

## Authorizing Legislation

House Bill (HB) 433 is the authorizing legislation for establishment of employers Unemployment Insurance (UI) tax rates for 2025.

HB 433 replaces the State Experience Factor with the Average High-Cost Multiple (AHCM). The AHCM is a commonly used actuarial measure of Unemployment Insurance Trust Fund solvency.

The AHCM provides an estimate of the length of time (measured in number of years) current reserve in the trust fund, without considering future revenue income, can pay out benefits at a historically high payout rate. For example, a AHCM of 1.0 indicates the state is expected to be able to pay one year of UI benefits using the money already in the state’s trust fund.

AHCM is calculated by dividing the reserve ratio (i.e., the balance of UI trust fund expressed as % of total wages paid in covered employment) divided by the average cost rate of three high-cost years in the state's recent history (20 years or a period covering three recessions, whichever is longer). In this definition, cost rate for any duration of time is defined as benefit cost divided by total wages paid in covered employment for the same duration, usually expressed as a percentage.

$$\text{AHCM} = \frac{\text{Reserve Ratio}}{\text{Average High Cost Rate}}$$

HB 433 states that if the average high-cost multiple is greater than or equal to 1.0, employers shall be assigned a basic assessment rate in accordance with Schedule A of the Assessment Rate Schedule table below. If the average high-cost multiple is less than 1.0, employers shall be assigned a basic assessment rate in accordance with Schedule B of the Assessment Rate Schedule table below.

| Benefit Wage Ratio (%)<br>Does not Exceed | Schedule A<br>(AHCM greater than or equal to 1.0)<br>Basic Assessment Rate | Schedule B<br>(AHCM less than 1.0)<br>Basic Assessment Rate |
|---|--|---|
| 20  | 0.3%   | 0.4%  |
| 30  | 0.6%   | 0.8%  |
| 40  | 1.2%   | 1.3%  |
| 50  | 1.8%   | 1.9%  |
| 55  | 2.4%   | 2.5%  |
| 60  | 3.0%   | 3.1%  |
| 70  | 3.6%   | 3.7%  |
| 80  | 4.2%   | 4.3%  |
| 90  | 4.8%   | 4.9%  |
| 100                                       | 5.4%   | 5.4%  |

