

Unemployment Insurance Program

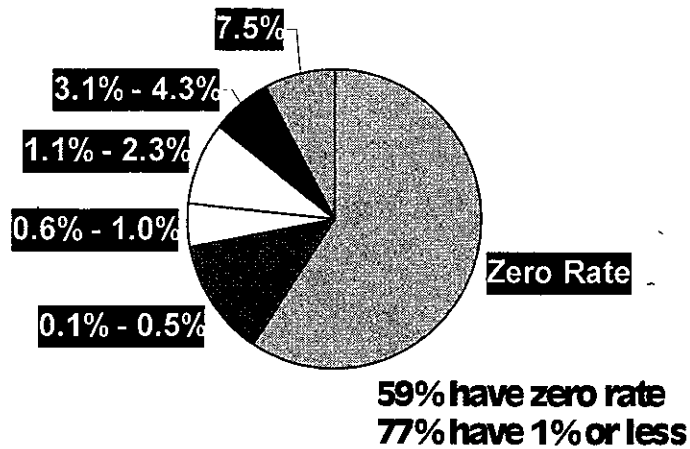
Iowa Workforce Development

January 2001

Unemployment Tax System

- Federal law requires experience factors bearing a direct relation to unemployment benefits paid
- Rates as low as possible, but adequate to withstand a recession
- 58% of rated employers have a 0% rate, 75% have a rate of 1% or less, new employers pay at 1% rate
- System is indexed to the average weekly wage in Iowa via benefits, taxable wage base, and tax table

UI Experience Rated Employer Distribution 2001



3

Unemployment Insurance Tax Rates

- Individual employer's rate based on benefits paid in relation to average annual taxable payroll for last 5 years
- All employers ranked from best employment experience to those with most benefit charges per taxable payroll

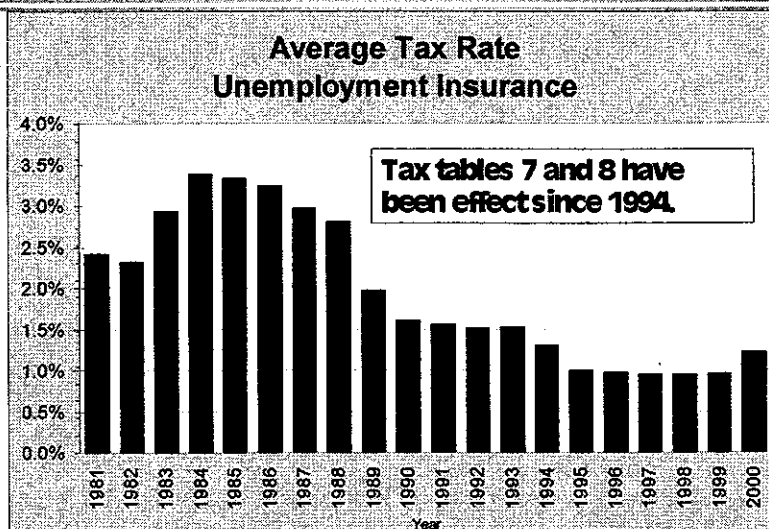
4

Unemployment Insurance Tax Rates (Continued)

- Contribution Rate Table (8 tables) determined by:
 - Trust fund balance
 - Taxable wages paid in preceding year
 - Highest amount of benefits paid in 1 year in the last 10 years
 - Highest total wages paid in 1 year in preceding 10 years
 - Each table has 21 ranks, each rank contains employers equaling 4.7 % of all taxable wages

5

Average Tax Rate



6

Unemployment Taxes Paid by Iowa Employers

➤ Paid to Iowa Workforce Development (State)

❖ Contributions to State Unemployment Compensation Fund

- Summary for Calendar Year 2000
 - Taxable Wage Base = \$17,300
 - Average Tax Rate = 1.2%
 - Minimum Tax Rate = 0.0%
 - Maximum Tax Rate = 7.5%
 - Contributions Received = \$205 Million
 - Benefits Paid = \$212 Million
- Tax Rate Distribution for 2000 (Private Experience Rated Employers)

Tax Rate	Number	Percent
Zero	30,217	58%
0.1% - 0.5%	6,989	13%
0.6% - 1.0%	2,250	4%
1.1% - 2.3%	4,637	9%
3.1% - 4.3%	3,740	7%
7.5%	4,241	8%

- New Non-Construction Employers Pay **1.0%**
- New Construction Employers Pay Maximum Tax Rate (7.5%)

7

Unemployment Taxes Paid by Iowa Employers (continued)

- Must be Deposited in US Treasury
- Funds Must Be Used To Pay Unemployment Compensation Benefits

➤ Paid to Internal Revenue Service (Federal)

❖ Federal Unemployment Tax Act (FUTA)

- Effective FUTA Tax Rate of 0.8% on Federal Wage Base (\$7,000)
- Used For The Following:
 - **ESAA** (Employment Security Administrative Account)
Provides Grants to States for Administration of UI and ES
 - **EUCA** (Extended Unemployment Compensation Account)
Pays Federal Share of Extended Benefits (EB) and Emergency Unemployment Compensation (EUC)
 - **FUA** (Federal Unemployment Account)
Makes Repayable Advances to State Trust Funds

8

Unemployment Insurance Taxes

- System indexed and designed to provide stability in tax rates for business financial planning.
- 58% have a 0% rate, 75% have a rate of 1% or less, so benefit charges can increase employer rate.
- Between 1983 and 1984, Iowa borrowed 173 million dollars, paid 24 million in interest. Today, Iowa has \$794 million and the Federal government pays interest to us.

9

Unemployment Insurance Taxes (Continued)

- Trust fund pay benefits at year 2000 rate for 46 months
- Recession like 1982-83, Fund would run out of money in 11 months
- Federal law requires all Trust Fund money and interest to be used only for the payment of Unemployment Insurance Benefits.

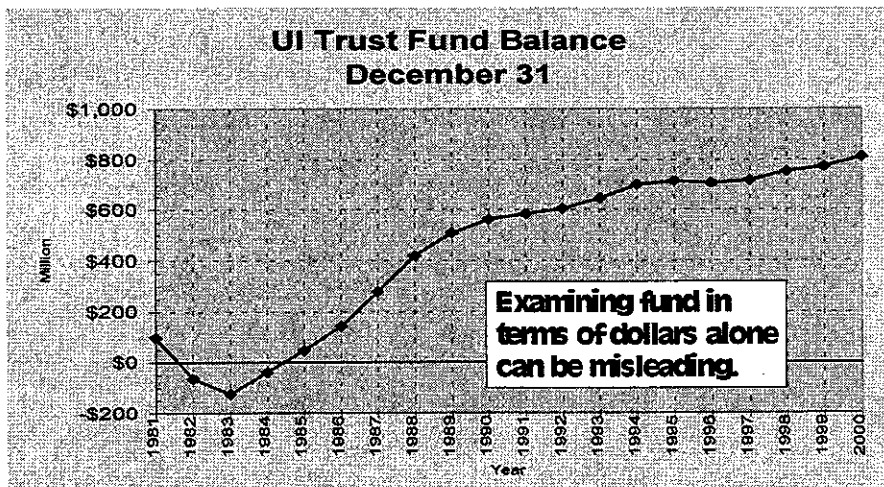
10

Trust Fund Philosophy

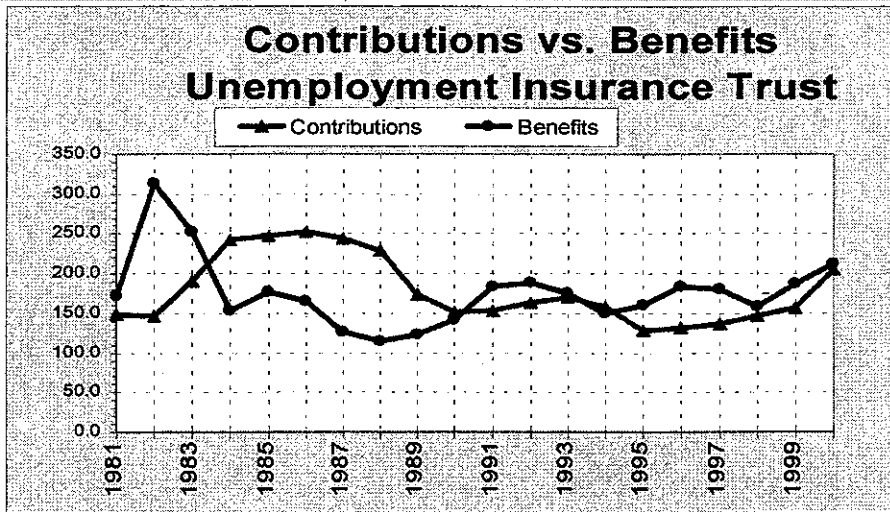
- Large enough to endure heavy demands
- No excessive tax burden on employers
- Reduce rate fluctuations in case of downturn
- Rates based on benefit experience
- No benefits for five years = zero rate
- Firms with high benefits pay high tax rates
- Meet federal solvency standards (GPRA)

11

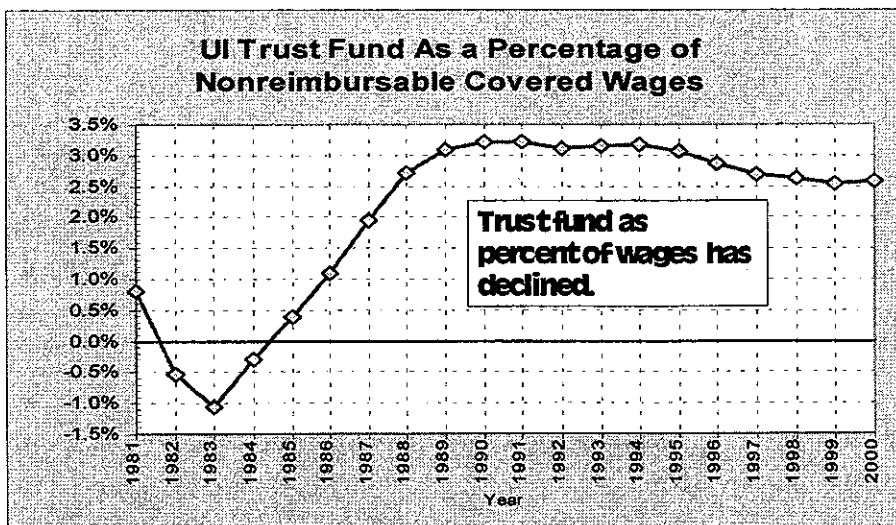
Fund History



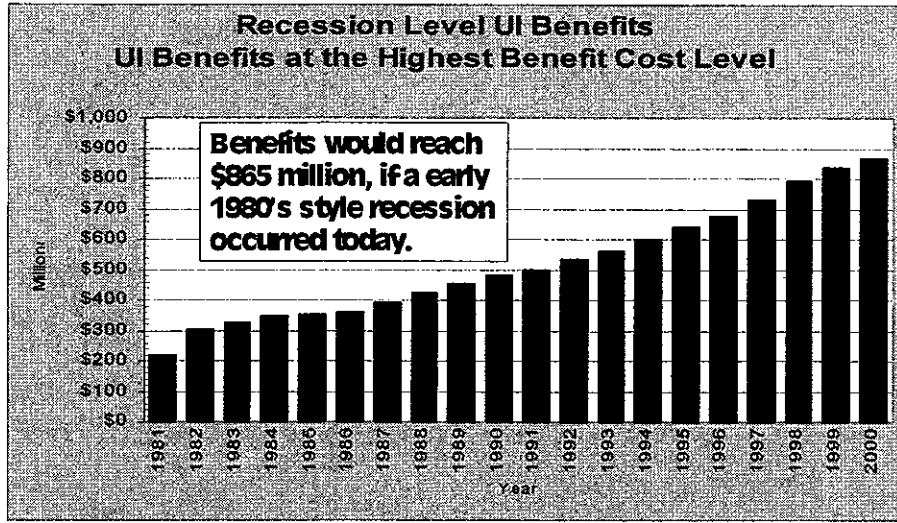
Contributions vs. Benefits



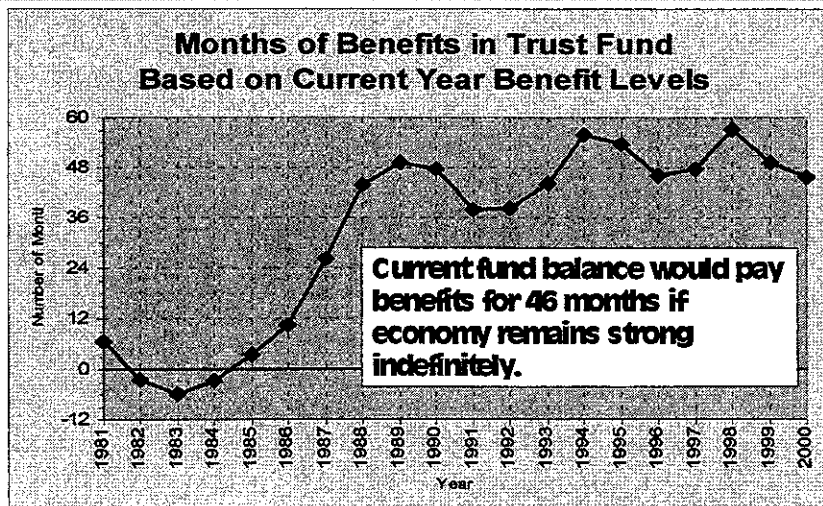
Wage Growth Considerations



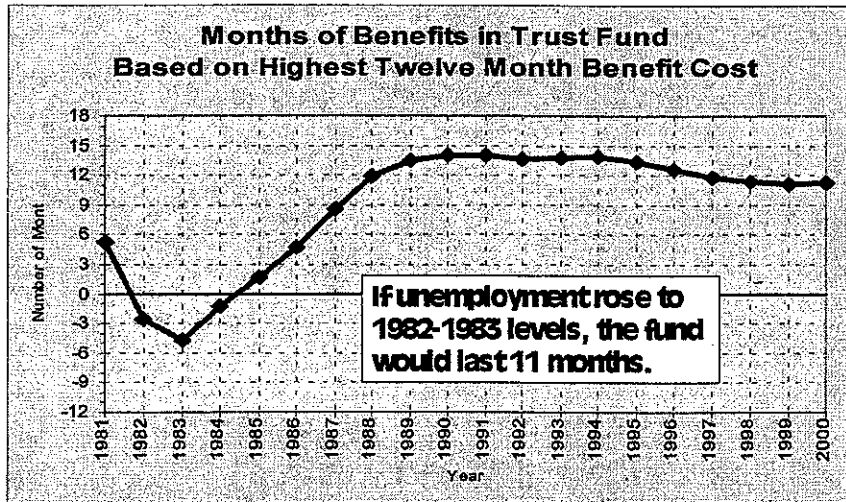
Recession Level Benefits



Fund Solvency



Fund Solvency



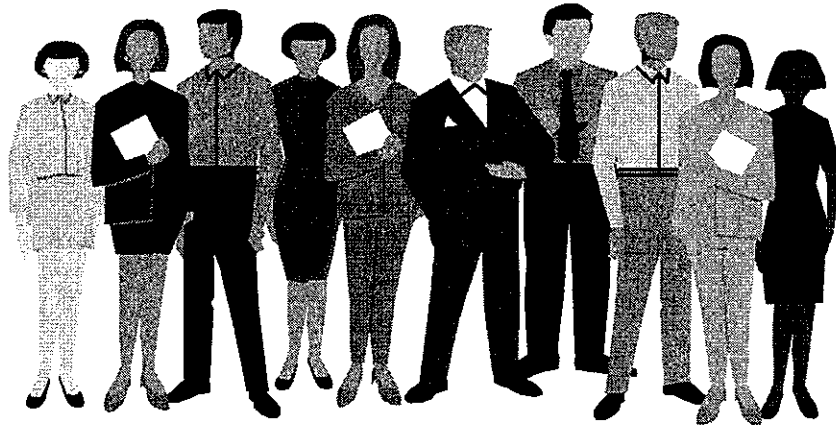
17

Unemployment Insurance Program Statistics

- Claims Taken ('97) 134,268
- Weeks Claimed ('97) 999,233
- Total Payout ('00) \$212 million
- Individuals Paid ('98) 72,383
- ANDS Decisions ('99) 154,229
- Trust Fund Balance ('01) \$794,902,000.00
- UI Budget (FY '00) \$ 17,463,019.00
- Cost To Product Ratio ('00) 8.2%

18

New Employment Opportunities Fund



19

A "Catalyst" Employment and Training Program

- Stimulates opportunities for:
 - under-utilized populations to access the workforce
 - for employers to access these populations
- Expands job options by reducing or eliminating barriers to employment
- Complements existing programs by providing services currently not available

20

Opportunities for Job Seekers with Special Needs

- Persons with disabilities
- Ex-offenders
- Immigrants
- Dislocated workers
- Mature workers
- Minority youth
- Welfare recipients
- Low income/low skill individuals

21

Training and Support Services

- Short-term basic education
- Mentoring
- Life skills
- Job coaches
- Health care
- Tools and clothing
- Customized training
- Internships
- Child care
- Transportation

22

Employer Services

- ADA compliance
- Diversity training
- On-the-job training
- Work experience
- Classroom training

23

Pilot Projects

Region 7 Waterloo - Immigrants and Refugees

Region 10 Cedar Rapids - Individuals with Disabilities

Region 9 Davenport - Individuals with Disabilities

Region 11 Des Moines - Minority Youth

Region 11 Des Moines - Ex-Offenders

24

Future Projects

- Mature workers
- Low income/low skill individuals
- Welfare recipients
- Minority youth