

Employment and Training Administration Advisory System U.S. Department of Labor Washington, D.C. 20210	CLASSIFICATION Experience Rating
	CORRESPONDENCE SYMBOL OWS/DFAS
	DATE November 8, 2005

ADVISORY: **UNEMPLOYMENT INSURANCE PROGRAM LETTER NO.
4-06**

TO: STATE WORKFORCE AGENCIES

FROM: CHERYL ATKINSON s/s
Administrator
Office of Workforce Security

SUBJECT: Unemployment Insurance Experience Rating Index for Rate Year 2004

1. Purpose. To transmit the Experience Rating Index (ERI) for states for rate year 2004.
2. Reference. Unemployment Insurance Program Letter (UIPL) No. 3-92, UIPL No. 37-93, UIPL No. 40-94, UIPL No. 32-95, UIPL No. 25-96, UIPL No.13-98, UIPL No. 5-99, UIPL No. 26-03, and UIPL No. 15-05.
3. Background. Experience rating is the system by which unemployment insurance tax rates vary according to factors related to the unemployment risk of an employer's workers. In most states, these factors include a measure of benefits charged to the employer. Experience rating has three major objectives: to serve as an incentive to stabilize employment, to properly allocate the costs of unemployment benefits, and to encourage employer participation in the program. The ERI attempts to measure the degree of experience rating with respect to the first objective by determining the proportion of benefits that are effectively charged to employers. Effectively charged benefits are defined as those benefits that are charged to the beneficiary's former employer(s) and paid for by that employer.

The best use of the ERI is to identify long-term trends and shifts within states or in the U.S. as a whole. Year-to-year comparisons may not be valid because the ERI is sensitive to the business cycle.

RESCISSIONS None	EXPIRATION DATE
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Rough comparisons across states may be made, but a value judgment cannot be

attached to the degree of experience rating because of the nature of state laws. For example, one state may have a relatively low degree of experience rating because it pays benefits to claimants who quit their jobs for various types of good personal cause while not charging those benefits to specific employers, while another state may achieve a higher ERI by not paying benefits to those claimants at all.

Attachment I shows the historical series of the ERI from rate year 1988 to rate year 2004 for all states. Attachment II shows the ERI for rate year 2004 and the values used to calculate the ERI. Attachment III describes how the ERI is calculated and defines ineffective charges, inactive charges, and noncharges. The referenced UIPLs published the ERI for Rate Years 1988 - 2003.

4. Action Required. Please distribute to appropriate staff.
5. Inquiries. Direct inquiries to the appropriate Regional Office.
6. Attachments.

I - Experience Rating Index by State for Rate Years 1988 - 2004.

II - Experience Rating Index by State for Rate Year 2004.

III - Calculation of Experience Rating Index.

Experience Rating Index
Rate Years 1988 - 2004

Attachment I

%

STATE	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Alabama	71	78	74	56	49	64	52	57	60	51	INA	59	65	69	58	60	61
Alaska	(Payroll Decline System - ERI cannot be calculated)																
Arizona	80	80	83	78	69	76	81	83	76	77	INA	INA	INA	54	50	INA*	44
Arkansas	48	47	56	60	58	53	INA	INA	56	61	60	60	59	59	59	INA*	59
California	65	67	68	64	52	53	53	58	57	59	INA	61	61	INA	INA	INA	50
Colorado	45	53	60	65	64	62	68	66	56	56	65	73	72	72	70	35	53
Connecticut	62	64	58	47	42	49	59	60	65	66	70	INA	INA	65	68	58	58
Delaware	INA	51	71	70	INA	54	47	57	60	Report Not Required							
Dist. of Columbia	47	56	72	72	62	INA	64	INA	78	77	78	INA	86	INA	INA	INA	INA
Florida	68	66	50	56	53	INA	75	72	71	71	INA	INA	INA	55	62	51	58
Georgia	61	65	62	65	52	58	75	79	80	67	51	INA	12	13	14	12	72
Hawaii	71	56	66	63	32	36	33	44	44	45	47	54	56	57	51	57	55
Idaho	55	64	58	53	44	54	50	60	58	53	51	53	53	51	54	46	51
Illinois	72	76	76	78	74	71	79	82	83	75	88	87	88	INA	57	49	64
Indiana	81	91	94	84	78	75	75	75	69	60	60	65	59	56	44	43	48
Iowa	78	77	67	70	74	67	66	62	70	64	60	62	66	66	62	64	59
Kansas	64	73	69	69	57	58	59	18	16	68	INA	57	63	62	58	56	50
Kentucky	79	79	75	72	58	66	72	63	70	67	INA	68	69	66	65	52	62
Louisiana	42	87	85	88	83	77	75	77	72	70	68	65	63	INA	64	55	55
Maine	62	60	60	52	41	50	60	59	58	55	60	62	54	59	47	41	48
Maryland	INA	72	62	62	65	INA	INA	INA	INA	INA	INA	INA	INA	INA	INA	43	INA*
Massachusetts	55	54	50	40	43	47	58	58	50	55	63	INA	63	63	56	38	58
Michigan	80	67	72	70	63	73	77	78	73	INA	68	72	67	INA	62 ^{&}	INA*	57
Minnesota	67	66	69	62	58	64	69	INA	72	74	INA	62	63	59	30	INA*	INA*
Mississippi	40	54	53	42	51	53	50	52	50	42	47	47	46	47	44	44	44
Missouri	61	58	59	61	55	63	70	63	69	68	65	INA	60	59	53	50	49
Montana	54	58	62	61	55	62	63	61	60	INA	INA	INA	53 ^{&}	INA	48	INA*	INA*
Nebraska	61	57	63	60	57	56	55	57	50	48	INA	47	46	48	46	45	45
Nevada	66	67	68	63	41	59	72	77	80	76	76	72	INA	INA	INA	INA	38
New Hampshire	INA	INA	81	72	55	68	77	82	84	82	81	INA	53	63	72	INA*	29
New Jersey	INA	78	75	70	63	51	38	61	64	59	INA	56	58	60	51	45	51
New Mexico	51	59	63	63	62	62	67	64	63	63	INA	57	51	INA	INA	53	INA
New York	80	73	61	55	51	82	84	85	86	85	83	71	71	71	71	68	76
North Carolina	INA	INA	INA	50	44	42	31	INA	8	44	37	INA	INA	40	43	INA*	INA*
North Dakota	62	65	57	64	60	56	64	59	62	52	72	INA	77	79	81	80	80
Ohio	70	74	74	70	65	65	73	71	72	62	62	INA	INA	INA	INA	INA*	50
Oklahoma	50	64	60	47	28	34	47	52	51	50	51	36	23	37	22	26	46
Oregon	59	63	56	60	51	50	48	45	55	54	70	52	53	54	54	44	47
Pennsylvania	66	69	65	62	56	57	64	64	62	55	61	60	59	61	59	INA*	55
Puerto Rico	INA	INA	INA	INA	INA	INA	INA	83	INA	INA	INA	INA	79	INA	INA	INA	INA
Rhode Island	75	69	68	58	55	64	75	72	70	66	INA	INA	73	INA	70	66	65
South Carolina	58	62	65	61	54	52	58	56	57	57	60	58	56	56	52	41	47
South Dakota	59	38	48	45	49	44	47	53	50	47	INA	47	47	56	45	43	44
Tennessee	INA	69	66	68	71	73	73	65	63	65	46	61	61	INA	52	57	59
Texas	53	58	55	52	51	49	INA	53	55	53	INA	INA	56	61	61	56	58
Utah	61	70	70	69	66	61	66	68	73	INA	INA	INA	INA	INA	INA	INA	INA
Vermont	70	66	63	58	54	48	51	48	49	48	47	INA	43	43	40	34	37
Virgin Islands	INA	INA	INA	INA	INA	INA	INA	INA	INA	INA	INA	INA	INA	INA	INA	INA	INA
Virginia	65	68	70	61	51	66	77	81	79	74	58	62	64	68	52	36	55
Washington	60	63	63	61	57	56	55	50	51	55	58	61	58	64	57	INA*	INA*
West Virginia	83	51	56	58	56	62	59	58	60	53	INA	INA	INA	55	57	58	50
Wisconsin	90	82	78	66	65	70	70	69	67	65	63	63	INA	60	57	50	56
Wyoming	38	62	INA	55	63	60	41	46	42	43	INA	48	INA	55	59	58	54

INA - Information Not Available.

DE and OK are Benefit Wage Ratio States. The numbers provided by these states are estimates and the data is not required.

* Reported data failed consistency checks.

& Revised Data

EXPERIENCE RATING INDEX BY STATE
RATE YEAR 2004

STATE	Experience Rating System	Ineffective Charges		Inactive Charges		Noncharges		Benefits (\$000s)	ERI
		(\$000s)	as % of BEN	(\$000s)	as % of BEN	(\$000s)	as % of BEN		
Alabama	BR	54,603	18.0%	13,689	4.5%	50,205	16.6%	302,940	61
Alaska	PD	NA		NA		NA		139,737	NA
Arizona	RR	120,045	38.7%	13,612	4.4%	40,226	13.0%	309,934	44
Arkansas	RR	23,535	8.1%	4,778	1.6%	89,665	30.9%	289,743	59
California	RR	2,051,855	33.3%	681,067	11.1%	364,037	5.9%	6,162,727	50
Colorado	RR	178,976	34.8%	47,137	9.2%	16,765	3.3%	514,552	53
Connecticut	BR	180,799	25.5%	74,269	10.5%	42,159	6.0%	707,989	58
Delaware	BWR	NA		5,506	4.7%	28,273	24.1%	117,467	NA
Dist. of Columbia	RR	REPORT NOT SUBMITTED							
Florida	BR	192,624	17.0%	117,939	10.4%	160,308	14.2%	1,129,951	58
Georgia	RR	96,505	13.2%	54,902	7.5%	50,694	6.9%	730,072	72
Hawaii	RR	22,271	18.2%	13,297	10.9%	19,261	15.8%	122,160	55
Idaho	RR ²	50,764	30.0%	3,871	2.3%	28,673	17.0%	169,104	51
Illinois	BR	639,112	28.8%	30,431	1.4%	125,892	5.7%	2,219,975	64
Indiana	RR	182,768	26.0%	86,762	12.4%	95,992	13.7%	702,380	48
Iowa	BR ²	60,296	16.8%	28,188	7.9%	59,127	16.5%	358,470	59
Kansas	RR ²	92,120	26.0%	29,602	8.4%	54,133	15.3%	353,763	50
Kentucky	RR	114,292	26.0%	35,543	8.1%	16,443	3.7%	439,963	62
Louisiana	RR	69,174	26.2%	7,272	2.8%	43,233	16.4%	264,328	55
Maine	RR ²	23,570	19.2%	841	0.7%	38,978	31.8%	122,683	48
Maryland	BR	84,916	15.9%	39,214	7.3%	INA*		534,373	INA*
Massachusetts	RR	555,655	31.3%	3,240	0.2%	180,491	10.2%	1,776,967	58
Michigan	BR ¹	465,752	23.8%	258,771	13.2%	107,436	5.5%	1,957,021	57
Minnesota	BR	INA*		115,166	13.5%	74,869	8.8%	852,422	INA*
Mississippi	BR	46,736	25.3%	25,552	13.8%	31,038	16.8%	185,020	44
Missouri	RR	173,778	28.3%	3,857	0.6%	138,556	22.6%	614,440	49
Montana	RR ²	14,348	19.7%	INA*		9,709	13.3%	72,971	INA*
Nebraska	RR	26,188	20.6%	7,808	6.2%	36,459	28.7%	126,963	45
Nevada	RR ²	84,767	27.9%	59,314	19.5%	44,012	14.5%	304,005	38
New Hampshire	RR	45,006	45.3%	11,579	11.7%	14,124	14.2%	99,391	29
New Jersey	RR	547,824	27.0%	198,195	9.8%	251,586	12.4%	2,025,940	51
New Mexico	RR	INA		3,182	2.9%	24,782	22.6%	109,877	INA
New York	RR	435,455	14.9%	182,186	6.2%	96,636	3.3%	2,918,492	76
North Carolina	RR	INA*		INA*		INA*		INA*	INA*
North Dakota	RR ²	1,101	2.5%	2,422	5.4%	5,211	11.7%	44,489	80
Ohio	RR	455,510	33.9%	76,596	5.7%	139,852	10.4%	1,343,364	50
Oklahoma	BWR	55,687	21.7%	34,794	13.6%	47,424	18.5%	256,076	46
Oregon	BR ²	187,789	22.5%	60,131	7.2%	192,521	23.0%	836,272	47
Pennsylvania	BR ¹	693,713	28.0%	194,445	7.9%	226,622	9.2%	2,473,843	55
Puerto Rico	RR	REPORT NOT SUBMITTED							
Rhode Island	RR	31,907	17.8%	12,863	7.2%	18,219	10.2%	178,895	65
South Carolina	RR	87,198	22.0%	60,508	15.2%	62,709	15.8%	396,885	47
South Dakota	RR	10,418	33.8%	2,066	6.7%	4,718	15.3%	30,837	44
Tennessee	RR	90,643	16.3%	70,543	12.7%	64,246	11.6%	554,956	59
Texas	BR	316,801	14.9%	193,093	9.1%	379,150	17.9%	2,122,765	58
Utah	BR	INA		12,708	7.0%	31,291	17.2%	182,178	INA
Vermont	BR ²	29,418	31.1%	11,787	12.5%	18,431	19.5%	94,604	37
Virgin Islands	RR	REPORT NOT SUBMITTED							
Virginia	BR	214,201	34.1%	39,348	6.3%	31,130	5.0%	628,244	55
Washington	BR ²	INA*		INA*		INA*		INA*	INA*
West Virginia	RR	51,062	29.4%	22,850	13.2%	12,872	7.4%	173,465	50
Wisconsin	RR	221,744	23.8%	41,930	4.5%	147,266	15.8%	931,269	56
Wyoming	BR	12,141	28.6%	124	0.3%	7,188	16.9%	42,523	54

AK is a Payroll Decline state and is not required to report Ineffective Charges.

DE is Benefit-Wage state and is not required to report Ineffective Charges – all benefit charges are estimates.

OK is Benefit-Wage state and is not required to report Ineffective Charges – all benefit charges are estimates.

Data relates to July 2004 – June 2005 rate year for New Hampshire, New Jersey, Tennessee and Vermont

¹ State also uses reserve ratio elements in its system.

² State uses an array method for assigning tax rates.

INA - Information not available

NA - Data not Applicable

INA* - Reported data failed consistency checks

RR - Reserve Ratio; BR - Benefit Ratio; BWR - Benefit Wage Ratio; PD - Payroll Decline

EXPERIENCE RATING INDEX CALCULATION

The ERI is calculated by first computing "effective benefit charges" by taking the total benefits paid during the reporting period and subtracting from them the ineffective charges, inactive charges, and noncharges. The remainder is then divided by the total benefits.

$$\text{ERI} = ((\text{BEN} - (\text{IEC} + \text{IAC} + \text{NNC})) / \text{BEN}) * 100$$

where:

IEC = Ineffective charges: Calculated from the ETA 204, Section C. -- Those charges for which employer taxes do not fully cover the benefits charged. Employers are aggregated, by experience factor, into approximately 30 groups. Within each group, the excess, if any, of benefits charged over estimated contributions is calculated. IEC is the sum of these excesses over all groups.

IAC = Inactive charges: ETA 204, Section B, item 6(a) (2). -- Charges to employers who have gone out of business and from which taxes cannot be collected.

NNC = Noncharges: ETA 204, Section B, item 6(b) plus item 7(b) -- Payments made to claimants, but not charged to a particular employer.

BEN = Total benefits paid during the computation year: ETA 204, Section B, item 5 minus item 7(a).

Example:

State Data: IEC = 50,588
 IAC = 12,132
 NNC = 38,182
 BEN = 205,777

$$\begin{aligned} \text{State's ERI} &= ((\text{BEN} - (\text{IEC} + \text{IAC} + \text{NNC})) / \text{BEN}) * 100 \\ &= ((205777 - (50588 + 12132 + 38182)) / 205777) * 100 \\ &= 51 \end{aligned}$$