

STATE OF WEST VIRGINIA

**PRELIMINARY PERFORMANCE REVIEW OF THE
UNEMPLOYMENT COMPENSATION DIVISION**

Unemployment Compensation Division
Performs Well on the Local
Level as well as the National Level

Division has made Strides in Decreasing
the Amount of Unemployment Taxes Which
are Delinquent

West Virginia Unemployment Benefits
Compare Well with Other States

OFFICE OF LEGISLATIVE AUDITOR
Performance Evaluation and Research Division
Building 1, Room W-314
State Capitol Complex

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November 2001

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John Sylvia
Director

November 11, 2001

The Honorable Edwin J. Bowman
State Senate
129 West Circle Drive
Weirton, West Virginia 26062

The Honorable Vicki V. Douglas
House of Delegates
Building 1, Room E-213
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0470

Dear Chairs:

Pursuant to the West Virginia Sunset Law, we are transmitting a *Preliminary Performance Review of the Unemployment Compensation Division*, which will be presented to the Joint Committee on Government Operations on Sunday, November 11, 2001. The issues covered herein are "Unemployment Compensation Division Performs Well on the Local Level as well as the National Level;" "Division has made Strides in Decreasing the Amount of Unemployment Taxes Which are Delinquent;" and "West Virginia Unemployment Benefits Compare Well with Other States."

We transmitted a draft copy of the report to the Unemployment Compensation Division on November 5, 2001. We conducted an Exit Conference with the Division on November 7, 2001. We received the agency response on November 9, 2001.

Let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "John Sylvia".

John Sylvia

JS/wsc

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Executive Summary

Issue 1: The Unemployment Compensation Division Performs Well on the Local Level as well as the National Level.

Performance measures established by the federal government for unemployment insurance shows that West Virginia met all federal criteria in 1999, which is the most recent year that statistics are available. West Virginia ranked within the top ten states nationally in 16 of the 38 measured performance areas. Furthermore, West Virginia ranked first regionally in 19 measured areas within the six state Region II. In addition, West Virginia's performance was above the national average in 36 of the 38 performance measurements. Overall, West Virginia's Unemployment Compensation Division fairs well when measured against the rest of the nation.

Issue 2: The Division has made Strides in Decreasing the Amount of Unemployment Taxes Which are Delinquent.

The Unemployment Compensation Division is responsible for the collection of the unemployment tax from employers. Unfortunately, some employers become delinquent in their quarterly payment of this tax. The Legislative Auditor initially reported on this issue in May of 1995. The Legislative Auditor discovered that at the time in which the report was issued a total of \$19,177,257 was in arrears. In addition, the Division had to "write off" as uncollectible a total of \$32,501,943 during a five year period prior to the issuance of the original report. **However, the amount of unemployment taxes becoming delinquent has decreased over the last few years.** As of May 12, 2001, there were 2,889 delinquent employers who owed approximately \$9,532,330 in unemployment taxes. These delinquent employers include both active and inactive employers. The amount of delinquent taxes has decreased roughly **\$9.6 million** from May of 1995 to May of 2001. In addition, the amount of money that the Division had to "write off" as uncollectible over the last five years was \$7,571,391. This is down nearly **\$25 million** since the initial report was issued in 1995. It is apparent that the Division has been more successful in collecting delinquent unemployment taxes.

Recommendation 1:

The Unemployment Compensation Division should continue its efforts to lower the amount of unemployment taxes which are delinquent.

Recommendation 2:

The Unemployment Compensation Division should track the amount of business tax refund checks intercepted.

Issue 3: West Virginia Unemployment Benefits Compare Well with Other States.

The Legislative Auditor finds that West Virginia's Unemployment Insurance program compares well with other states. Nearly 40% of weekly wages are replaced by unemployment benefits. This places the state 23rd in the country. West Virginia's maximum benefit payment of \$338 ranks 18th in the country. West Virginia's maximum tax rate of 8.5% is 10th nationally and the minimum tax rate is 4th highest. The unemployment insurance tax is regressive in the sense that companies with relatively small payrolls pay a higher percent of their payroll towards the unemployment tax than companies with larger payrolls. **This review indicates that the difference between the effective tax rates of low payroll companies and high payroll companies averages about 0.68 percentage points.** However, the regressivity can reach a difference of 2 percentage points among employers who are in the higher tax rates because of their frequent use of unemployment benefits. For example, employers who pay an 8.5% unemployment tax (Class 16) because they draw down more benefits than they pay in the tax, the regressivity is a 2.16 percentage points difference between the low and high payroll groups. Of concern would be that the state has raised benefits several times over the last 20 years, yet the wage base on which the tax is determined has been held at \$8,000 during that same period. The national average wage base used to determine the unemployment tax is \$12,260. The State may want to consider raising the wage base which would provide greater equity by lowering the tax regressivity. In order to maintain revenue neutrality, the tax rates would have to be lowered appropriately.

Recommendation 3:

The Legislature should consider raising the taxable wage base from the current \$8,000 with a corresponding decrease in the tax rates to maintain revenue neutrality.

Review, Objective, Scope and Methodology

This preliminary performance review of the West Virginia Unemployment Compensation Division is required and authorized by the West Virginia Sunset Law, Chapter 4, Article 10 of the West Virginia Code, as amended. The primary functions of the Division are to collect the unemployment tax from liable employers, determine the eligibility of unemployed individuals for unemployment compensation, and pay unemployment compensation to eligible claimants.

The objective of the review was to compare various aspects of the State's unemployment insurance program with other states, to evaluate the extent of regressivity of the unemployment tax, and to evaluate the level of delinquent taxes and write-offs of delinquent taxes compared to a previous performance audit conducted in 1995 by the Legislative Auditor's Office.

The Methodology included interviews of the Director of the Unemployment Compensation Division and conducting a survey of West Virginia's border states. Documents obtained from the Division included: 1) The current Benefit Rate Table; 2) The relevant Internal Revenue Code site; 3) Wage Base information for other states; and 4) Unemployment Compensation data for Calendar Year 2000. The review also involved analyzing West Virginia Code §21A-1A-28(b). Every aspect of this review complied with **Generally Accepted Government Auditing Standards**.

Introduction & Background

The West Virginia Unemployment Compensation Division was created by the Legislature in 1936 and is set forth in Chapter 21A of the West Virginia *Code*. The Division is charged with two main functions: 1) To collect the unemployment tax, called “contributions,” from employers; and 2) To distribute benefits to qualified and eligible unemployed citizens. The Division is a part of the Bureau of Employment Programs and has 20 local offices throughout West Virginia.

The U.S. Department of Labor and the individual states administer Unemployment Compensation programs jointly. The federal government establishes guidelines and pays administrative costs from funds collected under provisions of the Federal Unemployment Tax Act. West Virginia has direct responsibility for operation of its UC program.

All workers whose employers are subject to state unemployment compensation taxes and former federal employees or members of the armed forces are potentially eligible to receive unemployment compensation. Claimants must have been employed and earned a specified amount of wages during at least two calendar quarters of a base period set by law. They must also be able to work, available for work, and seeking work.

The West Virginia Unemployment Compensation Division pays weekly benefits equivalent to 26 times the claimant’s weekly benefit amount. The weekly benefit amount, which can range from \$24 to \$338, is determined by the individual’s base period wages. Through the Extended Benefits program, the amount of benefits paid may be extended to 39 times the claimant’s weekly benefit amount. Congress may also from time to time enact special programs which provide additional benefits on a temporary basis. Regular state program UC benefits are financed by state taxes on employers’ payrolls which are placed in the West Virginia Unemployment Compensation Trust Fund account that is a part of a federal UC trust fund for all states.

Issue 1: The Unemployment Compensation Division Performs Well on the Local Level as well as the National Level.

Performance measures established by the federal government for unemployment insurance shows that West Virginia met all federal criteria in 1999, which is the most recent year that statistics are available. West Virginia ranked within the top ten states nationally in 16 of the 38 measured performance areas. Furthermore, West Virginia ranked first regionally in 19 measured areas within the six state Region II. In addition, West Virginia's performance was above the national average in 36 of the 38 performance measurements. Overall, West Virginia's Unemployment Compensation Division fairs well when measured against the rest of the nation. Table 1 shows some examples of how West Virginia ranks on a national level for selected performance categories.

Performance Measures at the Local Level

The Unemployment Compensation Division does have performance measures in place which monitor the performance of local offices. The Division measures the performance of local offices in three different categories: 1) Time lapse of non-monetary determinations for separation issues; 2) Time lapse of non-monetary determination for non-separation issues; and 3) Total and partial first benefit payment time lapse. The time lapse reports demonstrate the percentage of claims which are processed in a timely manner for the month and year-to-date. These reports also rank each of the 20 local offices based on the percentage of timely determinations and payments. The Division also measures staff productivity for each of the local offices. The Division has a weekly staffing report for each local office as well as a local office summary report which shows total staffing on a quarterly and annual basis. The local office summary report is based on a Federal funding formula, which allows the Division to adjust staff according to Federal funding levels. Tables 2, 3, and 4 show how the 20 local offices rank in the three performance measurements.

Table 1
Examples of West Virginia's Performance on a National Level
for Calendar Year 1999

Performance Area	Federal Criterion	West Virginia %	National Average %	National Ranking (of 53)
Initial Claims Promptness (Interstate UI, full weeks - 35 days)	78%	98.2%	93.3%	2
Non-mon. Determin. Timeliness (Detection Date to Determin. Date - Non-Separation Determination - 14 days)	N/A	94.9%	65.5%	1
Non-mon. Determin. Timeliness (Detection Date to Determin. Date - Separation Determination - 21 days)	N/A	98.5%	71.4%	1
Benefit Quality Measures (Nonmon. Determin. Scoring > 80%)	N/A	91.8%	71.3%	4
Benefit Quality Measures (Lower Appeals Scoring >= 85%)	80%	81.3%	93.8%	50*
Collections (Contributory Employers - % of Tax Due Paid Timely)	N/A	89.7%	90.7%	36*
Benefit Accuracy (Proper Payment Rate)	N/A	97.1%	90.8%	1
* The only two areas in which West Virginia was below the national average.				

Table 2
Non-monetary Determination Time Lapse For Separation Issues*
Calendar Year 2000

Office	% Within 21 Days	Rank
Beckley	98.22%	14
Bluefield	98.55%	11
Charleston	96.09%	19
Clarksburg	98.79%	10
Elkins	99.38%	4
Fairmont	99.84%	1
Greenbrier Valley	99.25%	6
Huntington	98.89%	9
Logan	97.23%	18
Martinsburg	99.41%	3
Moorefield	99.24%	7
Morgantown	99.68%	2
New Martinsville	99.15%	8
Parkersburg	99.30%	5
Pt. Pleasant	98.28%	13
Summersville	99.38%	4
Weirton	97.89%	15
Welch	97.80%	16
Wheeling	98.53%	12
Williamson	97.42%	17

*Represents employees who are fired or resign.

Table 3
Non-monetary Determination Time Lapse For Non-Separation Issues*
Calendar Year 2000

Office	% Within 14 Days	Rank
Beckley	94.42%	15
Bluefield	95.34%	14
Charleston	90.93%	19
Clarksburg	95.83%	11
Elkins	94.08%	16
Fairmont	99.37%	1
Greenbrier Valley	97.81%	5
Huntington	93.85%	17
Logan	92.91%	18
Martinsburg	95.98%	9
Moorefield	97.99%	4
Morgantown	98.55%	2
New Martinsville	95.96%	10
Parkersburg	95.42%	13
Pt. Pleasant	96.28%	8
Summersville	97.39%	6
Weirton	95.62%	12
Welch	98.32%	3
Wheeling	88.58%	20
Williamson	97.14%	7

*Represents issues other than being terminated or resigning (i.e., able & available for work)

Table 4
Total & Partial First Benefit Payment Time Lapse*
4/01/99 Thru 3/31/00

Office	% Timely	Rank
Beckley	92.80%	11
Bluefield	95.22%	3
Charleston	92.65%	12
Clarksburg	91.13%	16
Elkins	90.90%	18
Fairmont	93.26%	8
Greenbrier Valley	90.79%	19
Huntington	86.05%	20
Logan	94.47%	6
Martinsburg	92.45%	14
Moorefield	93.15%	10
Morgantown	93.18%	9
New Martinsville	95.70%	2
Parkersburg	92.48%	13
Pt. Pleasant	94.84%	4
Summersville	91.34%	15
Weirton	91.12%	17
Welch	94.19%	7
Wheeling	94.76%	5
Williamson	96.14%	1

*Combines individuals who were both totally unemployed and partially unemployed.

Measuring Customer Satisfaction

The Unemployment Compensation Division has measured the level of customer satisfaction as well. Customer surveys were conducted by the Bureau's Management Analysis Division on a quarterly basis. The last Unemployment Compensation Division customer survey to be conducted was for the First Quarter of 1998. The Commissioner of BEP decided not to continue these surveys due to the fact that the Unemployment Compensation Division was not gaining information that could be used to make program improvements. Also, most responses were positive. In addition, the customer surveys were costly and the benefits did not outweigh the costs. In the cases when claimants were denied benefits, they often responded in a negative manner on the customer survey despite the fact that the correct decision was made. Therefore, the Division also utilizes the Benefit Accuracy Measurement (BAM), which reflects the Division's service to both employers and employees. The Division's BAM proper payment rate was the highest in the nation for 1998 and 1999. Table 5 illustrates total claimant satisfaction regarding unemployment compensation for the First Quarter of 1998.

Table 5	
Overall Claimant Satisfaction With UI	
For First Quarter 1998	
Attribute	Mean*
Waited on promptly	1.92
Treated friendly and with respect	1.71
Representative was competent/helpful	1.66
Information was accurate	1.67
Claim processed accurately, fairly, promptly	1.78
Satisfied with service	1.78
Overall positive	1.78
* 1 = Strongly Agree; 5 = Disagree	

Measuring Customer Satisfaction for West Virginia's Border States

The Legislative Auditor conducted a survey on West Virginia's five border states to determine if they measure customer satisfaction. Ohio measures customer satisfaction by having postage paid Customer Service Response cards which are given to each customer in the local offices. Ohio also sends customer satisfaction surveys to profiled customers. Pennsylvania also utilizes customer surveys. They conduct a telephone survey of UC Service Centers claimants each week. This survey is mainly used to determine customer satisfaction with the telephone initial claims process and other UC Service Centers processes. Pennsylvania's BAM unit also conducts a survey (reported each quarter) of claimants regarding satisfaction with the telephone continued claims system, direct deposit and internet filing.

Kentucky does not mandate customer satisfaction surveys. However, it is done on a voluntary basis. Several of Kentucky's local offices implemented a form of survey to measure customer satisfaction on a local level. It is left up to the discretion of the local office to develop their own tools for measuring and compiling data as it relates to customer satisfaction. Some offices chose to interview UI claimants as they leave the office asking specific questions regarding the service they received from staff. One local office implemented a "mystery shopper" (central office employee - unknown to local staff) who actually filed a UI claim (UI claim was subsequently deleted from the system). The offices that participate in customer satisfaction surveys advise the Central Office of their findings and recommend corrective action, if needed.

Maryland also has measured customer satisfaction. In October of 2000, a customer survey was mailed to Maryland's claimant population to gauge customer satisfaction. There are plans for another survey process to begin during the fall of 2001. Virginia does not conduct surveys at the present time or otherwise measure customer satisfaction regarding the Unemployment Insurance claims process.

Conclusion

Performance measurements can be beneficial in determining how efficient and effective an organization is. The Division is to be commended for ranking among the best in the nation for many performance measures. The Division monitors performance of the 20 local offices on a weekly basis by compiling staff reports of each local office. The performance at the local level as would be expected is also good.

Issue 2: The Division has made Strides in Decreasing the Amount of Unemployment Taxes Which are Delinquent.

The Unemployment Compensation Division is responsible for the collection of the unemployment tax from employers, as previously mentioned. Unfortunately, some employers become delinquent in their quarterly payment of this tax. The Legislative Auditor initially reported on this issue in May of 1995. The Legislative Auditor discovered that at the time in which the report was issued a total of \$19,177,257 was in arrears (see Table 6). In addition, the Division had to “write off” as uncollectible a total of \$32,501,943 during a five year period prior to the issuance of the original report. Some of the amount included employee assessments that employers were required to deduct from wages during the 1980's. **However, the amount of unemployment taxes becoming delinquent has decreased over the last few years.** As of May 12, 2001, there were 2,889 delinquent employers who owed approximately \$9,532,330 in unemployment taxes. These delinquent employers include both active and inactive employers. The amount of delinquent taxes has decreased roughly **\$9.6 million** from May of 1995 to May of 2001. In addition, the amount of money that the Division had to “write off” as uncollectible over the last five years was \$7,571,391. This is down nearly **\$25 million** since the initial report was issued in 1995. It is apparent that the Division has been more successful in collecting delinquent unemployment taxes.

Time Period	Delinquent	Written-off
May 1995	\$19,177,257	
May 2001	\$9,532,330	
1990 - 1995		\$32,501,943
1996 - 2000		\$7,571,391

Contributing Factors for the Decrease in Delinquent Taxes

As a result of and subsequent to the May 1995 audit report, the Unemployment Compensation Division negotiated with the Department of Tax and Revenue to strengthen procedures regarding tax refund checks. According to the Acting State Tax Commissioner,

The Unemployment Compensation Division provides our Compliance Division with a listing of employers who are delinquent in unemployment taxes. The Compliance Division is also sent listings of business tax refunds prior to the issuance of any refund checks. The refund checks for those employers who have unemployment delinquencies are then intercepted and payment is sent to the Unemployment Compensation Division of the Bureau of Employment Programs.

The Bureau of Employment Program's Legal Division is responsible for notifying those employers who have had business tax refund checks intercepted. Once these refund checks are credited to the respective employers' accounts, the Legal Division does not keep track of the total amount of money that has been intercepted. Nevertheless, this agreement with the Department of Tax and Revenue has helped in recouping delinquent unemployment taxes.

The 1996 amendment of West Virginia *Code* §21A-5-4 has also acted as a deterrent regarding employers' failure to pay unemployment taxes as well as failure to file quarterly reports. §21A-5-4 states in part,

Any employer who knowingly and willfully fails to make any payment or file a report within the time period specified by law for two calendar quarters, which quarters need not be consecutive but are within twenty-five quarters of each other, is guilty of a misdemeanor and: Upon a first conviction under this subdivision, shall be fined not less than five hundred dollars nor more than one thousand dollars; or Upon a second conviction under this subdivision, shall be fined not less than one thousand dollars nor more than five thousand dollars, imprisoned for not longer than thirty days or both fined and imprisoned.

This amendment is helpful in discouraging employers from becoming delinquent on their unemployment taxes. The Unemployment Compensation Division does maintain an automated record of employers who have violated §21A-5-4. Their main focus is on improving the collection rate of delinquent taxes and timely filing of required reports. Once an employer has become delinquent for two quarters, the Division will telephone employers, send computer generated letters and/or conduct field visits. If an employer does not respond to the aforementioned means of contact, then a summons and complaint is filed in the appropriate magistrate court. Most of the violations are corrected upon receipt of the summons by the employer and prior to a magistrate court hearing on the complaint. In these instances, the vast majority of prosecutors recommend dismissal by the magistrate. As a result, few criminal penalties are incurred.

Another amendment that is significant includes West Virginia *Code* §21A-2-6(18), which authorizes the Commissioner of BEP to establish rules under which agencies of the state may not grant, issue, or renew any contract, license, permit, certificate or other authority to conduct a trade, profession, or business if the account is in default with the Commissioner under the unemployment compensation or workers' compensation laws. This amendment also authorizes the establishment of a list of employers which are in default. West Virginia *Code* §21A-5-17 has also been amended since the May 1995 audit. This amendment allows BEP to compound interest on a quarterly basis for past-due payments. It also requires the assessment of a ten percent penalty, with a minimum of \$50 and a maximum of \$500, for any employer who fails to pay any contribution due in a timely manner.

Conclusion

The Unemployment Compensation Division has seen a decrease over the last five years in the amount of unemployment taxes which are delinquent. The amount has decreased from approximately **\$19 million** in 1995 to **\$9.5 million** in 2001. Although the amount of delinquent unemployment taxes has dropped considerably, those employers who are delinquent receive an unfair advantage over the employers who do pay. For example, the employers who conscientiously pay their unemployment taxes quarterly face higher total costs than those who choose not to pay the tax. Furthermore, unpaid unemployment taxes contribute to higher overall unemployment tax rates. Therefore, it is essential that the Division continue to pursue the collection of delinquent unemployment taxes.

Recommendation 1:

The Unemployment Compensation Division should continue its efforts to lower the amount of unemployment taxes which are delinquent.

Recommendation 2:

The Unemployment Compensation Division should track the amount of business tax refund checks intercepted.

Issue 3: West Virginia Unemployment Benefits Compare Well with Other States.

The Legislative Auditor examined several aspects of West Virginia's Unemployment Insurance program. In particular, the following were reviewed:

- 1: How regressive is the State's unemployment insurance tax?
- 2: What percent of total benefits are paid to employees of employers who pay less in unemployment taxes than they receive in unemployment benefits?
- 3: Where does West Virginia rank nationally in the weekly maximum benefit payments and maximum and minimum tax rates?
- 4: Where does West Virginia rank nationally in the weekly wage replaced by unemployment benefit payments?

The Legislative Auditor finds that West Virginia's Unemployment Insurance program compares well with other states. Nearly 40% of weekly wages are replaced by unemployment benefits. This places the state 23rd in the country. West Virginia's maximum benefit payment of \$338 ranks 18th in the country. West Virginia's maximum tax rate of 8.5% is 10th nationally and the minimum tax rate is 4th highest. The unemployment insurance tax is regressive in the sense that companies with relatively small payrolls pay a higher percent of their payroll towards the unemployment tax than companies with larger payrolls. **This review indicates that the difference between the effective tax rates of low payroll companies and high payroll companies averages about 0.68 percentage points.** However, the regressivity can reach a difference of 2 percentage points among employers who are in the higher tax rates because of their frequent use of unemployment benefits. For example, employers who pay an 8.5% unemployment tax (Class 20) because they draw down more benefits than they pay in the tax, the regressivity is a 1.93 percentage points difference between the low and high payroll groups. Of concern would be that the state has raised benefits several times over the last 20 years, yet the wage base on which the tax is determined has been held at \$8,000 during that same period. The national average wage base used to determine the unemployment tax is \$12,260. The State may want to consider raising the wage base which would provide greater equity by lowering the tax regressivity. In order to maintain revenue neutrality, the tax rates would have to be lowered appropriately.

How Regressive is the State's Unemployment Insurance Tax?

The unemployment insurance tax is a regressive tax in the sense that tax payments as a percent of total payroll declines as company payroll increases. Therefore, the effective tax rate is larger for small payroll companies than companies with large payrolls. The regressive nature of the unemployment tax is the result of a flat wage base. If the wage base is \$8,000, companies that have

relatively small salaries will pay the unemployment tax on most of their salaries, while companies that have relatively high salaries pay the tax on a smaller portion of their salaries. Federal law allows states to determine their own wage base but it cannot be less than \$7,000.

The Legislative Auditor analyzed unemployment compensation data for calendar year 2000. The data were divided into six payroll categories: 1) \$200,000 or less; 2) \$200,001 to \$400,000; 3) \$400,001 to \$600,000; 4) \$600,001 to \$800,000; 5) \$800,001 to \$1,000,000; 6) over \$1,000,000. The effective tax rate is the total amount paid in unemployment taxes divided by total payroll. The overall results of the analysis show that for **all** taxpayers, the lowest payroll group paid an effective tax rate of 1.52% of total payroll, while the highest payroll group paid an effective tax rate of 0.84%, for a difference of 0.68 percentage points (see Table 7).

Payroll Group	Tax Paid	Total Payroll	Tax Paid/Payroll
\$200,000 or Less	\$22,744,719	\$1,498,971,904	1.52%
\$200,001 to \$400,000	\$11,149,471	\$985,269,926	1.13%
\$400,001 to \$600,000	\$7,519,471	\$680,222,317	1.11%
\$600,001 to \$800,000	\$5,506,814	\$545,147,113	1.01%
\$800,001 to \$1,000,000	\$4,344,111	\$433,415,360	1.00%
over \$1,000,000	\$78,171,083	\$9,336,168,192	0.84%

However, the regressivity is larger when examined within specific tax rate categories. The unemployment tax rate that a company pays depends on how much an employer's tax payments credited to his/her account exceed the unemployment benefits charged to his/her account. The appropriate tax rate imposed will be lower for companies who have small percentages of benefits charged against their account. Currently, the lowest tax rate imposed is 1.5% and the highest imposed is 8.5%. Table 8 shows the regressivity for several unemployment tax rates. The regressivity is measured as the difference in effective tax rates between the smallest and largest payroll group for employers who pay at certain tax rates. For example, employers who pay a 1.5% unemployment tax rate, the smallest payroll group in that tax category paid an effective tax rate of .74% of total payroll, while the largest payroll group within that same tax category paid an effective tax rate of .36% of total payroll. The difference between the two effective tax rates is 0.38 percentage points. Similar results hold true for all of the various tax rates. **The higher the unemployment tax rate the greater the regressivity.** The entire analysis can be found in Appendix C.

Table 8
Unemployment Taxes Paid as a Percent of Total Payroll
for Certain Tax Rates and Payroll Groups
Calendar Year 2000

Unemployment Tax Rate	Effective Tax Rate Smallest Payroll Group (\$200,000 or Less)	Effective Tax Rate Highest Payroll Group (Over \$1,000,000)	Difference Between Effective Tax Rates
1.5%	0.74%	0.36%	0.38
2.5%	1.28%	0.65%	0.63
3.5%	1.82%	1.05%	0.77
4.5%	2.46%	1.17%	1.29
6.5%*	3.43%	1.87%	1.56
7.5% (Class 19)	4.12%	1.98%	2.14
8.5% (Class 16)	4.61%	2.45%	2.16

* A 5.5% tax rate is not imposed.

West Virginia's Wage Base Compared to Other States

The Legislative Auditor obtained wage base information for all 50 states and found a wide variety of wage bases currently being utilized. Table 9 shows calendar year 2001 wage bases for all 50 states. Hawaii has the largest wage base at \$28,400, while several states utilize the minimum wage base of \$7,000. Virginia, Kentucky, and Pennsylvania all use a wage base of \$8,000. Maryland uses \$8,500 and Ohio utilizes a wage base of \$9,000. The average wage base for all 50 states is **\$12,260**.

Table 9
Wage Base for Calendar Year 2000

State	Wage Base	State	Wage Base
Hawaii	\$28,400	Ohio	\$9,000
Washington	\$26,600	Illinois	\$9,000
Idaho	\$25,700	Maryland	\$8,500
Alaska	\$25,500	Delaware	\$8,500
Oregon	\$25,000	New York	\$8,500
New Jersey	\$22,100	Georgia	\$8,500
Utah	\$21,400	Virginia	\$8,000
Nevada	\$20,300	Alabama	\$8,000
Minnesota	\$20,000	Kansas	\$8,000
Montana	\$18,200	New Hampshire	\$8,000
Iowa	\$17,900	West Virginia	\$8,000
North Dakota	\$17,000	Vermont	\$8,000
New Mexico	\$15,200	Pennsylvania	\$8,000
Connecticut	\$15,000	Kentucky	\$8,000
North Carolina	\$14,700	Florida	\$7,000
Wyoming	\$14,100	South Dakota	\$7,000
Rhode Island	\$12,000	Arizona	\$7,000
Maine	\$12,000	Indiana	\$7,000
Massachusetts	\$10,800	Nebraska	\$7,000
Wisconsin	\$10,500	Louisiana	\$7,000
Oklahoma	\$10,100	South Carolina	\$7,000
Colorado	\$10,000	Tennessee	\$7,000
Michigan	\$9,500	Missouri	\$7,000
Texas	\$9,000	Mississippi	\$7,000
Arkansas	\$9,000	California	\$7,000
Average Wage Base - \$12,260			

The regressivity is influenced by the wage base. Raising the wage base lowers the regressivity and vice versa. According to the California Senate Office of Demographics, “To the extent that UI [Unemployment Insurance] costs are passed on to employees in the form of reduced wages, a low taxable-wage base can amount to a regressive tax on low-wage workers.” In order to avoid raising tax revenue, the wage base can be increased with a corresponding decrease of the tax rates to maintain revenue neutrality.

How West Virginia Ranks in Benefits and Tax Rates

On the first day of July each year, the Unemployment Compensation Division determines the maximum weekly benefit rate that will be in effect for the year. Currently, West Virginia’s maximum weekly benefit rate is \$338. This compares favorably on the national level. West Virginia has the 18th highest maximum weekly benefit rate in the nation. Massachusetts has the highest maximum weekly rate at \$715 and Rhode Island has the 2nd highest rate at \$518. Alabama has the lowest at \$190, while Mississippi has the 2nd lowest at \$200. Table 10 illustrates the maximum weekly benefit rates for all 50 states.

West Virginia has a maximum tax rate of 8.5%, which ranks 10th in the country. For example, North Dakota has a maximum tax rate of 10.09%, which is the highest in the nation. Several states utilize a maximum tax rate of 5.4%, which is the lowest maximum tax rate (see Table 11). West Virginia’s minimum tax rate of 1.5% is 4th highest in the country (see Table 12).

Table 10
Maximum Weekly Benefit Rates
As of July 2001

Rank	State	Maximum Weekly Rate	Rank	State	Maximum Weekly Rate
1	Massachusetts	\$715	26	Wisconsin	\$313
2	Rhode Island	\$518	27	Vermont	\$312
3	Washington	\$496	28	Indiana	\$312
4	Connecticut	\$472	29	Michigan	\$300
5	Minnesota	\$452	30	Texas	\$294
6	New Jersey	\$446	31	Nevada	\$291
7	Pennsylvania	\$438	32	Oklahoma	\$291
8	Illinois	\$417	33	North Dakota	\$290
9	Maine	\$408	34	Montana	\$286
10	Ohio	\$407	35	Georgia	\$284
11	New York	\$405	36	Wyoming	\$283
12	Oregon	\$400	37	Maryland	\$280
13	North Carolina	\$396	38	Florida	\$275
14	Colorado	\$390	39	Tennessee	\$275
15	Hawaii	\$383	40	South Carolina	\$268
16	Utah	\$355	41	Virginia	\$268
17	Kentucky	\$341	42	New Mexico	\$267
18	West Virginia	\$338	43	Louisiana	\$258
19	Iowa	\$335	44	Nebraska	\$252
20	Kansas	\$333	45	Missouri	\$250
21	Arkansas	\$333	46	South Dakota	\$234
22	New Hampshire	\$331	47	California	\$230
23	Alaska	\$320	48	Arizona	\$205
24	Delaware	\$315	49	Mississippi	\$200
25	Idaho	\$314	50	Alabama	\$190

Table 11
Maximum Tax Rates Currently in Effect

Rank	State	Maximum Tax Rate %	Rank	State	Maximum Tax Rate%
1	North Dakota	10.09	26	Alabama	6.20
2	Tennessee	10.00	27	Louisiana	6.20
3	Rhode Island	9.81	28	Maine	6.05
4	Wisconsin	9.75	29	Missouri	6.00
5	Minnesota	9.10	30	Alaska	5.92
6	Pennsylvania	9.0712	31	Vermont	5.90
7	Kentucky	9.00	32	North Carolina	5.70
8	New York	8.90	33	Washington	5.42
9	Wyoming	8.70	34	Georgia	5.40
10	West Virginia	8.50	35	California	5.40
11	Delaware	8.30	36	Virginia	5.40
12	Utah	8.10	37	Arizona	5.40
13	Michigan	8.10	38	Colorado	5.40
14	South Dakota	7.70	39	Florida	5.40
15	Iowa	7.50	40	Indiana	5.40
16	Maryland	7.50	41	Hawaii	5.40
17	Kansas	7.40	42	South Carolina	5.40
18	Massachusetts	7.225	43	Idaho	5.40
19	Connecticut	6.90	44	Nevada	5.40
20	Illinois	6.80	45	Oregon	5.40
21	New Hampshire	6.50	46	Oklahoma	5.40
22	Ohio	6.40	47	Mississippi	5.40
23	Montana	6.40	48	New Jersey	5.40
24	Arkansas	6.40	49	Nebraska	5.40
25	Texas	6.27	50	New Mexico	5.40

Table 12
Minimum Tax Rates Currently in Effect

Rank	State	Minimum Tax Rate %	Rank	State	Minimum Tax Rate %
1	Connecticut	2.00	26	Minnesota	0.20
2	Rhode Island	1.71	27	Indiana	0.15
3	Alaska	1.52	28	Montana	0.13
4	West Virginia	1.50	29	New York	0.10
5	Pennsylvania	1.479	30	Utah	0.10
6	Massachusetts	1.325	31	Michigan	0.10
7	Maine	1.31	32	Nebraska	0.05
8	California	1.10	33	Arizona	0.05
9	Oregon	0.70	34	New Mexico	0.05
10	Vermont	0.60	35	Kansas	0.03
11	Illinois	0.60	36	New Hampshire	0.01
12	Alabama	0.60	37	Hawaii	0.00
13	South Carolina	0.54	38	Oklahoma	0.00
14	Arkansas	0.50	39	Virginia	0.00
15	Washington	0.50	40	Georgia	0.00
16	North Dakota	0.49	41	Florida	0.00
17	Mississippi	0.40	42	Kentucky	0.00
18	Delaware	0.40	43	Wisconsin	0.00
19	Maryland	0.30	44	North Carolina	0.00
20	Texas	0.27	45	Missouri	0.00
21	Nevada	0.25	46	South Dakota	0.00
22	Louisiana	0.22	47	Iowa	0.00
23	Wyoming	0.20	48	Tennessee	0.00
24	Idaho	0.20	49	Ohio	0.00
25	New Jersey	0.20	50	Colorado	0.00

West Virginia's Unemployment Benefits Replace 40% of Weekly Wages

The level of wage replacement that a state's unemployment insurance program provides to the unemployed is important. The amount of benefits must be balanced between adequately meeting needs and offering an incentive for the unemployed to find employment. The Advisory Council on Unemployment Compensation (ACUC) recommended that states replace at least 50 percent of former earnings. The ACUC suggested setting a state's maximum weekly benefit at two-thirds of the state's

average weekly wage to achieve this goal. Table 13 illustrates the percent of wages replaced by UI benefits for all 50 states. For the first quarter of 2001, only Hawaii replaced at least 50 percent of former weekly earnings. Hawaii replaced **51.4%** of earnings, while California replaced the lowest amount at **20.9%**. West Virginia replaced **39.6%** of former weekly earnings.

Table 13
Wages Replaced as % of Average Weekly Wage
First Quarter 2001

Rank	State	% of Wages Replaced	Rank	State	% of Wages Replaced
1	Hawaii	51.40	26	Oregon	38.60
2	North Dakota	48.30	27	Nebraska	38.10
3	Rhode Island	47.00	28	Illinois	37.60
4	Iowa	46.60	29	Massachusetts	37.40
5	Minnesota	46.00	30	South Carolina	36.80
6	Kansas	46.00	31	Nevada	36.80
7	Oklahoma	44.40	32	Louisiana	36.40
8	Arkansas	43.60	33	New Jersey	36.20
9	Montana	43.50	34	Michigan	35.50
10	Wyoming	43.00	35	New Mexico	35.00
11	Pennsylvania	43.00	36	Texas	34.80
12	Vermont	42.90	37	Georgia	34.20
13	Idaho	42.30	38	New Hampshire	34.10
14	Wisconsin	41.70	39	Maryland	33.90
15	Kentucky	41.50	40	Mississippi	33.70
16	Utah	41.00	41	Missouri	33.10
17	South Dakota	40.90	42	Tennessee	33.00
18	Washington	40.90	43	Virginia	32.30
19	Indiana	40.70	44	Delaware	32.10
20	Maine	40.60	45	Connecticut	31.70
21	North Carolina	40.30	46	New York	30.50
22	Ohio	39.90	47	Alabama	29.60
23	West Virginia	39.60	48	Alaska	29.40
24	Florida	38.60	49	Arizona	27.40
25	Colorado	38.60	50	California	20.90

Employers Benefits Charged Exceed Taxes Paid

The Legislative Auditor conducted an additional analysis on the unemployment compensation data that the Unemployment Compensation Division provided. The Legislative Auditor determined that certain payroll groups have more benefits charged to their account than the amount of

unemployment taxes that they contribute. For example, several different payroll groups had total benefits which exceeded the total amount of taxes paid for calendar year 2000. Overall, these payroll groups represented approximately **22%** of the taxes paid for **every** payroll group and approximately **44%** of the benefits charged for **every** payroll group. The unemployment tax is a form of insurance. Therefore, it is common to have employers who are charged more in benefits than what they actually pay in unemployment taxes. This does not seem to be a problem at the present time. However, if the number of payroll groups who have more benefits charged than taxes paid continues to increase, then it could be a burden on the system as a whole. One way to offset this would be to increase the taxable wage base of the current \$8,000. Table 14 lists the payroll groups that have more benefits charged to their account than the amount of taxes that they paid for calendar year 2000.

Table 14 Payroll Groups Which Have More Benefits Charged Than Taxes Paid For Calendar Year 2000			
Tax Rate	Benefits Charged/Tax Paid	Benefits Charged	Tax Paid
2.7 %	110.41%	\$2,150,408	\$1,947,693
3.1%	621.30%	\$584,921	\$94,145
4.1%	115.14%	\$229,667	\$199,466
4.5%	145.40%	\$5,266,341	\$3,621,052
6.5%	111.17%	\$1,835,166	\$1,650,740
7.5%	141.78%	\$2,603,799	\$1,836,485
8.5%	157.76%	\$30,363,984	\$19,246,428
Total for Groups with Benefits Exceeding Taxes		\$43,034,286	\$28,596,009
Totals for All Taxpayers		\$96,793,732	\$129,435,740
Total of Groups with Benefits Exceeding Taxes/ All Taxpayers		44.46%	22.09%

Conclusion

West Virginia's unemployment insurance program compares well with other states. The state ranks 23rd in wage replacement and 18th in the maximum weekly benefit payment. However, the state's maximum tax rate is among the highest in the country. The regressive nature of the unemployment insurance tax causes employers with relatively low wages to pay a higher effective tax rate than employers with higher wages. As a result, there is an inequity in how the unemployment tax rate is determined. Furthermore, employers in mainly high tax rate groups receive about 44% of the benefits paid yet pay only about 22% of the amount of the unemployment tax. A higher wage base would alleviate this to some extent. Consideration should be given to increasing the taxable wage base to alleviate the inequity with an appropriate decrease in the tax rates to maintain revenue neutrality.

Recommendation 3:

The Legislature should consider raising the taxable wage base from the current \$8,000 with a corresponding decrease in the tax rates to maintain revenue neutrality.

APPENDIX A

Transmittal Letter to Agency

WEST VIRGINIA LEGISLATURE
Performance Evaluation and Research Division

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
(304) 347-4939 FAX



John Sylvia
Director

November 5, 2001

Robert J. Smith, Commissioner
Bureau of Employment Programs
Building 4, Room 610
112 California Avenue
Charleston, West Virginia 25305-0112

Dear Mr. Smith:

This is to transmit a draft copy of the Preliminary Performance Review of the Bureau's Unemployment Compensation Division. This report is scheduled to be presented at the Sunday, November 11, 2001 interim meeting of the Joint Committee on Government Operations. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committee may have. We would like to schedule an exit conference to discuss the report with you at 2:00 p.m. on Wednesday, November 7, 2001 if this is convenient with you. We would appreciate your written response by 12:00 p.m. on Friday, November 9, 2001 in order for it to be included in the final report.

Thank you for your cooperation.

Sincerely,

Handwritten signature of John Sylvia in cursive script.
John Sylvia

JS/cn

c: Mr. Daniel L. Light, Director
Unemployment Compensation Division

Joint Committee on Government and Finance

APPENDIX B

UC Contributions for Calendar Year 2000

Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
1.5 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$3,161,756	\$425,081,144	36,770	2,212	\$1,897,559	0.74%	\$857,85	60.02%
\$200,001 to \$400,000	\$1,628,591	\$294,494,558	16,377	844	\$647,749	0.55%	\$767,48	39.77%
\$400,001 to \$600,000	\$1,010,390	\$182,432,311	10,240	545	\$515,481	0.55%	\$945,84	51.02%
\$600,001 to \$800,000	\$751,885	\$148,594,387	7,281	304	\$253,901	0.51%	\$966,78	39.09%
\$800,001 to \$1,000,000	\$678,817	\$129,320,319	6,475	299	\$326,959	0.52%	\$1,093,51	48.17%
\$1,000,001 or More	\$11,108,403	\$3,058,986,643	97,013	3,617	\$4,805,615	0.36%	\$1,328,62	43.26%
	\$18,339,842				\$8,487,264			
1.7 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$768,262	\$82,745,720	7,743	589	\$475,355	0.93%	\$807,05	61.87%
\$200,001 to \$400,000	\$559,682	\$75,801,964	4,979	244	\$192,558	0.74%	\$789,17	34.40%
\$400,001 to \$600,000	\$424,639	\$58,870,518	3,658	241	\$178,884	0.72%	\$742,26	42.13%
\$600,001 to \$800,000	\$225,675	\$38,716,444	1,776	114	\$90,232	0.58%	\$791,51	39.98%
\$800,001 to \$1,000,000	\$189,758	\$32,173,439	1,764	83	\$73,250	0.59%	\$882,53	38.60%
\$1,000,001 or More	\$3,527,604	\$620,424,507	27,579	1,298	\$1,373,569	0.57%	\$1,058,07	38.93%
	\$5,695,620				\$2,383,648			
1.9 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$1,021,426	\$101,574,508	9,282	753	\$580,336	1.01%	\$770,70	56.82%
\$200,001 to \$400,000	\$692,957	\$84,543,998	5,556	391	\$337,541	0.82%	\$863,28	48.71%
\$400,001 to \$600,000	\$576,404	\$71,681,391	4,387	281	\$188,762	0.80%	\$671,75	32.75%
\$600,001 to \$800,000	\$460,995	\$65,478,011	3,500	294	\$290,084	0.70%	\$986,68	62.93%
\$800,001 to \$1,000,000	\$354,815	\$47,802,395	2,738	197	\$173,744	0.74%	\$881,95	48.97%
\$1,000,001 or More	\$5,903,712	\$993,126,801	43,784	2,372	\$3,323,439	0.59%	\$979,53	39.36%
	\$9,010,309				\$3,893,906			
2.1 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$571,677	\$50,405,507	4,586	454	\$369,895	1.13%	\$814,75	64.70%
\$200,001 to \$400,000	\$320,690	\$37,993,284	2,250	220	\$166,402	0.84%	\$756,37	51.89%
\$400,001 to \$600,000	\$268,349	\$35,346,896	1,965	128	\$117,877	0.76%	\$920,91	43.93%
\$600,001 to \$800,000	\$254,519	\$34,210,393	1,894	135	\$156,776	0.74%	\$1,161,30	61.60%
\$800,001 to \$1,000,000	\$154,261	\$21,460,772	998	54	\$32,166	0.72%	\$595,67	20.85%
\$1,000,001 or More	\$2,697,502	\$425,914,500	17,218	1,709	\$1,677,534	0.63%	\$981,59	62.19%
	\$4,266,938				\$2,520,650			
2.3 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$340,099	\$27,726,486	2,603	273	\$187,916	1.23%	\$688,34	55.25%
\$200,001 to \$400,000	\$190,643	\$20,298,794	1,213	123	\$101,235	0.94%	\$823,05	53.10%
\$400,001 to \$600,000	\$113,593	\$13,101,692	669	48	\$50,911	0.87%	\$1,060,65	44.82%
\$600,001 to \$800,000	\$151,160	\$16,575,661	926	103	\$71,699	0.91%	\$696,11	47.43%
\$800,001 to \$1,000,000	\$45,224	\$5,215,827	245	24	\$15,522	0.87%	\$646,75	34.32%
\$1,000,001 or More	\$3,203,028	\$552,638,600	17,583	906	\$818,484	0.91%	\$903,40	25.55%
	\$4,043,747				\$1,245,767			

Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
2.5 Percent Rate								
\$200,000 or Less	\$302,978	\$23,584,079	2,167	249	\$231,819	1.28%	\$931.00	76.51%
\$200,001 to \$400,000	\$226,879	\$20,443,291	1,461	162	\$128,121	1.11%	\$790.87	56.47%
\$400,001 to \$800,000	\$100,675	\$12,097,186	776	61	\$83,264	0.83%	\$1,364.98	82.71%
\$800,001 to \$1,000,000	\$91,215	\$12,210,244	448	69	\$61,580	0.75%	\$892.46	55.61%
\$1,000,001 or More	\$1,064,684	\$184,191,476	5,501	403	\$472,251	0.65%	\$1,171.84	67.51%
	\$1,931,291				\$1,057,593			44.36%
2.7 Percent Rate - Rate Class 9								
2.7 Percent Rate - Rate Class 16								
2.9 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$5,424,666	\$372,216,499	40,358	4,050	\$3,110,675	1.46%	\$768.07	57.34%
\$200,001 to \$400,000	\$1,676,630	\$156,798,126	9,763	949	\$903,162	1.07%	\$951.70	53.87%
\$400,001 to \$600,000	\$1,012,189	\$84,422,613	5,305	647	\$572,234	1.07%	\$1,085.37	69.39%
\$600,001 to \$800,000	\$597,439	\$63,746,474	3,220	378	\$576,844	0.94%	\$1,526.04	96.55%
\$800,001 to \$1,000,000	\$432,302	\$42,031,496	2,525	225	\$213,286	1.03%	\$947.94	49.34%
\$1,000,001 or More	\$6,502,710	\$703,800,283	32,320	2,690	\$2,124,596	0.92%	\$789.81	32.67%
	\$15,645,936				\$7,630,797			
3.1 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$314,972	\$20,728,876	1,810	226	\$203,730	1.52%	\$901.46	64.68%
\$200,001 to \$400,000	\$170,844	\$14,428,685	899	93	\$73,451	1.18%	\$789.80	42.99%
\$400,001 to \$600,000	\$163,809	\$15,050,906	852	92	\$96,371	1.09%	\$1,047.51	58.83%
\$600,001 to \$800,000	\$96,073	\$7,792,366	423	59	\$45,045	1.23%	\$763.47	46.89%
\$800,001 to \$1,000,000	\$98,301	\$9,644,194	440	42	\$67,913	1.02%	\$1,140.79	48.74%
\$1,000,001 or More	\$1,756,758	\$215,182,600	7,723	866	\$697,483	0.82%	\$805.41	39.70%
	\$2,600,757				\$1,163,993			
3.1 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$306,646	\$19,196,702	1,746	241	\$201,879	1.60%	\$837.67	65.83%
\$200,001 to \$400,000	\$229,906	\$16,833,606	1,151	113	\$117,050	1.37%	\$1,035.84	50.91%
\$400,001 to \$600,000	\$180,548	\$14,818,780	895	68	\$46,164	1.22%	\$678.88	25.57%
\$600,001 to \$800,000	\$71,593	\$7,630,223	292	26	\$16,628	0.94%	\$693.54	23.23%
\$800,001 to \$1,000,000	\$94,145	\$9,621,824	312	153	\$84,921	0.98%	\$3,823.01	621.30%
\$1,000,001 or More	\$1,836,543	\$155,605,602	7,240	755	\$846,603	1.18%	\$1,121.33	46.10%
	\$2,719,381				\$1,813,245			

Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
3.3 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$367,512	\$19,675,798	2,010	300	\$181,694	1.87%	\$605.65	49.44%
\$200,001 to \$400,000	\$215,380	\$14,343,028	1,003	100	\$84,294	1.50%	\$842.94	39.14%
\$400,001 to \$600,000	\$129,405	\$11,932,286	515	62	\$1,219.45	1.08%	\$1,219.45	58.43%
\$600,001 to \$800,000	\$107,536	\$8,367,613	510	59	\$34,493	1.29%	\$584.63	32.08%
\$800,001 to \$1,000,000	\$78,516	\$7,918,723	244	36	\$47,275	0.99%	\$1,313.19	60.21%
\$1,000,001 or More	\$1,217,007	\$106,940,598	4,713	390	\$382,072	1.14%	\$979.67	31.39%
	\$2,115,356				\$805,434			
3.5 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$628,499	\$34,574,039	3,062	467	\$421,116	1.82%	\$901.75	67.00%
\$200,001 to \$400,000	\$371,848	\$25,609,404	1,554	230	\$191,109	1.45%	\$830.91	51.39%
\$400,001 to \$600,000	\$258,166	\$17,453,790	1,059	131	\$123,004	1.48%	\$938.96	47.65%
\$600,001 to \$800,000	\$272,877	\$21,172,336	1,072	141	\$142,201	1.29%	\$1,008.52	52.11%
\$800,001 to \$1,000,000	\$108,777	\$9,432,580	397	36	\$40,012	1.15%	\$1,111.44	36.78%
\$1,000,001 or More	\$2,248,726	\$215,152,532	8,636	983	\$1,072,015	1.05%	\$1,090.55	47.67%
	\$3,888,893				\$1,989,457			
3.7 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$650,811	\$32,550,176	3,038	514	\$425,926	2.00%	\$828.65	65.45%
\$200,001 to \$400,000	\$292,431	\$19,777,573	1,213	177	\$160,794	1.48%	\$908.44	54.99%
\$400,001 to \$600,000	\$186,094	\$12,515,972	821	163	\$104,143	1.49%	\$638.91	55.96%
\$600,001 to \$800,000	\$130,270	\$10,365,052	489	73	\$74,828	1.26%	\$1,025.04	57.44%
\$800,001 to \$1,000,000	\$116,106	\$8,045,607	457	70	\$65,788	1.44%	\$939.83	56.66%
\$1,000,001 or More	\$1,824,990	\$181,934,995	5,906	1,061	\$1,137,703	1.00%	\$1,072.29	62.34%
	\$3,200,702				\$1,969,182			
3.9 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$802,619	\$36,780,723	3,809	634	\$544,920	2.24%	\$859.50	67.89%
\$200,001 to \$400,000	\$411,327	\$24,939,897	1,493	254	\$191,484	1.65%	\$753.87	46.55%
\$400,001 to \$600,000	\$180,333	\$12,307,269	648	129	\$89,047	1.47%	\$690.29	49.38%
\$600,001 to \$800,000	\$169,162	\$12,634,665	641	79	\$65,662	1.34%	\$831.16	38.82%
\$800,001 to \$1,000,000	\$176,552	\$12,176,467	603	101	\$89,910	1.44%	\$890.20	51.22%
\$1,000,001 or More	\$2,249,360	\$215,516,931	7,116	768	\$1,227,389	1.04%	\$1,598.18	54.57%
	\$3,988,353				\$2,208,422			
4.1 Percent Rate								
Payroll Group	Tax Paid	Total Payroll	Number Employees	Number Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
\$200,000 or Less	\$608,651	\$26,056,743	2,499	467	\$434,194	2.33%	\$929.75	71.57%
\$200,001 to \$400,000	\$320,527	\$17,457,038	1,179	215	\$152,393	1.84%	\$708.80	47.54%
\$400,001 to \$600,000	\$252,319	\$14,993,635	885	215	\$221,995	1.68%	\$1,032.53	87.98%
\$600,001 to \$800,000	\$199,466	\$10,612,806	830	212	\$229,667	1.88%	\$1,083.33	115.14%
\$800,001 to \$1,000,000	\$67,677	\$6,138,927	220	38	\$33,653	1.10%	\$885.61	49.73%
\$1,000,001 or More	\$2,568,740	\$151,069,066	7,588	916	\$709,493	1.70%	\$774.56	27.62%
	\$4,015,380				\$1,781,395			

Payroll Group	Tax Paid	Total Payroll	4.5 Percent Rate		Number of Claimants	UI Paid	Tax Paid/Payroll	UI Paid/Claimants	UI Paid/Tax Paid
			Number Employees	Number Claimants					
Payroll Group \$200,000 or Less	\$1,681,700	\$66,256,649	6,544	2,224	\$1,705,082	2.46%	\$766,67	101.39%	
\$200,001 to \$400,000	\$1,132,720	\$50,921,523	3,431	1,266	\$1,330,088	1.86%	\$1,050.62	117.42%	
\$400,001 to \$600,000	\$809,104	\$44,180,726	2,553	621	\$639,145	1.83%	\$1,029.22	78.99%	
\$600,001 to \$800,000	\$377,663	\$24,546,161	1,068	389	\$385,932	1.54%	\$992.11	102.19%	
\$800,001 to \$1,000,000	\$428,969	\$29,179,791	1,223	525	\$1,845,239	1.47%	\$3,514.74	430.16%	
\$1,000,001 or More	\$7,463,027	\$58,416,934	21,626	5,957	\$5,944,654	1.17%	\$997.93	79.65%	
	\$11,893,183				\$11,850,140				
			6.5 Percent Rate						
Payroll Group \$200,000 or Less	\$1,058,319	\$30,879,660	2,808	1,252	\$1,180,341	3.43%	\$942.76	111.53%	
\$200,001 to \$400,000	\$697,052	\$23,172,662	1,466	710	\$508,481	2.58%	\$716.17	85.17%	
\$400,001 to \$600,000	\$376,966	\$13,866,124	908	430	\$422,215	2.71%	\$961.90	112.00%	
\$600,001 to \$800,000	\$216,639	\$8,922,547	448	206	\$167,741	2.43%	\$814.28	77.43%	
\$800,001 to \$1,000,000	\$215,452	\$9,868,458	401	242	\$232,610	2.15%	\$961.20	107.96%	
\$1,000,001 or More	\$2,666,183	\$142,069,413	5,138	2,029	\$2,352,606	1.87%	\$1,159.49	88.57%	
	\$5,120,614				\$4,863,994				
			7.5 Percent - Class 17						
Payroll Group \$200,000 or Less	\$930,708	\$25,136,194	2,698	526	\$469,299	3.70%	\$892.20	50.42%	
\$200,001 to \$400,000	\$164,423	\$5,965,054	468	73	\$40,491	2.76%	\$554.67	24.63%	
\$400,001 to \$600,000	\$44,497	\$2,581,806	122	40	\$16,989	1.72%	\$1,874.73	168.53%	
\$600,001 to \$800,000	\$30,939	\$1,939,489	54	13	\$16,547	1.60%	\$1,272.85	53.48%	
\$800,001 to \$1,000,000	\$36,717	\$931,049	219	4	\$317	4.42%	\$79.25	0.86%	
\$1,000,001 or More	\$447,592	\$16,584,754	819	36	\$44,712	2.70%	\$1,242.00	9.99%	
	\$1,654,876				\$646,355				
			7.5 Percent - Class 19						
Payroll Group \$200,000 or Less	\$865,464	\$21,015,525	2,106	1,152	\$1,078,822	4.12%	\$936.48	124.65%	
\$200,001 to \$400,000	\$383,058	\$13,395,006	865	649	\$517,292	2.86%	\$1,977.06	135.04%	
\$400,001 to \$600,000	\$181,924	\$7,420,065	386	215	\$253,312	2.45%	\$1,178.20	139.24%	
\$600,001 to \$800,000	\$232,499	\$1,780,504	389	315	\$460,416	2.99%	\$1,201.11	193.73%	
\$800,001 to \$1,000,000	\$129,043	\$4,375,748	242	132	\$228,968	2.95%	\$1,734.61	177.44%	
\$1,000,001 or More	\$4,850,397	\$245,238,698	7,534	4,171	\$4,523,159	1.98%	\$1,084.43	93.25%	
	\$6,642,365				\$7,051,969				
			8.5 Percent - Class 16						
Payroll Group \$200,000 or Less	\$513,832	\$11,135,253	1,141	641	\$503,646	4.61%	\$785.72	98.02%	
\$200,001 to \$400,000	\$323,719	\$8,438,041	574	389	\$346,319	3.84%	\$890.28	106.96%	
\$400,001 to \$600,000	\$107,051	\$3,261,256	186	189	\$349,087	3.28%	\$1,847.02	326.09%	
\$600,001 to \$800,000	\$94,240	\$3,422,734	155	10	\$1,888	2.75%	\$188.80	2.00%	
\$800,001 to \$1,000,000	\$88,832	\$2,598,787	109	91	\$1,171,808	3.42%	\$1,294.59	132.62%	
\$1,000,001 or More	\$1,521,394	\$16,086,947	503	326	\$315,190	2.45%	\$1,580.34	130.85%	
					\$1,833,938				
			8.5 Percent - Class 20						
Payroll Group \$200,000 or Less	\$3,097,616	\$48,699,797	4,318	3,653	\$3,999,732	4.31%	\$1,083.97	188.77%	
\$200,001 to \$400,000	\$1,061,803	\$33,892,326	1,946	2,105	\$2,417,645	3.13%	\$1,148.52	227.69%	
\$400,001 to \$600,000	\$1,026,359	\$30,938,207	1,705	1,775	\$1,968,518	3.32%	\$1,109.02	191.80%	
\$600,001 to \$800,000	\$795,735	\$28,508,877	1,207	1,355	\$1,940,981	2.79%	\$1,432.46	243.92%	
\$800,001 to \$1,000,000	\$648,989	\$23,303,917	683	687	\$835,106	2.78%	\$1,215.58	128.70%	
\$1,000,001 or More	\$12,702,704	\$333,815,341	17,199	13,842	\$17,913,598	2.89%	\$1,294.15	141.02%	
	\$18,533,106				\$29,035,580				

APPENDIX C
Agency Response

Bob Wise
Governor

Robert J. Smith
Commissioner



West Virginia Bureau of Employment Programs

• Job Service • Labor Market Information
• Unemployment Compensation • Workers Compensation
an equal opportunity/affirmative action employer

November 9, 2001

R E C E I V E D
NOV 09 2001

PERFORMANCE EVALUATION AND
RESEARCH DIVISION

John Sylvia
West Virginia Legislature
Performance Evaluation and Research Division
Building 1, Room W-314
1900 Kanawha Boulevard East
Charleston, West Virginia 25305-0610

Dear Mr. Sylvia:

This letter is the Bureau's response to the Legislature's Preliminary Performance Review of the Unemployment Compensation Division.

The following comments concern two areas of your report.

Recommendation 2:

The Unemployment Compensation Division should track the amount of business tax refund checks intercepted.

Agency Reply:

In response to the Unemployment Compensation Division's request, the Legal Division has already initiated a system to track the amount of business tax refund checks intercepted.

Agency Comments on West Virginia's Unemployment Benefits Replacement of Weekly Wages:

Program Emphasis, which was issued by the U.S. Department of Labor, includes a wage replacement goal of establishing a maximum weekly benefit amount that either equals or exceeds two-thirds of the state's average weekly wage. West Virginia is one of the few states in the nation that meets this goal. In addition, our Unemployment Compensation Law requires a weekly benefit rate for each wage class of fifty five percent of the base period average weekly wage. Essentially, our law is replacing 55% of the average weekly wage up to the maximum weekly benefit rate, which is set at two-thirds of the average weekly wage.

If you need any additional information, please let me know.

Sincerely,

For
Robert S. Smith
Commissioner

cc: Daniel L. Light

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