Legislative Office of Fiscal Transparency

Rapid Response Evaluation: Unemployment Compensation and the Oklahoma Employment Security Commission

January 2021

Legislative Office of Fiscal Transparency
State Capitol Building, Room 107
2300 North Lincoln Blvd.
Oklahoma City, OK 73105
okloft.gov

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Key Objectives:

- Examine agency's response to the COVID-19 pandemic.
- Evaluate efficacy of resources available for delivery of services, including IT infrastructure.
- Examine occurrence of fraudulent findings.
- Examine opportunities to better meet constituent needs.

Executive Summary

The State's unemployment system, managed by the Oklahoma Employment Security Commission (OESC), has a critical function: to not only provide unemployment insurance (UI) to laid-off workers but to also maintain trust fund stability to pay out those benefits. At the end of every fiscal year, the agency calculates the next year's unemployment insurance tax rate based on the ratio of benefits paid out to the balance of the fund itself, with different rates resulting from different quotients. In addition to this tax assessment, there is also a 33.3% surcharge that is statutorily determined and implemented quarterly should the balance of the fund ever fall below $25 million. In September 2020, OESC announced a tax rate increase from a maximum of 5.5% to a maximum of 7.5%.

Through this limited-scope evaluation, the Legislative Office of Fiscal Transparency (LOFT) sought to provide clarification to the Legislature regarding the impact of coronavirus on the state's unemployment insurance trust fund, the unemployment tax environment, and any process improvements that could result in better outcomes for Oklahoma.

Summary of Findings

Finding 1: There was little opportunity to prepare for the unprecedented demand, new federal guidance, and high-risk environment created by the pandemic.

The impact of coronavirus on unemployment cannot be overstated. Peak unemployment resulting from the virus was more than twice the peak unemployment from the Great Recession in 2007-2009. Regionally, Oklahoma went from the lowest unemployment in January 2020 to one of the highest in March and April. Relative to its neighbors, Oklahoma had the highest jump from January to March. This increase in the number of unemployment claims was impacted by the growing number of fraudulent claims experienced nationwide.

LOFT's analysis reveals that the unemployment insurance tax rate increase, effective on January 1, 2021, would have been difficult to avoid. The amount of benefits paid out and the balance of the fund, both factors in the tax rate determination formula, were adversely impacted in 2020.

Although federal loans are available to struggling states, the federal Department of Labor requires states to exhaust available resources before applying. To date, $100 million dollars have been received in Coronavirus Relief Funds to stabilize the unemployment insurance trust fund and prevent the statutorily mandated 33.3% surcharge from being assessed on employers.

Policy Considerations:

- Allow for bonding to support the Unemployment Insurance trust fund. The State may consider instituting a cap on bond issuance, like Arkansas, or allowing debt issuance only under emergency declarations.
- Consider tying the $25 million surcharge trigger to an index, such as total benefits paid out. Utilizing a static threshold will make no difference in good years and blunt the impact in bad years.
- Create a response plan for economic events that requires analysis of the State's Unemployment Insurance trust fund, and that prioritizes use of federal economic aid for stabilizing the balance to minimize tax increases.

Finding 2: OESC responded to the pandemic as well as conditions allowed.

Over the past several fiscal years, OESC has served more constituents while its budget has remained relatively flat. The United States Department of Labor data indicates that Oklahoma's payment promptness, an indicator of quality, was high: 93.25% of first payments were made within three weeks, above the US DOL-mandated 87%. This number has varied in 2020 due to coronavirus for not only Oklahoma but neighboring states as well.

OESC has accelerated long-planned systems upgrades due to coronavirus. These overhauls include fraud prevention, workflow automation, and digital claim management, allowing the agency to respond to another economic disruption more deftly. These upgrades are paid for by a technology upgrade fund established in 2017 and capped at $39 million.

Policy Considerations:

- Consider a dedicated and appropriately controlled technology upgrade fund for all state agencies to proactively strategize updates to key government services in times of distress.

Finding 3: Oklahoma's unemployment insurance fund remains at risk.

LOFT's analysis indicates that the unemployment insurance trust fund will need another $669 million to prevent the highest tax rate increase from being calculated at the end of FY2021. There are other types of unemployment insurance programs that Oklahoma could pursue to ensure that needs of Oklahoma's unemployed are met and that the trust fund remains stable.

Policy Considerations:

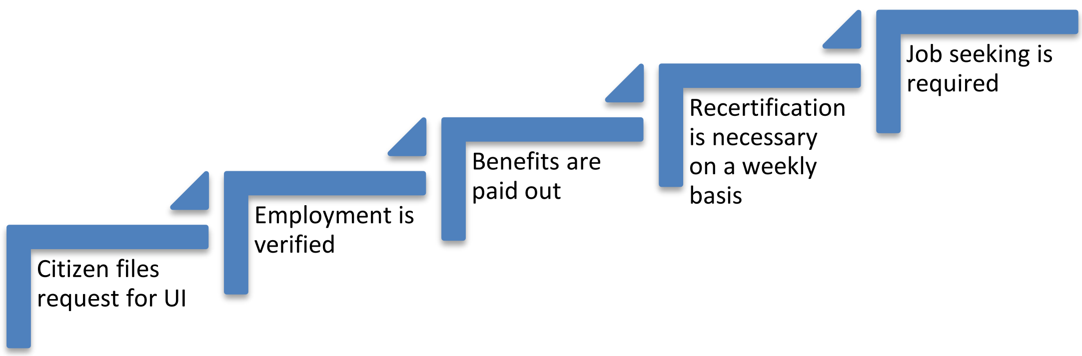
- Consider alternatives to traditional UI programs like Short-Term Compensation (in which employers scale back hours with UI making up the difference) and Self-Employment Assistance (in which UI claimants are encouraged to start their own businesses).

Introduction

The Oklahoma Employment Security Commission ("OESC") occupies a critical role in ensuring economic stability. By administering the unemployment insurance ("UI") system, it pays out tens of millions of dollars every month while ensuring fund stability for future downturns. OESC levies and collects UI taxes that vary from employer to employer. Each employer's rate is based on the total claims paid out by the organization relative to the firm's total taxable wages for the same period of time. Should the ratio of the balance to benefits paid ever fall below specific limits, tax increases are automatically levied on employers.

Critical to this process of managing different systems with different stakeholders is the filing process itself, shown below in Figure 01[1].

Figure 01: The process for applying for unemployment insurance can be simplified into five macro-level steps.



Source: Legislative Office of Fiscal Transparency

This routine government function took on new significance with the coronavirus pandemic. The Bureau of Labor Statistics[2] has compiled data on the economic aspects of coronavirus nationally:

- In June, 40.4 million people reported they had been unable to work at some point in the last 4 weeks because their employer closed or lost business due to the coronavirus pandemic. These workers were either temporarily unemployed or underemployed. This figure was down from 49.8 million in May.
- Fifteen percent of the June respondents reported receiving at least some pay from their employer for the hours not worked. Again, down from May, when 18 percent of those unable to work because of the pandemic received pay.

[1] This is a simplified representation of the unemployment process. To see a more detailed process map, please refer to Appendix A.

[2] https://www.bls.gov/cps/effects-of-the-coronavirus-covid-19-pandemic.htm. As of January 28th 2021, individual state data, including Oklahoma, was not available.

- In July, about 1 in 4 employed people teleworked or worked from home for pay due to the coronavirus pandemic.

As a result of the profound impact on employment, Congress passed the CARES Act, a relief bill that provided billions of dollars to states and cities to fight the pandemic and provided aid to struggling individuals, families, and businesses in the form of grants and forgivable loans.[3] Several additional unemployment programs were established in this Act, and OESC acted as a disbursement entity for individuals to receive federal dollars. Although the dollars were federal, the work of processing applications for these programs fell on OESC staff, explaining some of increasing unemployment application processing times explored in Finding 2. LOFT has focused this report exclusively on the state unemployment process since it is most under the State's control.

In May 2020, at the height of the impact of coronavirus, Oklahoma's Governor announced a change in executive leadership for the Oklahoma Employment Security Commission.

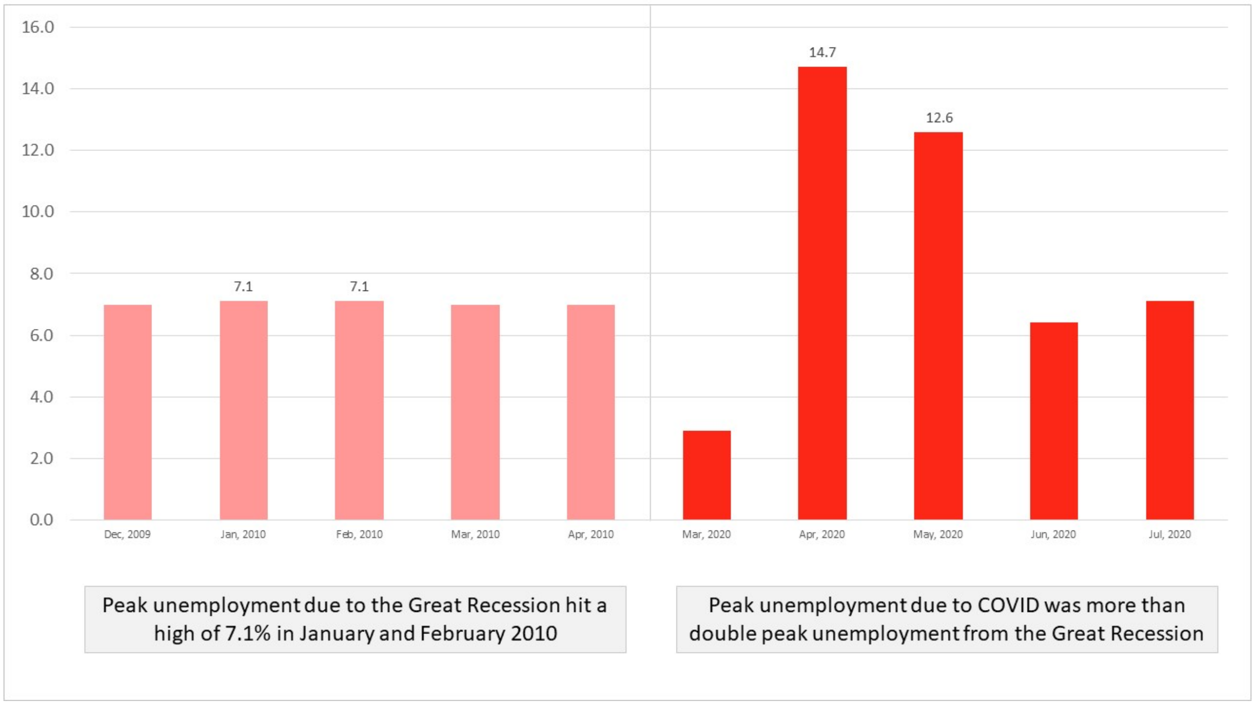
With this evaluation, the Legislative Office of Fiscal Transparency sought to assess the readiness of OESC and the UI system to withstand another economic downturn similar to the one experienced in 2020, as well as analyze the factors that led to the long wait times of constituents.

[3] https://home.treasury.gov/policy-issues/cares/assistance-for-american-workers-and-families

Finding 1: There was little opportunity to prepare for the unprecedented demand, new federal guidance, and high-risk environment created by the pandemic.

The impact of coronavirus on employment cannot be overstated. Oklahoma faced a significant increase in unemployment relative to the height of the Great Recession, as Chart 1 displays.

Chart 01: Peak unemployment due to coronavirus was more than twice the peak unemployment rate during the Great Recession.



Source: Legislative Office of Fiscal Transparency analysis of Bureau of Labor Statistics numbers

The average unemployment rate over the past twenty years, excluding these ten months of economic turmoil, is roughly 4.6%[4], indicating the severity of coronavirus-caused unemployment. Additionally, Oklahoma had some of the biggest spikes in unemployment relative to neighboring states, due in part to the impact of coronavirus on energy and agricultural markets[5]

In February and March 2020, unemployment averaged 3.1% before spiking to 14.7% in April. That spike of 11.6% between March and April is the largest in the region, as Table 1 shows.

[4] To review this data set, refer to Appendix B. Data at the time of publication was current through the period of October 2020, though November 2020 was available on a preliminary basis. Preliminary numbers were not included in this analysis.
[5] https://extension.okstate.edu/coronavirus/business-and-economic-development/site-files/docs/general-economies.pdf

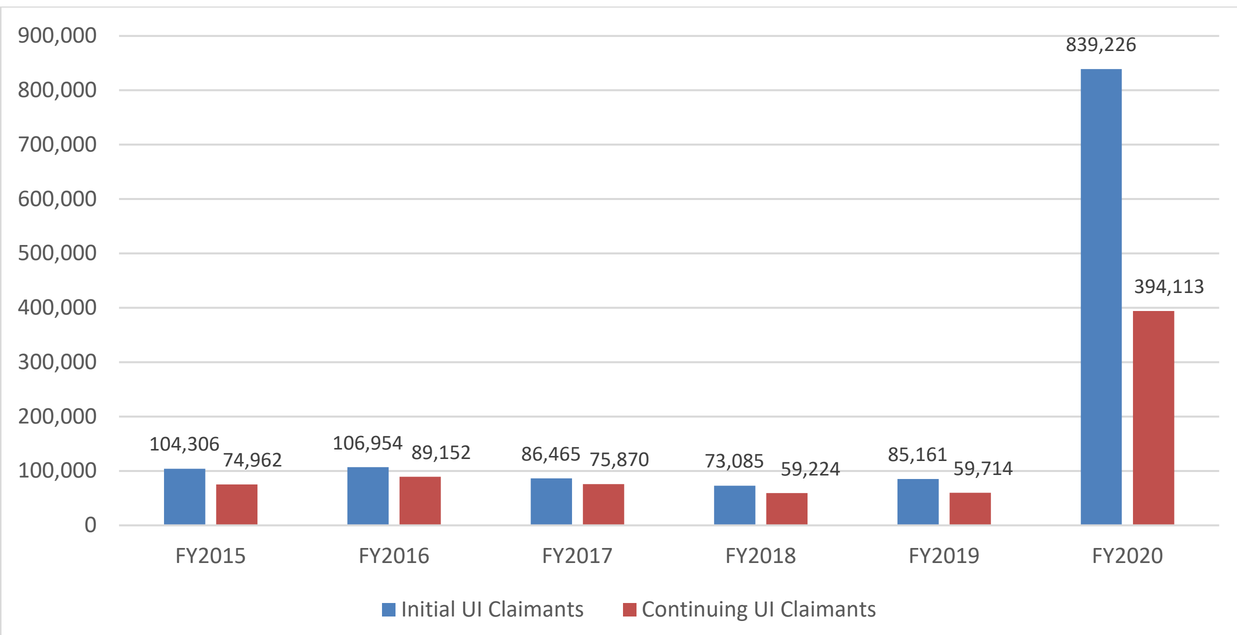
Table 01: Month over month change in unemployment. Positive numbers indicate increasing unemployment, while negative numbers indicate a decline. Color rankings are made across states for the same month, indicating which states performed strongest. Oklahoma had the largest regional jump in unemployment, though recovery has occurred to some extent.

	Texas	Arkansas	Colorado	Kansas	Louisiana	New Mexico	**Oklahoma**
April 2020	8.4	5.8	7	9.1	8.4	5.6	11.6
May 2020	-0.5	-1.2	-2	-1.9	-0.9	-2.8	-2.1
June 2020	-4.6	-1.5	0.4	-2.5	-4.7	-0.7	-6.2
July 2020	-0.4	-1	-3.2	-0.3	-0.1	4.3	0.7

Source: Legislative Office of Fiscal Transparency analysis of Bureau of Labor Statistics numbers

Data from the Oklahoma Employment Security Commission indicate unemployment insurance claims have spiked in FY2020 relative to prior periods, as indicated in Chart 2.

Chart 02: Initial and Continuing UI Claimants by Fiscal Year indicates the impact of the pandemic: There has been a jump in initial and continuing unemployment insurance claims.



Source: Legislative Office of Fiscal Transparency analysis, using Oklahoma Employment Security Commission data, as of June 30, 2020.

It should be noted that while there is some correlation between UI claims and the unemployment rate, not all unemployed file claims for UI. Estimations of unemployment from the Bureau of Labor Statistics are compiled from monthly surveys, not benefit payments.[6]

6 https://www.bls.gov/cps/uiclaims.htm#:~:text=Workers%20who%20lose%20their%20jobs,beginning%20a%20period%20of%20unemployment.&text=While%20not%20related%20to%20the,and%20local%20area%20unemployment%20estimates.

In addition to economic need, federal guidance eased longstanding controls, which increased fraud in the United States (see inset)[7]. The urgent nature with which the DOL advised states to pay UI claims required relaxation of some regulatory processes. In March of 2020[8], the DOL released the following guidance regarding "waiting periods" intended to avoid fraud and even goes as far as to penalize States for continuing to utilize a "waiting period":

"The United States Secret Service has received reporting of a well-organized Nigerian fraud ring exploiting the COVID-19 crisis to commit large-scale fraud against state unemployment insurance programs. The [primary state targeted so far is Washington, **while there is also evidence of attacks in…Oklahoma."**

- United States Secret Service Informational Bulletin – 'Massive Fraud Against State Unemployment Insurance Programs', dated 5/14/2020

"In most states, an individual who is otherwise eligible for benefits must first serve a waiting period. This is not federally required, although it is a longstanding practice in the UI program that may give states time to assess eligibility and deter fraud. However, to facilitate individuals' ability to comply with quarantine orders, ***states should consider temporarily waiving such requirements. States should understand that if they trigger Extended Benefits while the waiting week is waived, they will not be reimbursed for the federal share of the first week of all Extended Benefit claims****. (Section 204(a)(2) of the Federal-State Extended Unemployment Act of 1970)."*

The DOL then later updated its guidance (12/30/2020) regarding UI payments to reflect the following[9]:

"It is critical that states implement UI programs and provisions to ensure that payments are being made to eligible individuals and that states have aggressive strategies and tools in place to prevent, detect, and recover fraudulent payments, with a particular emphasis on imposter fraud by claimants using false identities. The programs and provisions within the Continued Assistance Act, EUISAA, and the CARES Act operate in tandem with the fundamental eligibility requirements of the Federal-State UI program."

Although the DOL provided flexibility to states regarding disbursement of UI funds to claimants, the original guidance provided for PUA was much more structured regarding the processes and controls to be utilized while processing claims. The following is from the DOL PUA Guidance[10], dated April 5th, 2020:

[7] To review this bulletin, please refer to Appendix C.
[8] (DOL unemployment insurance program letter 03/12/2002) https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=8893
[9] (DOL Updated Guidance on UI 12/30/2020) https://www.dol.gov/newsroom/releases/eta/eta20201230-1
[10] (DOL 4/5/2020 PUA Guidance) https://www.dol.gov/newsroom/releases/eta/eta20200405

"States are required to do the following to ensure the efficacy and integrity of the self-certification process:

- *Include information on the self-certification form (either paper or on-line), that the claimant completes, including:*

  Separate from the actual certification, an acknowledgement that the claimant understands that making the certification is under penalty of perjury; and

  o Information that advises the claimant that intentional misrepresentation in self-certifying that he or she falls in one or more of these categories is fraud.

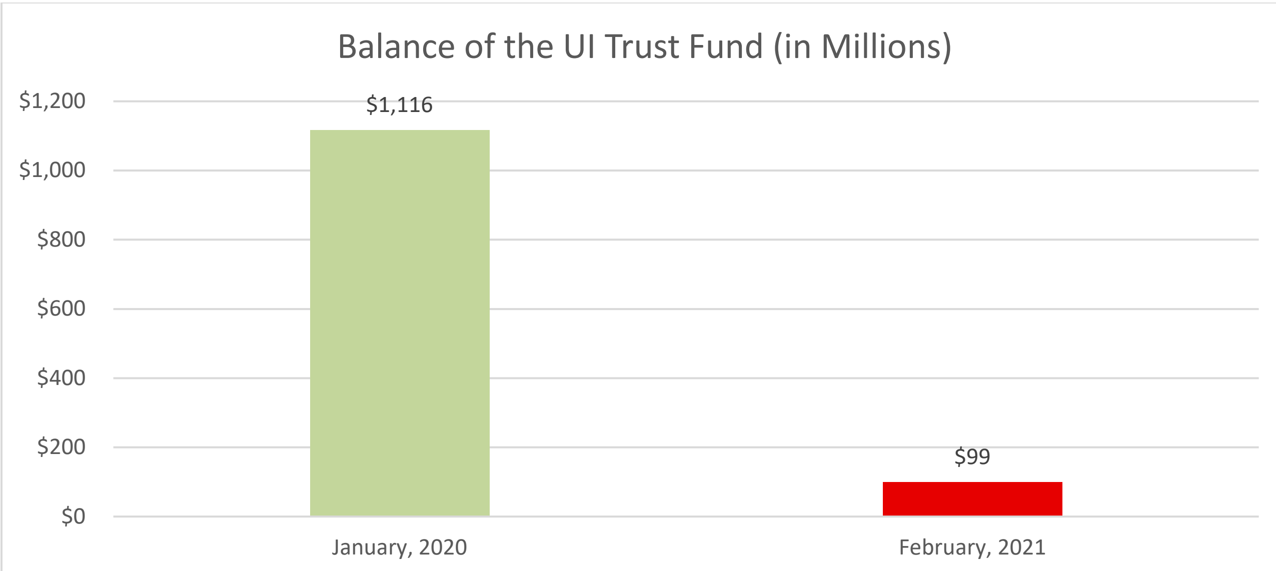
• Provide clear messaging on-line that claimants may be subject to criminal prosecution if they are found to have committed fraud. I-7 States are also required to take reasonable and customary precautions to deter and detect fraud, such as, for example, a random audit of a sample of claims to detect fraud."

The Unemployment Insurance (UI) Trust Fund, managed by the United States Treasury, is the fund used to pay out unemployment insurance claims and is refilled with contributions from employers and employees. According to the federal Department of Labor, Oklahoma's fund has ranked as one of the top ten most solvent in the United States between 2014 and 2020, which represents the latest report to date[11].

The balance of Oklahoma's UI fund has significantly declined due to the economic impact of coronavirus, as Chart 03 shows:

[11] To review these reports, please visit https://oui.doleta.gov/unemploy/solvency.asp. State UI Trust Fund Solvency Reports are released in February: therefore, the 2020 report does not capture any impact on unemployment compensation because of coronavirus.

Chart 03: In January 2020, the balance of Oklahoma's UI fund was approximately $1.1 billion. By February 2021, the beginning balance declined to approximately $98.9 million, indicating an average decline of 6.4% month over month. (All numbers in millions)



Source: Legislative Office of Fiscal Transparency analysis, using US Treasury Data with OESC commentary.

In October and November, OESC received two installments of federal relief administered by Oklahoma's CARES FORWARD team: $25 million in October and $75 million in November. The low fund balance put Oklahoma at risk for triggering two different statutory tax increases on businesses. The first is a requirement that the UI trust fund maintain a balance of at least $25 million. Should the balance fall below that threshold, a surcharge of up to 33.3% is immediately applied to employers for the upcoming quarter.[12] The $100 million in federal relief was specifically granted to avoid the prospect of this tax increase.[13]

The second is an unemployment insurance rate, determined annually, based on the ending balance of the UI trust fund and the sum of benefits paid out over the twenty consecutive preceding calendar quarters as of July 1, divided by 5.[14] Table 02 below shows the results of different balance-to-benefits ratios.

Table 02: The balance of the UI trust fund and the sum of benefits paid out over the previous twenty consecutive calendar quarters impact the condition factors used to determine the tax rate on employers.

[12] Title 40, Section 3-114
[13] Meeting with the CARES FORWARD Team, Exit Conference
[14] Oklahoma Employment Security Act, Section 3, as well as the Rate Table on pages 167 and 168. This section and the rate tables can also be found in Appendix D.

If the UI Fund Balance: (Benefits Paid / 5) ratio is…	…Then the Condition Factor is…	…And the impact on employers with a benefit to wage ratio of 0 will result in a contribution rate increase of…	…the impact on employers with a benefit to wage ratio greater than 0 but less than .1% will result in a contribution rate increase of…	…and the impact on employers with a benefit to wage ratio greater than .1% will result in a contribution rate increase of…
Less than 3.5 but greater than 3	A	0.10%	0.20%	0.30%
Less than 3 but greater than 2.5	B	0.20%	0.30%	At least .40%
Less than 2.5 but greater than 2	C	0.30%	0.40%	At least .50%
Less than 2	D	0.40%	0.50%	At least .60%

Source: Legislative Office of Fiscal Transparency

Any assessed condition factor results in a tax increase. The total amount of benefits paid out over the preceding twenty consecutive calendar year quarters as of July 1, 2020 equaled $1.7 billion. Dividing by 5, the benefits amount used to calculate the condition factor is $344 million. The ending balance of the UI trust fund as of June 30th, 2020, was approximately $587 million, indicating a ratio of 1.70, which activated Condition Factor D. Table 03, on page 13, shows how much investment was needed to avoid or minimize tax increases.

Table 03: By examining Oklahoma's ending balance as of June 30, 2020 and calculating the amount of benefits paid out over the preceding twenty consecutive calendar quarters, it can be derived that an additional $2.8 million would have prevented Oklahoma from experiencing Condition Factor D, which carries the steepest tax increase.

Min Ratio	3.5	3	2.5	2
	No Conditional Factor	**Condition A**	**Condition B**	**Condition C**
Needed Ending Balance	$ 1,206,679,078.47	$ 1,034,296,352.97	$ 861,913,627.48	$ 689,530,901.98
Actual Ending Balance	$ 586,702,931.00	$ 586,702,931.00	$ 586,702,931.00	$ 586,702,931.00
Needed Contribution	$ 619,976,147.47	$ 447,593,421.97	$ 275,210,696.48	$ 102,827,970.98
CRF Contribution	$ 100,000,000.00	$ 100,000,000.00	$ 100,000,000.00	$ 100,000,000.00
Marginal Contribution Needed	**$ 519,976,147.47**	**$ 347,593,421.97**	**$ 175,210,696.48**	**$ 2,827,970.98**
5-year Ave Benefits	$ 344,765,450.99	$ 344,765,450.99	$ 344,765,450.99	$ 344,765,450.99

Source: Oklahoma Employment Security Commission

It should be noted that increased unemployment insurance taxes act as a counterbalance to higher benefits paid out to ensure the stability of the fund. To avoid reaching Condition Factor D, which in January increased the maximum tax rate from 5.5% to 7.5%, the fund would have needed the $100 million investment sooner. However, without the tax increase, there is an increased likelihood that the fund would have dropped below $25 million and triggered the 33.3% surcharge.

States had two methods to prevent tax increases triggered by low trust fund balances: taking Federal loans[15] and depositing Coronavirus Relief Funds directly into their UI trust fund. However, Oklahoma was not eligible for Federal loans because the fund's balance was not depleted. Under Section 1201 of the Social Security Act (emphasis LOFT's):

> *"(B) the amount required by any State for the payment of compensation in any month shall be determined with due allowance for contingencies and taking into* ***account all other amounts that will be available in the State's unemployment fund for the payment of compensation in such month…****"*

The federal Department of Labor interprets this as a requirement "…that states exhaust all available resources before obtaining federal advances."[16]

Therefore, the only option Oklahoma had to increase the balance of the trust fund was depositing Coronavirus Relief Funds. To prevent what Oklahoma has experienced, other states have made significant investments in their Unemployment Insurance Trust Funds. Table 4 on page 14 shows how Oklahoma ranks among an analysis of ten states with comparable allocations of relief funds. These states, including Oklahoma, had strong Unemployment Insurance Trust Fund solvency rankings at the start of 2020 before the pandemic.[17] Additionally, the 2020 unemployment rates in these states were similarly impacted: the average unemployment rate for these ten states range from 4.4% (Nebraska) to 8.2% (Mississippi). Oklahoma had the third highest average unemployment from January to November at 6.7%, behind Mississippi and Arkansas at 6.8%.[18]

Table 04: State Analysis of UI Investment as Percentage of Total Relief.[19] *Although Oklahoma was ranked in the top 10 states for UI solvency as of January 2020, the system required more investment.*

[15] As outlined the Social Security Act, section 1202.
[16] Discussion with representative of the federal Department of Labor.
[17] US Department of Labor, Trust Fund Solvency Report, January 2020. Find here: https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2020.pdf
[18] Data comes from the Bureau of Labor Statistics. November 2020 is the latest month for comparison. November 2020 numbers are still preliminary and may change. To see the regional comparison, please refer to Appendix B.
[19] Information on UI trust investment from NCSL.

State	Allocation	UI Investment	(Sorted by) % to UI	UI Fund Solvency Ranking
Iowa	$1.25B	$490M	39%	14
Nebraska	$1.25B	$427M	34%	6
Idaho	$1.25B	$200M	16%	10
Montana	$1.25B	$200M	16%	11
Alabama	$1.90B	$300M	16%	31
Mississippi	$1.25B	$181.8M	15%	4
Arkansas	$1.25B	$165M	13%	19
South Dakota	$1.25B	$100M	8%	5
Oklahoma	$1.53B	$100M	7%	7
Wyoming	$1.25B	$16.4M	1%	3

Source: Legislative Office of Fiscal Transparency analysis of National Conference of State Legislatures data

To avoid the prospect of triggering that $25 million threshold, it is likely that more investment was needed after the calculation of the Condition Factor in June 2020. Preliminary information for the month of January 2021 indicates that the trust fund balance is still declining, from $125 million to $98.9 million as of February 1st, 2021.Some states have options apart from federal aid or loans. For example, Arkansas' statutes allow for up to $500 million in bonds to be issued through the state's finance authority.[20] Texas has previously utilized bonding capacity to avoid an increase in unemployment taxes.[21] And, Michigan took on $3.8 billion in debt to weather the effects of the Great Recession.[22]

A 2004 NELP analysis of states that utilize bonds to stabilize unemployment trust fund balances indicate several best practices for positive results:[23]

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[20] Title 11, Chapter 10, 1004.

[21] https://www.oaoa.com/news/government/texas-workforce-commission-re-funds-unemployment-insurance-bonds/article_26ce6054-cc9f-11e3-87be-001a4bcf6878.html

[22] https://www.nelp.org/publication/urgent-need-federal-loans-state-unemployment-agencies/

[23] https://www.nelp.org/wp-content/uploads/2015/03/bond-final1.pdf

1. Any bond program should only be used to offset events. It would not be good practice to use bonds for long-term solvency issues. Both Texas and Michigan have used bonds to amortize high unemployment costs (caused by different factors) without addressing the underlying issues contributing to insolvency in the first place.
2. Bond programs must have flexible terms. The NELP report notes that fund utilization projection is an inexact science. Therefore, callable bonds that invest in short-term loans as opposed to more rigid and long-term investments are ideal.
3. Ensure that projected savings materialize. Bonds often incorporate lower interest rates than Federal advances, however, analysis reveals that savings might not materialize without thorough projections.

The tax increase that went into effect on January 1st, 2021 resulted from a confluence of events: the deep economic impact of the coronavirus pandemic; the Federal requirement that states exhaust their resources before receiving advances; underinvestment of Coronavirus Relief Funds; and a statutory lack of flexibility in how the State may replenish the fund.

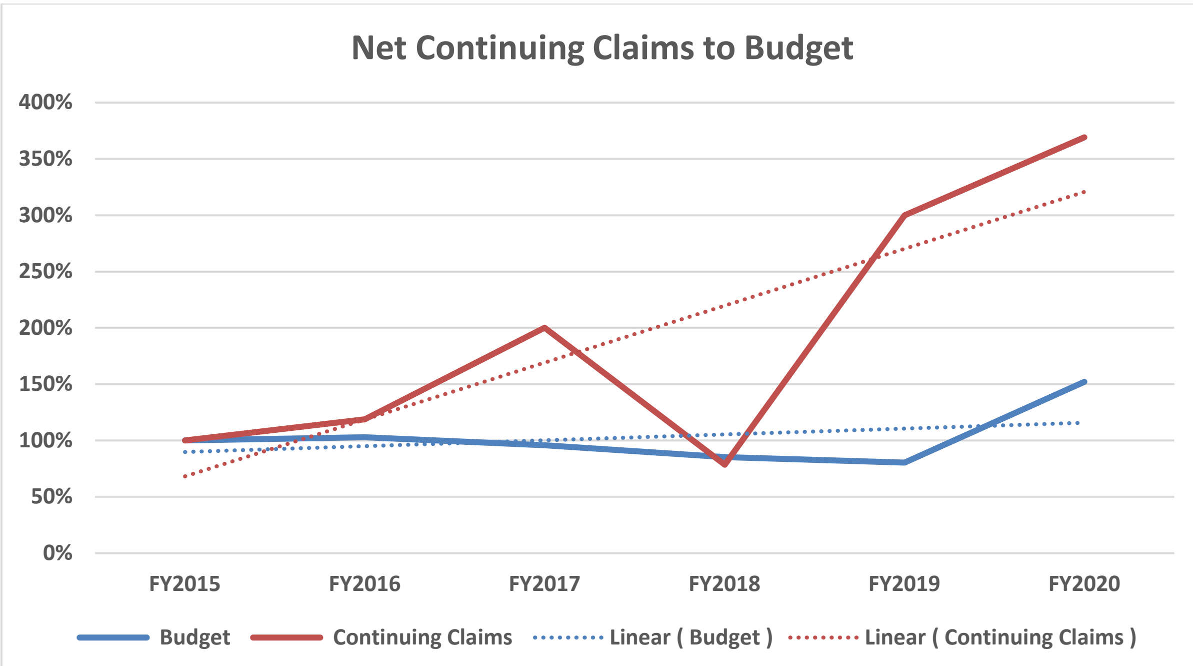
Policy Considerations

1. Allow for bonding to support the Unemployment Insurance trust fund. While this should not be used to cover up underlying structural solvency issues, the fact that Oklahoma so regularly ranked as one of the most solvent funds prior to coronavirus indicates the typical level of stability. The State may consider instituting a cap on bond issuance, similar to Arkansas, or allowing debt issuance only under emergency declarations.
2. Consider tying the $25 million surcharge trigger to an index, such as total benefits paid out. As periods of economic instability will invariably occur, the ending balance of the trust fund is variable. Utilizing a static threshold will make no difference in good years and blunt the impact in bad years.
3. Create a response plan for economic events that requires analysis of the state's Unemployment Insurance trust fund, and that prioritizes use of federal economic aid for stabilizing the balance to minimize tax increases.

Finding 2: OESC responded to the pandemic as well as conditions allowed.

As OESC responded to rising unemployment claims from the past several years, their budget has held steady from FY2015 levels as Chart 4 shows below. These continuing claim numbers are presented net of fraudulent claims.

Chart 04: Despite a relatively stable budget, OESC has greatly expanded the number of constituents it serves annually (presented net of fraudulent claims).



Source: Legislative Office of Fiscal Transparency's analysis of information presented in executive budget books and information provided by the Oklahoma Employment Security Commission.

One of the metrics for quality from the DOL is called "First Payment Promptness," defined as:

"First Payment Promptness: % of all 1st payments made within 21 days[24] after the week ending date of the first compensable week in the benefit year (excludes Workshare, episodic claims such as DUA, and retroactive payments for a compensable waiting period).[25]"

DOL also asserts that the acceptable standard is for 87% of first payments to be made within 21 days. If that standard is not reached, as Pew reports, there are "no penalties but requires states to have a plan to correct the problem.[26]" Pew further notes that, as of November 1st, 2020, only three states reached that standard.

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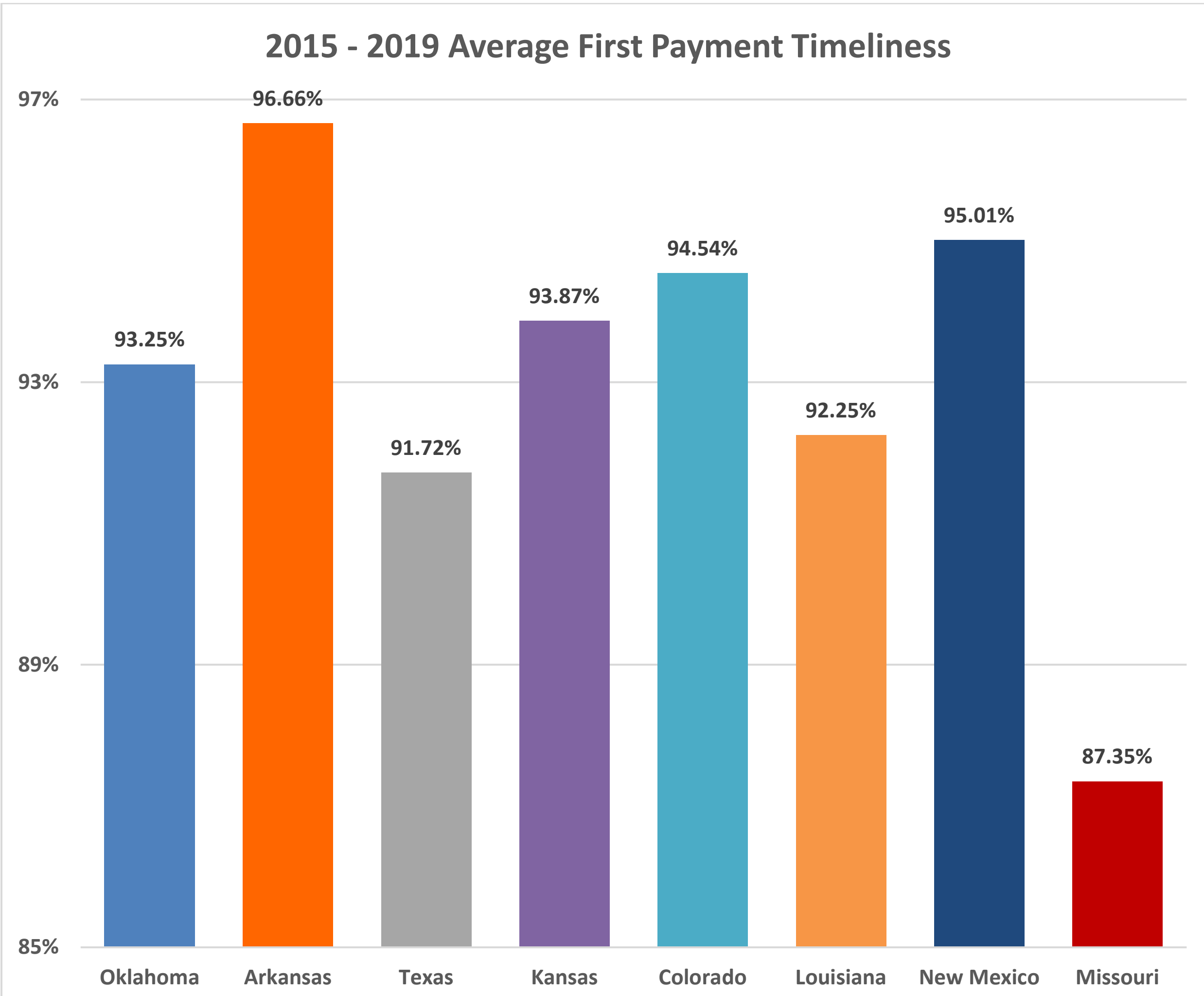
[24] This presumes a waiting week requirement. Oklahoma and the states in the immediate vicinity all utilize a waiting week under normal circumstances.

[25] https://oui.doleta.gov/unemploy/docs/ui_directors_Mar2020.pdf

[26] https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2020/12/02/unemployment-payments-weeks-late-in-nearly-every-state

Interpretations from state-to-state comparisons on this topic should be made carefully. Multiple differences in legislation, available technology, and underlying economic factors could exist that skew analysis. Data from the DOL indicates that Oklahoma's processing percentage was comparable to other states in the region, as Chart 5 below shows:

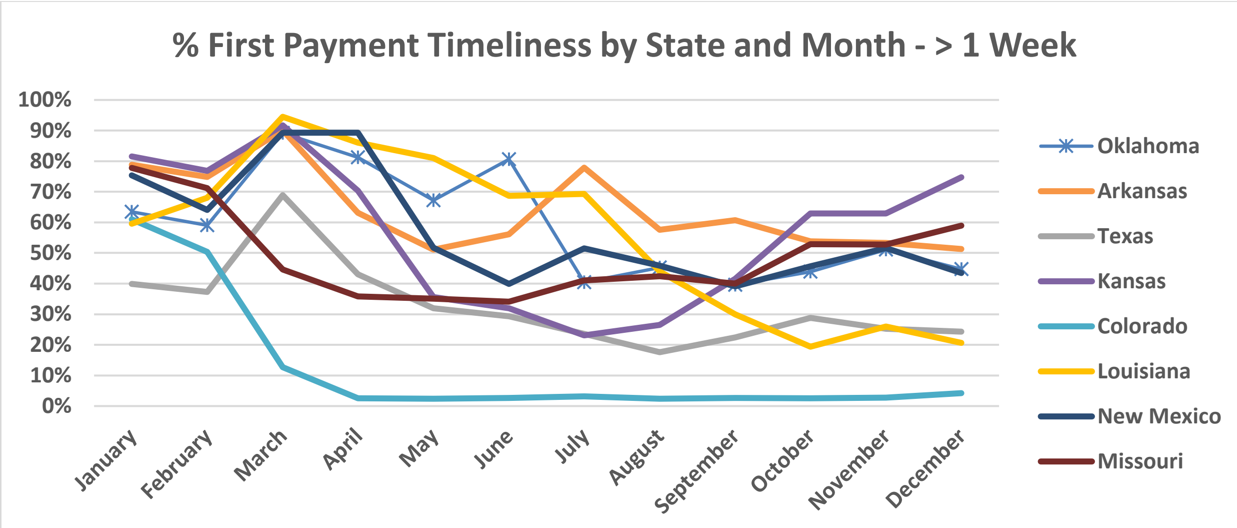
Chart 05: From 2015 to 2019, Oklahoma on average paid out 93.25% of its claims within three weeks, comparable to other states in the region. DOL requires 87%.



Source: Legislative Office of Fiscal Transparency analysis of federal Department of Labor data

This key metric was negatively impacted in the region. Chart 6 shows how payments processed within 1 week declined precipitously.

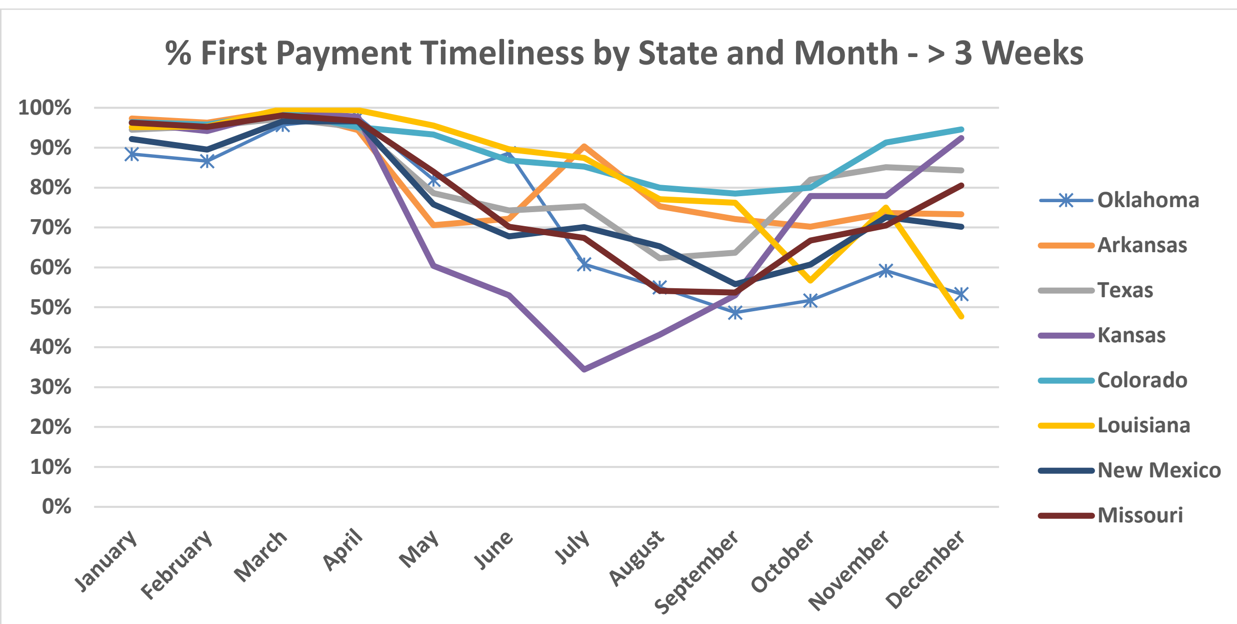
Chart 06: The regional impact of coronavirus on UI processing time. Many states experienced severe variation.



Source: Legislative Office of Fiscal Transparency analysis of federal Department of Labor data

Two of Oklahoma's neighbors have since returned to the DOL-required 87% of payments processed within 3 weeks.

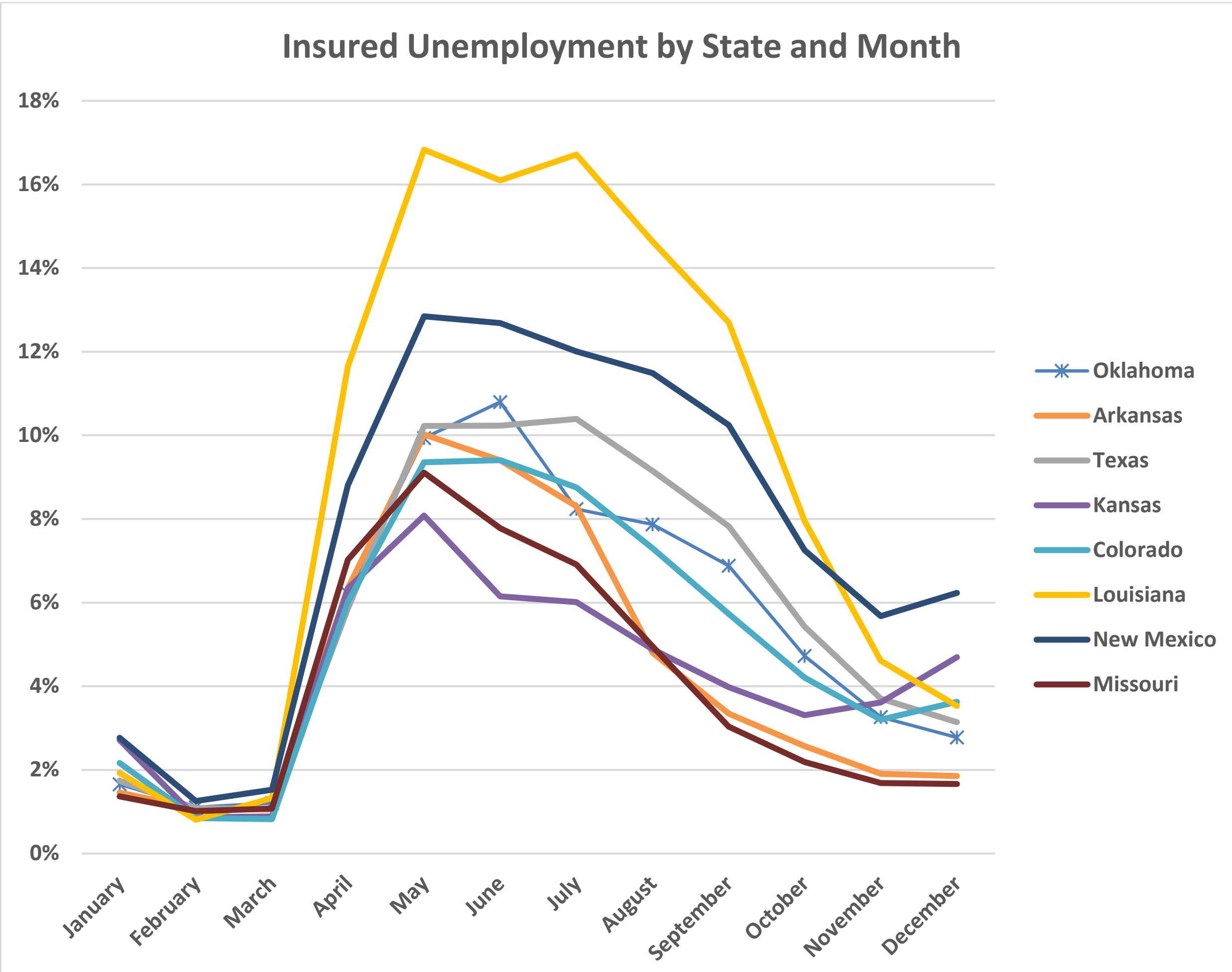
Chart 07: First Payment Timeliness generally improved after three weeks, though the variability throughout and the dip in September is a common feature for most of these states.



Source: Legislative Office of Fiscal Transparency' analysis of federal Department of Labor data

Comparing the region's Insured Employment Rate, which is the number of continuing claims relative to covered employment (providing a common-sized measurement for comparison), shows that Oklahoma has consistently had the third or fourth highest claims in the region for much of 2020.

Chart 08: States did not experience a uniform impact on their unemployment insurance claims. Louisiana was hit particularly hard, while Missouri was hit relatively light.

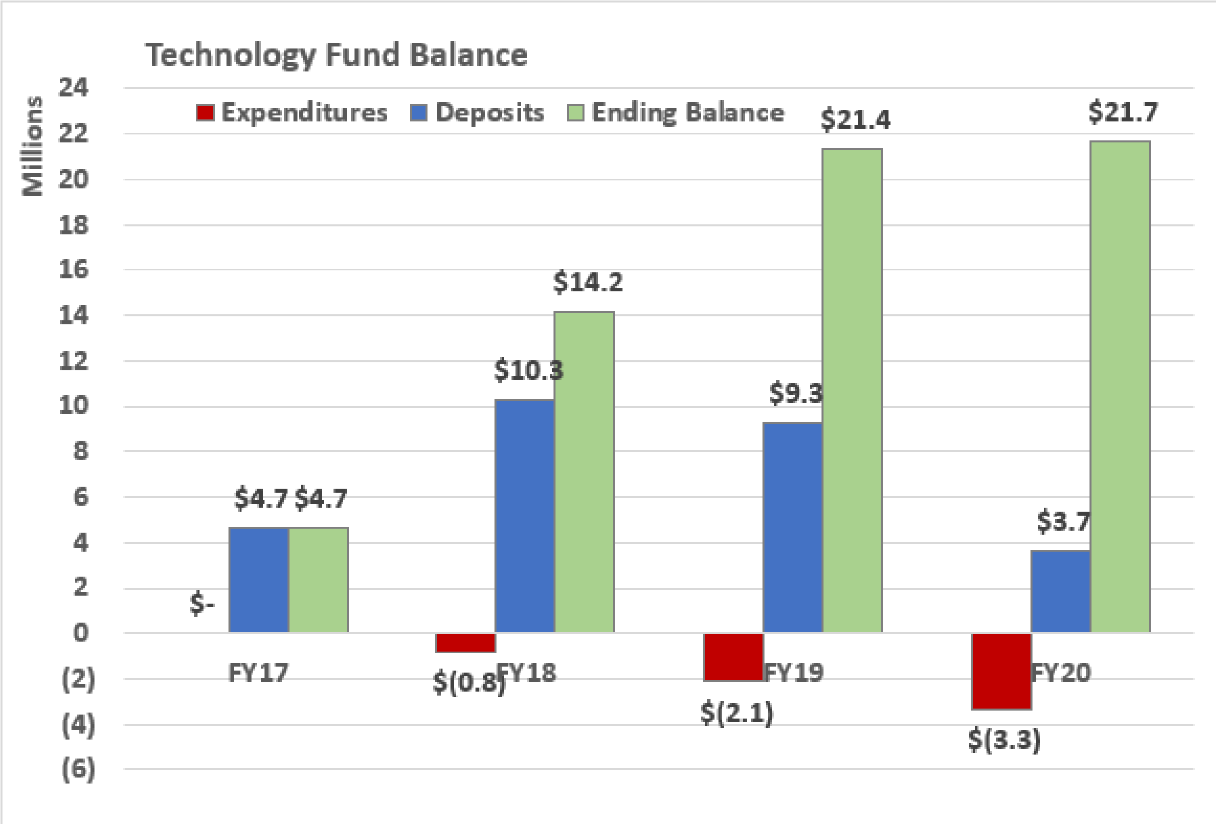


Source: Legislative Office of Fiscal Transparency' analysis of federal Department of Labor data

OESC is currently in the process of upgrading its technological and business processes to ensure better outcomes for claimants and more security, a plan long in the works. In 2017, House Bill 1110 was enacted, dedicating 5% of annual employer contributions to a Technology Fund[27], whose balance may accumulate until 2022, up to a maximum of $39 million. Chart 9 below displays the historical inflows, outflows, and balance of the fund:

[27] https://www.ok.gov/oesc/documents/2018%20Rate%20Change.pdf

Chart 09: Expenditures, Deposits, and the Ending Balance of the Technology Fund by Fiscal Year since inception. This fund was created to provide OESC with the capital necessary to replace technology systems.



Source: Legislative Office of Fiscal Transparency analysis, based on PeopleSoft (as of 02/05/2020)

This plan was referred to as the '5/39 Initiative' and began in 2019[28]

To combat fraudulent claims while also updating current legacy processes, OESC has implemented the BT-40 plan to replace and quicken implementation of aspects of the 5/39 initiative. This plan aims to update "40 years' worth of technology" while also streamlining claim application, payments, and security. OESC has expedited this transition to be implemented in two phases, to be completed within 18 months. To aid in this project, OESC also received $17 million in Coronavirus Relief Funds on July 8th, 2020, expressly for replacing the decades-old mainframe.[29] [30] In September 2020, OESC announced an updated 18-month technology improvement project incorporating lessons learned from the pandemic[31], with detailed plans in place, outlined below.

[28] Based on communication with OESC executive leadership.
[29] Based on data sent to LOFT by the CARES Forward Team.
[30] https://tulsaworld.com/news/legislative-offices-swamped-with-requests-for-help-on-unemployment-claims/article_50fe588f-bf62-5683-b75c-a282ff817c88.html
[31] https://oklahoma.gov/oesc/about/newsroom/2020/september/press-release-2020-09-29.html

The first phase, undertaken between July and August 2020, aimed to be a "rapid assessment to define future state experience and technology landscape for OESC's transformation".[32] Work completed in this phase included assessments of the agency's existing services, platform, controls to prevent fraud, and data management to streamline implementation of any solutions.

The second phase includes building out solutions first identified in Phase 1. These solutions are more directly focused on constituent experience and relieving immediate process bottlenecks. These direct solutions, in order of priority, and their estimated complete implementation, include:

- Automated intake management, allowing for scanning and extracting of all required data for the 'Notice of Application for Unemployment' (estimated complete implementation: Q4 2021).
- The ability to schedule Re-employment Services and Eligibility Assessment (RESEA) meetings digitally, which provide claimants access to a job counselor and customized labor market information to reduce their time on unemployment (estimated complete implementation: Q1, 2022).
- An improved ability for small and mid-size businesses to respond to separation notices digitally (estimated complete implementation: Q1, 2022).
- Automated flagging of fraudulent activity and assigning for review (already implemented).
- A virtual assistant for claimants to have their questions answered for initial and pandemic unemployment assistance.
- Automated, queue-based workflows for both claims and appeals (estimated complete implementation: Q1, 2022).
- A unified claim submission design for all types of benefits, including Pandemic Unemployment Assistance, Pandemic Emergency Unemployment Compensation, and other federal programs (estimated complete implementation: Q4, 2021).
- Automated reporting capabilities for core operations of the agency (estimated complete implementation: Q4 2021).

[32] To review more details of this plan, please refer to Appendix E.

The unprecedented nature of the coronavirus pandemic and its economic effects discussed in Finding 1 impacted the agency in such a way that caused severe slowdowns of service to constituents, as evidenced by Oklahoma's above-average three-week payment timeliness rating. This situation might have been untenable were it not for the Technology Fund, and the current leadership's ability to implement necessary changes quickly and holistically.

Policy Considerations

Consider a dedicated and appropriately controlled technology upgrade fund for all state agencies to proactively strategize updates to key government services in times of distress.

Finding 3: Oklahoma's unemployment insurance fund remains at risk.

Despite the several ambitious but achievable change initiatives OESC is undertaking, the state remains in a vulnerable position if another economic event were to occur before the fund balance could be replenished.

Unfortunately, due to the much higher than usual benefits paid out in 2020, projections indicate another unemployment tax rate increase is probable in 2021. LOFT estimates that the unemployment insurance fund will require $670 million to avoid a consecutive year of receiving Conditional Factor D, as Table 05 shows:

Table 05: Projections of necessary investment to avoid another Condition D and its ensuing tax increases before June 30, 2021.

	No Conditional Factor	Condition A	Condition B	Condition C
Needed Ending Balance	$1,751,671,924.47	$1,501,433,078.12	$1,251,194,231.76	$1,000,955,385.41
Projected Ending Balance	$331,450,972.72	$331,450,972.72	$331,450,972.72	$331,450,972.72
Needed Contribution	$1,420,220,951.74	$1,169,982,105.39	$919,743,259.04	$669,504,412.69

Source: Legislative Office of Fiscal Transparency

It should be noted that because of the effect twenty quarters of paid benefits has on the Condition Factor process, additional investment will likely be needed in any year in which deposits are made to ameliorate the possibility of tax increases. This pattern may be reflected for several years until the coronavirus-linked quarters, and their higher than average payouts, fade.

Fund investments, devoid of tax increases, could result in a less-stable fund over time; tax increases act as a stabilizing function on the balance of the fund. Oklahoma should be careful to not create inflow cannibalization.

Alternatives to UI Programs Exist

Short-Term Compensation ("STC")

STC is a program that has been implemented in 26 states and D.C. Under this program, employers reduce their worker hours between 10% and 60% and the workers then receive a pro-rata portion of their lost wages through unemployment.[33] Oklahoma does not currently have a STC program in place.

According to the Department of Labor's latest Unemployment Insurance (UI) Weekly Report, 86,498 of UI beneficiaries are receiving their benefits through STC.[34] Although States are not required to enact an STC program, "the employer's plan must be consistent with employer obligations under applicable Federal and state laws."[35]

Self-Employment Assistance ("SEA")

DOL also documents the Self-Employment Assistance program that is offered in various states, but is not available in Oklahoma. SEA programs help unemployed individuals create their own jobs by providing financial assistance while participants start a small business. Eligibility for SEA includes:

- Eligibility for UI
- Engaged on a full-time basis in activities relating to the establishment of a business and becoming self-employed
- Identified as likely to exhaust benefits
- Participating in self-employment activities including entrepreneurial training, business counseling, and technical assistance.

However, Federal law states that no more than five percent of individuals receiving regular UI benefits under a state program participate in the SEA program. Participants actively engage full-time in activities relating to the establishment of a business and becoming self-employed, while still considered to be unemployed.

Policy Considerations

Consider alternatives to traditional UI programs like Short-Term Compensation and Self-Employment Assistance.

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[33] A basic overview of each states' operational STC program details can be found on p. 4-9 of the **DOL Extensions and Special Programs** report.

[34] A basic overview of each states' operational STC program details can be found on p. 8 of the **DOL Extensions and Special Programs** report.

[35] Ibid.

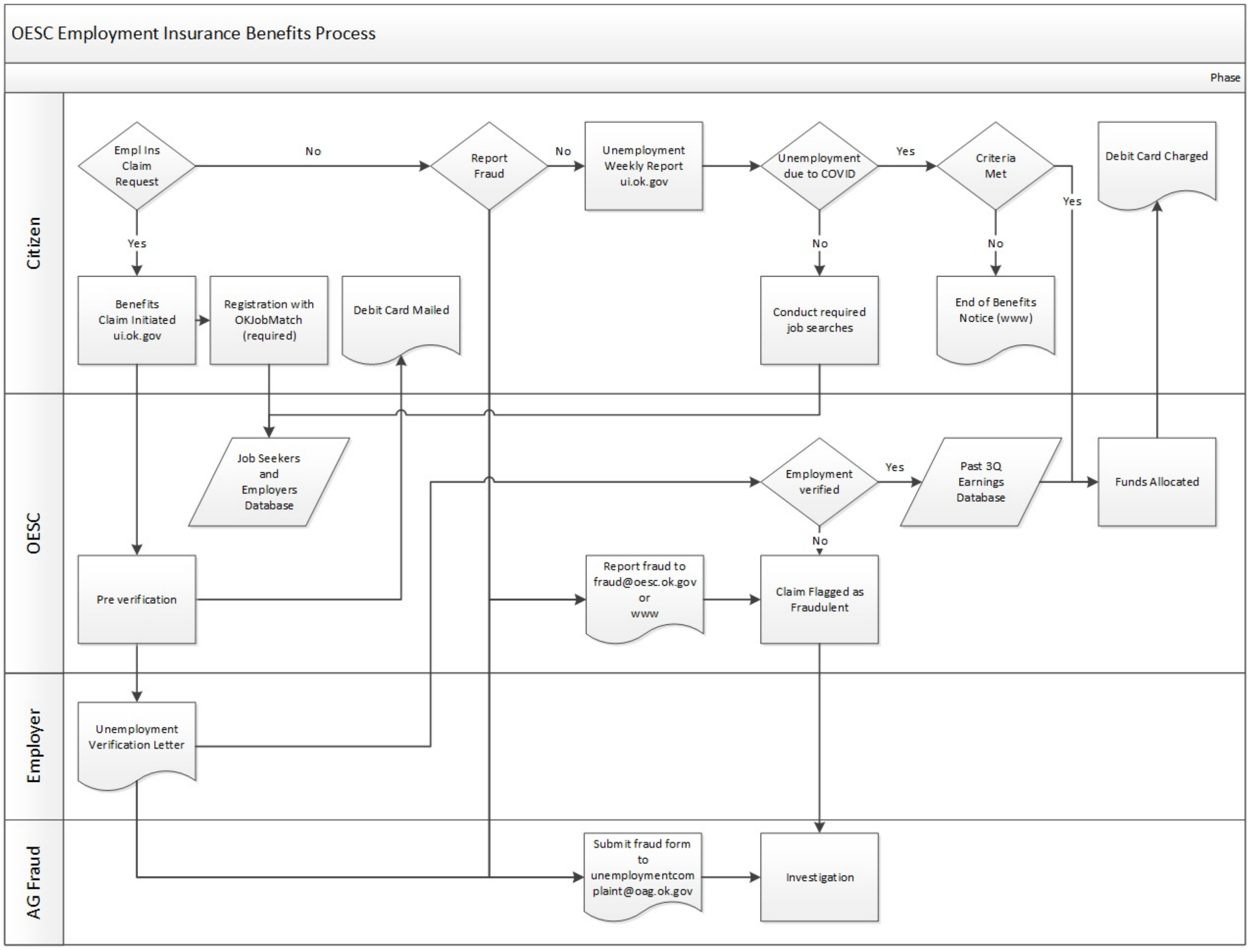
Summary of Policy Considerations

To increase the probability of accurately addressing the needs of Oklahoma, LOFT's recommendations include increasing flexibility for maintaining a healthy trust fund balance and delivering services, prioritizing investment, and indexing surcharge-trigger amounts. LOFT suggests the following recommendations be implemented:

Policy Considerations	Finding	Page
Allow for bonding to support the Unemployment Insurance trust fund during economic crises.	There was little opportunity to prepare for the unprecedented demand, new federal guidance, and high-risk environment created by the pandemic.	16
Consider tying the $25 million surcharge trigger to an index, like the amount of benefits paid out.	There was little opportunity to prepare for the unprecedented demand, new federal guidance, and high-risk environment created by the pandemic.	16
Create a response plan for economic events that requires analysis of the state's Unemployment Insurance trust fund, and that prioritizes use of federal economic aid for stabilizing the balance to minimize tax increases	There was little opportunity to prepare for the unprecedented demand, new federal guidance, and high-risk environment created by the pandemic.	16
Consider a dedicated and appropriately controlled technology upgrade fund for all state agencies to proactively strategize updates to key government services in times of distress.	OESC responded to the pandemic as well as conditions allowed.	23
Consider alternatives to traditional UI programs like Short-Term Compensation and Self-Employment Assistance.	Oklahoma's Unemployment Insurance Fund remains at risk.	25

Appendices

Appendix A: Process Map – Applying for Unemployment



Source: Legislative Office of Fiscal Transparency

Appendix B: Unemployment rate over the past twenty years (%)

Local Area Unemployment Statistics

Year	Period	Oklahoma	Kansas	Texas	Louisiana	Colorado	Missouri	New Mexico
2010	Jan	7.1	7.2	8.3	7.4	8.3	9.8	8.0
2010	Feb	7.1	7.2	8.3	7.5	8.5	9.8	8.0
2010	Mar	7.0	7.2	8.3	7.6	8.6	9.7	8.1
2010	Apr	7.0	7.1	8.2	7.7	8.7	9.7	8.2
2010	May	6.9	7.0	8.1	7.8	8.7	9.6	8.3
2010	Jun	6.8	7.0	8.0	7.9	8.7	9.5	8.3
2010	Jul	6.7	7.0	8.0	8.0	8.8	9.4	8.3
2010	Aug	6.6	7.0	8.0	8.2	8.8	9.5	8.2
2010	Sep	6.6	7.0	8.1	8.3	8.9	9.5	8.1
2010	Oct	6.6	7.0	8.1	8.3	8.9	9.5	8.0
2010	Nov	6.5	7.0	8.1	8.4	8.9	9.5	7.9
2010	Dec	6.4	7.0	8.1	8.3	8.9	9.4	7.8
2011	Jan	6.2	6.9	8.0	8.3	8.8	9.3	7.7
2011	Feb	6.1	6.9	7.9	8.2	8.7	9.1	7.5
2011	Mar	5.9	6.8	7.9	8.1	8.5	8.9	7.4
2011	Apr	5.9	6.6	7.9	8.0	8.4	8.8	7.4
2011	May	5.8	6.5	7.9	7.9	8.3	8.7	7.4
2011	Jun	5.8	6.5	7.9	7.8	8.3	8.6	7.4
2011	Jul	5.9	6.4	7.9	7.7	8.3	8.5	7.5
2011	Aug	5.9	6.4	7.8	7.7	8.2	8.4	7.5
2011	Sep	5.9	6.3	7.7	7.6	8.2	8.2	7.6
2011	Oct	5.8	6.3	7.6	7.6	8.2	8.0	7.6
2011	Nov	5.7	6.2	7.4	7.6	8.2	7.8	7.6
2011	Dec	5.6	6.1	7.2	7.5	8.2	7.6	7.6
2012	Jan	5.5	6.0	7.1	7.5	8.2	7.4	7.5
2012	Feb	5.4	5.9	7.0	7.4	8.1	7.2	7.3
2012	Mar	5.3	5.9	6.9	7.4	8.1	7.1	7.2
2012	Apr	5.2	5.8	6.9	7.4	8.1	7.0	7.1
2012	May	5.2	5.8	6.9	7.3	8.0	7.0	7.1
2012	Jun	5.2	5.7	6.8	7.2	8.0	6.9	7.0
2012	Jul	5.2	5.7	6.7	7.0	7.9	6.9	7.0
2012	Aug	5.2	5.6	6.6	6.8	7.8	6.8	7.0
2012	Sep	5.2	5.6	6.5	6.7	7.7	6.8	7.0
2012	Oct	5.2	5.6	6.5	6.7	7.7	6.8	7.1
2012	Nov	5.3	5.6	6.5	6.8	7.6	6.9	7.1
2012	Dec	5.3	5.6	6.5	6.9	7.5	6.9	7.0
2013	Jan	5.3	5.6	6.5	7.0	7.4	6.9	7.0
2013	Feb	5.3	5.5	6.5	7.1	7.3	6.8	7.0
2013	Mar	5.4	5.5	6.5	7.2	7.2	6.8	6.9
2013	Apr	5.4	5.5	6.5	7.1	7.1	6.8	6.9

2013	**May**	5.3	5.4	6.4	7.0	7.1	6.8	6.9
2013	**Jun**	5.3	5.4	6.3	6.9	7.0	6.8	6.9
2013	**Jul**	5.3	5.3	6.3	6.8	6.9	6.8	6.9
2013	**Aug**	5.3	5.3	6.2	6.6	6.8	6.7	6.9
2013	**Sep**	5.3	5.2	6.1	6.4	6.6	6.6	7.0
2013	**Oct**	5.2	5.1	6.0	6.2	6.4	6.6	7.0
2013	**Nov**	5.2	5.0	5.9	6.0	6.3	6.6	7.0
2013	**Dec**	5.1	4.9	5.8	5.8	6.1	6.6	6.9
2014	**Jan**	5.0	4.8	5.7	5.7	6.0	6.7	6.9
2014	**Feb**	4.9	4.8	5.5	5.7	5.8	6.7	6.9
2014	**Mar**	4.8	4.7	5.4	5.7	5.6	6.6	6.9
2014	**Apr**	4.7	4.7	5.3	5.9	5.4	6.5	6.8
2014	**May**	4.6	4.6	5.2	6.1	5.2	6.3	6.8
2014	**Jun**	4.5	4.6	5.2	6.3	5.0	6.2	6.7
2014	**Jul**	4.4	4.5	5.1	6.5	4.8	6.0	6.7
2014	**Aug**	4.3	4.4	5.0	6.7	4.6	5.9	6.6
2014	**Sep**	4.3	4.4	4.9	6.9	4.5	5.8	6.5
2014	**Oct**	4.2	4.3	4.8	7.0	4.4	5.7	6.5
2014	**Nov**	4.2	4.3	4.7	7.0	4.3	5.6	6.4
2014	**Dec**	4.2	4.3	4.6	6.9	4.3	5.6	6.4
2015	**Jan**	4.2	4.3	4.5	6.9	4.3	5.5	6.4
2015	**Feb**	4.2	4.4	4.4	6.8	4.2	5.5	6.5
2015	**Mar**	4.3	4.4	4.4	6.7	4.2	5.5	6.5
2015	**Apr**	4.4	4.4	4.4	6.5	4.1	5.4	6.6
2015	**May**	4.4	4.3	4.4	6.4	4.1	5.3	6.6
2015	**Jun**	4.5	4.2	4.4	6.2	4.0	5.1	6.5
2015	**Jul**	4.5	4.1	4.4	6.1	3.8	4.9	6.5
2015	**Aug**	4.4	4.1	4.4	6.1	3.7	4.8	6.5
2015	**Sep**	4.4	4.0	4.4	6.0	3.6	4.6	6.4
2015	**Oct**	4.5	4.0	4.5	6.0	3.6	4.5	6.5
2015	**Nov**	4.5	4.0	4.5	6.1	3.5	4.5	6.5
2015	**Dec**	4.5	4.0	4.4	6.1	3.5	4.4	6.5
2016	**Jan**	4.6	3.9	4.4	6.1	3.5	4.4	6.5
2016	**Feb**	4.7	3.9	4.4	6.1	3.5	4.4	6.5
2016	**Mar**	4.7	4.0	4.4	6.1	3.5	4.4	6.6
2016	**Apr**	4.8	4.0	4.5	6.1	3.5	4.5	6.6
2016	**May**	4.9	4.0	4.6	6.1	3.4	4.6	6.7
2016	**Jun**	4.9	4.1	4.7	6.1	3.4	4.7	6.7
2016	**Jul**	4.9	4.1	4.7	6.1	3.3	4.8	6.7
2016	**Aug**	4.9	4.1	4.7	6.1	3.3	4.8	6.7
2016	**Sep**	4.9	4.1	4.8	6.1	3.2	4.8	6.6
2016	**Oct**	4.8	4.1	4.8	6.0	3.1	4.7	6.6
2016	**Nov**	4.8	4.0	4.8	6.0	3.0	4.5	6.5
2016	**Dec**	4.7	4.0	4.8	5.9	2.9	4.3	6.4
2017	**Jan**	4.6	3.9	4.7	5.8	2.8	4.1	6.4

2017	**Feb**	4.5	3.8	4.7	5.7	2.7	4.0	6.3
2017	**Mar**	4.4	3.7	4.6	5.5	2.7	3.9	6.2
2017	**Apr**	4.3	3.7	4.5	5.4	2.7	3.8	6.1
2017	**May**	4.3	3.7	4.4	5.3	2.7	3.8	6.0
2017	**Jun**	4.2	3.7	4.3	5.1	2.7	3.7	5.9
2017	**Jul**	4.2	3.6	4.2	5.0	2.8	3.7	5.8
2017	**Aug**	4.1	3.6	4.1	4.9	2.8	3.6	5.7
2017	**Sep**	4.1	3.6	4.1	4.8	2.9	3.6	5.6
2017	**Oct**	4.0	3.5	4.1	4.7	2.9	3.6	5.5
2017	**Nov**	4.0	3.5	4.0	4.6	2.9	3.5	5.4
2017	**Dec**	3.9	3.5	4.0	4.6	2.9	3.5	5.3
2018	**Jan**	3.9	3.4	4.0	4.7	3.0	3.4	5.2
2018	**Feb**	3.8	3.4	4.0	4.8	3.0	3.4	5.1
2018	**Mar**	3.7	3.4	4.0	4.9	3.0	3.3	5.0
2018	**Apr**	3.6	3.3	4.0	5.0	3.1	3.3	4.9
2018	**May**	3.5	3.3	3.9	5.0	3.1	3.2	4.8
2018	**Jun**	3.4	3.3	3.9	5.0	3.2	3.1	4.8
2018	**Jul**	3.3	3.2	3.8	5.0	3.2	3.0	4.8
2018	**Aug**	3.2	3.2	3.7	4.9	3.2	3.0	4.8
2018	**Sep**	3.2	3.2	3.7	4.9	3.3	3.0	4.8
2018	**Oct**	3.2	3.2	3.7	4.8	3.3	3.0	4.9
2018	**Nov**	3.2	3.3	3.7	4.8	3.3	3.1	4.9
2018	**Dec**	3.3	3.3	3.7	4.7	3.2	3.2	4.9
2019	**Jan**	3.3	3.3	3.7	4.7	3.2	3.2	5.0
2019	**Feb**	3.3	3.3	3.6	4.6	3.1	3.2	5.0
2019	**Mar**	3.2	3.2	3.5	4.5	3.0	3.2	5.0
2019	**Apr**	3.2	3.2	3.5	4.5	2.9	3.2	5.0
2019	**May**	3.2	3.1	3.4	4.5	2.8	3.1	4.9
2019	**Jun**	3.2	3.1	3.4	4.6	2.7	3.1	4.9
2019	**Jul**	3.3	3.1	3.5	4.7	2.7	3.2	4.8
2019	**Aug**	3.3	3.1	3.5	4.9	2.6	3.2	4.8
2019	**Sep**	3.3	3.1	3.5	5.1	2.6	3.3	4.8
2019	**Oct**	3.4	3.1	3.5	5.2	2.5	3.4	4.8
2019	**Nov**	3.4	3.1	3.5	5.2	2.5	3.4	4.8
2019	**Dec**	3.4	3.1	3.5	5.2	2.5	3.4	4.8
2020	**Jan**	3.3	3.1	3.5	5.3	2.5	3.5	4.8
2020	**Feb**	3.2	3.1	3.5	5.2	2.5	3.5	4.8
2020	**Mar**	2.9	2.8	5.1	6.7	5.2	3.9	6.3
2020	**Apr**	14.7	11.9	13.5	15.1	12.2	10.2	11.9
2020	**May**	12.6	10.0	13.0	14.2	10.2	10.1	9.1
2020	**Jun**	6.4	7.5	8.4	9.5	10.6	7.8	8.4
2020	**Jul**	7.1	7.2	8.0	9.4	7.4	6.9	12.7
2020	**Aug**	5.7	6.9	6.8	7.7	6.7	7.0	11.4
2020	**Sep**	5.3	5.9	8.3	8.1	6.4	4.9	9.4

Appendix C: The United States Secret Service bulletin

United States Secret Service **[INFO]**

5/14/2020

[INFO] Information Only Alert – GIOC Reference #20-027-I
TLP Green

Massive Fraud Against State Unemployment Insurance Programs

The United States Secret Service has received reporting of a well-organized Nigerian fraud ring exploiting the COVID-19 crisis to commit large-scale fraud against state unemployment insurance programs. The primary state targeted so far is Washington, while there is also evidence of attacks in North Carolina, Massachusetts, Rhode Island, Oklahoma, Wyoming and Florida. It is extremely likely every state is vulnerable to this scheme and will be targeted if they have not been already.

In the state of Washington, individuals residing out-of-state are receiving multiple ACH deposits from the State of Washington Unemployment Benefit Program, all in different individuals' names with no connection to the account holder. A substantial amount of the fraudulent benefits submitted have used PII from first responders, government personnel and school employees. It is assumed the fraud ring behind this possess a substantial PII database to submit the volume of applications observed thus far.

This fraud network is believed to consist of hundreds, if not thousands, of mules with potential losses in the hundreds of millions of dollars. The banks targeted have been at all levels including local banks, credit unions, and large national banks.

Please communicate the information regarding this fraud to the appropriate office at your local state level and liaison with local financial insitutions to identify mules and potential seizures. ***If you have reports of similar activity or do so in the future, please send to the following email router for coordination: gioc.specialops@usss.dhs.gov.***

[INFO] - Indicates informational or educational content.

GLOBAL INVESTIGATIVE OPERATIONS CENTER WASHINGTON, D.C.

Appendix D: Rate tables

RATE TABLE

If the Employer's Benefit Wage Ratio Does Not Exceed:

State Experience Factor is:																											
1%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%	110%	120%	130%	140%	150%	160%	170%	180%	190%	200%	210%	220%	230%	240%	250%	260%	270%
2%	5.0	10.0	15.0	20.0	25.0	30.0	35.0	40.0	45.0	50.0	55.0	60.0	65.0	70.0	75.0	80.0	85.0	90.0	95.0	100.0	105.0	110.0	115.0	120.0	125.0	130.0	135.0
3%	3.3	6.7	10.0	13.3	16.7	20.0	23.3	26.7	30.0	33.3	36.7	40.0	43.3	46.7	50.0	53.3	56.7	60.0	63.3	66.7	70.0	73.3	76.7	80.0	83.3	86.7	90.0
4%	2.5	5.0	7.5	10.0	12.5	15.0	17.5	20.0	22.5	25.0	27.5	30.0	32.5	35.0	37.5	40.0	42.5	45.0	47.5	50.0	52.5	55.0	57.5	60.0	62.5	65.0	67.5
5%	2.0	4.0	6.0	8.0	10.0	12.0	14.0	16.0	18.0	20.0	22.0	24.0	26.0	28.0	30.0	32.0	34.0	36.0	38.0	40.0	42.0	44.0	46.0	48.0	50.0	52.0	54.0
6%	1.7	3.3	5.0	6.7	8.3	10.0	11.7	13.3	15.0	16.7	18.3	20.0	21.7	23.3	25.0	26.7	28.3	30.0	31.7	33.3	35.0	36.7	38.3	40.0	41.7	43.3	45.0
7%	1.4	2.9	4.3	5.7	7.1	8.6	10.0	11.4	12.9	14.3	15.7	17.1	18.6	20.0	21.4	22.9	24.3	25.7	27.1	28.6	30.0	31.4	32.9	34.3	35.7	37.1	38.6
8%	1.3	2.5	3.8	5.0	6.3	7.5	8.8	10.0	11.3	12.5	13.8	15.0	16.3	17.5	18.8	20.0	21.3	22.5	23.8	25.0	26.3	27.5	28.8	30.0	31.3	32.5	33.8
9%	1.1	2.2	3.3	4.4	5.6	6.7	7.8	8.9	10.0	11.1	12.2	13.3	14.4	15.6	16.7	17.8	18.9	20.0	21.1	22.2	23.3	24.4	25.6	26.7	27.8	28.9	30.0
10%	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0	25.0	26.0	27.0
11%	0.9	1.8	2.7	3.6	4.5	5.5	6.4	7.3	8.2	9.1	10.0	10.9	11.8	12.7	13.6	14.5	15.5	16.4	17.3	18.2	19.1	20.0	20.9	21.8	22.7	23.6	24.5
12%	0.8	1.7	2.5	3.3	4.2	5.0	5.8	6.7	7.5	8.3	9.2	10.0	10.8	11.7	12.5	13.3	14.2	15.0	15.8	16.7	17.5	18.3	19.2	20.0	20.8	21.7	22.5
13%	0.8	1.5	2.3	3.1	3.8	4.6	5.4	6.2	6.9	7.7	8.5	9.2	10.0	10.8	11.5	12.3	13.1	13.8	14.6	15.4	16.2	16.9	17.7	18.5	19.2	20.0	20.8
14%	0.7	1.4	2.1	2.9	3.6	4.3	5.0	5.7	6.4	7.1	7.9	8.6	9.3	10.0	10.7	11.4	12.1	12.9	13.6	14.3	15.0	15.7	16.4	17.1	17.9	18.6	19.3
15%	0.7	1.3	2.0	2.7	3.3	4.0	4.7	5.3	6.0	6.7	7.3	8.0	8.7	9.3	10.0	10.7	11.3	12.0	12.7	13.3	14.0	14.7	15.3	16.0	16.7	17.3	18.0
16%	0.6	1.3	1.9	2.5	3.1	3.8	4.4	5.0	5.6	6.3	6.9	7.5	8.1	8.8	9.4	10.0	10.6	11.3	11.9	12.5	13.1	13.8	14.4	15.0	15.6	16.3	16.9
17%	0.6	1.2	1.8	2.4	2.9	3.5	4.1	4.7	5.3	5.9	6.5	7.1	7.6	8.2	8.8	9.4	10.0	10.6	11.2	11.8	12.4	12.9	13.5	14.1	14.7	15.3	15.9
18%	0.6	1.1	1.7	2.2	2.8	3.3	3.9	4.4	5.0	5.6	6.1	6.7	7.2	7.8	8.3	8.9	9.4	10.0	10.6	11.1	11.7	12.2	12.8	13.3	13.9	14.4	15.0
19%	0.5	1.1	1.6	2.1	2.6	3.2	3.7	4.2	4.7	5.3	5.8	6.3	6.8	7.4	7.9	8.4	8.9	9.5	10.0	10.5	11.1	11.6	12.1	12.6	13.2	13.7	14.2
20%	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5
21%	0.5	1.0	1.4	1.9	2.4	2.9	3.3	3.8	4.3	4.8	5.2	5.7	6.2	6.7	7.1	7.6	8.1	8.6	9.0	9.5	10.0	10.5	11.0	11.4	11.9	12.4	12.9
22%	0.5	0.9	1.4	1.8	2.3	2.7	3.2	3.6	4.1	4.5	5.0	5.5	5.9	6.4	6.8	7.3	7.7	8.2	8.6	9.1	9.5	10.0	10.5	10.9	11.4	11.8	12.3
23%	0.4	0.9	1.3	1.7	2.2	2.6	3.0	3.5	3.9	4.3	4.8	5.2	5.7	6.1	6.5	7.0	7.4	7.8	8.3	8.7	9.1	9.6	10.0	10.4	10.9	11.3	11.7
24%	0.4	0.8	1.3	1.7	2.1	2.5	2.9	3.3	3.8	4.2	4.6	5.0	5.4	5.8	6.3	6.7	7.1	7.5	7.9	8.3	8.8	9.2	9.6	10.0	10.4	10.8	11.3
25%	0.4	0.8	1.2	1.6	2.0	2.4	2.8	3.2	3.6	4.0	4.4	4.8	5.2	5.6	6.0	6.4	6.8	7.2	7.6	8.0	8.4	8.8	9.2	9.6	10.0	10.4	10.8
26%	0.4	0.8	1.2	1.5	1.9	2.3	2.7	3.1	3.5	3.8	4.2	4.6	5.0	5.4	5.8	6.2	6.5	6.9	7.3	7.7	8.1	8.5	8.8	9.2	9.6	10.0	10.4
27%	0.4	0.7	1.1	1.5	1.9	2.2	2.6	3.0	3.3	3.7	4.1	4.4	4.8	5.2	5.6	5.9	6.3	6.7	7.0	7.4	7.8	8.1	8.5	8.9	9.3	9.6	10.0
28%	0.4	0.7	1.1	1.4	1.8	2.1	2.5	2.9	3.2	3.6	3.9	4.3	4.6	5.0	5.4	5.7	6.1	6.4	6.8	7.1	7.5	7.9	8.2	8.6	8.9	9.3	9.6
29%	0.3	0.7	1.0	1.4	1.7	2.1	2.4	2.8	3.1	3.4	3.8	4.1	4.5	4.8	5.2	5.5	5.9	6.2	6.6	6.9	7.2	7.6	7.9	8.3	8.6	9.0	9.3
30%	0.3	0.7	1.0	1.3	1.7	2.0	2.3	2.7	3.0	3.3	3.7	4.0	4.3	4.7	5.0	5.3	5.7	6.0	6.3	6.7	7.0	7.3	7.7	8.0	8.3	8.7	9.0
31%	0.3	0.6	1.0	1.3	1.6	1.9	2.3	2.6	2.9	3.2	3.5	3.9	4.2	4.5	4.8	5.2	5.5	5.8	6.1	6.5	6.8	7.1	7.4	7.7	8.1	8.4	8.7
32%	0.3	0.6	0.9	1.3	1.6	1.9	2.2	2.5	2.8	3.1	3.4	3.8	4.1	4.4	4.7	5.0	5.3	5.6	5.9	6.3	6.6	6.9	7.2	7.5	7.8	8.1	8.4
33%	0.3	0.6	0.9	1.2	1.5	1.8	2.1	2.4	2.7	3.0	3.3	3.6	3.9	4.2	4.5	4.8	5.2	5.5	5.8	6.1	6.4	6.7	7.0	7.3	7.6	7.9	8.2
34%	0.3	0.6	0.9	1.2	1.5	1.8	2.1	2.4	2.6	2.9	3.2	3.5	3.8	4.1	4.4	4.7	5.0	5.3	5.6	5.9	6.2	6.5	6.8	7.1	7.4	7.6	7.9
35%	0.3	0.6	0.9	1.1	1.4	1.7	2.0	2.3	2.6	2.9	3.1	3.4	3.7	4.0	4.3	4.6	4.9	5.1	5.4	5.7	6.0	6.3	6.6	6.9	7.1	7.4	7.7
36%	0.3	0.6	0.8	1.1	1.4	1.7	1.9	2.2	2.5	2.8	3.1	3.3	3.6	3.9	4.2	4.4	4.7	5.0	5.3	5.6	5.8	6.1	6.4	6.7	6.9	7.2	7.5
37%	0.3	0.5	0.8	1.1	1.4	1.6	1.9	2.2	2.4	2.7	3.0	3.2	3.5	3.8	4.1	4.3	4.6	4.9	5.1	5.4	5.7	5.9	6.2	6.5	6.8	7.0	7.3
38%	0.3	0.5	0.8	1.1	1.3	1.6	1.8	2.1	2.4	2.6	2.9	3.2	3.4	3.7	3.9	4.2	4.5	4.7	5.0	5.3	5.5	5.8	6.1	6.3	6.6	6.8	7.1
39%	0.3	0.5	0.8	1.0	1.3	1.5	1.8	2.1	2.3	2.6	2.8	3.1	3.3	3.6	3.8	4.1	4.4	4.6	4.9	5.1	5.4	5.6	5.9	6.2	6.4	6.7	6.9
40%	0.3	0.5	0.8	1.0	1.3	1.5	1.8	2.0	2.3	2.5	2.8	3.0	3.3	3.5	3.8	4.0	4.3	4.5	4.8	5.0	5.3	5.5	5.8	6.0	6.3	6.5	6.8
41%	0.2	0.5	0.7	1.0	1.2	1.5	1.7	2.0	2.2	2.4	2.7	2.9	3.2	3.4	3.7	3.9	4.1	4.4	4.6	4.9	5.1	5.4	5.6	5.9	6.1	6.3	6.6
42%	0.2	0.5	0.7	1.0	1.2	1.4	1.7	1.9	2.1	2.4	2.6	2.9	3.1	3.3	3.6	3.8	4.0	4.3	4.5	4.8	5.0	5.2	5.5	5.7	6.0	6.2	6.4
43%	0.2	0.5	0.7	0.9	1.2	1.4	1.6	1.9	2.1	2.3	2.6	2.8	3.0	3.3	3.5	3.7	4.0	4.2	4.4	4.7	4.9	5.1	5.3	5.6	5.8	6.0	6.3
44%	0.2	0.5	0.7	0.9	1.1	1.4	1.6	1.8	2.0	2.3	2.5	2.7	3.0	3.2	3.4	3.6	3.9	4.1	4.3	4.5	4.8	5.0	5.2	5.5	5.7	5.9	6.1
45%	0.2	0.4	0.7	0.9	1.1	1.3	1.6	1.8	2.0	2.2	2.4	2.7	2.9	3.1	3.3	3.6	3.8	4.0	4.2	4.4	4.7	4.9	5.1	5.3	5.6	5.8	6.0
46%	0.2	0.4	0.7	0.9	1.1	1.3	1.5	1.7	2.0	2.2	2.4	2.6	2.8	3.0	3.3	3.5	3.7	3.9	4.1	4.3	4.6	4.8	5.0	5.2	5.4	5.7	5.9
47%	0.2	0.4	0.6	0.9	1.1	1.3	1.5	1.7	1.9	2.1	2.3	2.6	2.8	3.0	3.2	3.4	3.6	3.8	4.0	4.3	4.5	4.7	4.9	5.1	5.3	5.5	5.7
48%	0.2	0.4	0.6	0.8	1.0	1.3	1.5	1.7	1.9	2.1	2.3	2.5	2.7	2.9	3.1	3.3	3.5	3.8	4.0	4.2	4.4	4.6	4.8	5.0	5.2	5.4	5.6
49%	0.2	0.4	0.6	0.8	1.0	1.2	1.4	1.6	1.8	2.0	2.2	2.4	2.7	2.9	3.1	3.3	3.5	3.7	3.9	4.1	4.3	4.5	4.7	4.9	5.1	5.3	5.5
50%	0.2	0.4	0.6	0.8	1.0	1.2	1.4	1.6	1.8	2.0	2.2	2.4	2.6	2.8	3.0	3.2	3.4	3.6	3.8	4.0	4.2	4.4	4.6	4.8	5.0	5.2	5.4
Employer's Contribution Rate shall be:	0.1%	0.2%	0.3%	0.4%	0.5%	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%

Conditional Factors

	X/	Y/	Z/																										
A	0.2%	0.3%	0.4%	0.5%	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%
B	0.2%	0.4%	0.5%	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.9%	2.0%	2.1%	2.3%	2.4%	2.5%	2.7%	2.8%	2.9%	3.1%	3.2%	3.3%	3.5%	3.6%
C	0.2%	0.5%	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.7%	1.8%	2.0%	2.1%	2.3%	2.4%	2.6%	2.7%	2.9%	3.0%	3.2%	3.3%	3.5%	3.6%	3.8%	3.9%	4.1%
D	0.3%	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.7%	1.8%	2.0%	2.2%	2.3%	2.5%	2.7%	2.8%	3.0%	3.2%	3.3%	3.5%	3.7%	3.8%	4.0%	4.2%	4.3%	4.5%

X/ Benefit Wage Ratio is equal to zero
Y/ Benefit Wage Ratio is greater than zero but less than 0.1%
Z/ Benefit Wage Ratio is greater than 0.1%

State Experience Factor is:	If the Employer's Benefit Wage Ratio Does Not Exceed:																											Benefit Wage Ratio Exceeds Last Column
1%	280%	290%	300%	310%	320%	330%	340%	350%	360%	370%	380%	390%	400%	410%	420%	430%	440%	450%	460%	470%	480%	490%	500%	510%	520%	530%	540%	
2%	140.0	145.0	150.0	155.0	160.0	165.0	170.0	175.0	180.0	185.0	190.0	195.0	200.0	205.0	210.0	215.0	220.0	225.0	230.0	235.0	240.0	245.0	250.0	255.0	260.0	265.0	270.0	
3%	93.3	96.7	100.0	103.3	106.7	110.0	113.3	116.7	120.0	123.3	126.7	130.0	133.3	136.7	140.0	143.3	146.7	150.0	153.3	156.7	160.0	163.3	166.7	170.0	173.3	176.7	180.0	
4%	70.0	72.5	75.0	77.5	80.0	82.5	85.0	87.5	90.0	92.5	95.0	97.5	100.0	102.5	105.0	107.5	110.0	112.5	115.0	117.5	120.0	122.5	125.0	127.5	130.0	132.5	135.0	
5%	56.0	58.0	60.0	62.0	64.0	66.0	68.0	70.0	72.0	74.0	76.0	78.0	80.0	82.0	84.0	86.0	88.0	90.0	92.0	94.0	96.0	98.0	100.0	102.0	104.0	106.0	108.0	
6%	46.7	48.3	50.0	51.7	53.3	55.0	56.7	58.3	60.0	61.7	63.3	65.0	66.7	68.3	70.0	71.7	73.3	75.0	76.7	78.3	80.0	81.7	83.3	85.0	86.7	88.3	90.0	
7%	40.0	41.4	42.9	44.3	45.7	47.1	48.6	50.0	51.4	52.9	54.3	55.7	57.1	58.6	60.0	61.4	62.9	64.3	65.7	67.1	68.6	70.0	71.4	72.9	74.3	75.7	77.1	
8%	35.0	36.3	37.5	38.8	40.0	41.3	42.5	43.8	45.0	46.3	47.5	48.8	50.0	51.3	52.5	53.8	55.0	56.3	57.5	58.8	60.0	61.3	62.5	63.8	65.0	66.3	67.5	
9%	31.1	32.2	33.3	34.4	35.6	36.7	37.8	38.9	40.0	41.1	42.2	43.3	44.4	45.6	46.7	47.8	48.9	50.0	51.1	52.2	53.3	54.4	55.6	56.7	57.8	58.9	60.0	
10%	28.0	29.0	30.0	31.0	32.0	33.0	34.0	35.0	36.0	37.0	38.0	39.0	40.0	41.0	42.0	43.0	44.0	45.0	46.0	47.0	48.0	49.0	50.0	51.0	52.0	53.0	54.0	
11%	25.5	26.4	27.3	28.2	29.1	30.0	30.9	31.8	32.7	33.6	34.5	35.5	36.4	37.3	38.2	39.1	40.0	40.9	41.8	42.7	43.6	44.5	45.5	46.4	47.3	48.2	49.1	
12%	23.3	24.2	25.0	25.8	26.7	27.5	28.3	29.2	30.0	30.8	31.7	32.5	33.3	34.2	35.0	35.8	36.7	37.5	38.3	39.2	40.0	40.8	41.7	42.5	43.3	44.2	45.0	
13%	21.5	22.3	23.1	23.8	24.6	25.4	26.2	26.9	27.7	28.5	29.2	30.0	30.8	31.5	32.3	33.1	33.8	34.6	35.4	36.2	36.9	37.7	38.5	39.2	40.0	40.8	41.5	
14%	20.0	20.7	21.4	22.1	22.9	23.6	24.3	25.0	25.7	26.4	27.1	27.9	28.6	29.3	30.0	30.7	31.4	32.1	32.9	33.6	34.3	35.0	35.7	36.4	37.1	37.9	38.6	
15%	18.7	19.3	20.0	20.7	21.3	22.0	22.7	23.3	24.0	24.7	25.3	26.0	26.7	27.3	28.0	28.7	29.3	30.0	30.7	31.3	32.0	32.7	33.3	34.0	34.7	35.3	36.0	
16%	17.5	18.1	18.8	19.4	20.0	20.6	21.3	21.9	22.5	23.1	23.8	24.4	25.0	25.6	26.3	26.9	27.5	28.1	28.8	29.4	30.0	30.6	31.3	31.9	32.5	33.1	33.8	
17%	16.5	17.1	17.6	18.2	18.8	19.4	20.0	20.6	21.2	21.8	22.4	22.9	23.5	24.1	24.7	25.3	25.9	26.5	27.1	27.6	28.2	28.8	29.4	30.0	30.6	31.2	31.8	
18%	15.6	16.1	16.7	17.2	17.8	18.3	18.9	19.4	20.0	20.6	21.1	21.7	22.2	22.8	23.3	23.9	24.4	25.0	25.6	26.1	26.7	27.2	27.8	28.3	28.9	29.4	30.0	
19%	14.7	15.3	15.8	16.3	16.8	17.4	17.9	18.4	18.9	19.5	20.0	20.5	21.1	21.6	22.1	22.6	23.2	23.7	24.2	24.7	25.3	25.8	26.3	26.8	27.4	27.9	28.4	
20%	14.0	14.5	15.0	15.5	16.0	16.5	17.0	17.5	18.0	18.5	19.0	19.5	20.0	20.5	21.0	21.5	22.0	22.5	23.0	23.5	24.0	24.5	25.0	25.5	26.0	26.5	27.0	
21%	13.3	13.8	14.3	14.8	15.2	15.7	16.2	16.7	17.1	17.6	18.1	18.6	19.0	19.5	20.0	20.5	21.0	21.4	21.9	22.4	22.9	23.3	23.8	24.3	24.8	25.2	25.7	
22%	12.7	13.2	13.6	14.1	14.5	15.0	15.5	15.9	16.4	16.8	17.3	17.7	18.2	18.6	19.1	19.5	20.0	20.5	20.9	21.4	21.8	22.3	22.7	23.2	23.6	24.1	24.5	
23%	12.2	12.6	13.0	13.5	13.9	14.3	14.8	15.2	15.7	16.1	16.5	17.0	17.4	17.8	18.3	18.7	19.1	19.6	20.0	20.4	20.9	21.3	21.7	22.2	22.6	23.0	23.5	
24%	11.7	12.1	12.5	12.9	13.3	13.8	14.2	14.6	15.0	15.4	15.8	16.3	16.7	17.1	17.5	17.9	18.3	18.8	19.2	19.6	20.0	20.4	20.8	21.3	21.7	22.1	22.5	
25%	11.2	11.6	12.0	12.4	12.8	13.2	13.6	14.0	14.4	14.8	15.2	15.6	16.0	16.4	16.8	17.2	17.6	18.0	18.4	18.8	19.2	19.6	20.0	20.4	20.8	21.2	21.6	
26%	10.8	11.2	11.5	11.9	12.3	12.7	13.1	13.5	13.8	14.2	14.6	15.0	15.4	15.8	16.2	16.5	16.9	17.3	17.7	18.1	18.5	18.8	19.2	19.6	20.0	20.4	20.8	
27%	10.4	10.7	11.1	11.5	11.9	12.2	12.6	13.0	13.3	13.7	14.1	14.4	14.8	15.2	15.6	15.9	16.3	16.7	17.0	17.4	17.8	18.1	18.5	18.9	19.3	19.6	20.0	
28%	10.0	10.4	10.7	11.1	11.4	11.8	12.1	12.5	12.9	13.2	13.6	13.9	14.3	14.6	15.0	15.4	15.7	16.1	16.4	16.8	17.1	17.5	17.9	18.2	18.6	18.9	19.3	
29%	9.7	10.0	10.3	10.7	11.0	11.4	11.7	12.1	12.4	12.8	13.1	13.4	13.8	14.1	14.5	14.8	15.2	15.5	15.9	16.2	16.6	16.9	17.2	17.6	17.9	18.3	18.6	
30%	9.3	9.7	10.0	10.3	10.7	11.0	11.3	11.7	12.0	12.3	12.7	13.0	13.3	13.7	14.0	14.3	14.7	15.0	15.3	15.7	16.0	16.3	16.7	17.0	17.3	17.7	18.0	
31%	9.0	9.4	9.7	10.0	10.3	10.6	11.0	11.3	11.6	11.9	12.3	12.6	12.9	13.2	13.5	13.9	14.2	14.5	14.8	15.2	15.5	15.8	16.1	16.5	16.8	17.1	17.4	
32%	8.8	9.1	9.4	9.7	10.0	10.3	10.6	10.9	11.3	11.6	11.9	12.2	12.5	12.8	13.1	13.4	13.8	14.1	14.4	14.7	15.0	15.3	15.6	15.9	16.3	16.6	16.9	
33%	8.5	8.8	9.1	9.4	9.7	10.0	10.3	10.6	10.9	11.2	11.5	11.8	12.1	12.4	12.7	13.0	13.3	13.6	13.9	14.2	14.5	14.8	15.2	15.5	15.8	16.1	16.4	
34%	8.2	8.5	8.8	9.1	9.4	9.7	10.0	10.3	10.6	10.9	11.2	11.5	11.8	12.1	12.4	12.6	12.9	13.2	13.5	13.8	14.1	14.4	14.7	15.0	15.3	15.6	15.9	
35%	8.0	8.3	8.6	8.9	9.1	9.4	9.7	10.0	10.3	10.6	10.9	11.1	11.4	11.7	12.0	12.3	12.6	12.9	13.1	13.4	13.7	14.0	14.3	14.6	14.9	15.1	15.4	
36%	7.8	8.1	8.3	8.6	8.9	9.2	9.4	9.7	10.0	10.3	10.6	10.8	11.1	11.4	11.7	11.9	12.2	12.5	12.8	13.1	13.3	13.6	13.9	14.2	14.4	14.7	15.0	
37%	7.6	7.8	8.1	8.4	8.6	8.9	9.2	9.5	9.7	10.0	10.3	10.5	10.8	11.1	11.4	11.6	11.9	12.2	12.4	12.7	13.0	13.2	13.5	13.8	14.1	14.3	14.6	
38%	7.4	7.6	7.9	8.2	8.4	8.7	8.9	9.2	9.5	9.7	10.0	10.3	10.5	10.8	11.1	11.3	11.6	11.8	12.1	12.4	12.6	12.9	13.2	13.4	13.7	13.9	14.2	
39%	7.2	7.4	7.7	7.9	8.2	8.5	8.7	9.0	9.2	9.5	9.7	10.0	10.3	10.5	10.8	11.0	11.3	11.5	11.8	12.1	12.3	12.6	12.8	13.1	13.3	13.6	13.8	
40%	7.0	7.3	7.5	7.8	8.0	8.3	8.5	8.8	9.0	9.3	9.5	9.8	10.0	10.3	10.5	10.8	11.0	11.3	11.5	11.8	12.0	12.3	12.5	12.8	13.0	13.3	13.5	
41%	6.8	7.1	7.3	7.6	7.8	8.0	8.3	8.5	8.8	9.0	9.3	9.5	9.8	10.0	10.2	10.5	10.7	11.0	11.2	11.5	11.7	12.0	12.2	12.4	12.7	12.9	13.2	
42%	6.7	6.9	7.1	7.4	7.6	7.9	8.1	8.3	8.6	8.8	9.0	9.3	9.5	9.8	10.0	10.2	10.5	10.7	11.0	11.2	11.4	11.7	11.9	12.1	12.4	12.6	12.9	
43%	6.5	6.7	7.0	7.2	7.4	7.7	7.9	8.1	8.4	8.6	8.8	9.1	9.3	9.5	9.8	10.0	10.2	10.5	10.7	10.9	11.2	11.4	11.6	11.9	12.1	12.3	12.6	
44%	6.4	6.6	6.8	7.0	7.3	7.5	7.7	8.0	8.2	8.4	8.6	8.9	9.1	9.3	9.5	9.8	10.0	10.2	10.5	10.7	10.9	11.1	11.4	11.6	11.8	12.0	12.3	
45%	6.2	6.4	6.7	6.9	7.1	7.3	7.6	7.8	8.0	8.2	8.4	8.7	8.9	9.1	9.3	9.6	9.8	10.0	10.2	10.4	10.7	10.9	11.1	11.3	11.6	11.8	12.0	
46%	6.1	6.3	6.5	6.7	7.0	7.2	7.4	7.6	7.8	8.0	8.3	8.5	8.7	8.9	9.1	9.3	9.6	9.8	10.0	10.2	10.4	10.7	10.9	11.1	11.3	11.5	11.7	
47%	6.0	6.2	6.4	6.6	6.8	7.0	7.2	7.4	7.7	7.9	8.1	8.3	8.5	8.7	8.9	9.1	9.4	9.6	9.8	10.0	10.2	10.4	10.6	10.9	11.1	11.3	11.5	
48%	5.8	6.0	6.3	6.5	6.7	6.9	7.1	7.3	7.5	7.7	7.9	8.1	8.3	8.5	8.8	9.0	9.2	9.4	9.6	9.8	10.0	10.2	10.4	10.6	10.8	11.0	11.3	
49%	5.7	5.9	6.1	6.3	6.5	6.7	6.9	7.1	7.3	7.6	7.8	8.0	8.2	8.4	8.6	8.8	9.0	9.2	9.4	9.6	9.8	10.0	10.2	10.4	10.6	10.8	11.0	
50%	5.6	5.8	6.0	6.2	6.4	6.6	6.8	7.0	7.2	7.4	7.6	7.8	8.0	8.2	8.4	8.6	8.8	9.0	9.2	9.4	9.6	9.8	10.0	10.2	10.4	10.6	10.8	
Employer's Contribution Rate shall be:	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%
Conditional Factors																												
A	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	5.7%	5.8%
B	3.7%	3.9%	4.0%	4.1%	4.3%	4.4%	4.5%	4.7%	4.8%	4.9%	5.1%	5.2%	5.3%	5.5%	5.6%	5.7%	5.9%	6.0%	6.1%	6.3%	6.4%	6.5%	6.7%	6.8%	6.9%	7.1%	7.2%	7.3%
C	4.2%	4.4%	4.5%	4.7%	4.8%	5.0%	5.1%	5.3%	5.4%	5.6%	5.7%	5.9%	6.0%	6.2%	6.3%	6.5%	6.6%	6.8%	6.9%	7.1%	7.2%	7.4%	7.5%	7.7%	7.8%	8.0%	8.1%	8.3%
D	4.7%	4.8%	5.0%	5.2%	5.3%	5.5%	5.7%	5.8%	6.0%	6.2%	6.3%	6.5%	6.7%	6.8%	7.0%	7.2%	7.3%	7.5%	7.7%	7.8%	8.0%	8.2%	8.3%	8.5%	8.7%	8.8%	9.0%	9.2%

Appendix E: Strategic change initiatives pursued by OESC

Finding 2 discusses the areas of the BT-40 plan that have been utilized to address Oklahoma's current demands. However, OESC's BT-40 also addresses the long-term, holistic strategies that the new Executive Leadership aims to implement in the coming years. Finding 3 goes into depth regarding the ongoing work products that aim to provide lasting results and instruments utilized in mitigating Unemployment demands pending future pandemics/states of emergency. The objective to achieve "lasting results," is seen throughout some of the "planned" and "implemented" work products. "Phase 1," of the BT-40 plan, included performing internal analysis on data management/retention along with claimant, employer, and previous user experiences. Some examples of these include:

- Business Data Glossary: "centralized repository of information about business data attributes such as business definition, format, meaning, relationships and usage"
- Future State Personas & Journeys: "An inventory for future state personas, journeys and service blue prints that describe the future state Unemployment + Re-employment experience"
- OESC Transformation Priority Use Cases: "Detailed descriptions from an experience and tech perspective of the 9 priority use cases identified out of the Phase 1 Assessment"
- OESC Transformation Requirements Backlog: "Inventory of requirements across all core OESC processes to build out the initial backlog for the transformation"

Phase 1 also included taking steps in identifying the tools, processes, and technology required to address future influx of claims while allowing for flexibility in adapting to the needs of claimants. A few examples include:

- Ways of Working & Governance: "Summary of the ways of working, methods and proposed operating model and governance structures to deliver the OESC Transformation."
- Data Objects: "Collection and segmentation of illustrative business data objects and entities to support use cases specific data needs. Identification of master, transactional and reference data groups to facilitate development of business workflows"
- OESC Research & Solutions Summary: "Executive level summary of OESC phase 1 research and priority solutions identified for initial prioritization within the transformation"
- Current State Cyber Assessment: "A current state assessment of the cyber landscape at OESC and OMES."

Phase 2 of the BT-40 plan went further into the application of solutions/initiatives derived from the Phase 1 findings. In addition, theses “work products,” aimed to capitalize on OESC’s extensive service history by enhancing data/experience management so that it can be easily referenced when concerns arise regarding user experience, fraudulent claims, audit processes, etc. The following are a few examples of the above-mentioned work products:

Process Maps by Initiative: “Detailed process maps for Automated Intake, RESEA, Claims & Fact Finding, and Appeals & Tracking Management to support the documentation of the future state process and development of requirements and user stories”

Functional Requirements & User Stories: “Backlog of functional requirements, user stories, and acceptance criteria to support the capability build out of the core initiatives contained within Milestone 1. These work products are drafted and managed in OESC’s instance of Azure DevOps”

Unified Claim Design Information Architecture & Content: “Information Architecture and content updates to claim submission questions to support the build out of a unified claim submission experience in 2021”

OESC Fraud Framework: “Provides an overview of the fraud program level design. It also covers the priorities for the work items to be completed by 12/31 and the initial risk areas for each taxonomy (i.e. first-party, third-party, insider threat)”

With the completion of the BT-40 project, OESC aims to provide adaptive and flexible service to the constituents of Oklahoma through the streamlining of claim submission/management, fraud detection, and claimant payments.

Agency Responses

LOFT's comments on the response from the Oklahoma Employment Security Commission

As part of LOFT's protocol, agencies are granted the opportunity to respond to the evaluation report and findings. For this rapid response evaluation, which is limited in scope, LOFT reviewed the status of the Unemployment Insurance Fund and conducted a historical analysis of the impact of the Coronavirus Pandemic. To complete this work, LOFT engaged the Oklahoma Employment Security Commission (OESC), the agency that manages the fund dedicated to payment of unemployment benefits. Portions of the agency's response warrant further clarification and correction, which will be addressed. With this response, LOFT seeks to address questions of fact, and not differences of opinion.

Limited Scope of Project

OESC's response suggests that LOFT's report should have included additional context regarding the historical application of tax rates, other duties performed by the agency, and detailed internal workflow challenges. While LOFT recognizes there may be many factors contributing to the challenging environment that OESC is operating within, the scope of LOFT's evaluation was not to conduct a comprehensive review of the agency's operations. Rather, LOFT's evaluation sought to assess the readiness of OESC and the Unemployment Insurance system to withstand another economic recession, as well as analyze the factors that led to the long wait times of constituents. LOFT appropriately acknowledges OESC's programs within the scope of the report noting in the introduction:

"Several additional unemployment programs were established in this Act (Coronavirus Relief Act), and OESC acted as a disbursement entity for individuals to receive federal dollars. Although the dollars were federal, the work of processing applications for these programs fell on OESC staff, explaining some of increasing unemployment application processing times explored in Finding 2. LOFT has focused this report exclusively on the state unemployment process since it is most under the State's control."

Last, OESC presents within its response a new recommendation for improved workforce outcomes for the state. LOFT did not evaluate this proposal, nor does it fall under the scope of this evaluation.

LOFT's response to claims of inaccuracy within report:

In response to Finding 1: *"There was little opportunity to prepare for the unprecedented demand, new federal guidance, and high-risk environment created by the pandemic,"* OESC questioned the source and accuracy of the fund balance figures for the Unemployment Insurance Trust Fund.

The fund balance data included in the original draft of LOFT's report was sourced from the U.S. Treasury. After the exit conference, LOFT was provided data from OESC clarifying that not all funds within the account are dedicated to Unemployment Insurance (UI). Specifically, within the UI fund are three funding categories: Unemployment Insurance, the Unemployment Insurance Modernization Incentive, and Emergency Unemployment Compensation Relief. The inclusion of these additional categories within the UI fund created the appearance that the balance was higher than those funds specifically designated for UI. LOFT has updated the report to reflect the additional balance information.

LOFT sought the input of U.S. Department of Labor experts to understand how to interpret Treasury reports, including transaction description codes, representing five years of monthly financial statements. These instructions included codes indicating administrative expenses and modernization expenditures, which LOFT excluded from its analysis. However, these transactions affected the projected balance of the fund. In response to OESC's comments, LOFT has updated the figures to accurately reflect the total balance of the fund.

While not a challenge of accuracy, OESC also requested that LOFT include state data alongside national Bureau of Labor Statistics data presented in the report's introduction. The data used is aggregated and Oklahoma-specific data is not available for inclusion.

OESC Response to LOFT, February 1, 2021

February 3, 2021

LOFT
LEGISLATIVE OFFICE OF FISCAL TRANSPARENCY

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Evaluation Report: Rapid Response Evaluation of the Oklahoma Employment Security Commission

I. Introductory Comments from Agency regarding the subject of evaluation
II. Technical response to findings and/or recommendations
III. Policy response to findings and/or recommendations

Finding 1: There was little opportunity to prepare for the Unprecedented demand, new federal guidance, and high-risk environment created by the pandemic.

Does the agency agree with the facts as presented?

No

Does the agency agree with the recommendations related to this finding?

Yes

While agency leadership has issues with more than one area of this section, OESC is choosing to focus its response to pages 11-14 at this time.

Starting with page 11, LOFT states the UI Trust Fund declined to approximately $181M in January of 2020. Looking at all available data from agency's finance staff, this puts the UI Trust at its highest, at just over $125M at the beginning of January. While a determination cannot be made solely on this number being inaccurate, it does call into question where this number was obtained from, if not from OESC.

OESC submits the chart below for page 13:

Min Ratio	3.5	3	2.5	2
	No Conditional Factor	Condition A	Condition B	Condition C
Needed Ending Balance	$1,206,679,078.47	$1,034,296,352.97	$861,913,627.48	$689,530,901.98
Actual Ending Balance	$633,323,492.87	$633,323,492.87	$633,323,492.87	$633,323,492.87
Needed Contribution	$573,355,585.60	$400,972,860.10	$228,590,134.61	$56,207,409.11
CRF Contribution	$100,000,000.00	$100,000,000.00	$100,000,000.00	$100,000,000.00
Marginal Contribution Needed	$473,355,585.60	$300,972,860.10	$128,590,134.61	-$43,792,590.89
5-year Ave Benefits	$344,765,450.99	$344,765,450.99	$344,765,450.99	$344,765,450.99

Page 13 - Report states: By examining Oklahoma's ending balance as of June 30, 2020 and calculating the amount of benefits paid out over the preceding twenty consecutive calendar quarters, it can be derived that an additional $42 million would have prevented Oklahoma from experiencing Condition Factor D, which carries the steepest tax increase.

What the report fails to state is exactly to what that $42M investment would have amounted to. OESC also would like to submit that the actual total needed to avoid Conditional Factor D would be $56.2M, not $42M. The rate band for Conditional Factor D for calendar year 2021 is .3%-7.5%. The investment of $42/$56.2M into the UI Trust in June of 2020 to bring the Conditional Factor to C and would have produced a rate band of .2%-7.5%, which is only a .1% difference.

In addition, it is important to understand the context surrounding for the situation the agency was facing in 2020, as well as historically, the number of times Conditional Factor D has been assessed in the past. Since the agency's inception, Conditional Factor D has been assessed 16 times prior to 2021. Most recently, Conditional Factor D was assessed for three years straight due to the Great Recession (2011-2013). Before that, it was assessed for seven years. and for seven years straight from 1983-1989. While Conditional Factor D is a burden for many employers and a difficult experience after 2020 was such a challenging year, it is important to note that Conditional Factor D is far from unprecedented and was assessed as recently as 8 years ago.

Itis also important to understand the climate of the state and the nation when this rate was being assessed in June of 2020 for the 2021 calendar year. In June, CARES Act funding was being used to keep a struggling nation and state from disaster. To be clear, Oklahoma was doing better than many other states and the nation, but a quick scan of headlines from that time shows CARES ACT dollars were going toward purchasing PPE for emergency and frontline workers and staff at hospitals, testing for vulnerable nursing home residents and for testing supplies, which had finally become easier to acquire after months of restrictions.

It is easy to critique decisions from the perspective we all have now, and I do not think Director Jackson and LOFT's aim is to throw stones after the fact, but the claim that the $42M/$56.2M addition to the Trust Fund would have prevented Oklahoma from experiencing Conditional Factor D does not account for the other resources competing for those CARES Act funds in the middle of a pandemic.

To be clear, the decision was not made to decline CARES Act funds or to allow for a .1% increase to occur. Instead, our decision was based on an analysis of the competing needs of our state at the time and the knowledge that a .1% increase did not fit into a worst case scenario rubric against the other competing needs, especially within our healthcare system. We made this decision knowing that if that time did come, the agency had full license to let Governor Kevin Stitt know we needed the CARES Act funds to avoid hitting the $25M surcharge. We did this in October of 2020 and avoided and up to 33.3% surcharge to employers in November and December of 2020.

Finding 2: OESC Responded to the pandemic as well as conditions allowed.

Does the agency agree with the facts as presented?

Yes

Does the agency agree with the recommendations related to this finding?

Yes

Agency Comments and Clarifications (Technical response): The agency has met challenges presented by the ongoing COVID-19 pandemic, while also continuing to make improvements.

Nearly every issue OESC currently faces can be traced back to archaic technology and its existing, 40-year-old mainframe. The agency attempted two large technology overhauls in the past decade and a half, which ultimately failed. This resulted in continued use of the rapidly decaying, existing infrastructure to process claims. The current digital transformation project is a challenging project for our agency, however, it is absolutely necessary in order for OESC to be able to serve claimants in a reliable and safe manner. This need was evidenced significantly as the agency faced the ongoing challenges of the COVID-19 pandemic in 2020 and attempted to serve thousands of Oklahomans in need as efficiently as possible and found itself struggling due to the existing mainframe. It's become clear that the agency is currently walking a fine line between pushing the mainframe as hard as it can go, but not breaking it completely. In fact, the mainframe breaks in some way every day and it's never going to be any better than it is in this moment. The existing mainframe will continue to deteriorate and it will eventually be inoperable. Therefore a complete business process transformation is needed. The state and the agency cannot continue to implement small "fixes." For our agency to keep up with the aggressive changes that we are implementing, especially amid the ongoing pandemic, this project is not only ambitious but absolutely necessary.

First Payment Promptness requires the agency to make first payments to claimants within 21 days. From our perspective, the report is misleading as it does not include context for which claims would fall into this category. The claims that are largely making up this group are claims in adjudication, not claims that are filed with no issues. Claims which do not need to be adjudicated largely move through the process in less than 21 days, as long as the claimant has provided accurate data and has verified their identity. As mentioned in the report, Oklahoma, along with 46 other states did not meet the 21-day threshold during the pandemic, but OESC's inability to do so goes beyond the historic number of claims brought by the pandemic.

In 2016 and 2017 the agency had over a quarter of its tenured (20+ years) staff leave the agency, some taking VOBOs and other retiring. With this group went a tremendous amount of institutional knowledge and, according to present staff, the passing down or work to retain some of this knowledge was not done in an effective manner. This resulted in a significant gap in agency departments that require a deep understanding of the agency and US DOL rules.

The adjudication department was one of the hardest hit areas of the agency as a result of this phenomenon. This department, more so than any other, relies on tenured, knowledgeable staff to perform their job. It also takes a tremendous amount of training to become proficient in the processes performed by this department. In addition, adjudicators must start either in the call center or at a regional office to first learn claims and master this process for years before moving into the adjudication department.

The exit of expert knowledge from our agency a few years back crippled this department and, as claims volumes kept rising, this led to claims being processed in well over 21 days. At present, OESC has doubled the size of the adjudication department and brought fresh perspective and processes to this group to increase adjudication turnaround time 25% since mid-January.

As you can see from the previous year's totals, OESC did not have an issue with timeliness prior to the pandemic and the paper and manual processes the agency used then were adequate to handle the volume before March of 2020. Once the pandemic hit and the stress to the system caused delays that were unheard of, which resulted in the paper and manual processes starting to break down as the stress to the system increased. Updating this process is a key component to the agency's transformation and will provide the structure and technology to ensure adjudication staff have the tools and the processes to meet the challenges they are continuing to face during the pandemic.

The impact of OESC's ambitious business process transformation, named BT40 (40 years of business transformation in 18 months) cannot be overstated. The plan emerged from the agency's previous 5/39 Plan (5 years $39M) when Director Zumwalt brought in Leslie Weaver as the agency's new Chief Technology Officer and asked her to assess the 5/39 Plan's ability to deliver the technology improvements that were needed to allow the agency to provide services to claimants should the volume of claims the pandemic brought ever happen again. As CTO, Weaver quickly realized that the plan, that was started in 2019 and had kicked off after OESC executive staff had traveled to other states to view other state's claims systems, was another Band-Aid for the mainframe that was created prior to the pandemic and would only modernize a failing mainframe, but not transform the agency.

From this assessment and evaluation OESC created and started the process for the 18-month BT40 project which is double the work of the 5/39 Plan in half the time. There is not one part of the agency that will not be completely transformed by BT40. From the employer experience to the claimant/citizen experience to how OESC staff interacts with the system, this is the plan the agency and state need e to give all these stakeholders the experience they deserve when interacting with the agency.

Shelley Zumwalt
Executive Director

OKLAHOMA
Employment Security Commission

J. Kevin Stitt
Governor

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David Adams, Commissioner

Representing the Public
David Reid, Chair

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Finding 3: Oklahoma's Unemployment Insurance Fund Remains At Risk.

Does the agency agree with the facts as presented?

Yes

Does the agency agree with the recommendations related to this finding?

Yes; but

Agency Comments and Clarifications (Technical response)

OESC and Director Zumwalt agree that the UI Trust Fund has experienced an unprecedented year of benefits payouts since March of 2020. For scope, the agency, as of Feb. 1, 2021, has paid out $4.1B in benefits since March 2020 and of that $4.1B, $1.42B was paid out in benefits for UI or traditional unemployment in the same period. This is more than the funds paid out during 2010-2019, which saw just over $3B paid out of the UI Trust Fund. It is important to note the balance of the UI Trust Fund is monitored daily by the agency. While the fund is currently projected to make it through Q1 of 2021, if current claims declines continue, it will be close, and the agency has prepared actions to take should the Fund be at risk if claims declines slow.

While the suggestions put forth by the LOFT team are just fine and the agency supports these recommendations, what is really needed it a wholesale overhaul of the state workforce plan that supports claimants making the transition from unemployment to reemployment. Currently, workforce efforts are scattered among many agencies including OESC, Commerce, Department of Human Services and others. This is not necessarily an issue because each plays a part in helping or guiding their customers or claimants through the system, but it could work much better and there is an effort which OESC is a part of to connect citizens to services and serve the person in a holistic way with the goal of making the system easier to navigate. The goal of this effort would be to ultimately help the person receive the services they need that will help them transition to stable employment. The current organizational challenges that exist are related to federal legislative requirements as well as the state workforce plan that requires OESC to partner with local workforce boards and co-locate at American Job Centers, of which OESC has 28 locations all over the state. This requirement can be found under The Workforce Innovation and Opportunity Act as outlined in 34 CFR 463.315 and rules associated with the Wagner-Peyser Grant. According to US DOL's regional office, OESC may not look to find efficiencies by closing or combining offices. At present, the Wagner-Peyser Grant is operating at a $500,000 deficit for the most recent calendar year and grant funds have remained flat for many years. This funding issue does not directly account for the workforce issues that currently exist, but running a program at a half-million dollar deficit is much easier to live with if the system is working well and re-employment services and assistance are consistent across all offices. This is unfortunately not the case.

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OESC has identified consolidation opportunities across the state in addition to identifying virtual support opportunities once the BT40 Transformation has finished in Q1 2022. While OESC is committed to working with our partners to help claimants with unemployment and re-employment services, the agency has historically been the partner with the financial means to support efforts at the local offices that should be shared costs at the local workforce centers. With the financial strain the pandemic has brought to our state and the disproportional impact it has had on OESC, the ability to take fiscally responsible actions to evaluate and take action on a program that is running at a deficit is needed and should be supported by our federal partners.

OESC enjoys many rich and tenured relationships with many of our local workforce boards. However, the agency sees many opportunities for the system to work better to serve the citizens and claimants seeking re-employment services. While this arrangement with workforce services has been one that many lawmakers have tried to reform over the years, the pandemic offers a unique opportunity to re-envision how the state approaches and administers workforce services.

Shelley Zumwalt, Executive Director
Oklahoma Employment Security Commission