2006 STATUS REPORT

IOWA UNEMPLOYMENT COMPENSATION TRUST FUND

This 2006 Status Report of the
Iowa Unemployment Compensation Trust Fund
is a publication of
Iowa Workforce Development

IOWA WORKFORCE DEVELOPMENT

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2006 Status Report

On the Iowa Unemployment Compensation Trust Fund

This 2006 Status Report of the Iowa Unemployment Compensation Trust Fund is a publication of Iowa Workforce Development.

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Preface – Guide for Interpretation

As a guide to the interpretation and application of this chapter, the public policy of this state is declared to be as follows:

Economic insecurity due to unemployment is a serious menace to the health, morals, and welfare of the people of this state. Involuntary unemployment is therefore a subject of general interest and concern which requires appropriate action by the legislature to prevent its spread and to lighten its burden which now so often falls with crushing force upon the unemployed worker and the worker's family. The achievement of social security requires protection against this greatest hazard of our economic life. This can be provided by encouraging employers to provide more stable employment and by the systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment, thus maintaining purchasing power and limiting the serious social consequences of poor relief assistance. The legislature, therefore, declares that in its considered judgment the public good, and the general welfare of the citizens of this state require the enactment of this measure, under the police powers of the state, for the compulsory setting aside of unemployment reserves to be used for the benefit of persons unemployed through no fault of their own. (Iowa Code 96.2)

Executive Summary

This report evaluates the status of unemployment compensation trust fund as of December 31, 2006. The report reviews fund expenditures and fund revenue. It also discusses the fund solvency in terms of fund balance, fund balance adjusted for inflation and wage growth and months of benefits in the fund.

Unemployment Insurance Benefits Payout: Benefits paid to unemployed workers rose from $218 million in 2000 to $381 million in 2003 due to a slower national economy. Benefits fell to $312 million in 2004 and $296 in 2005, but rebounded to $313 million in 2006. Some other facts:

- The number of first payments rose from 84,455 in 2000 to over 110,000 in 2001 through 2003. A decrease in new layoffs caused first payments to drop to 88,976 in 2004. First payments increased to 91,540 in 2005 and 92,610 in 2006.
- Average duration of benefits increased from 11.2 weeks in 2000 to 14.1 weeks in 2004. The duration of benefits was 12.5 weeks in 2005 and 2006.

UI Trust Fund Revenue: Fund revenue primarily comes from UI taxes paid by employers and interest earned on the fund balance. Combined revenue grew from $359 million in 2005 to $376 million in 2006. Contributions exceeded benefits paid for only the second time in the last twelve years. Highlights:

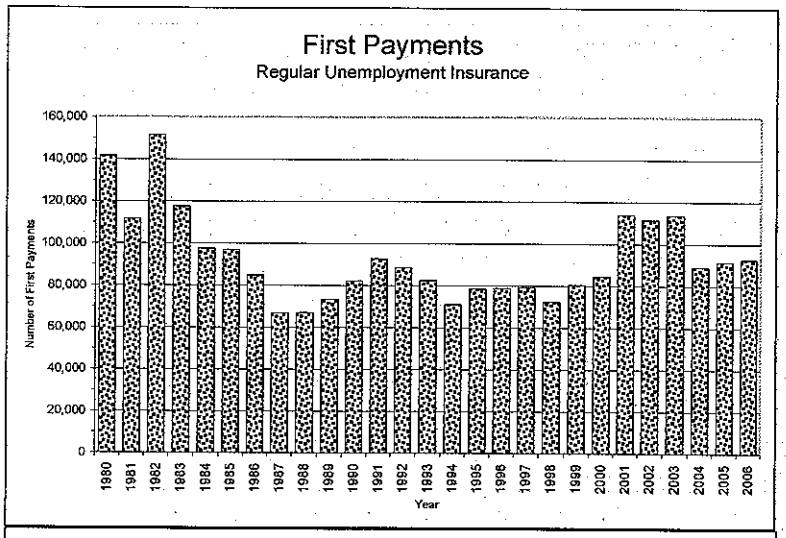
- The average tax rate rose from 1.2% in 2002 to 1.5% in 2003 and 1.6% in 2004 through 2006 because tax table 6 was triggered in 2003. This is still well below the average tax rate during the 1980's, which reached 3.4% in 1984.
- About 45% of private employers had a zero UI tax rate in 2006.
- Taxable wages grew by an estimated 5.8%, the fastest growth rate since 2000.

UI Trust Fund: The philosophy guiding this fund requires balances to be large enough to endure heavy demands during periods of high unemployment, yet not place an excessive tax burden on employers. The challenge is to determine adequate reserves to ensure the fund's solvency through an economic downturn. The Iowa UI tax system automatically adjusts employer tax rates based on the strength of the UI trust fund and UI benefit experience.

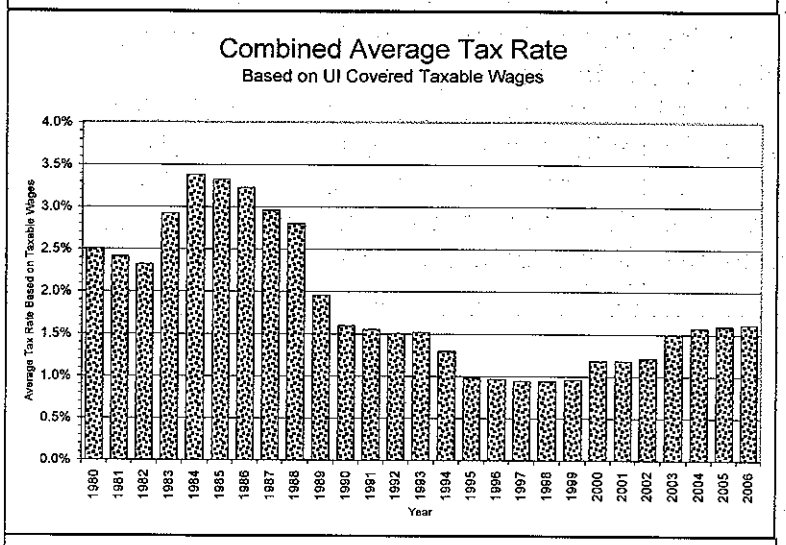
The year-end combined trust fund balance fell from $810 million in 2000 to $657 million in 2003 due to the recession and slow recovery. The fund rebounded to $811 million in 2006. When the fund balance is adjusted for wage growth, the strength of the fund has declined in nine of the last twelve years.

Conclusions: The national economic slowdown has caused UI benefits to rise during 2001 through 2003. UI Benefits were lower in 2004 through 2006, but remained in the $300 million range or above for the sixth straight year. Fortunately, Iowa entered the decade with a strong UI Trust Fund. This has allowed the fund to pay benefits without borrowing from the federal government. The state's UI Trust Fund is expected to remain solvent. Higher tax rate tables may trigger as covered wages grow in order to ensure future fund solvency.

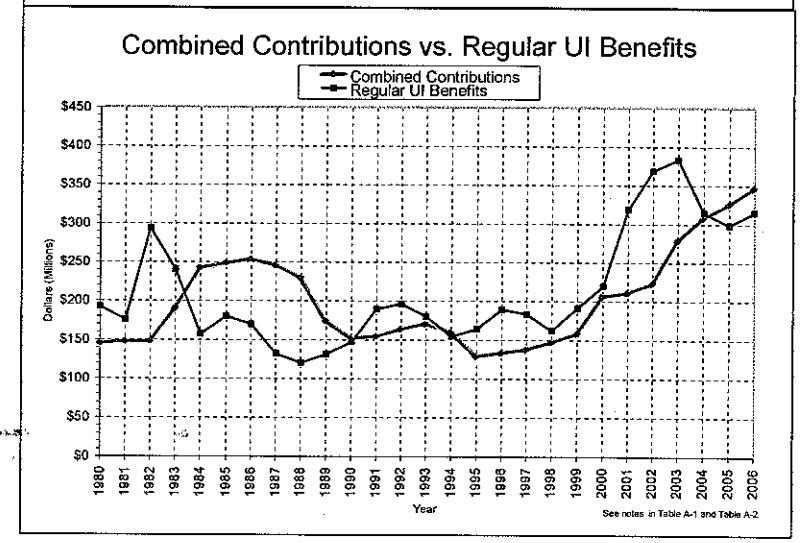
UI Trust Fund History at a Glance



A slower national economy caused a higher number of first payments during 2001 through 2003. A decline in the number of new layoffs yielded lower first payments levels in 2004. First payments grew slowly in and 2005 and 2006.

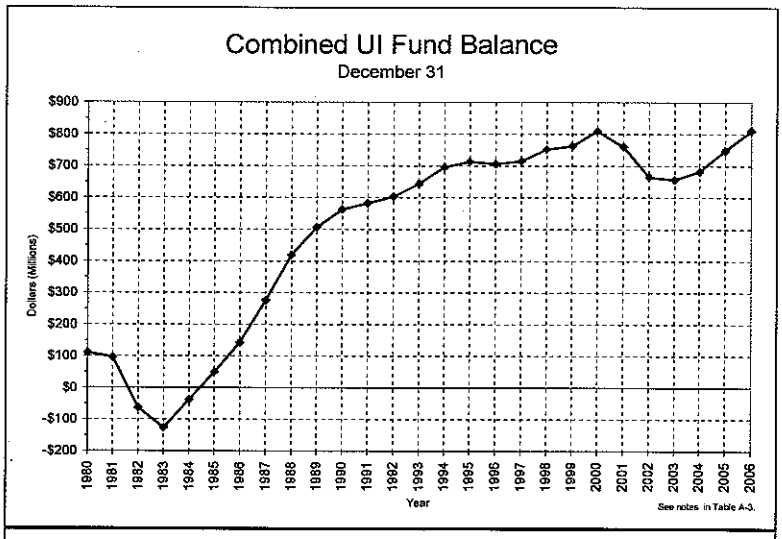


Tax table 6 was triggered for 2003 due to a declining trust fund balance. Tax table 6 will remain in effect through 2007. The 2006 average tax rate of 1.6% is still well below the average tax rates on the 1980's.

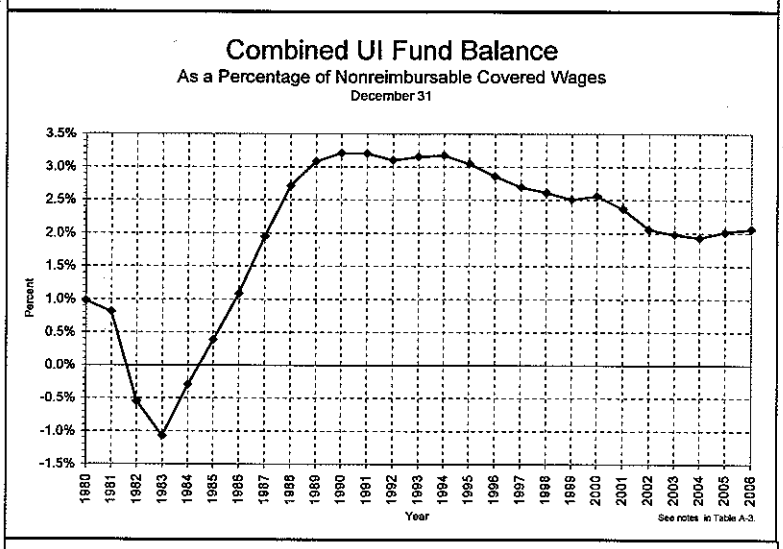


Regular UI benefits have exceeded contributions each year from 1995 through 2004. The fund partially rebounded in 2005 and 2006 as contributions exceeded benefits for the first time since 1994.

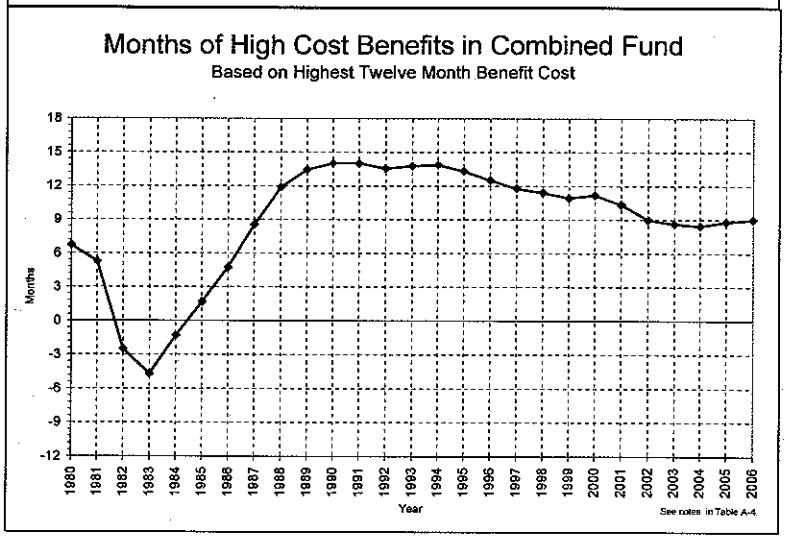
UI Trust Fund History at a Glance



The year-end combined UI Fund balance fell to $657 million in 2003 from a high of $810 million in 2000. The fund balance rebounded to $811 million in 2006, but the fund remained lower than 2000 in inflation adjusted dollars.



The UI Fund as a percent of covered wages was over 3.0% during the first half of the 1990's. In 2006 it was slightly above 2.0%. Covered wages have grown faster than the fund balance over the last ten years.



If a recession similar to 1982-1983 were to hit, the fund would be large enough to pay benefits for about nine months. A recession of this magnitude would have pushed 2006 UI benefits to over one billion dollars.

A. Unemployment Insurance Benefits

Unemployment Insurance payments fell from a record level of $381 million in 2003 to $312 million in 2004 as new layoffs declined and Iowa recovered from the effects of the national recession. The benefit level fell slightly to $296 million in 2005, but rebounded to $313 million in 2006.

UI Benefits: Benefits payments are a function of:

- average weekly benefit amount,
- duration of benefits, and
- number of persons receiving first payments for benefits

Maximum Weekly Benefit Amount: The maximum weekly benefit (MWB) is computed each year based on the previous year's average weekly wage. The maximum weekly benefit increased by about 3.1% from July 2005 to July 2006. The current MWB amounts are listed below:

Number of Dependents	Average Weekly Wage 2005	Percent of Average Weekly Wage	Maximum Weekly Benefit July 2006
0	$632.07	53%	$334
1	$632.07	55%	$347
2	$632.07	57%	$360
3	$632.07	60%	$379
4	$632.07	65%	$410

Average Weekly Benefit (AWB): Claimants' weekly benefit amounts are based on their high quarter earnings, subject to the above maximums. About half of claimants draw the maximum weekly benefit. A claimant would need high quarter earnings of about $7,650 to qualify for the maximum weekly benefit.

The average weekly benefit grew by 3.8% from $259.57 in 2005 to $269.38 in 2006. This growth rate is similar to statewide average weekly wage growth.

Duration of UI Benefits: The maximum duration of UI benefits in Iowa is 26 weeks. In the case of a plant closing, it is extended to 39 weeks.

The average duration of UI benefits grew each year from 11.2 weeks in 2000 to 14.1 weeks in 2004. The average duration declined to 12.5 weeks in 2005 and 2006

First Payments: The national economic slowdown pushed the number of UI claimants who received their first payment of a new benefit year up by 35% from 84,455 in 2000 to 113,983 in 2001.

First payments remained high through 2003 and fell to 88,976 in 2004 as new layoff declined. First payments increased slightly to 91,540 in 2005 and 92,610 in 2006.

Weeks Compensated: The number of weeks of UI benefits compensated grew from 949,794 in 2000 to a 20 year high of 1,532,204 in 2003. Weeks compensated fell in 2004 and 2005, but increased slightly to 1,161,526 in 2006.

UI Benefit Summary: UI Benefits rose each year from $218 million 2000 to a record high of $382 million in 2003. UI Benefits decrease to $312 million in 2004 and $296 million in 2005. Benefits increased by 5.6% to $313 million in 2006.

B. Unemployment Insurance Revenue

Combined contributions grew by 6.5% from $324 million in 2005 to $345 million in 2006. This increase is primarily due to growth in taxable wage.

Average Tax Rate: The average employer tax rate was over 3.0% during 1984 through 1986 as the trust fund was rebuilding from the recession of the early 1980's. The average tax rate fell to around 1.5% when tax table 6 was in effect during 1990 through 1993.

The fund balance was large enough to trigger tax table 8 for 1995 through 1999. The average tax rate was slightly below 1.0% during these five years. Tax table 7 was triggered for 2000 through 2002 and the average tax rate moved to 1.2%.

Tax table 6 was triggered for 2003 because an economic slowdown caused benefits to increase and the fund balance to decrease. The average tax rate rose to around 1.6% in 2003 through 2006.

The Iowa Code has eight tax tables. Tax table 1 has the highest tax rates and tax table 8 has the lowest. Tax tables are triggered based on the relative trust fund strength. The average tax rate for experienced rated employers ranges from 3.5% in table 1 to 1.0% in table 8.

Individual Employer Tax Rates: The average combined tax rate for 2006 was 1.6%, but tax rates for individual employers ranged from 0.0% to 8.0% under tax table 6.

Iowa's UI tax rates are dependent on the benefit experience of individual employers. Almost half of private employers qualified for a zero tax rate because they had no benefit charges or very low charges. About 75% of private employers received a tax rate of 1.0% or lower. Iowa also has a new non-construction rate of 1.0%, the lowest new employer rate permitted by federal law.

Taxable Wages: During 2006, Iowa employers paid UI contributions on the first $21,300 of an employee's wages. This taxable wage base is updated each year based on the average annual wage for UI covered employment.

The national economic slowdown caused taxable wage growth to slow in 2001 through 2003. Employment and wage growth increased taxable wages growth in 2004 through 2006, but growth remained slower than during the late 1990's.

Contributions: Combined UI contributions grew by about 6.5% from $324 million in 2005 to $345 million in 2006. Most of this increase was due to growth in taxable wages.

Interest: Interest received from the federal government on the trust fund has decreased to $31 million in 2006 primarily due to a decline in the interest rates paid to states. The rate paid fell from 6.09% to 4.64% over the last twelve quarters.

Revenue Summary: Fund revenue increased by 5% from $359 million in 2005 to $376 million in 2006.

C. UI Fund Balance

The year-end combined trust fund balance fell from a high of $810 million in 2000 to $657 in 2003. The fund rebounded to $811 million in 2006 in terms of current dollars, but it remains below 2000 levels in real (inflation adjusted) dollars.

Trust Fund Balance History: The lowest historic year-end trust fund balance was a deficit of $126 million in 1983. The fund grew rapidly from this low to $507 million in 1989. This growth was caused by lower levels of insured unemployment and some of the highest average tax rates in trust fund history.

Trust fund growth slowed during the 1990's, as higher trust fund balances triggered lower average tax rates.

The fund reached $810 million in 2000. During 2001 and 2002 trust fund revenue grew slowly and UI benefits paid grew rapidly. The year-end fund balance fell to $665 million in 2002.

UI regular benefits hit a record high during 2003. This caused the fund balance to fall to $657 million in 2003 despite an increase in contributions and a $40 million Reed Act transfer.

The number of new layoffs declined and UI benefits paid were lower in 2004 through 2006. This enabled the combined trust fund balance to rebound to $811 million in 2006.

Effect of Wage Growth: Examining the trust fund balance in terms of absolute dollar amounts can be misleading. The fund balance must grow as covered wage and covered employment grow in order to keep pace with potential fund liabilities.

CPI Adjusted Fund Balance: One method of adjusting the fund balance to account for inflation is to use the Consumer Price Index to adjust the fund to 1982-1984 dollars. Using inflation adjusted dollars the fund balance grew by 6% from 2005 to 2006, but remains lower the 2000 inflation adjusted fund balance.

Fund Balance as a Percent of Covered Wages: The UI fund is expressed as a percentage of covered wages in order to control for employment and wage growth.

This percentage grew from a deficit during the early 1980's to 3.21% in 1990. This percentage remained relatively unchanged through 1994.

This percentage fell to 1.93% in 2004 and partially rebounded to 2.06% in 2006. The combined fund balance, expressed as a percentage of covered wages, has declined in nine of the last twelve years.

UI Trust Fund Balance Summary: The year-end fund balance reached $810 million in 2000, but declined to $657 million in 2003. A decrease in benefit payments combined with growth in employment and covered wages caused the fund to rebound to $811 million in 2006.

The inflation adjusted fund balance also rebounded in 2005 and 2006, but it remained lower than the 2000 inflation adjusted level.

D. UI Fund Solvency

Unemployment Insurance theory requires the trust fund balance be large enough to endure heavy demands during periods of high unemployment, yet not place an excessive tax burden on employers. The challenge is to determine an adequate reserve level to ensure the fund's solvency through an economic downturn.

Months of Benefits in Trust Fund: A popular measure of fund adequacy is the number of months of benefits in the trust fund. This can be measured in several different ways.

Months of Current Benefits: This calculates the number of months of benefits that could be paid at the current benefit level. Benefits could be paid for 31 months if they remain at the 2006 level.

Months of Benefits at High Cost: The 2006 trust fund balance would be sufficient to pay benefits for 9.0 months at the historic highest benefit level. Iowa compares favorably to the national average of 4 months. Fund strength is weaker than the early 1990's when the fund balance was sufficient to pay about 14 months of high benefits.

Federal Solvency Standards: The USDL recommends a solvency standard of 12 months of benefits at the highest three-year average benefit cost rate. Iowa's 2006 year-end figure was slightly below the federal standard at 11.5 months.

Recession Level Benefits: Iowa's highest benefit cost level is based on the twelve-month period ending April 1983. Fund expenditures totaled $317.5 million and wages totaled $11.6 billion. Benefits for the twelve-month period equaled 2.7% of wages. If an economic downturn had pushed 2006 benefits to this 1983 recession level, benefits would have reached $1.1 billion.

Rate Table Calculations: The Iowa UI tax system is design to automatically adjust tax rates based on trust fund strength. This system is designed to maintain fund solvency, and minimize rate fluctuations.

If the fund strength starts to decline, the system will trigger to a tax table with higher tax rates. This helps the fund start rebuilding before fund reserves reach a critical point.

The system is designed to fortify the trust fund in small increments. This method diminishes the chances of a drastic tax increase in any single year if a recession should strike.

The system triggered a rate increase to tax table 6 for tax year 2003. This helped slow the trust fund balance decline. Tax table 6 is scheduled to remain in effect through 2007.

Fund Solvency Summary: The 2001 recession and slow recovery have caused fund solvency problems for some neighboring states. Iowa entered the decade with a stronger UI fund and has not needed to borrow to pay benefits. The state's UI Trust Fund is expected to remain solvent. Higher tax rate tables may trigger as covered wages grow in order to ensure future fund solvency.

Appendix A - Tables

Table A-1

Unemployment Insurance Benefit Data

Year	First Payments #	First Payments Δ%	Average Duration (Weeks) #	Average Duration (Weeks) Δ%	Weeks Compensated #	Weeks Compensated Δ%	Average Weekly Benefit ($) #	Average Weekly Benefit ($) Δ%	UI Regular Benefits Paid ($ millions) #	UI Regular Benefits Paid ($ millions) Δ%
1980	141,617	------	11.9	------	1,679,090	------	113.97	------	191.4	------
1981	111,712	-21.1%	13.2	10.9%	1,472,110	-12.3%	118.46	3.9%	174.4	-8.9%
1982	151,520	35.6%	14.6	10.6%	2,218,692	50.7%	132.02	11.4%	292.9	67.9%
1983	117,681	-22.3%	15.1	3.4%	1,781,786	-19.7%	134.39	1.8%	239.5	-18.2%
1984	97,603	-17.1%	13.0	-13.9%	1,265,144	-29.0%	123.28	-8.3%	156.0	-34.9%
1985	97,124	-0.5%	14.4	10.8%	1,401,655	10.8%	127.70	3.6%	179.0	14.7%
1986	84,882	-12.6%	14.7	2.1%	1,250,942	-10.8%	134.63	5.4%	168.4	-5.9%
1987	66,865	-21.2%	14.3	-2.7%	955,227	-23.6%	136.78	1.6%	130.7	-22.4%
1988	67,023	0.2%	12.4	-13.3%	831,553	-12.9%	142.79	4.4%	118.7	-9.2%
1989	73,393	9.5%	11.9	-4.0%	874,264	5.1%	148.71	4.1%	130.0	9.5%
1990	82,251	12.1%	11.5	-3.4%	946,804	8.3%	153.74	3.4%	145.6	12.0%
1991	92,823	12.9%	12.7	10.4%	1,176,440	24.3%	159.61	3.8%	187.8	29.0%
1992	88,604	-4.5%	13.5	6.3%	1,200,374	2.0%	162.28	1.7%	194.8	3.7%
1993	82,565	-6.8%	12.9	-4.4%	1,062,863	-11.5%	167.96	3.5%	178.5	-8.4%
1994	71,184	-13.8%	12.4	-3.9%	882,883	-16.9%	173.44	3.3%	153.1	-14.2%
1995	78,467	10.2%	11.2	-9.7%	879,273	-0.4%	184.68	6.5%	162.4	6.1%
1996	78,846	0.5%	12.5	11.6%	984,078	11.9%	190.62	3.2%	187.6	15.5%
1997	79,155	0.4%	11.8	-5.6%	931,796	-5.3%	195.08	2.3%	181.8	-3.1%
1998	72,383	-8.6%	10.8	-8.5%	783,500	-15.9%	204.44	4.8%	160.2	-11.9%
1999	80,519	11.2%	10.8	0.0%	869,517	11.0%	218.08	6.7%	189.6	18.4%
2000	84,455	4.9%	11.2	3.7%	949,794	9.2%	229.25	5.1%	217.7	14.8%
2001	113,983	35.0%	11.6	3.6%	1,324,644	39.5%	239.42	4.4%	317.1	45.7%
2002	111,411	-2.3%	13.4	15.5%	1,498,185	13.1%	244.76	2.2%	366.7	15.6%
2003	113,570	1.9%	13.5	0.7%	1,532,402	2.3%	248.94	1.7%	381.5	4.0%
2004	88,976	-21.7%	14.1	4.4%	1,253,028	-18.2%	249.39	0.2%	312.5	-18.1%
2005	91,540	2.9%	12.5	-11.3%	1,141,540	-8.9%	259.57	4.1%	296.3	-5.2%
2006	92,610	1.2%	12.5	0.0%	1,161,526	1.8%	269.38	3.8%	312.9	5.6%

Regular UI Benefits paid by IWD. Table does not includes extended benefits and net adjustments for transfers to other states. Source: ETA-5159

01/09/2007

Table A-2

Unemployment Insurance Revenue Data

Year	Combined Average Tax Rate		Taxable Wages ($ billions)		Combined Contributions ($ millions)		Interest on Trust Fund ($ millions)		Other Incm. ($ mil.)	Combined Total Revenue ($ millions)	
	#	Δ%	#	Δ%	#	Δ%	#	Δ%	#	#	Δ%
1980	2.51%	-----	5.63	-----	144.5	-----	11.8	-----	0.0	156.3	-----
1981	2.42%	-3.6%	5.87	4.3%	147.3	1.9%	10.0	-15.3%	0.0	157.3	0.6%
1982	2.32%	-4.1%	5.99	2.0%	146.9	-0.3%	5.0	-50.0%	0.0	152.0	-3.4%
1983	2.92%	25.9%	6.24	4.2%	189.6	29.1%	0.0	-100.0%	0.0	189.6	24.7%
1984	3.38%	15.8%	6.97	11.7%	241.9	27.6%	0.0	----	0.0	241.9	27.6%
1985	3.33%	-1.5%	7.28	4.4%	248.0	2.5%	0.9	----	16.5	265.4	9.7%
1986	3.23%	-3.0%	7.67	5.4%	252.7	1.9%	6.5	622.2%	4.5	263.7	-0.6%
1987	2.96%	-8.4%	8.10	5.6%	244.8	-3.1%	15.7	141.5%	0.0	260.6	-1.2%
1988	2.80%	-5.4%	8.02	-1.0%	228.8	-6.5%	26.9	71.3%	0.1	255.8	-1.8%
1989	1.96%	-30.0%	8.65	7.9%	172.9	-24.4%	38.3	42.4%	0.2	211.3	-17.4%
1990	1.60%	-18.4%	9.20	6.4%	151.0	-12.7%	46.1	20.4%	0.0	197.0	-6.8%
1991	1.55%	-3.1%	9.54	3.7%	153.1	1.4%	48.8	5.9%	0.0	201.9	2.5%
1992	1.51%	-2.6%	10.23	7.2%	162.8	6.3%	46.6	-4.5%	0.0	209.4	3.7%
1993	1.52%	0.7%	10.66	4.2%	169.8	4.3%	44.8	-3.9%	0.0	214.5	2.4%
1994	1.30%	-14.5%	11.69	9.7%	158.9	-6.4%	43.9	-2.0%	0.0	202.8	-5.5%
1995	0.98%	-24.6%	12.41	6.2%	128.1	-19.4%	48.1	9.6%	0.0	176.2	-13.1%
1996	0.97%	-1.0%	13.11	5.6%	132.0	3.0%	48.9	1.7%	0.0	180.9	2.7%
1997	0.94%	-3.1%	13.90	6.0%	136.6	3.5%	47.3	-3.3%	0.0	183.9	1.7%
1998	0.94%	0.0%	14.94	7.5%	145.9	6.8%	48.5	2.5%	0.0	194.3	5.7%
1999	0.95%	1.1%	15.98	7.0%	156.9	7.5%	49.8	2.7%	0.0	206.7	6.4%
2000	1.18%	24.2%	16.93	5.9%	205.4	30.9%	51.1	2.6%	0.0	256.4	24.0%
2001	1.18%	0.0%	17.21	1.7%	210.1	2.3%	51.7	1.2%	0.0	261.8	2.1%
2002	1.21%	2.5%	17.40	1.1%	221.7	5.5%	48.7	-5.8%	0.0	270.3	3.2%
2003	1.49%	23.1%	17.76	2.1%	277.1	25.0%	43.2	-11.3%	40.0	360.3	33.3%
2004	1.57%	5.4%	18.60	4.7%	306.5	10.6%	39.3	-9.0%	0.0	345.8	-4.0%
2005	1.60%	1.9%	19.61	5.4%	324.0	5.7%	35.1	-10.7%	0.0	359.1	3.8%
2006	1.61%	0.6%	20.74	5.8%	345.2	6.5%	31.2	-11.1%	0.0	376.5	4.8%

Combined contributions include payments made to the Unemployment Trust Fund account of the US Treasury and the Unemployment Compensation Reserve Fund account in the State Treasury. Other Income includes revenue from a trust fund debt repayment tax collected by the federal government in 1985 and 1986 and a one-time Reed Act transfer in 2003. 02/06/2007

Table A-3

UI Fund Balances

December 31

Year	UI Trust Fund Balance		Iowa Reserve Fund Balance		Combined UI Fund Balance: Balance ($ millions)		Combined UI Fund Balance: CPI-U Adjusted (1982-1984=100)		Combined UI Fund Balance: As Percent of Covered Wages	
	#	Δ%	#	Δ%	#	Δ%	#	Δ%	#	Δ%
1980	110.2	-----	0.0	-----	110.2	-----	127.7	-----	0.98%	-----
1981	96.5	-12.4%	0.0	-----	96.5	-12.4%	102.6	-19.7%	0.81%	-17.3%
1982	-63.3	-----	0.0	-----	-63.3	-----	-64.9	-----	-0.55%	-----
1983	-126.3	-----	0.0	-----	-126.3	-----	-124.7	-----	-1.07%	-----
1984	-37.4	-----	0.0	-----	-37.4	-----	-35.5	-----	-0.30%	-----
1985	49.3	-----	0.0	-----	49.3	-----	45.1	-----	0.38%	-----
1986	142.5	189.0%	0.0	-----	142.5	189.0%	129.0	186.0%	1.08%	184.2%
1987	276.9	94.3%	0.0	-----	276.9	94.3%	239.9	86.0%	1.95%	80.6%
1988	418.6	51.2%	0.0	-----	418.6	51.2%	347.4	44.8%	2.72%	39.5%
1989	506.7	21.0%	0.0	-----	506.7	21.0%	401.8	15.7%	3.08%	13.2%
1990	562.4	11.0%	0.0	-----	562.4	11.0%	420.3	4.6%	3.21%	4.2%
1991	582.6	3.6%	0.0	-----	582.6	3.6%	422.4	0.5%	3.21%	0.0%
1992	604.0	3.7%	0.0	-----	604.0	3.7%	425.6	0.8%	3.11%	-3.1%
1993	643.8	6.6%	0.0	-----	643.8	6.6%	441.6	3.8%	3.16%	1.6%
1994	696.4	8.2%	0.0	-----	696.4	8.2%	465.2	5.3%	3.18%	0.6%
1995	712.9	2.4%	0.0	-----	712.9	2.4%	464.5	-0.2%	3.05%	-4.1%
1996	706.9	-0.8%	0.0	-----	706.9	-0.8%	445.7	-4.0%	2.87%	-5.9%
1997	715.1	1.2%	0.0	-----	715.1	1.2%	443.4	-0.5%	2.70%	-5.9%
1998	752.1	5.2%	0.0	-----	752.1	5.2%	458.9	3.5%	2.61%	-3.3%
1999	762.7	1.4%	0.0	-----	762.7	1.4%	453.2	-1.2%	2.51%	-3.8%
2000	809.8	6.2%	0.0	-----	809.8	6.2%	465.4	2.7%	2.56%	2.0%
2001	760.3	-6.1%	0.0	-----	760.3	-6.1%	430.3	-7.5%	2.37%	-7.4%
2002	665.0	-12.5%	0.0	-----	665.0	-12.5%	367.6	-14.6%	2.06%	-13.1%
2003	657.2	-1.2%	0.0	-----	657.2	-1.2%	356.6	-3.0%	1.98%	-3.9%
2004	635.2	-3.3%	47.5	-----	682.8	3.9%	358.8	0.6%	1.93%	-2.5%
2005	643.2	1.3%	105.6	122.3%	748.8	9.7%	380.5	6.0%	2.02%	4.7%
2006	665.8	3.5%	145.4	37.7%	811.2	8.3%	402.0	5.7%	2.06%	2.0%

The UI Trust Fund balance excludes Reed Act distributions, except for a $40 million transfer to the trust fund made under S.F. 458 (2003). The Iowa Reserve Fund refers to the principal in the unemployment compensation reserve fund set up to under S.F. 458 (2003). Principal in the fund can only be used to pay UI benefits if the UI trust fund is insufficient to pay benefits.. 03/16/2006

Table A-4

UI Fund Solvency Measures

December 31

Year	Months of Benefits in Combined UI Fund						UI Benefits At Highest Level ($ millions)	
	Current Benefit Level		Highest Twelve Month Level		Average 3 Year High Level			
	#	Δ%	#	Δ%	#	Δ%	#	Δ%
1980	6.7	-----	6.7	-----	8.4	-----	196.5	-----
1981	6.7	0.0%	5.3	-20.9%	7.0	-16.7%	219.6	11.8%
1982	-2.4	-----	-2.5	-----	-3.4	-----	302.5	37.8%
1983	-6.0	-----	-4.7	-----	-6.0	-----	323.6	7.0%
1984	-2.9	-----	-1.3	-----	-1.6	-----	346.3	7.0%
1985	3.3	-----	1.7	-----	2.1	-----	352.5	1.8%
1986	10.4	215.2%	4.7	176.5%	6.0	185.7%	361.6	2.6%
1987	26.3	152.9%	8.5	80.9%	10.8	80.0%	389.5	7.7%
1988	44.0	67.3%	11.9	40.0%	15.1	39.8%	422.6	8.5%
1989	49.3	12.0%	13.5	13.4%	17.1	13.2%	451.3	6.8%
1990	47.7	-3.2%	14.0	3.7%	17.8	4.1%	481.0	6.6%
1991	38.0	-20.3%	14.0	0.0%	17.8	0.0%	498.8	3.7%
1992	38.4	1.1%	13.6	-2.9%	17.2	-3.4%	533.9	7.0%
1993	44.4	15.6%	13.8	1.5%	17.5	1.7%	559.5	4.8%
1994	55.7	25.5%	13.9	0.7%	17.6	0.6%	601.8	7.6%
1995	53.8	-3.4%	13.3	-4.3%	16.9	-4.0%	641.7	6.6%
1996	46.1	-14.3%	12.5	-6.0%	15.9	-5.9%	677.5	5.6%
1997	47.8	3.7%	11.8	-5.6%	15.0	-5.7%	727.7	7.4%
1998	57.1	19.5%	11.4	-3.4%	14.5	-3.3%	789.8	8.5%
1999	48.8	-14.5%	11.0	-3.5%	13.9	-4.1%	834.3	5.6%
2000	45.1	-7.6%	11.2	1.8%	14.2	2.2%	867.8	4.0%
2001	29.2	-35.3%	10.4	-7.1%	13.2	-7.0%	880.6	1.5%
2002	22.0	-24.7%	9.0	-13.5%	11.4	-13.6%	887.0	0.7%
2003	21.2	-3.6%	8.7	-3.3%	11.0	-3.5%	910.6	2.7%
2004	26.5	25.0%	8.5	-2.3%	10.7	-2.7%	969.0	6.4%
2005	30.6	15.5%	8.8	3.5%	11.2	4.7%	1,018.3	5.1%
2006	31.4	2.6%	9.0	2.3%	11.5	2.7%	1,078.7	5.9%

See notes in table A-3.

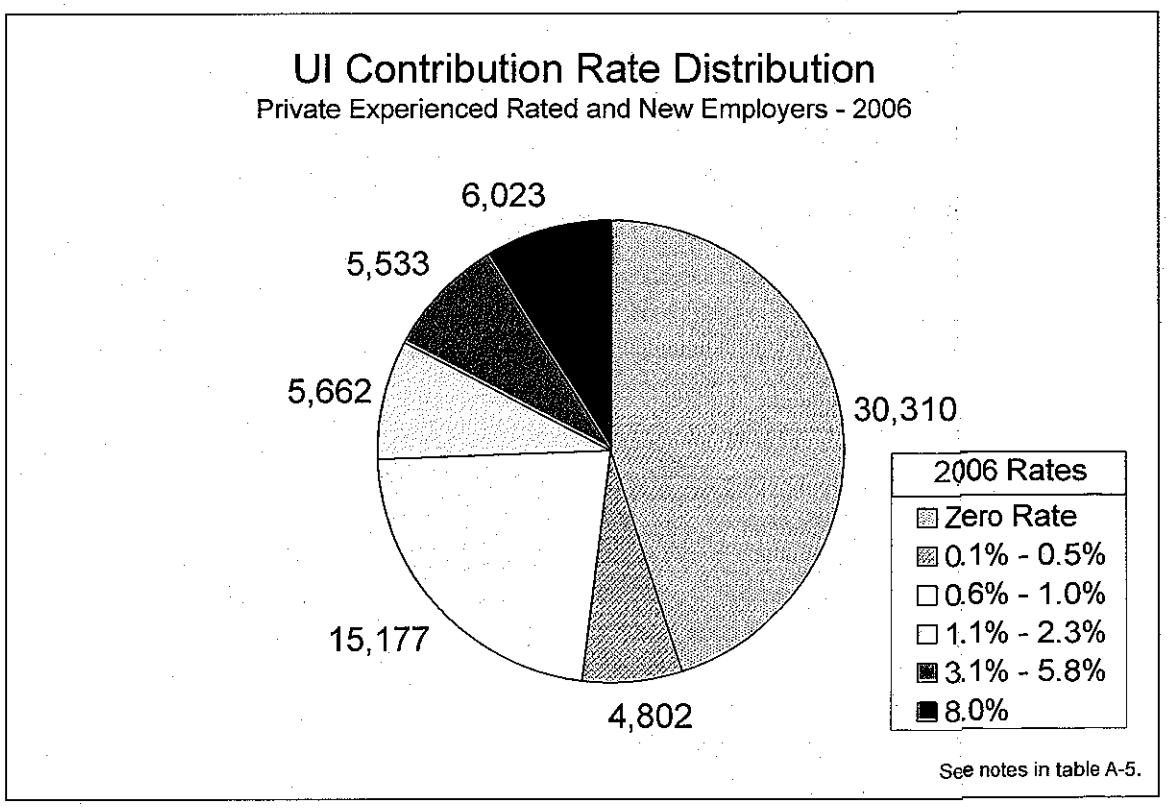
03/16/2006

Table A-5

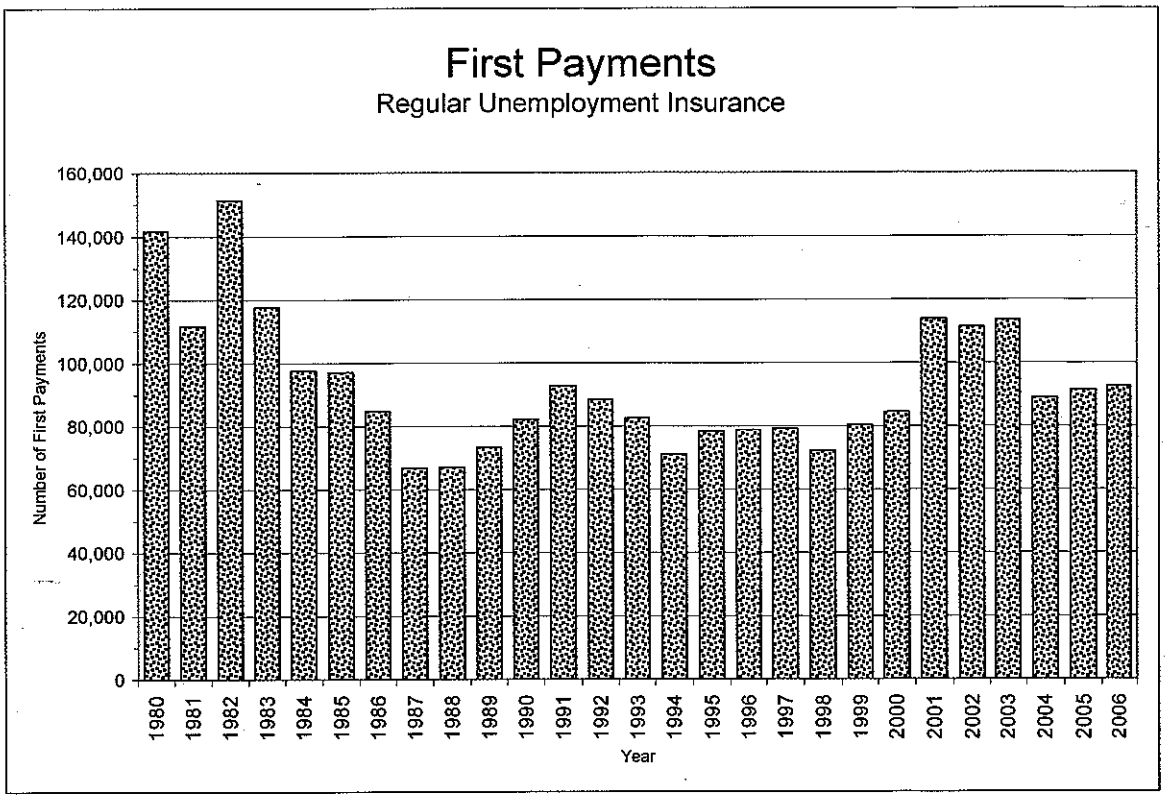
Employer Contribution Rate Distribution
Based on Original Employer Rate Notices
All Private Contributory Employers
Rate Year 2006

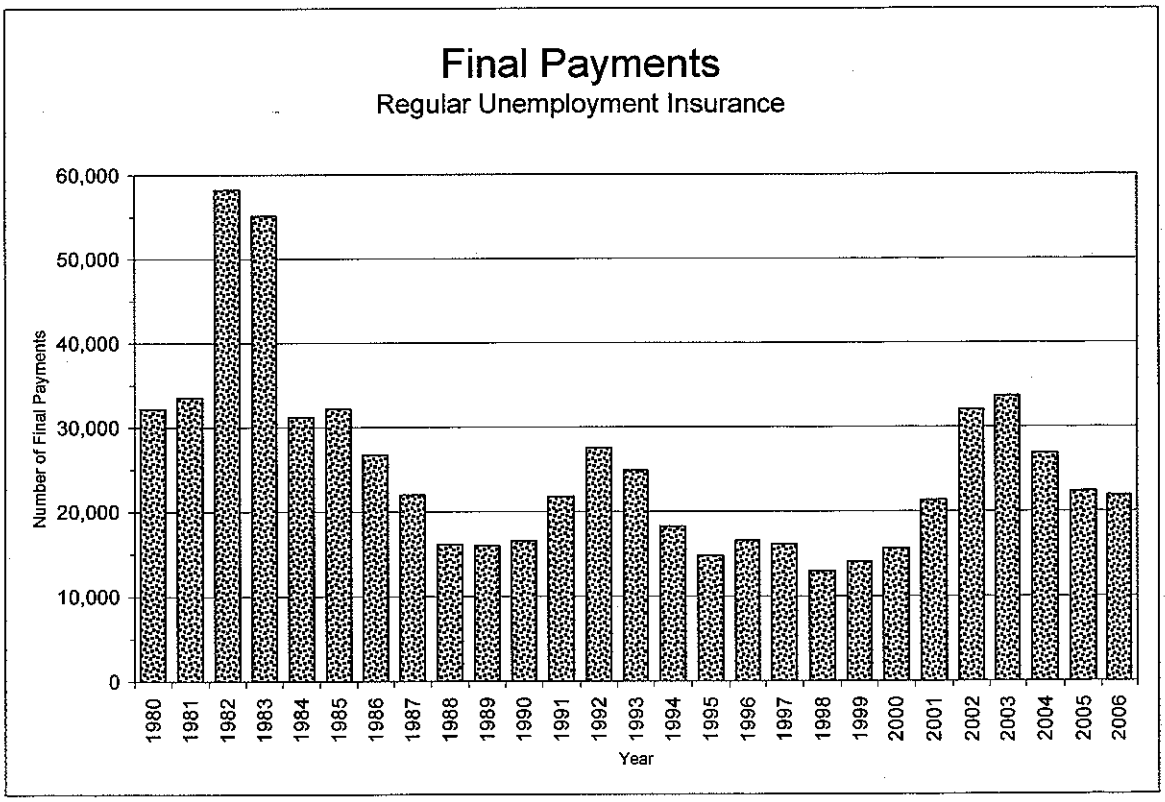
Tax Rate Table 6	Private Contributory Firms		Taxable Wages Merit Year Ending June 30, 2005	
	Number	Percent	Dollars	Percent
Zero Rate	30,310	44.9%	2,554,072,143.76	13.5%
0.1% - 0.5%	4,802	7.1%	4,251,715,381.56	22.5%
0.6% - 1.0%	15,177	22.5%	4,332,877,823.51	22.9%
1.1% - 2.3%	5,662	8.4%	4,240,030,389.93	22.4%
3.1% - 5.8%	5,533	8.2%	2,549,010,339.40	13.5%
8.0%	6,023	8.9%	969,483,991.65	5.1%
Total	67,507	100.0%	18,897,190,069.81	100.0%

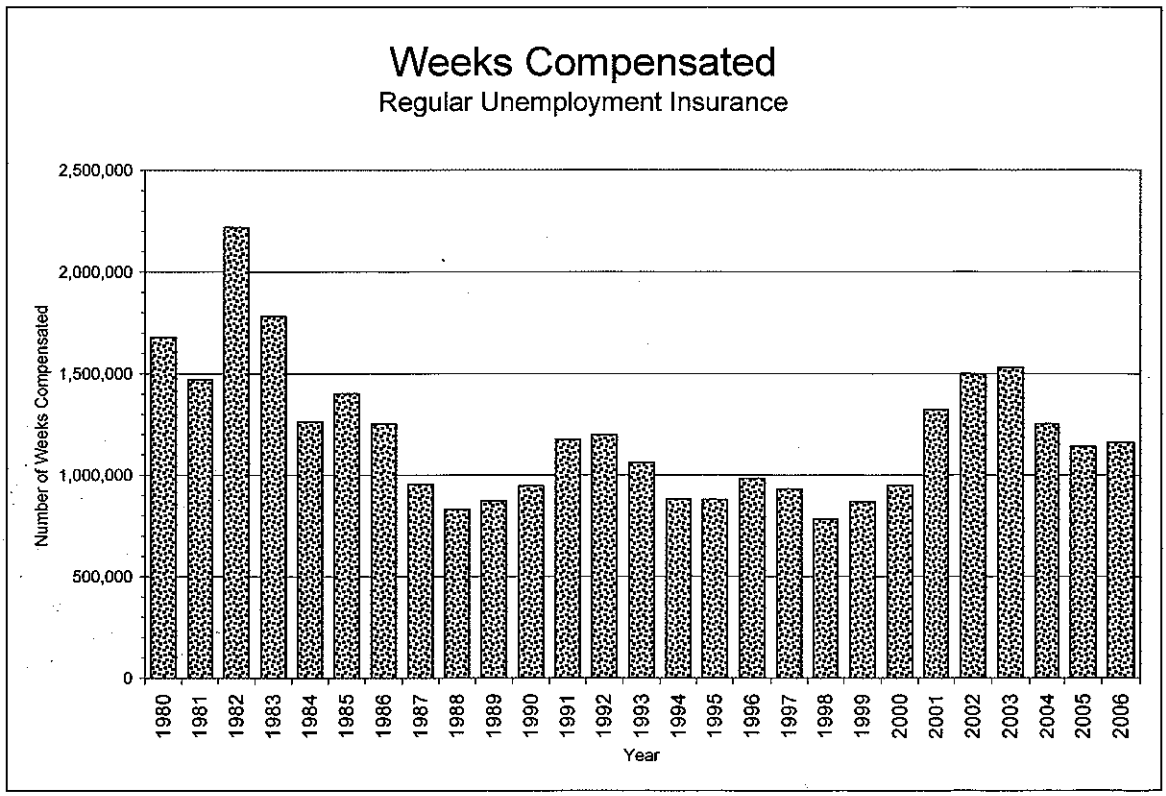
Table includes private experience rated and unrated (new) employers.
Tax rates include the state experience rate and the reserve fund rate.

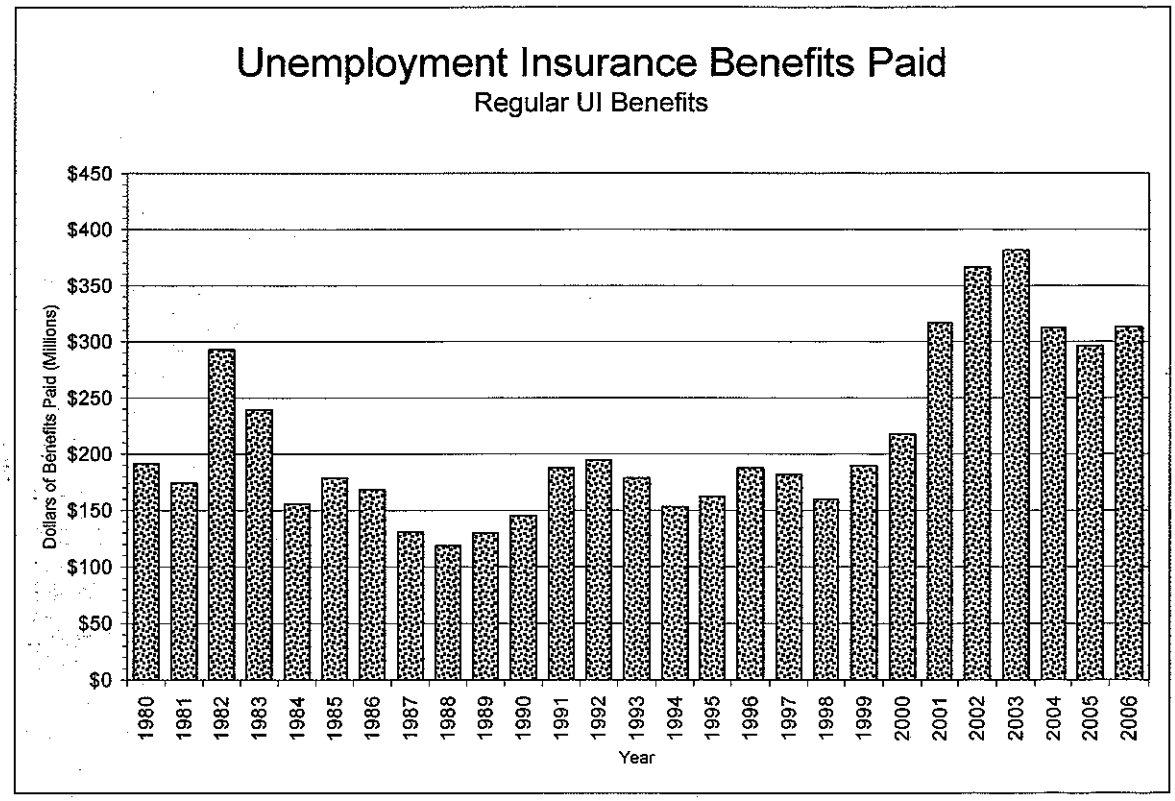


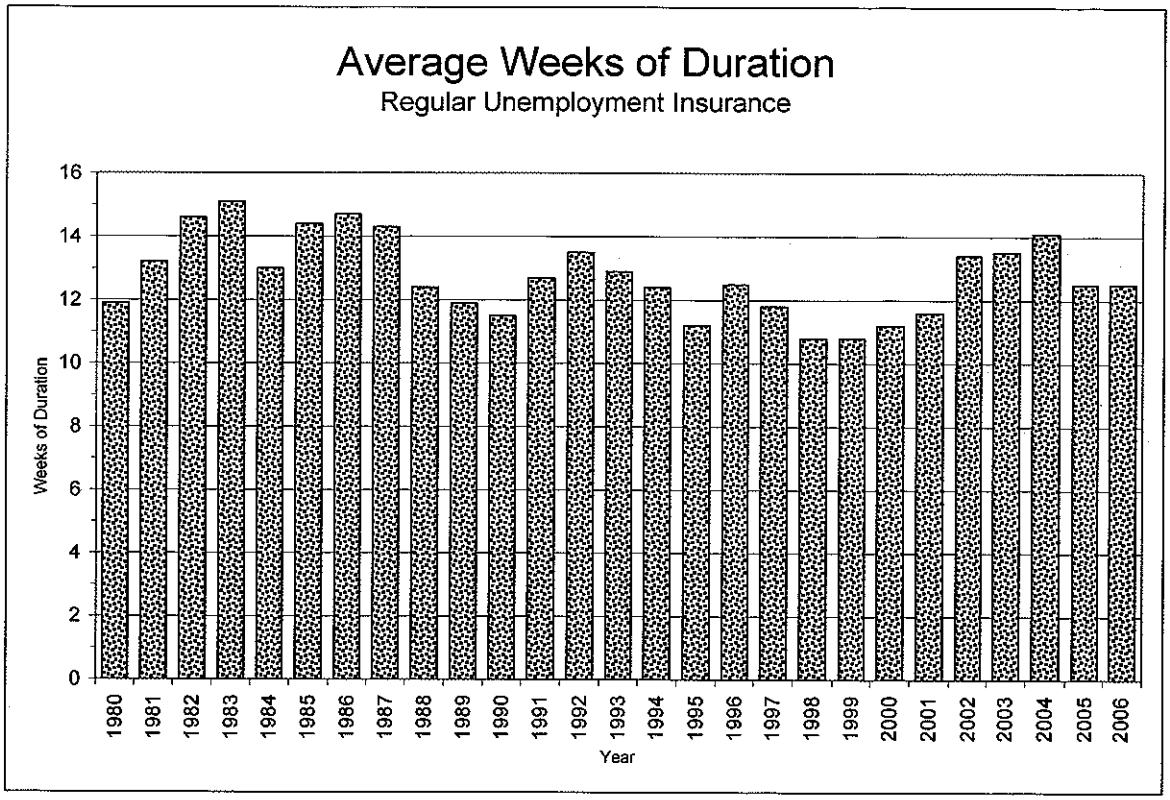
Appendix B – Graphs

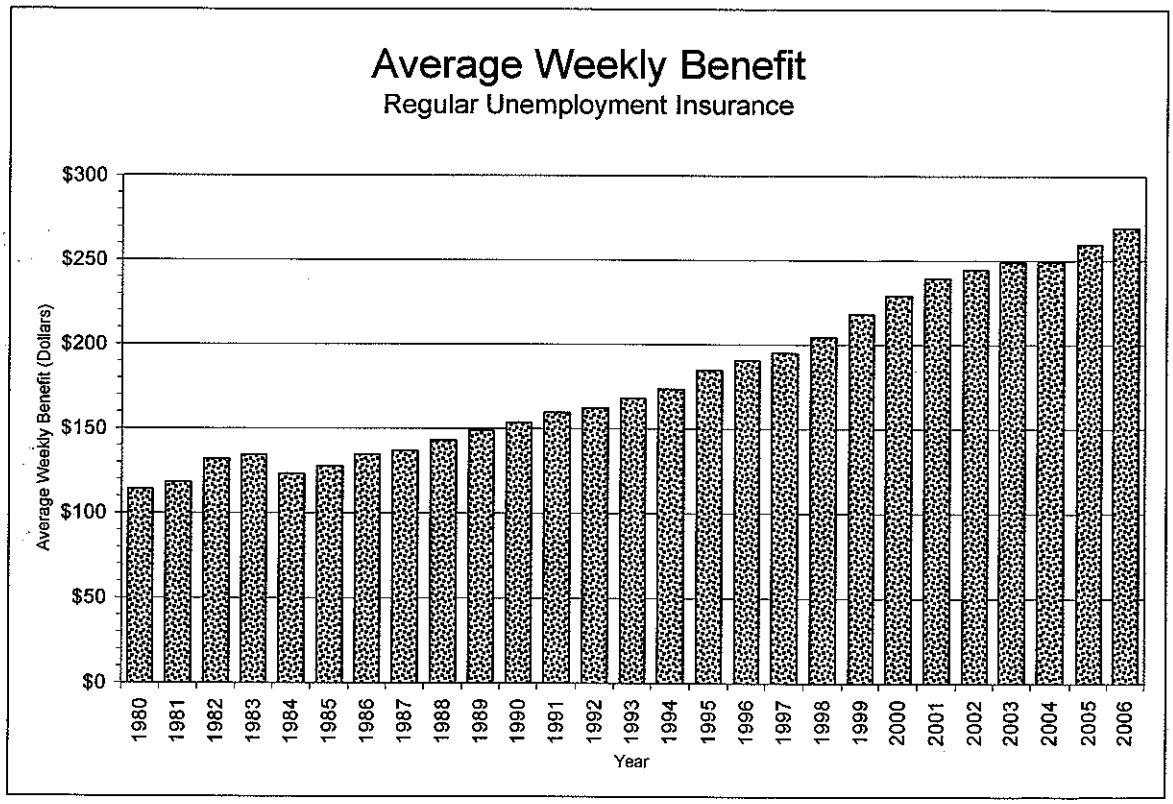

First Payments
Regular Unemployment Insurance
Number of First Payments
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year

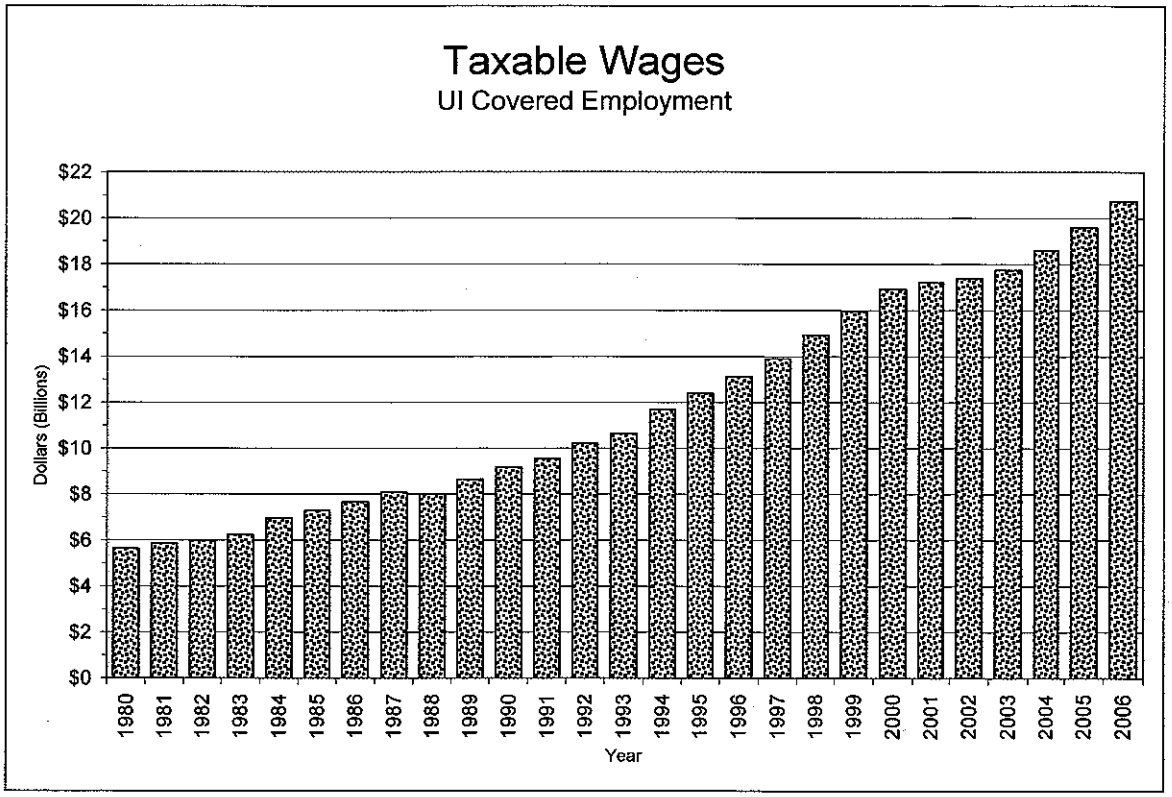

Final Payments
Regular Unemployment Insurance
Number of Final Payments
60,000
50,000
40,000
30,000
20,000
10,000
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year

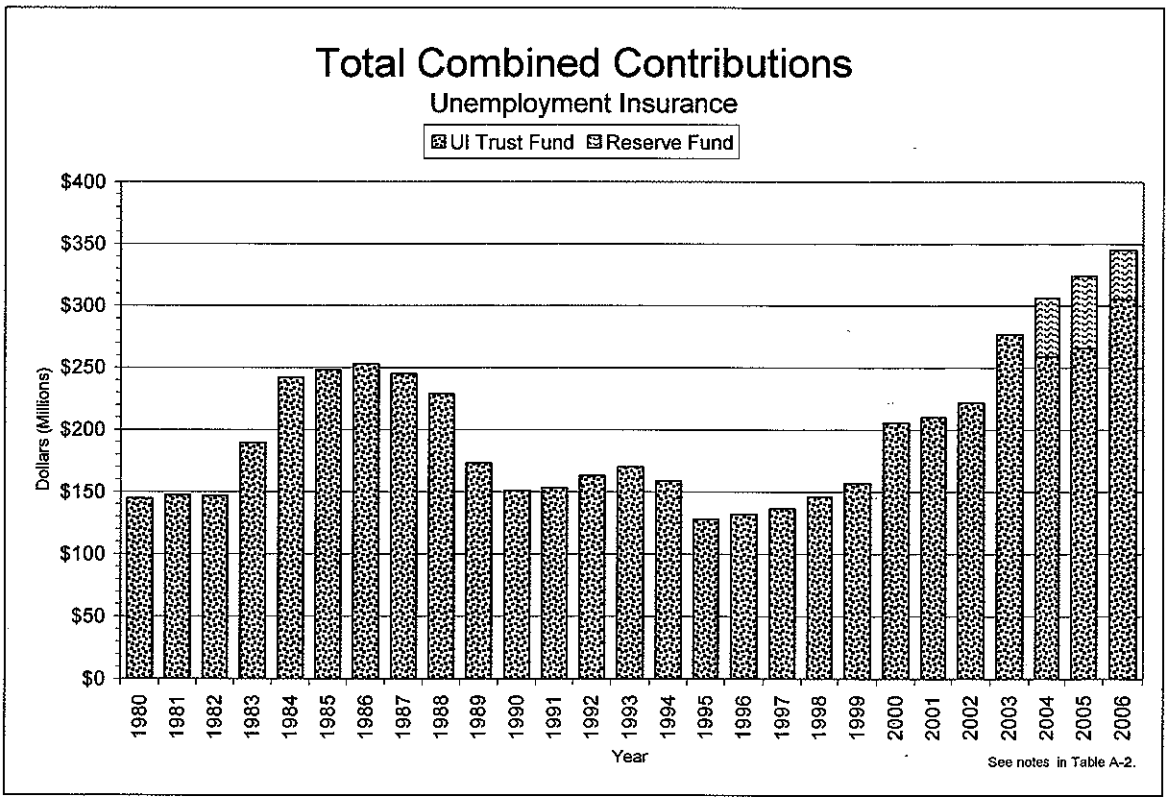

Weeks Compensated
Regular Unemployment Insurance
Number of Weeks Compensated
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year

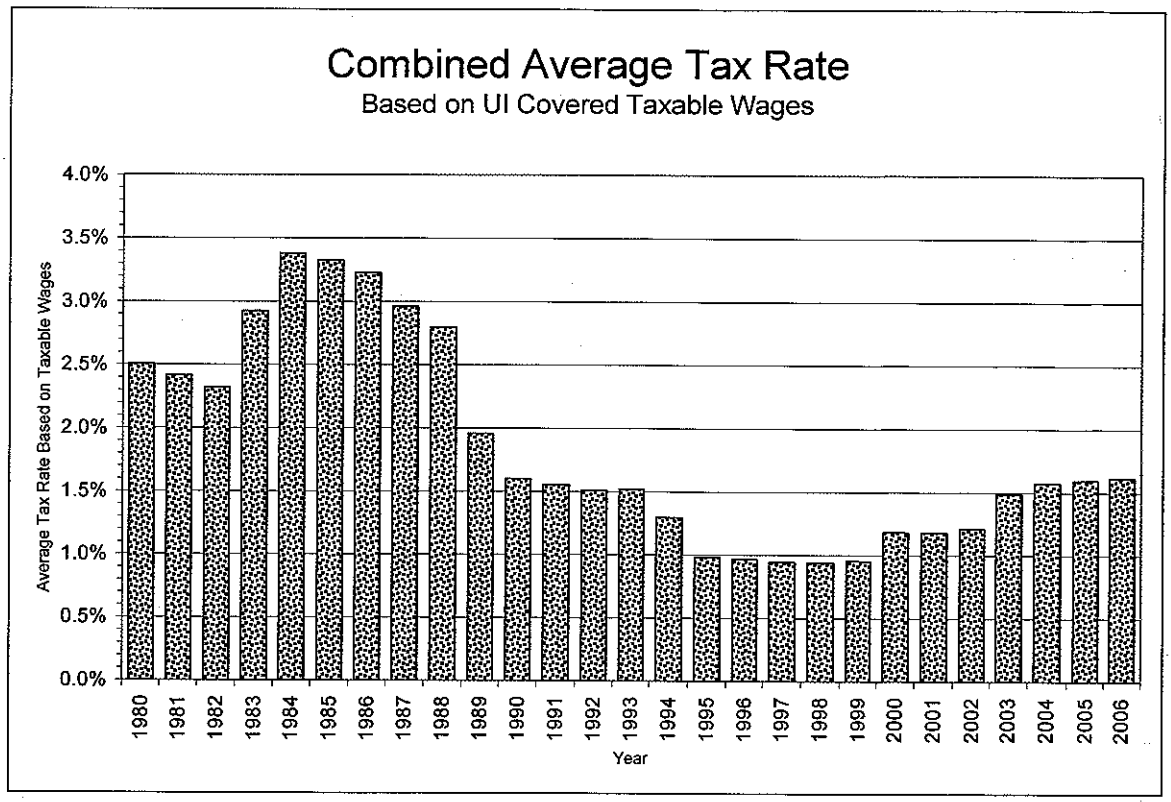

Unemployment Insurance Benefits Paid
Regular UI Benefits
Dollars of Benefits Paid (Millions)
$450
$400
$350
$300
$250
$200
$150
$100
$50
$0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year

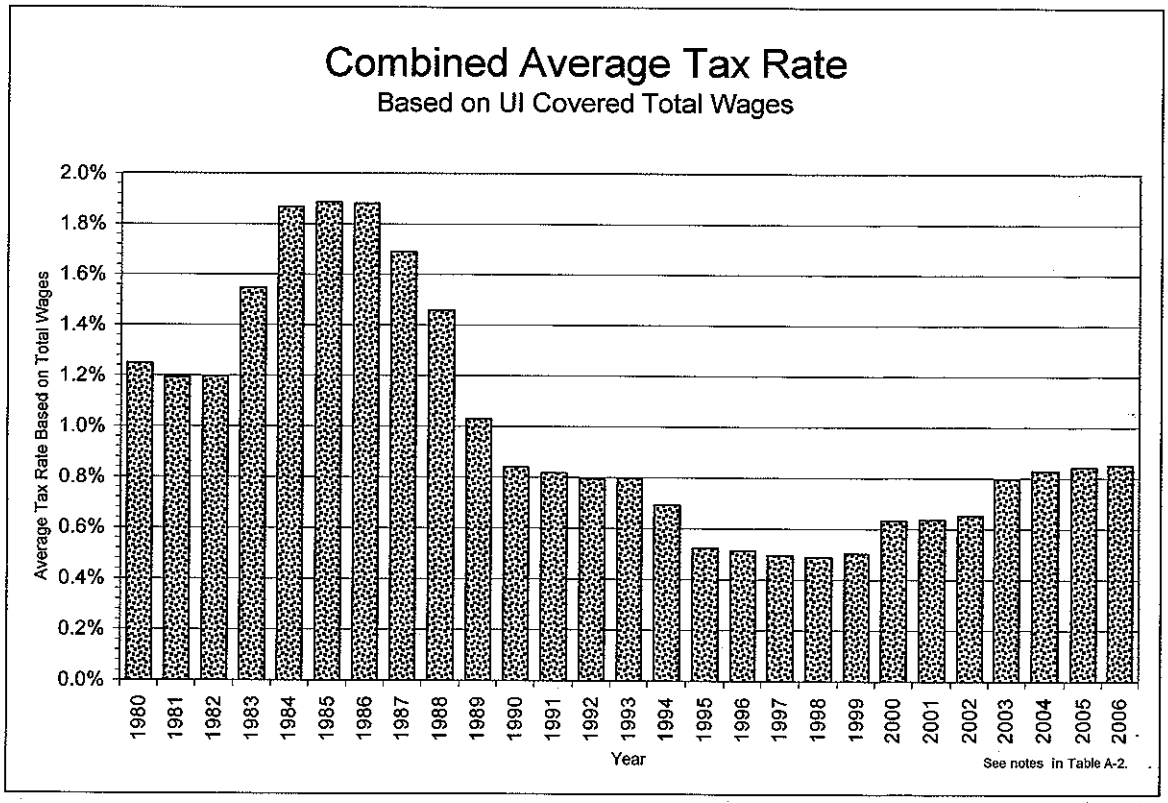

Average Weeks of Duration
Regular Unemployment Insurance
Weeks of Duration
0
2
4
6
8
10
12
14
16
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year

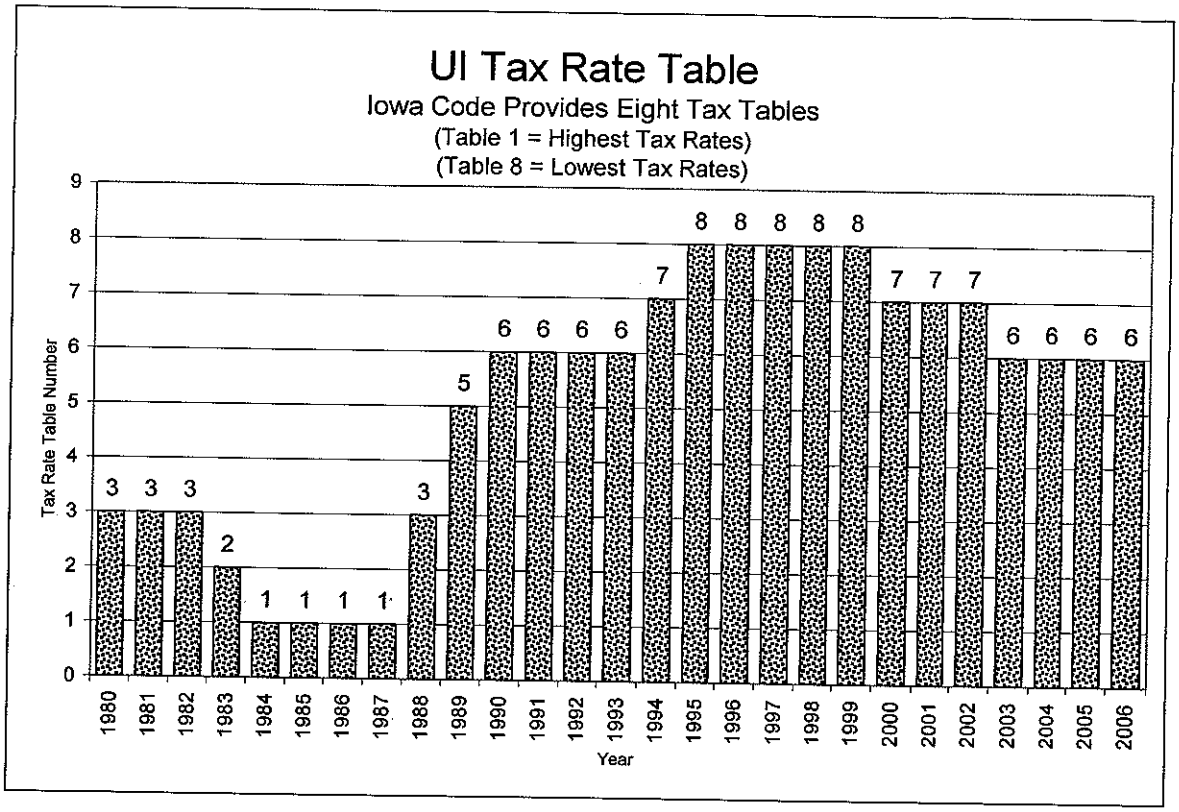

Average Weekly Benefit
Regular Unemployment Insurance
Average Weekly Benefit (Dollars)
$0
$50
$100
$150
$200
$250
$300
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year

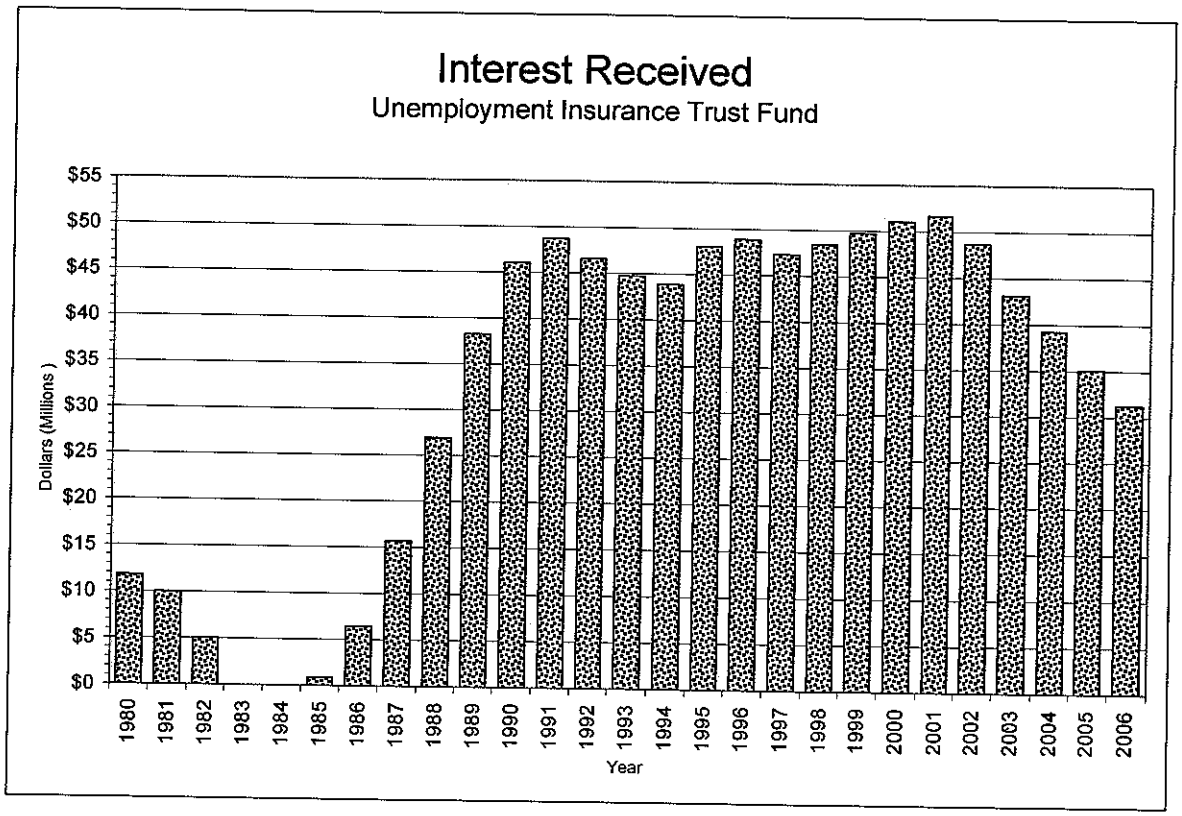

Taxable Wages
UI Covered Employment
Dollars (Billions)
$22
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year

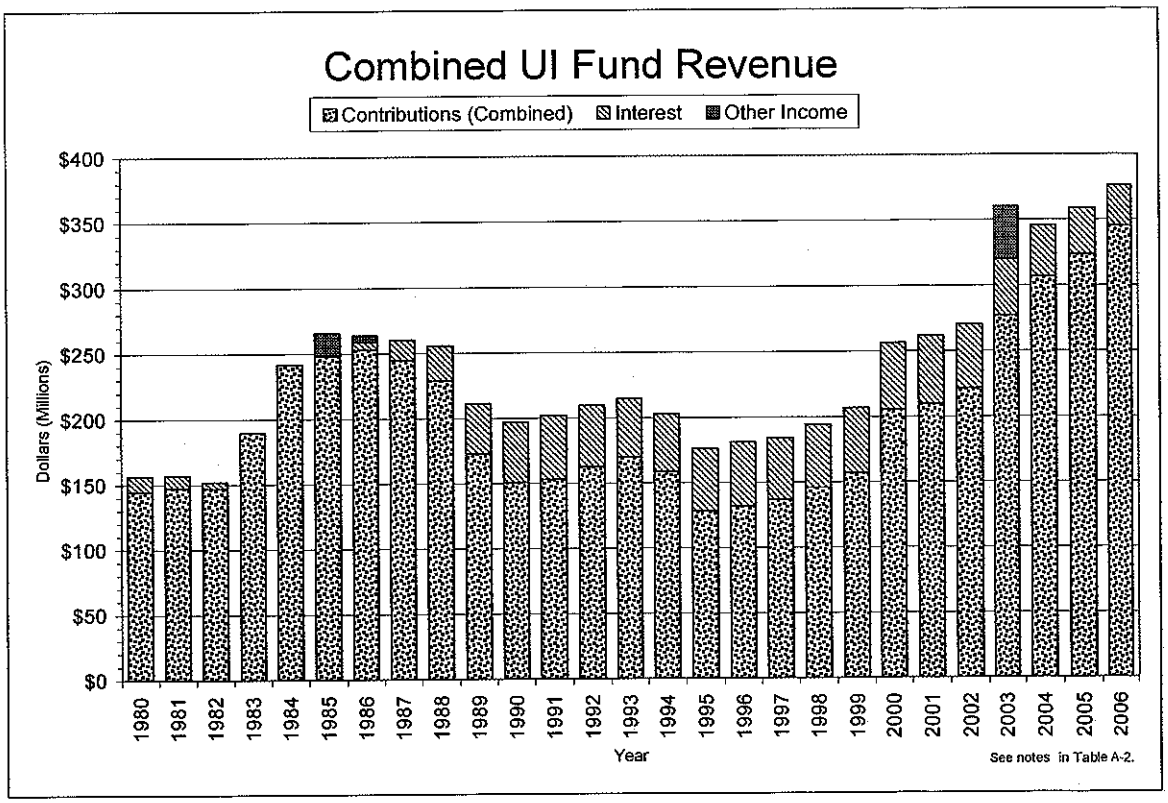

Total Combined Contributions
Unemployment Insurance
UI Trust Fund
Reserve Fund
Dollars (Millions)
$400
$350
$300
$250
$200
$150
$100
$50
$0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year
See notes in Table A-2.

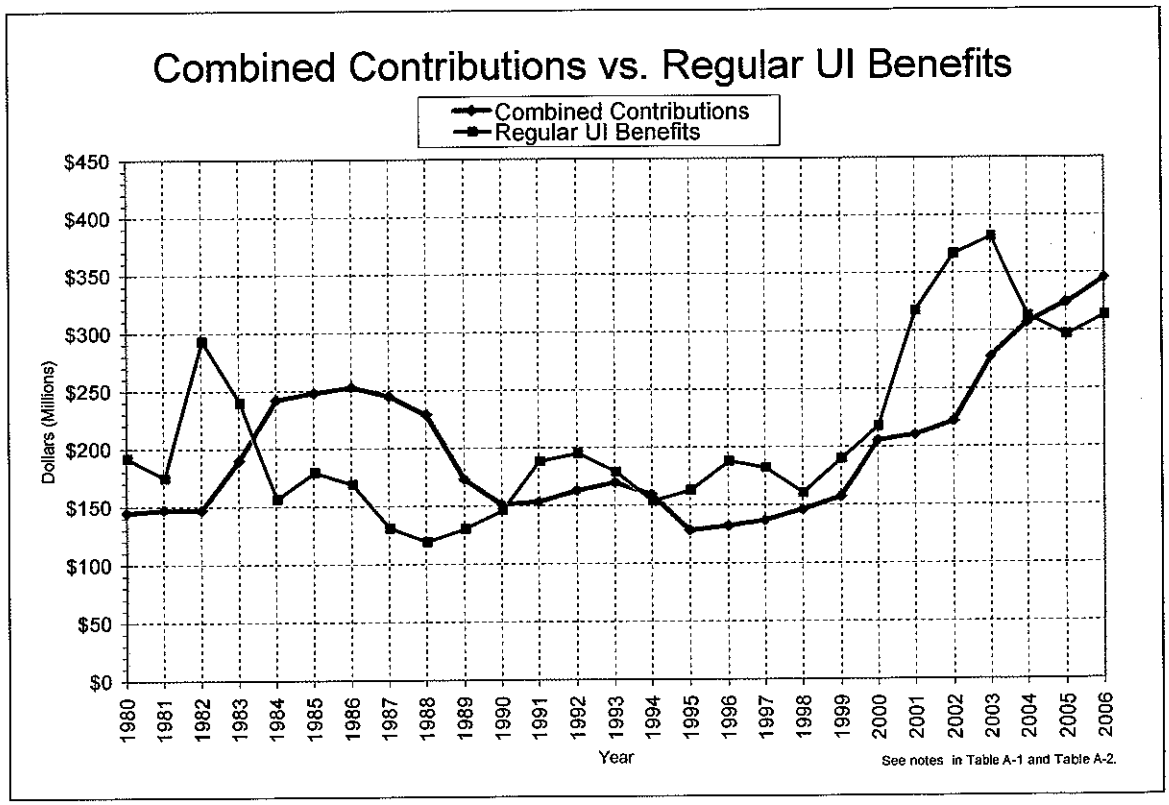

Combined Average Tax Rate
Based on UI Covered Taxable Wages
Average Tax Rate Based on Taxable Wages
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year

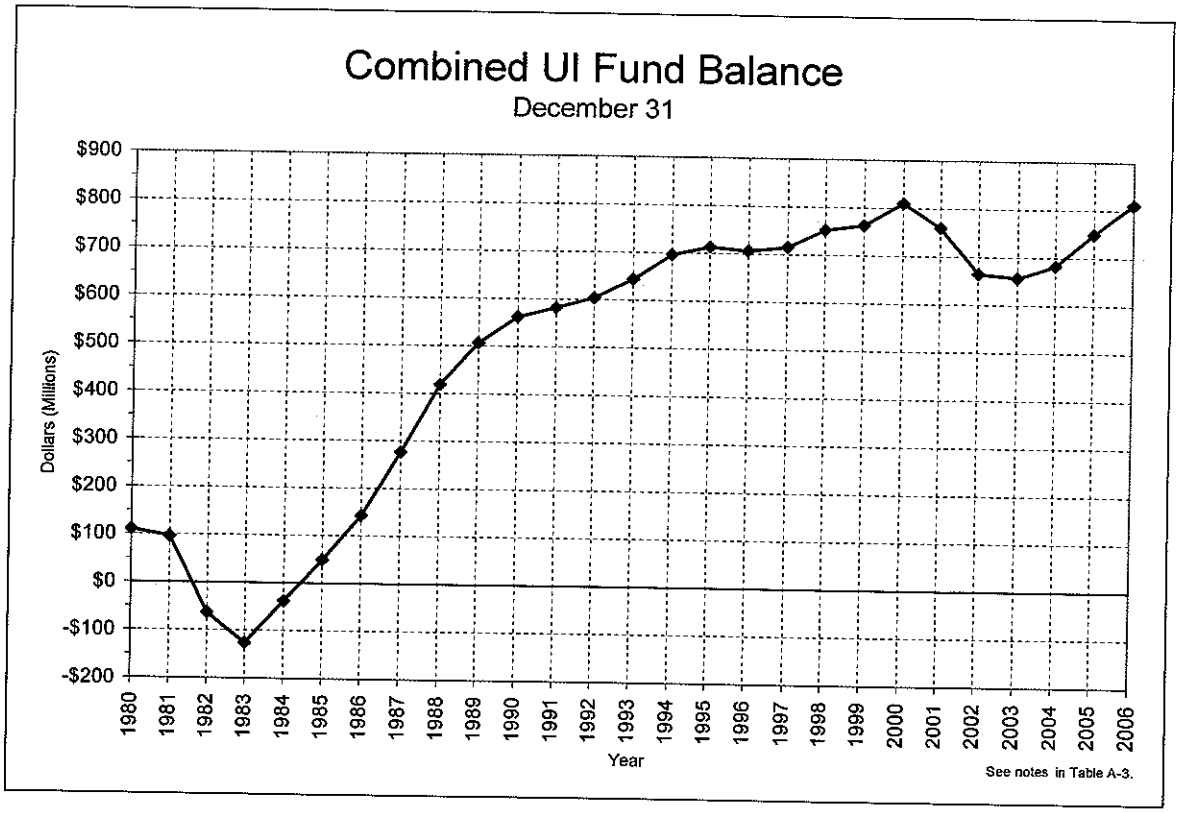

Combined Average Tax Rate
Based on UI Covered Total Wages
Average Tax Rate Based on Total Wages
2.0%
1.8%
1.6%
1.4%
1.2%
1.0%
0.8%
0.6%
0.4%
0.2%
0.0%
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year
See notes in Table A-2.

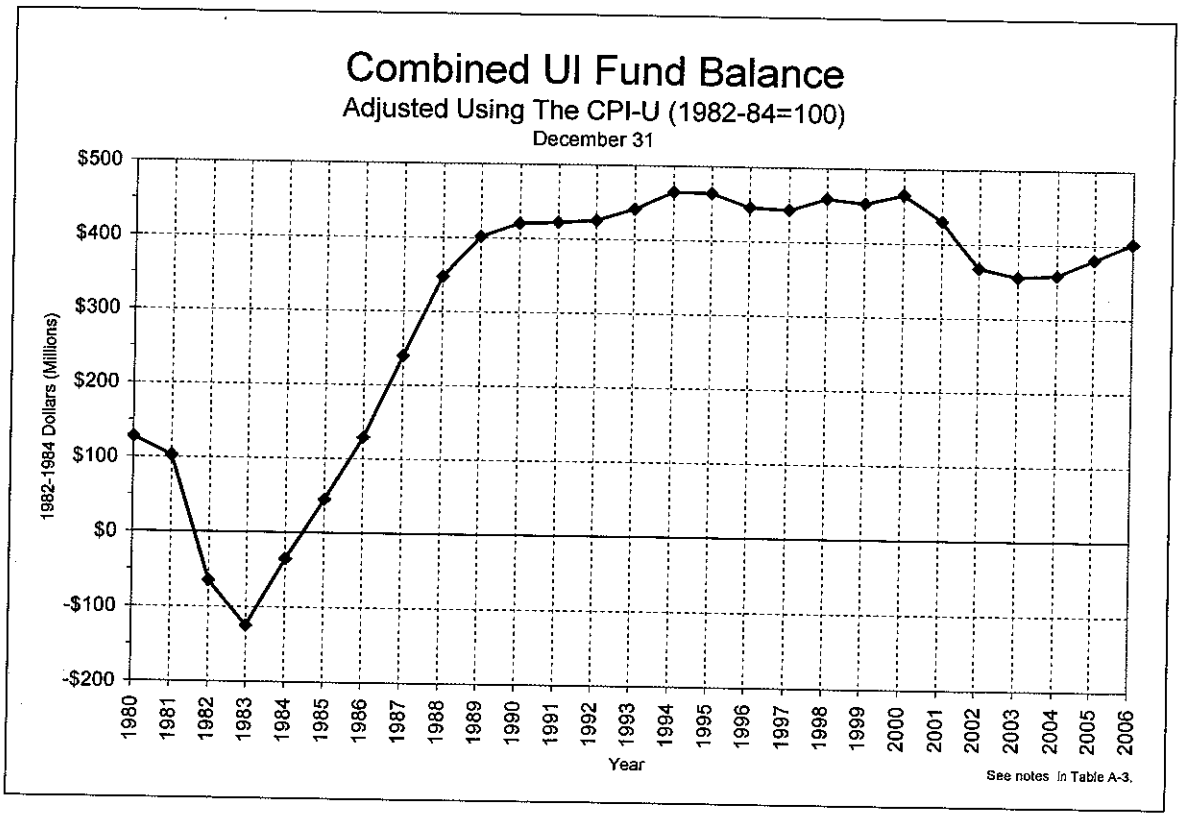

UI Tax Rate Table
Iowa Code Provides Eight Tax Tables
(Table 1 = Highest Tax Rates)
(Table 8 = Lowest Tax Rates)
Tax Rate Table Number
Year
3 3 3 2 1 1 1 1 3 5 6 6 6 6 7 8 8 8 8 8 7 7 7 6 6 6 6
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006

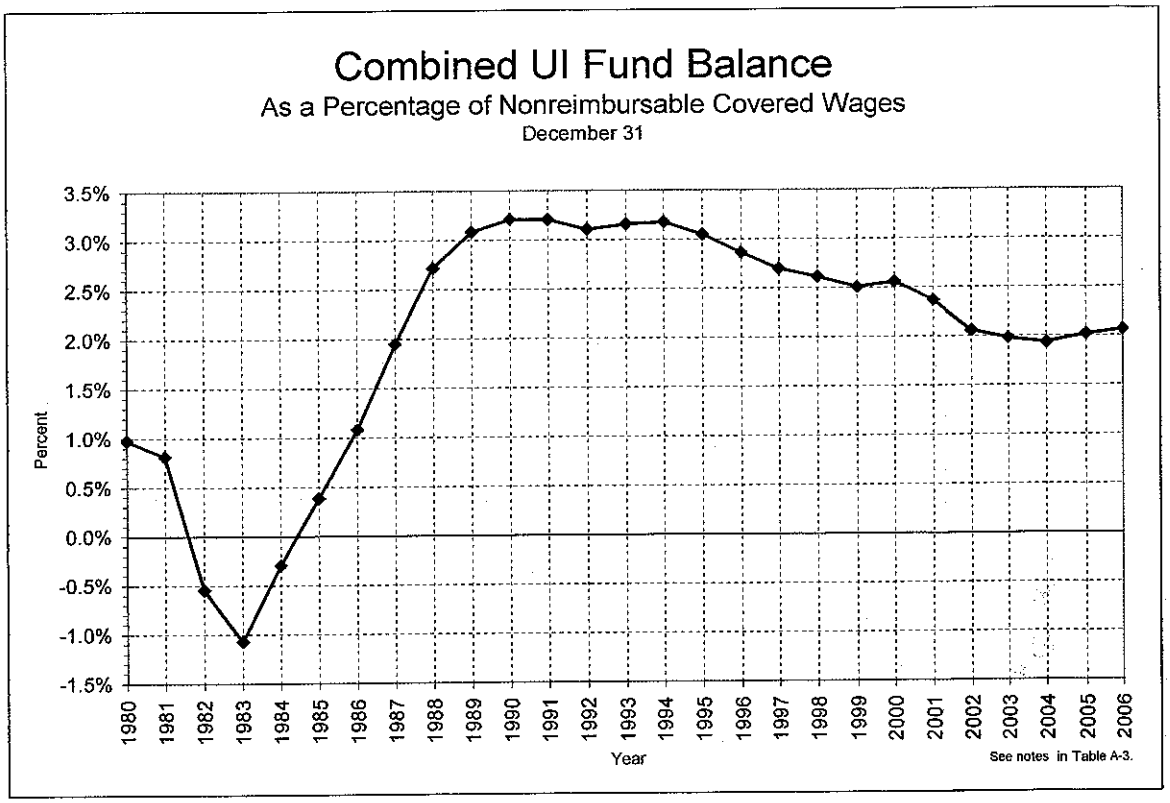

Interest Received
Unemployment Insurance Trust Fund
Dollars (Millions)
$55 $50 $45 $40 $35 $30 $25 $20 $15 $10 $5 $0
Year
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006

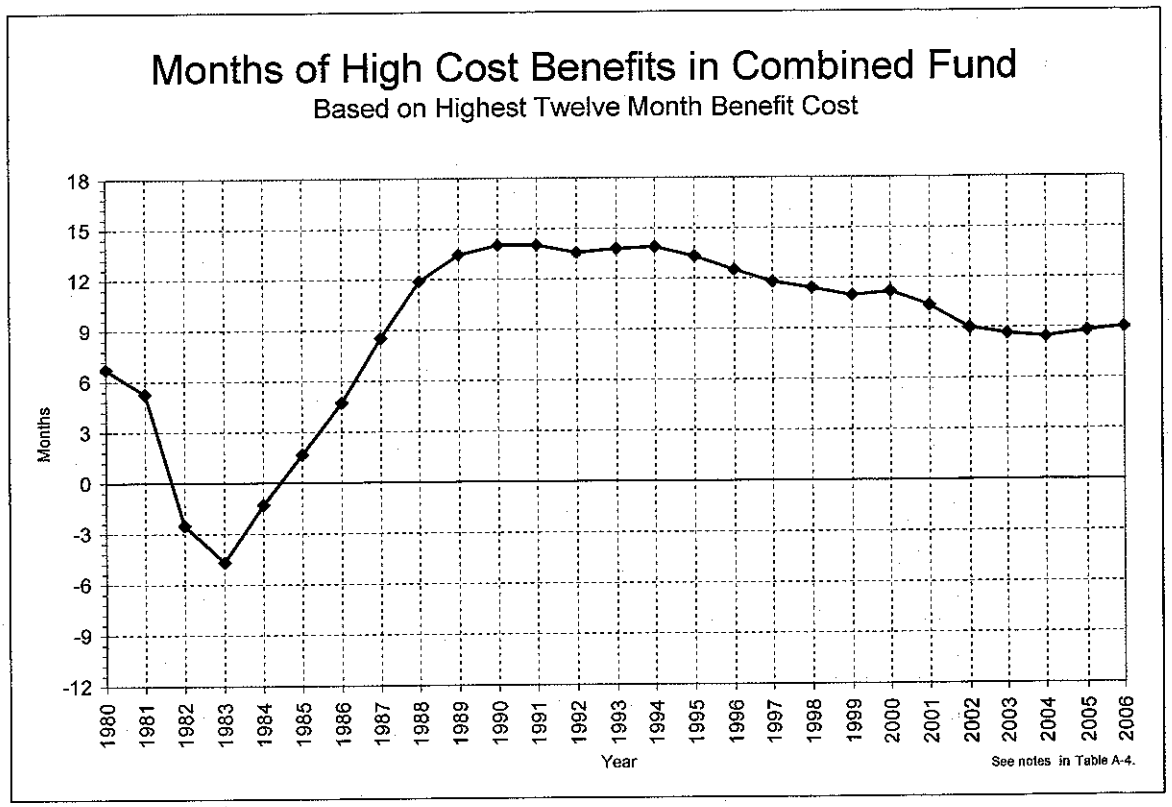

Combined UI Fund Revenue
Contributions (Combined)
Interest
Other Income
$400
$350
$300
$250
$200
$150
$100
$50
$0
Dollars (Millions)
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year
See notes in Table A-2.

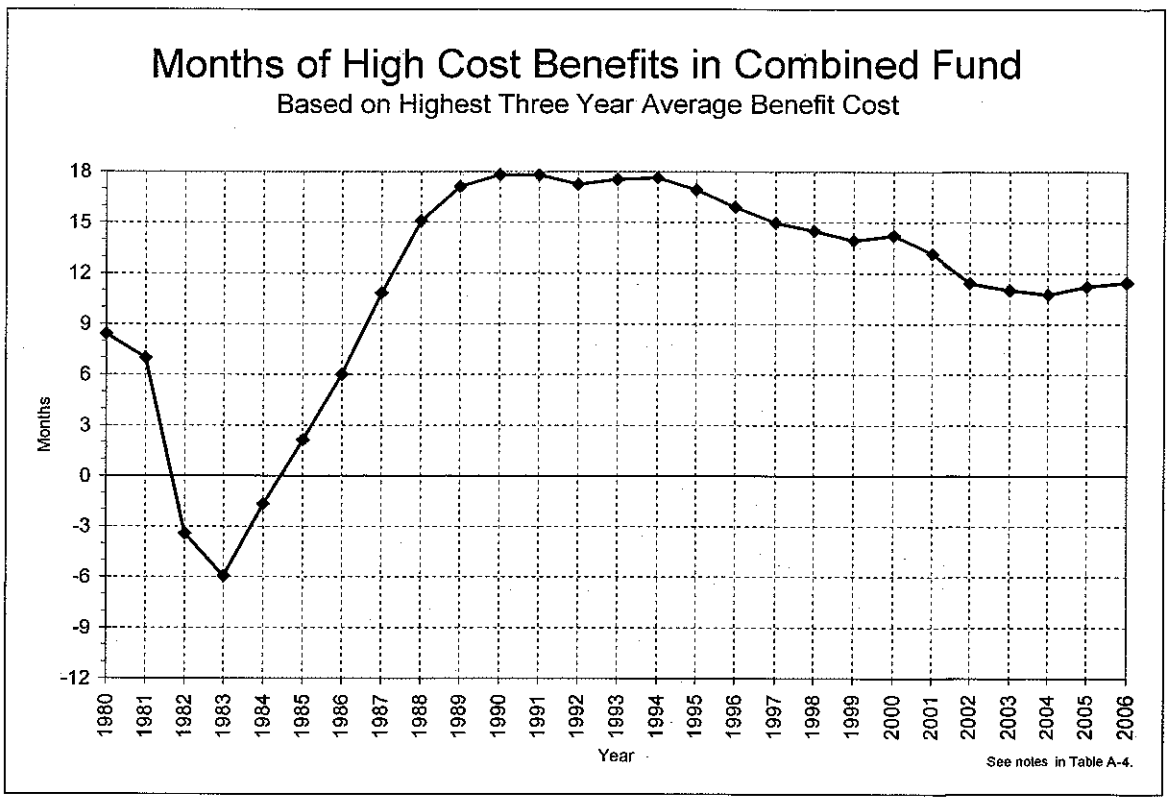

Combined Contributions vs. Regular UI Benefits
Combined Contributions
Regular UI Benefits
$450
$400
$350
$300
$250
$200
$150
$100
$50
$0
Dollars (Millions)
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year
See notes in Table A-1 and Table A-2.

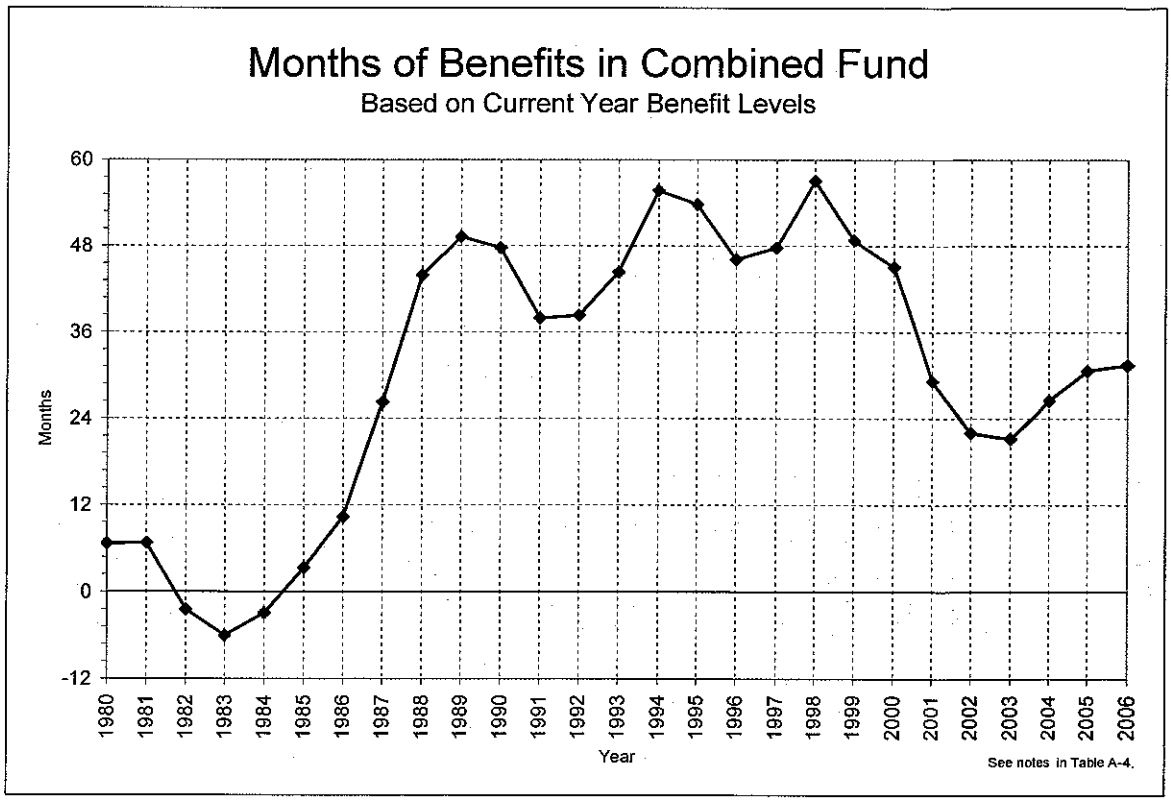

Combined UI Fund Balance
December 31
$900
$800
$700
$600
$500
$400
$300
$200
$100
$0
-$100
-$200
Dollars (Millions)
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year
See notes in Table A-3.

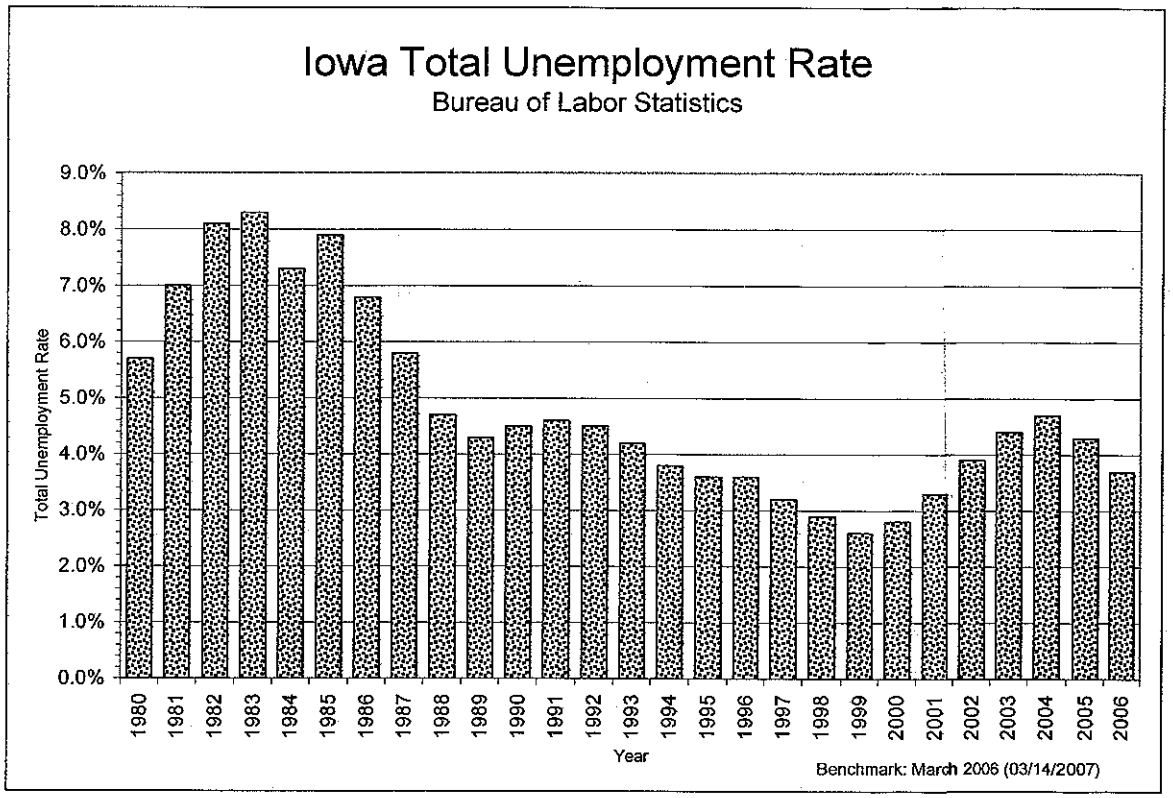

Combined UI Fund Balance
Adjusted Using The CPI-U (1982-84=100)
December 31
$500
$400
$300
$200
$100
$0
-$100
-$200
1982-1984 Dollars (Millions)
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year
See notes in Table A-3.

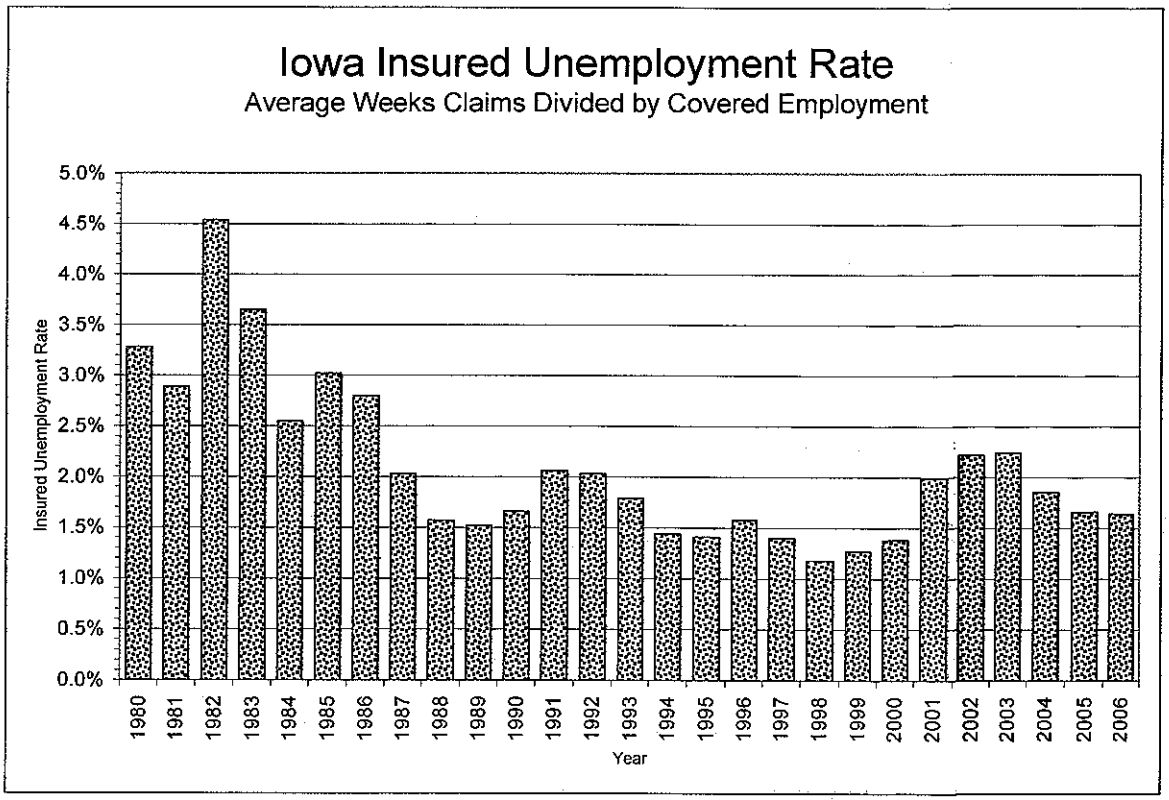

Combined UI Fund Balance
As a Percentage of Nonreimbursable Covered Wages
December 31
Percent
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
-1.5%
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006
Year
See notes in Table A-3.


Months of High Cost Benefits in Combined Fund
Based on Highest Twelve Month Benefit Cost
Months
18
15
12
9
6
3
0
-3
-6
-9
-12
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006
Year
See notes in Table A-4.


Months of High Cost Benefits in Combined Fund
Based on Highest Three Year Average Benefit Cost
Months
18
15
12
9
6
3
0
-3
-6
-9
-12
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year
See notes in Table A-4.


Months of Benefits in Combined Fund
Based on Current Year Benefit Levels
Months
60
48
36
24
12
0
-12
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year
See notes in Table A-4.


Iowa Total Unemployment Rate
Bureau of Labor Statistics
Total Unemployment Rate
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Year
Benchmark: March 2006 (03/14/2007)


Iowa Insured Unemployment Rate
Average Weeks Claims Divided by Covered Employment
Insured Unemployment Rate
5.0%
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
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1992
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2000
2001
2002
2003
2004
2005
2006
Year

Appendix C: Definition and Technical Notes

UI Fund Balance Measures

This report measures the condition of the funds designated to pay unemployment compensation benefits. In the past, unemployment compensation benefits have been paid entirely from the Unemployment Trust Fund. In 2003 the Iowa legislature set up the Unemployment Compensation Reserve Fund in the state treasury to pay benefits if the UI Trust Fund balance is insufficient. Since both funds are available to pay benefits, this report uses the combined balance of the two funds to compute solvency measures.

Unemployment Trust Fund: A fund established in the Treasury of the United States which contains all monies deposited by state agencies to the credit of their unemployment fund accounts and Federal unemployment taxes collected by the Internal Revenue Service.

UI Trust Fund Balance: In this report this term refers to the balance in Iowa's individual account in the Unemployment Trust Fund. This also includes the $40 million transferred from the Reed Act special distribution to the Unemployment Trust Fund under S. F. 458 in 2003.

Iowa Reserve Fund: This refers to the principal in the Unemployment Compensation Reserve Fund created in the state treasury under S. F. 458 in 2003. Monies in the reserve fund shall be used to pay benefits to the extent moneys in the unemployment compensation fund are insufficient to pay benefits during a calendar quarter.

Combined Trust Fund: This report uses this term to refer to the combined balances of the UI Trust Fund and the Iowa Reserve Fund.

Other Definitions

Most other terms in this report are defined in the *UI Reports Handbook* and the *UI Data Summary* published by the U. S. Department of Labor. These definitions include:

Regular UI Benefits Paid: Unemployment benefits paid under the regular unemployment program. This figure does not include federal unemployment benefits and special programs such as Extended Benefits (EB) and Temporary Emergency Unemployment Compensation (TEUC). (Source: ETA-5159)

Average Duration: The number of weeks compensated for the year divided by the number of first payments. (Source: ETA-5159)

First Payments: The first payment in a benefit year for a week of unemployment claimed under a specific UI program. (Source: ETA-5159).

Trust Fund Expenditures: Trust fund expenditures include regular UI benefits adjusted for net payment to other states and the state's share of extended benefits.

Trust Fund Interest: The amount of interest earned on the Unemployment Trust Fund account. Interest paid by the U. S Treasury is credited on the notification date for this report. The interest rate paid to states is available at: http://www.publicdebt.treas.gov/dfi/dfiutfyield.htm.

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