.4	121.5	--	30.1	565.3	20.0	A
2013	2.4	168.8	124.1	--	29.9	550.4	24.4	A
2014	2.4	176.7	129.1	--	29.5	532.1	26.7	A
2015	2.4	184.5	134.3	--	28.5	510.0	24.4	A

(1) Insured Unemployment Rate assumptions are based on the Consensus Economic Forecasting Commission Forecast of October 2005.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.

TABLE 15

Maine Unemployment Insurance Financial Projections  
**Option 4 -- Indexing Taxable Wage Base Every Year With Estimated Ratio of Total Wages to Taxable Wages for Two Years Starting 2007**  
**Based on Assumed Economic Scenario 2 -- Moderate Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase to \$13,500 in 2007 to \$21,700 in 2015						
		Benefits Paid	Contributions Received	Reed Act Disbursement	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	4.0	205.3	98.5	1.9	17.0	352.6	15.8	B
2007	5.0	267.0	157.2	1.9	11.8	243.6	10.5	F
2008	4.0	226.6	182.7	0.8	9.6	208.3	8.5	F
2009	3.5	203.6	202.8	--	9.5	217.2	8.0	F
2010	3.0	183.8	211.6	--	11.0	256.6	8.9	F
2011	3.0	192.2	215.1	--	13.4	293.5	9.8	F
2012	2.5	168.0	219.4	--	16.4	362.3	11.5	F
2013	2.5	175.7	227.2	--	20.4	435.3	15.7	F
2014	2.5	183.9	236.2	--	24.8	513.5	18.9	F
2015	2.5	192.0	206.0	--	28.7	556.6	19.6	D

(1) Insured Unemployment Rate assumptions are based on a light to moderate recession 2007-2008.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.  
 Benefits paid, contributions received, and interest earned reflect actual data through October 2005.



TABLE 16

Maine Unemployment Insurance Financial Projections  
**Option 4 -- Indexing Taxable Wage Base Every Year With Estimated Ratio of Total Wages to Taxable Wages for Two Years Starting 2007**  
**Based on Assumed Economic Scenario 3 -- High Unemployment**  
 Actual for 2004, Estimated for 2005 and Projected for 2006 - 2015  
 (Financial Data In Millions of Dollars)

Year	Insured Unemployment Rate % (1)	Projected Taxable Wage Base Increase to \$13,500 in 2007 to \$21,700 in 2015						
		Benefits Paid	Contributions Received	Reed Act Distribution	Interest Earned	Trust Fund		Contribution Rate Schedule
						Balance	Months of Benefits	
Actual: 2004	2.4	\$112.2	\$82.1	\$0.9	\$25.3	\$429.7	20.7	A
Estimated: 2005	2.2	107.8	94.3	2.0	28.1	444.3	20.6	B
Projected: 2006	4.0	205.3	98.5	1.9	17.0	352.6	15.8	B
2007	5.0	267.0	157.2	1.9	13.0	243.6	10.5	F
2008	6.5	359.6	178.8	0.8	6.8	47.0	1.9	F
2009	4.0	231.7	218.4	--	1.6	35.9	1.3	G
2010	3.5	213.5	246.9	--	1.9	71.6	2.3	H
2011	3.5	223.2	253.3	--	3.6	105.8	3.2	H
2012	3.0	200.6	240.2	--	5.9	151.9	4.4	G
2013	3.0	209.7	246.8	--	8.4	198.1	6.1	G
2014	2.5	183.9	238.3	--	11.6	265.0	8.1	F
2015	2.5	192.0	246.7	--	15.2	335.6	9.9	F

(1) Insured Unemployment Rate assumptions are based on a moderate to severe recession 2007-2008. Cash flow loans required 2009-2010.

Note: Includes Estimated Reed Act Disbursement and Expansion for Seeking Part-time Work 1/1/2004 to 9/30/2008.

Benefits paid, contributions received, and interest earned reflect actual data through October 2005.

Table 17

Maine Unemployment Insurance Financial Information  
 Projected Taxable Wage Base and Projected Average Tax Rate Under the Four Options  
 Based on Economic Scenario 1 – Low Unemployment  
 2004 – 2015

Year	Current Law			Option 1			Option 2			Option 3			Option 4		
	Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution	
		Rate	Schedule		Rate	Schedule		Rate	Schedule		Rate	Schedule		Rate	Schedule
2004	12,000	1.51	A	12,000	1.51	A	12,000	1.51	A	12,000	1.51	A	12,000	1.51	A
2005	12,000	1.73	B	12,000	1.73	B	12,000	1.73	B	12,000	1.73	B	12,000	1.73	B
2006	12,000	1.78	B	12,000	1.78	B	12,000	1.78	B	12,000	1.78	B	12,000	1.78	B
2007	12,000	2.08	C	14,000	2.08	C	14,000	1.92	C	13,500	2.08	C	13,500	1.96	C
2008	12,000	2.41	D	14,000	2.41	D	14,000	2.20	D	15,000	2.41	D	15,000	2.25	D
2009	12,000	2.48	D	14,000	1.98	C	14,000	2.23	D	16,500	2.03	C	16,500	2.29	D
2010	12,000	2.56	D	14,000	2.03	C	14,000	2.29	D	18,000	1.95	C	18,000	1.95	C
2011	12,000	2.63	D	14,000	2.35	D	14,000	2.35	D	18,900	1.65	B	18,900	1.65	B
2012	12,000	2.11	B	16,000	1.88	B	16,000	1.75	B	19,600	1.37	A	19,600	1.37	A
2013	12,000	1.85	A	16,000	1.66	A	16,000	1.53	A	20,300	1.37	A	20,300	1.37	A
2014	12,000	1.92	A	16,000	1.56	A	16,000	1.56	A	21,000	1.37	A	21,000	1.37	A
2015	12,000	1.98	A	16,000	1.61	A	16,000	1.61	A	21,700	1.37	A	21,700	1.37	A

Table 18

Maine Unemployment Insurance Financial Information  
 Projected Taxable Wage Base and Projected Average Tax Rate Under the Four Options  
 Based on Economic Scenario 2 – Moderate Unemployment  
 2004 – 2015

Year	Current Law			Option 1			Option 2			Option 3			Option 4		
	Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution	
		Rate	Schedule		Rate	Schedule		Rate	Schedule		Rate	Schedule		Rate	Schedule
2004	12,000	1.51	A	12,000	1.51	A	12,000	1.51	A	12,000	1.51	A	12,000	1.51	A
2005	12,000	1.73	B	12,000	1.73	B	12,000	1.73	B	12,000	1.73	B	12,000	1.73	B
2006	12,000	1.78	B	12,000	1.78	B	12,000	1.78	B	12,000	1.78	B	12,000	1.78	B
2007	12,000	2.86	F	14,000	2.86	F	14,000	2.64	F	13,500	2.86	F	13,500	2.70	F
2008	12,000	2.95	F	14,000	2.95	F	14,000	2.68	F	15,000	2.95	F	15,000	2.75	F
2009	12,000	3.04	F	14,000	2.73	F	14,000	2.73	F	16,500	2.79	F	16,500	2.79	F
2010	12,000	3.12	F	14,000	2.79	F	14,000	2.79	F	18,000	2.68	F	18,000	2.68	F
2011	12,000	3.21	F	14,000	2.87	F	14,000	2.87	F	18,900	2.59	F	18,900	2.59	F
2012	12,000	3.31	F	16,000	2.96	F	16,000	2.75	F	19,600	2.52	F	19,600	2.52	F
2013	12,000	3.40	F	16,000	3.05	F	16,000	2.81	F	20,300	2.51	F	20,300	2.51	F
2014	12,000	3.52	F	16,000	2.86	F	16,000	2.86	F	21,000	2.28	E	21,000	2.51	F
2015	12,000	3.63	F	16,000	2.95	F	16,000	2.95	F	21,700	2.06	D	21,700	2.06	D

Table 19

Maine Unemployment Insurance Financial Information  
 Projected Taxable Wage Base and Projected Average Tax Rate Under the Four Options  
 Based on Economic Scenario 3 – High Unemployment  
 2004 – 2015

Year	Current Law			Option 1			Option 2			Option 3			Option 4		
	Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution		Taxable Wage Base	Average Contribution	
		Rate	Schedule		Rate	Schedule		Rate	Schedule		Rate	Schedule		Rate	Schedule
2004	12,000	1.51	A	12,000	1.51	A	12,000	1.51	A	12,000	1.51	A	12,000	1.51	A
2005	12,000	1.73	B	12,000	1.73	B	12,000	1.73	B	12,000	1.73	B	12,000	1.73	B
2006	12,000	1.78	B	12,000	1.78	B	12,000	1.78	B	12,000	1.78	B	12,000	1.78	B
2007	12,000	2.86	F	14,000	2.86	F	14,000	2.64	F	13,500	2.86	F	13,500	2.70	F
2008	12,000	2.95	F	14,000	2.95	F	14,000	2.68	F	15,000	2.95	F	15,000	2.75	F
2009	12,000	3.59	H	14,000	2.98	G	14,000	2.98	G	16,500	3.05	G	16,500	3.05	G
2010	12,000	3.69	H	14,000	3.30	H	14,000	3.30	H	18,000	3.17	H	18,000	3.17	H
2011	12,000	3.80	H	14,000	3.39	H	14,000	3.39	H	18,900	2.82	G	18,900	3.06	H
2012	12,000	3.91	H	16,000	3.50	H	16,000	3.25	H	19,600	2.75	G	19,600	2.75	G
2013	12,000	4.02	H	16,000	3.32	G	16,000	3.32	H	20,300	2.74	G	20,300	2.74	G
2014	12,000	3.84	G	16,000	3.12	G	16,000	3.12	G	21,000	2.51	F	21,000	2.51	F
2015	12,000	3.96	G	16,000	2.95	F	16,000	3.22	G	21,700	2.52	F	21,700	2.52	F

Table 20

Distribution of Experience Rated Employers By Contribution Rate Category and Business Size  
Number and Average Reserve Ratio for Rate Year 2005

Contribution Category	0-4 Employers		5-9 Employees		10-19 Employees		20-49 Employees	
	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio
1	1,899	107.27	393	65.02	209	58.18	92	53.47
2	675	34.94	332	34.96	193	34.80	110	34.57
3	441	30.58	182	30.55	115	30.46	78	30.69
4	571	27.67	263	27.69	188	27.67	130	27.62
5	628	24.83	342	24.83	241	24.85	144	24.73
6	568	22.44	243	22.50	222	22.48	136	22.45
7	569	20.62	263	20.67	219	20.65	179	20.64
8	554	19.12	262	19.04	186	19.09	156	19.11
9	675	17.66	332	17.69	261	17.66	168	17.67
10	474	16.44	230	16.48	170	16.48	130	16.52
11	544	15.38	290	15.41	193	15.40	162	15.36
12	434	14.32	224	14.31	177	14.33	111	14.37
13	532	13.30	267	13.28	209	13.29	168	13.32
14	755	11.94	301	11.98	240	11.95	180	11.95
15	812	10.29	351	10.26	266	10.25	181	10.19
16	707	8.54	276	8.54	173	8.58	112	8.56
17	1,394	6.30	394	6.49	260	6.49	181	6.62
18	1,223	4.20	483	3.73	333	3.58	182	3.50
19	1,557	-4.18	402	-6.46	309	-6.37	199	-6.72
20	1,425	-147.09	493	-91.30	319	-77.39	199	-78.16
Total	16,437	10.33	6,323	9.74	4,483	10.18	2,998	9.78

Table 20

Distribution of Experience Rated Employers By Contribution Rate Category and Business Size  
Number and Average Reserve Ratio for Rate Year 2005

Contribution Category	50-99 Employees		100-249 Employees		250 or More Employees		Total Number	Avg Reserve Ratio
	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio		
1	43	67.87	21	56.24	17	55.38	2,674	94.01
2	19	34.64	23	34.65	14	35.22	1,366	34.89
3	39	30.48	23	30.44	8	30.67	886	30.56
4	40	27.80	26	27.83	9	27.53	1,227	27.68
5	55	24.97	37	24.82	16	24.64	1,463	24.83
6	61	22.51	23	22.61	16	22.47	1,269	22.46
7	61	20.60	25	20.54	14	20.67	1,330	20.63
8	49	19.14	28	19.09	11	18.94	1,246	19.10
9	70	17.75	39	17.67	9	17.62	1,554	17.67
10	47	16.53	27	16.38	14	16.39	1,092	16.47
11	46	15.36	34	15.35	12	15.28	1,281	15.39
12	36	14.40	26	14.27	8	14.43	1,016	14.32
13	45	13.40	29	13.41	11	13.47	1,261	13.31
14	77	12.01	35	12.00	8	12.10	1,596	11.96
15	47	10.25	26	10.46	10	10.39	1,693	10.27
16	55	8.53	23	8.56	11	8.38	1,357	8.55
17	43	6.51	20	6.66	15	6.56	2,307	6.39
18	58	3.41	26	3.65	12	3.31	2,317	3.93
19	50	-5.97	33	-6.88	7	-7.68	2,557	-5.08
20	55	-67.77	19	-58.25	8	-126.17	2,518	-119.42
Total	996	13.04	543	14.89	230	14.70	32,010	10.34

Table 21

Distribution of Experience Rated Employers By Major Industry Classification and Contribution Rate Category  
Number and Average Reserve Ratio for Rate Year 2005

Contribution Category	Construction		Education and Health Services		Financial Activities		Information	
	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio
1	218	98.67	176	76.06	232	108.19	54	106.97
2	78	34.77	141	34.82	130	34.62	19	35.06
3	55	30.53	115	30.46	57	30.62	8	30.44
4	79	27.67	129	27.69	88	27.55	24	27.86
5	110	24.76	182	24.95	105	24.82	27	25.03
6	97	22.45	150	22.48	108	22.56	12	22.38
7	113	20.61	158	20.66	93	20.64	10	20.93
8	119	19.03	138	19.12	94	19.13	16	19.05
9	162	17.67	167	17.63	123	17.66	20	17.67
10	138	16.49	127	16.49	79	16.49	16	16.55
11	171	15.42	149	15.40	93	15.36	20	15.45
12	133	14.33	125	14.32	68	14.33	18	14.33
13	173	13.29	122	13.34	85	13.29	15	13.37
14	217	11.95	162	11.98	116	11.93	27	11.85
15	243	10.24	145	10.24	123	10.32	20	10.11
16	197	8.52	113	8.49	98	8.54	25	8.49
17	348	6.36	181	6.44	174	6.48	31	6.59
18	361	3.75	179	4.23	141	4.17	32	3.44
19	594	-5.61	100	-4.41	95	-2.98	30	-2.43
20	894	-129.78	29	-69.48	46	-79.32	7	-56.47
Total	4,500	-13.21	2,788	19.29	2,148	23.66	431	25.01

Table 21

Distribution of Experience Rated Employers By Major Industry Classification and Contribution Rate Category  
Number and Average Reserve Ratio for Rate Year 2005

Contribution Category	Leisure and Hospitality		Manufacturing		Natural Resources & Mining		Other Services	
	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio
1	272	80.02	128	82.01	36	120.37	302	84.27
2	177	34.90	63	35.10	11	34.49	160	35.03
3	140	30.58	35	30.40	8	30.35	87	30.72
4	151	27.70	54	27.51	19	27.55	155	27.76
5	186	24.84	72	24.72	21	24.64	138	24.78
6	144	22.45	54	22.56	20	22.49	117	22.71
7	155	20.61	58	20.69	18	20.79	128	20.50
8	128	19.14	47	19.01	19	18.91	127	19.06
9	168	17.68	84	17.63	23	17.50	146	17.69
10	108	16.48	52	16.43	21	16.45	92	16.45
11	116	15.43	79	15.38	23	15.38	90	15.43
12	92	14.34	58	14.32	19	14.30	86	14.33
13	121	13.28	77	13.30	24	13.34	102	13.32
14	123	11.91	90	11.95	35	11.91	142	11.95
15	178	10.26	93	10.27	37	10.30	128	10.28
16	124	8.62	72	8.51	37	8.50	106	8.55
17	260	6.36	108	6.63	70	6.34	175	6.38
18	271	3.80	127	3.62	51	3.75	203	4.07
19	255	-6.23	153	-5.67	108	-6.86	150	-5.44
20	304	-80.78	134	-105.29	257	-125.40	87	-116.37
Total	3,473	11.59	1,638	8.91	857	-26.08	2,721	19.15



Table 21

Distribution of Experience Rated Employers By Major Industry Classification and Contribution Rate Category  
Number and Average Reserve Ratio for Rate Year 2005

Contribution Category	Prof. & Business Services		Public Administration		Retail Trade		Trans. and Warehousing	
	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio
1	423	110.02	13	135.10	482	80.06	73	104.02
2	153	35.03	5	35.84	273	34.97	41	34.51
3	104	30.64	9	30.66	173	30.50	26	30.44
4	164	27.69	18	27.70	219	27.70	25	27.50
5	188	24.81	18	24.88	257	24.80	30	24.94
6	191	22.49	14	22.26	211	22.44	35	22.26
7	213	20.61	13	20.51	227	20.70	37	20.58
8	195	19.12	11	19.12	199	19.08	45	19.16
9	216	17.70	6	17.89	272	17.68	41	17.70
10	166	16.43	5	16.68	171	16.51	25	16.41
11	205	15.38	3	15.87	204	15.35	37	15.19
12	161	14.31	*	*	153	14.33	25	14.40
13	202	13.34	3	13.22	187	13.32	40	13.28
14	287	11.98	6	12.07	199	11.98	52	12.05
15	300	10.24	*	*	223	10.30	58	10.38
16	257	8.52	6	8.90	151	8.58	43	8.67
17	421	6.34	*	*	245	6.40	77	6.34
18	420	4.08	3	3.89	218	3.76	82	3.76
19	461	-4.25	9	-4.89	232	-5.87	104	-5.22
20	282	-137.21	4	-84.08	157	-113.12	157	-136.58
Total	5,009	12.75	150	26.82	4,453	18.81	1,053	-3.19

Table 21

Distribution of Experience Rated Employers By Major Industry Classification and Contribution Rate Category  
Number and Average Reserve Ratio for Rate Year 2005

Contribution Category	Utilities		Wholesale Trade		Not Yet Classified		Total Number	Avg Reserve Ratio
	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio		
1	12	100.89	239	112.95	14	62.32	2,674	94.01
2	13	33.81	95	34.91	7	34.66	1,366	34.89
3	5	30.88	57	30.61	7	30.72	886	30.56
4	10	27.66	84	27.62	8	27.86	1,227	27.68
5	11	25.03	115	24.78	3	25.34	1,463	24.83
6	6	22.69	107	22.47	3	22.12	1,269	22.46
7	3	20.93	96	20.69	8	20.39	1,330	20.63
8	4	18.98	99	19.15	5	19.02	1,246	19.10
9	3	18.23	115	17.67	8	17.50	1,554	17.67
10	*	*	84	16.36	7	16.62	1,092	16.47
11	*	*	83	15.37	7	15.37	1,281	15.39
12	*	*	72	14.28	5	14.52	1,016	14.32
13	4	13.26	100	13.26	6	13.26	1,261	13.31
14	3	12.00	134	11.91	3	12.14	1,596	11.96
15	5	10.28	129	10.30	9	10.14	1,693	10.27
16	3	8.17	116	8.59	9	8.60	1,357	8.55
17	5	6.56	190	6.33	21	6.44	2,307	6.39
18	6	4.15	200	4.08	23	4.02	2,317	3.93
19	5	0.11	232	-3.43	29	-5.19	2,557	-5.08
20	4	-121.37	144	-125.74	12	-65.19	2,518	-119.42
Total	104	23.61	2,491	15.09	194	10.15	32,010	10.34

Table 22

Distribution of Experience Rated Employers By Major Industry Classification and Business Size  
Number and Average Reserve Ratio for Rate Year 2005

Major Industry Classification	0-4 Employees		5-9 Employees		10-19 Employees		20-49 Employees	
	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio
Construction	2,664	-13.98	938	-12.91	539	-9.89	268	-7.59
Education and Health Services	1,162	21.93	688	18.06	399	16.72	262	16.42
Financial Services	1,343	25.80	369	20.81	173	18.54	147	17.52
Information	191	28.82	83	27.00	66	19.05	47	19.28
Leisure and Hospitality	827	13.19	702	12.88	797	10.46	749	7.64
Manufacturing	585	9.34	314	7.06	261	8.74	247	8.93
Natural Resources and Mining	504	-28.30	132	-28.20	116	-28.36	81	-14.57
Other Services	1,817	19.58	516	19.65	253	16.43	106	16.16
Prof. & Business Services	3,193	13.67	858	12.09	540	10.73	259	9.10
Public Administration	52	42.78	41	21.68	27	20.03	18	14.60
Retail Trade	1,643	21.97	1,101	15.96	931	17.08	542	17.22
Trans. & Warehousing	595	-10.82	176	0.72	137	12.61	91	6.09
Utilities	50	21.62	26	21.50	6	21.23	12	27.96
Wholesale Trade	1,704	15.40	333	11.19	216	18.17	154	13.53
Not Yet Classified	107	8.39	46	9.22	22	14.57	15	13.08
Total	16,437	10.33	6,323	9.74	4,483	10.18	2,998	9.78

Table 22

Distribution of Experience Rated Employers By Major Industry Classification and Business Size  
Number and Average Reserve Ratio for Rate Year 2005

Major Industry Classification	50-99 Employees		100-249 Employees		250 or More Employees		Total Number	Avg Reserve Ratio
	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio	Number	Avg Reserve Ratio		
Construction	64	-28.59	23	-19.33	4	-122.77	4,500	-13.21
Education & Health Services	121	18.04	124	17.71	32	16.44	2,788	19.29
Financial Activities	66	22.15	37	23.57	13	28.92	2,148	23.66
Information	16	19.52	20	17.67	8	25.48	431	25.01
Leisure & Hospitality	270	15.03	98	16.56	30	19.49	3,473	11.59
Manufacturing	109	10.16	66	11.61	56	9.83	1,638	8.91
Natural Resources & Mining	16	4.36	4	-18.21	4	27.90	857	-26.08
Other Services	15	18.86	12	18.03	*	*	2,721	19.15
Prof. & Business Services	87	9.64	50	11.23	22	12.15	5,009	12.75
Public Administration	6	9.32	5	12.17	*	*	150	26.82
Retail Trade	128	22.26	65	17.75	43	20.32	4,453	18.81
Trans. & Warehousing	36	11.25	14	14.90	4	14.10	1,053	-3.19
Utilities	6	30.30	*	31.25	*	*	104	23.61
Wholesale Trade	55	18.34	21	22.32	8	15.81	2,491	15.09
Not Yet Classified	*	*	*	*	*	*	194	10.15
Total	996	13.04	543	14.89	230	14.70	32,010	10.34

Table 23

Average Annual Wage By Major Industry Classification  
2000 and 2004

Major Industry Classification	Average Annual Wage	
	2000	2004
Construction	\$31,456	\$34,500
Education and Health Services	\$27,494	\$32,585
Financial Activities	\$36,171	\$43,349
Information	\$34,560	\$40,099
Leisure and Hospitality	\$12,366	\$14,171
Manufacturing	\$35,458	\$40,875
Natural Resources and Mining	\$24,025	\$27,633
Other Services	\$19,837	\$22,848
Professional and Business Services	\$32,330	\$38,868
Public Administration	\$27,114	\$31,229
Retail Trade	\$18,767	\$21,953
Transportation and Warehousing	\$28,041	\$31,971
Utilities	\$48,366	\$56,411
Wholesale Trade	\$38,314	\$44,014
Not Yet Classified	\$22,539	\$39,550
Total	\$27,257	\$31,383

Table 24

Percentage of Negative Balance Employers for Industry Classification, All Employers, and All Negative Balance Employers  
for Contribution Rate Year 2005

Major Industry Classification	Percentage of Employers with Negative Balances for Each Industry Classification	Percentage of Employers with Negative Balances for All Employers	Percentage of Employers with Negative Balances for All Negative Balance Employers
Construction	30.7%	4.3	31.3
Education and Health Services	3.8	0.3	2.4
Financial Activities	4.5	0.3	2.2
Information	4.2	0.1	0.4
Leisure and Hospitality	15.4	1.7	12.1
Manufacturing	16.2	0.8	6.0
Natural Resources and Mining	40.6	1.1	7.9
Other Services	7.6	0.6	4.7
Professional and Business Services	11.6	1.8	13.1
Public Administration	7.3	>0.1	0.2
Retail Trade	7.8	1.1	7.8
Transportation and Warehousing	21.7	0.7	5.2
Utilities	3.8	>0.1	0.1
Wholesale Trade	10.5	0.8	5.9
Not Yet Classified	14.9	0.1	0.7
Total	13.8	13.8	100.0