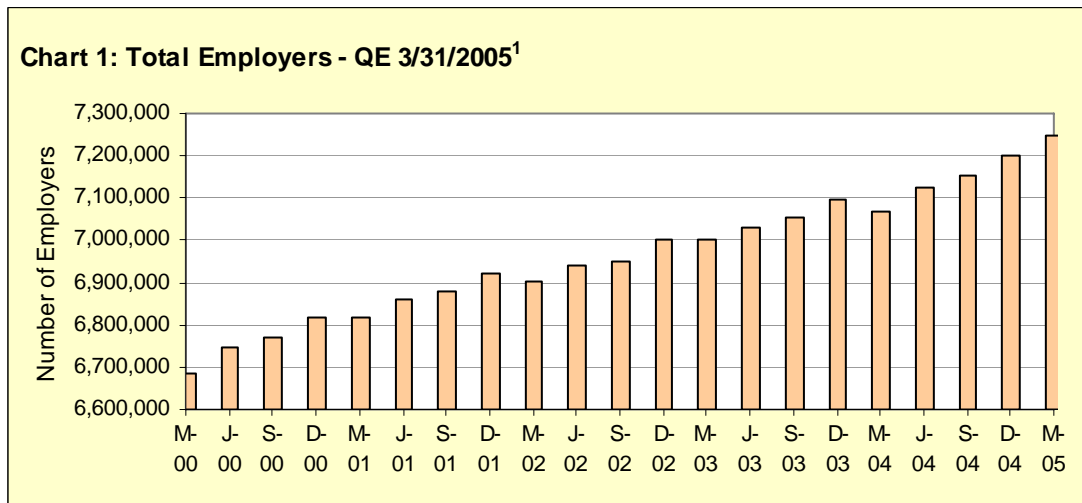


Attachment B – Analysis of ETA 581

Analysis of ETA 581, Contribution Operations Data - Quarter Ending 03/31/2005

Subject Employers

The number of active employers subject to state unemployment compensation grew to 7,251,927 as of March 31, 2005. This represents a gain of 47,489 (0.66%) employers over the quarter ending (QE) December 31, 2004, and an increase of 185,200 (2.62%) since March 31, 2004¹.



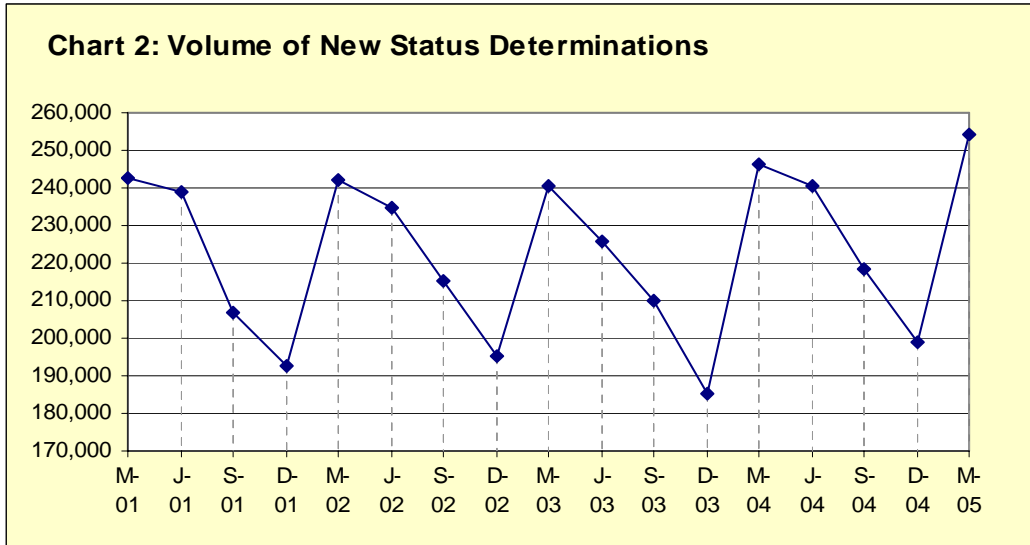
The 5-year growth of the number of employers nationally is displayed (Chart 1) above. The largest growth in the number of employers has occurred in California and Florida increasing by 363,955 (49%) and 145,655 (47%) employers, respectively, while Texas experienced slower growth of 94,274 (30%) employers. States with the highest percentage of growth over the same 15-year period (beginning with the count taken on March 31, 1990, and ending with data from March 31, 2005) were Utah (92%), Nevada (90%), and Idaho (75%). During the 15-year period, Florida has become the nation's third largest state in number of employers, moving past Texas and gaining on second place New York. New York also experienced slower growth during the 15-year period of only 39,944 employers (9%). If current growth patterns continue, Florida's number of active employers may surpass those in New York by 2008.

Status Determinations: New Employers

State workforce agencies reported having made 253,993 new status determinations during the quarter, the highest volume since the QE June 30, 2000. Status determinations include all determinations of new liability plus determinations that reactivate temporarily inactive accounts. Compared to the QE 12/31/2004,

¹ The employer totals represented on Chart 1 prior to QE 12/30/2004 do not include approximately 3,295 employers in the VI.

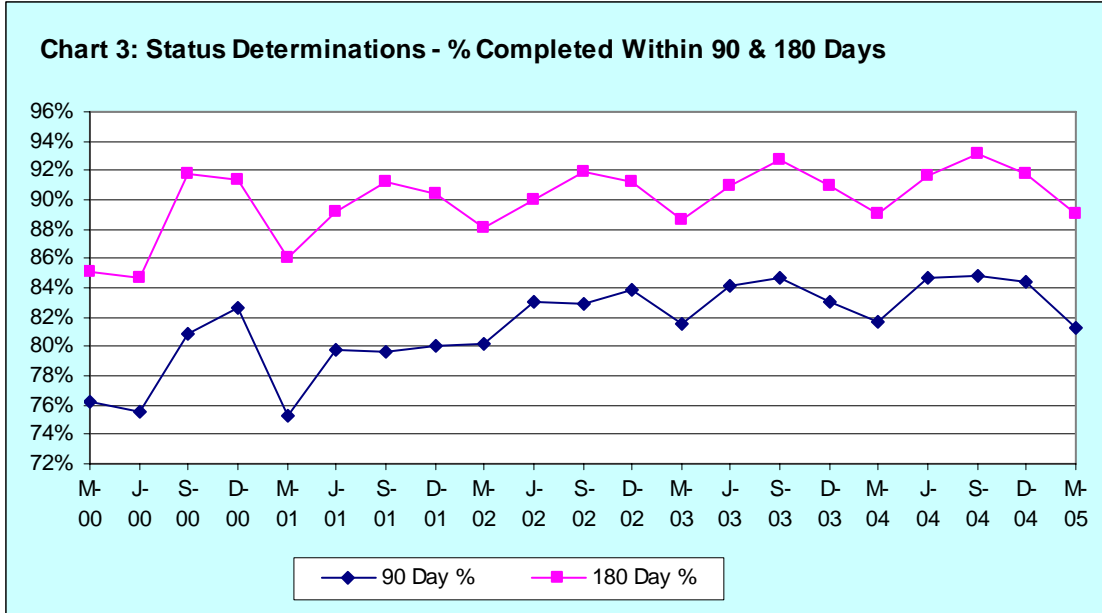
determinations increased 54,875 (28%), and compared to the QE 3/31/2004, the increase was 7,642 (3%). Chart 2 below illustrates the typical surge of new status determinations that occurs during the January – March quarters.



During fiscal year ending September 30, 2005, the State Quality Service Plan (SQSP) requires that SWAs make at least 70% of their status determinations within ninety days of the end of the quarter in which it was determined that the employer met a threshold of liability under state law. Forty-eight of the 53 reporting states and territories reported percentages of 70% or greater. Only Puerto Rico, Iowa, Kansas, and Arizona did not meet this requirement.

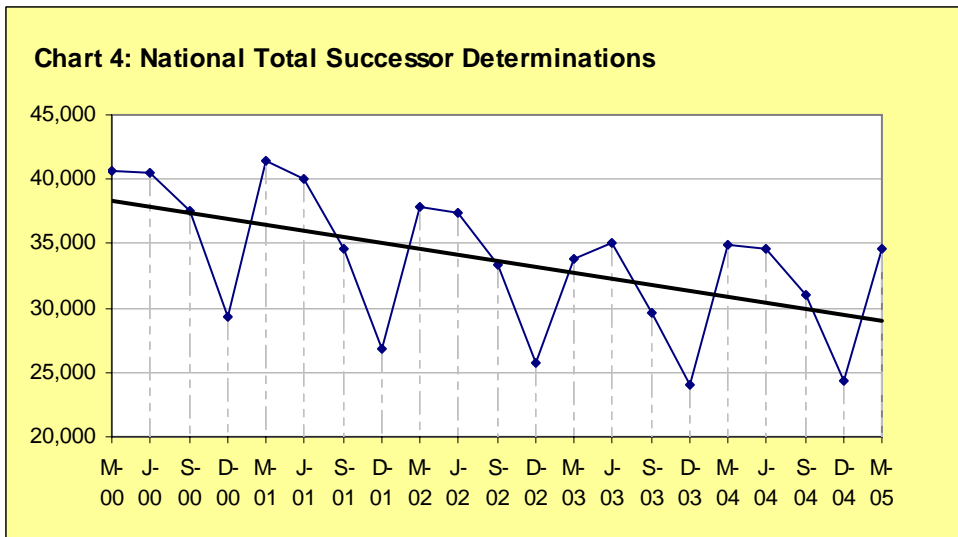
ETA strives to meet national Government Performance and Results Act (GPRA) goals for establishing employer tax accounts promptly. The ETA GPRA goal for fiscal year 2005 (10/1/2004 – 9/30/2005) is 82.4%. Individually, 22 states were successful in meeting the 82.4% GPRA goal for determinations completed during January, February and March 2005. The aggregate national percentage (ETA's goal) for the quarter was 81.3%, 1.1 percentage points below the GPRA objective. As the volume of determinations declines for quarters ending June 30 and September 30, performance in this area should improve.

Charts 2 and 3 together illustrate how the aggregate national quarterly percentage for the 90-day measure dropped from 84.4% for the QE 12/31/2004 (low volume of 199,079 determinations on Chart 2) to 81.3% for the QE 3/31/2005 (high volume of 253,993 determinations on Chart 2). As the volume of determinations increases, performance normally declines.

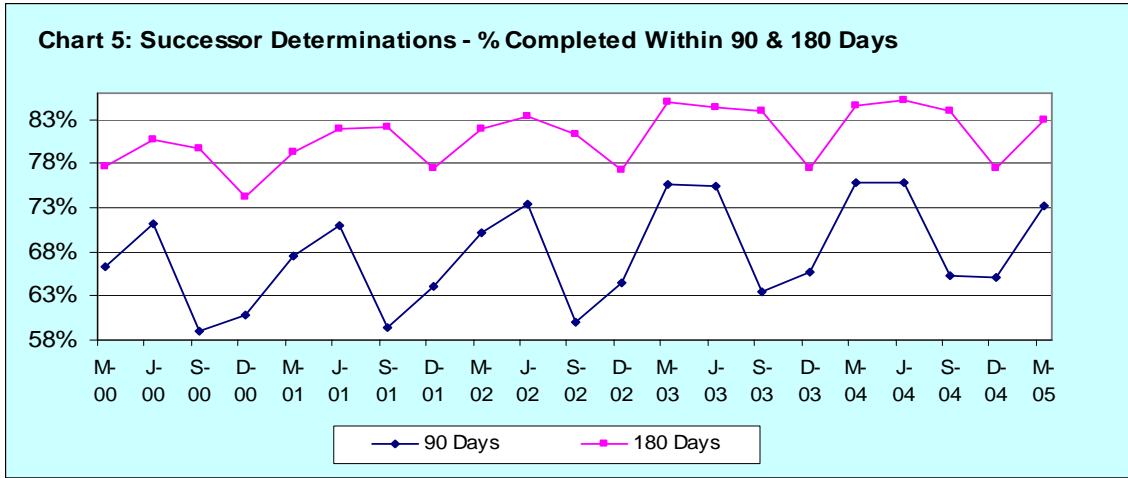


Status Determinations of Successor Employers

SWAs made 34,525 successor determinations during the quarter. Due to the complexity of these determinations, the time lapse from the date of the change in ownership to the determination date is longer on average than for regular new liability determinations.

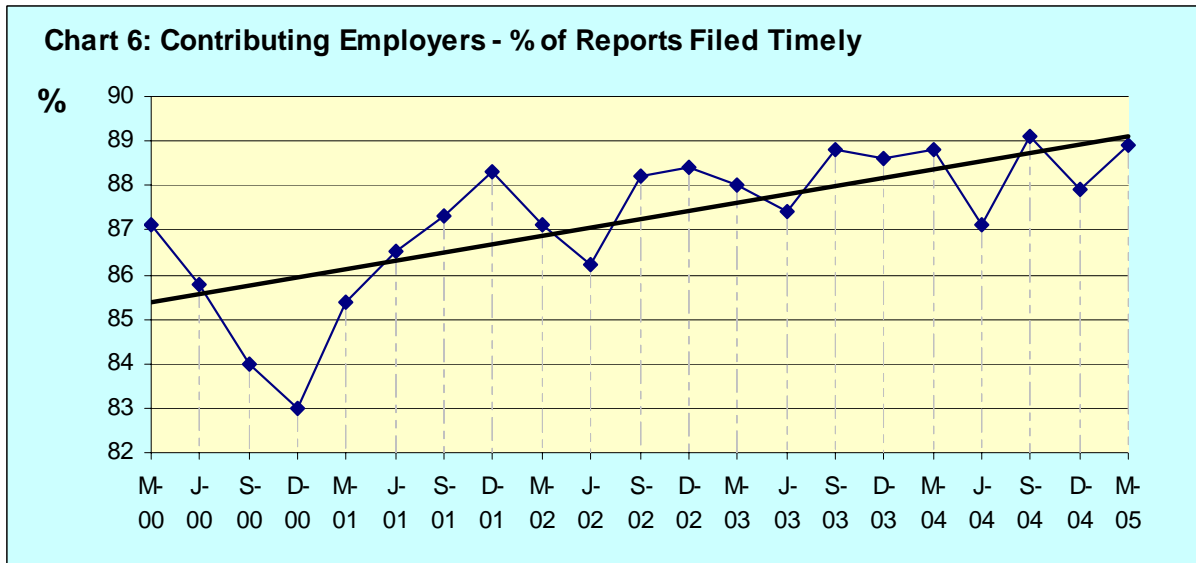


For the Q/E 3/31/2005, approximately 73.3% of all successor determinations were made timely, i.e. within 90 days of the end of the quarter in which the change of ownership occurred, compared to 81.3% for the new employer determinations. Approximately 83% of those successorship determinations were made within 180 days as shown on Chart 5 below.



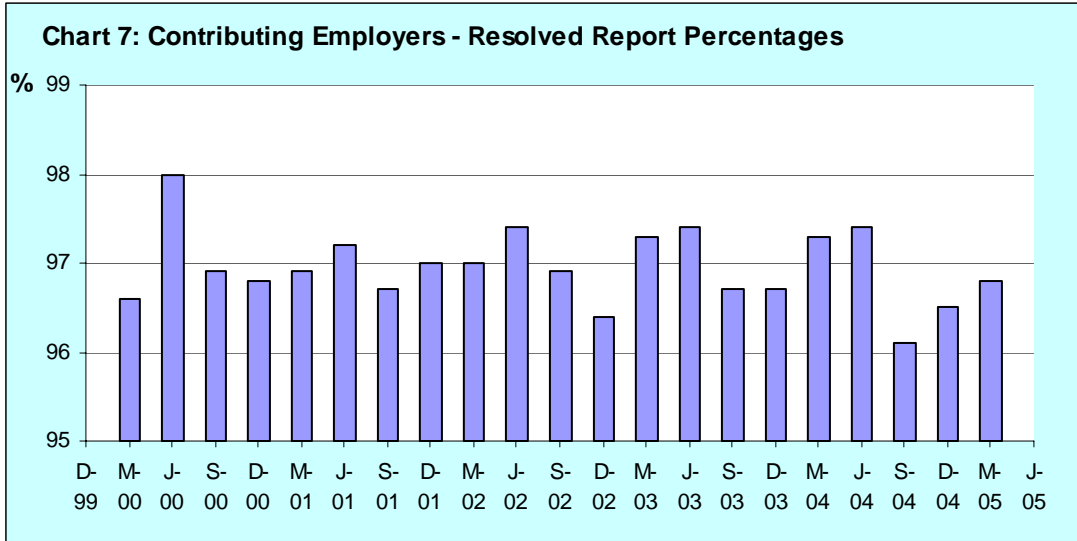
Filing Reports – Contributory and Reimbursing Employers

SWAs distributed over 7.1 million tax reports to employers for the QE December 31, 2004, which were due in most states at the end of January 2005. Employers completed and returned 88.9% of the reports by the due date (timely reports), and as of March 31, 2005, mostly due to state collection efforts, approximately 93.9% of the reports had been filed (secured reports). The upward trend line in Chart 6 illustrates the continuing improvement that SWAs and employers together are making to improve the percentages of tax reports that are filed timely. Timely filing of reports is important because it enables SWAs to get wage data for workers entered into their data bases before the wages are needed for computing benefit claims. This enables SWAs to compute monetary eligibility and to pay benefits in a timely and efficient manner.

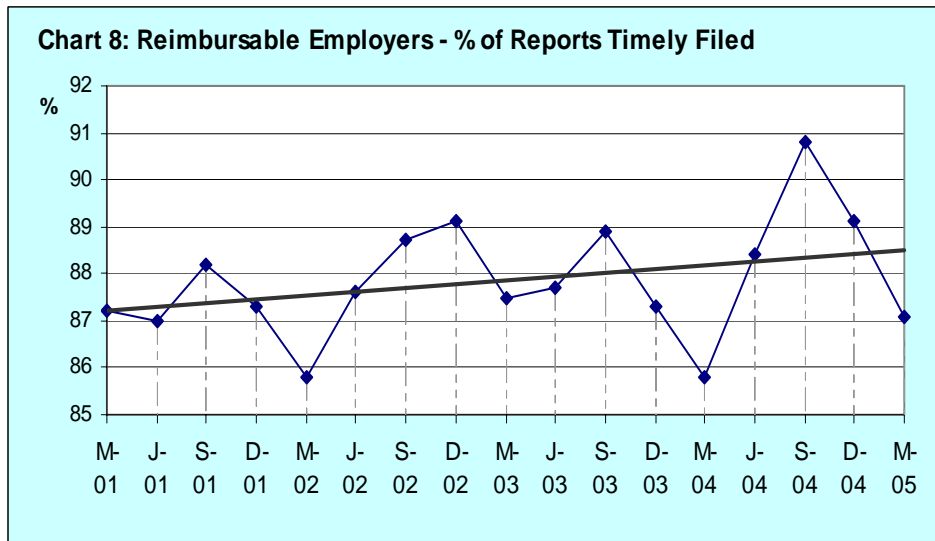


Resolved reports are also counted and reported by SWAs. Resolved reports include all timely and secured reports from the previous quarter ETA 581 report, plus all reports

that are resolved through legal action or the assessment process, as well as reports that are determined to be not due as a result of business closures, successorships, etc. during the current ETA 581 reporting period. The resolved reports count for the ETA 581 report quarter ending March 31, 2005, is a count of the tax reports that report wages paid during the quarter ending 9/30/2004 (two quarters back) that are resolved by March 31, 2005. States have an additional 90 days after the secured count ends to resolve reports that are still delinquent. The national aggregate percentage of resolved reports is quite high, usually between 96% and 98% as shown on Chart 8 below.



Reimbursing employers were mailed 91,532 reports (see Table 3, Attachment C) for the quarter ending December 31, 2004. The reports were to be filed in most states by the end of January 2005. Currently, 51 of the 53 states distribute and collect wage reports

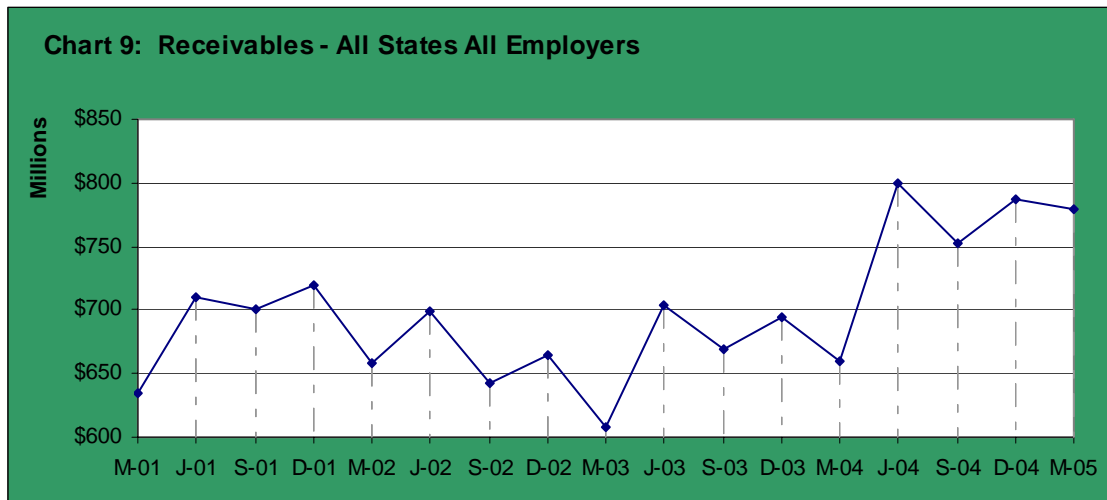


from reimbursing employers, with Massachusetts and Michigan being the two remaining exceptions. Delaware has recently begun collecting reports from reimbursing employers. SWAs reported that 87.0% of their reimbursing employers filed

timely reports. By the end of the report quarter an additional 7.3% of the reports were secured bringing the timely and secured percentage to 94.3%.

Total Receivables – Contributory and Reimbursable Employers Combined

Receivables for contributory and reimbursable employers combined declined by approximately \$8 million (about 1.0%). However, compared to the QE 3/31/2004, receivables are up by \$119 million (about 18%). Typically, receivables decline in the first quarter because employers reach the low point of their taxable wages for the year by the end of the fourth quarter, which is processed during the first quarter ETA 581 report period. This is graphically illustrated in Chart 9 below. The March quarters are the low point for each of the calendar years of 2001, 2003, and 2004. Another increase in receivables is anticipated for the QE June 30, 2005.

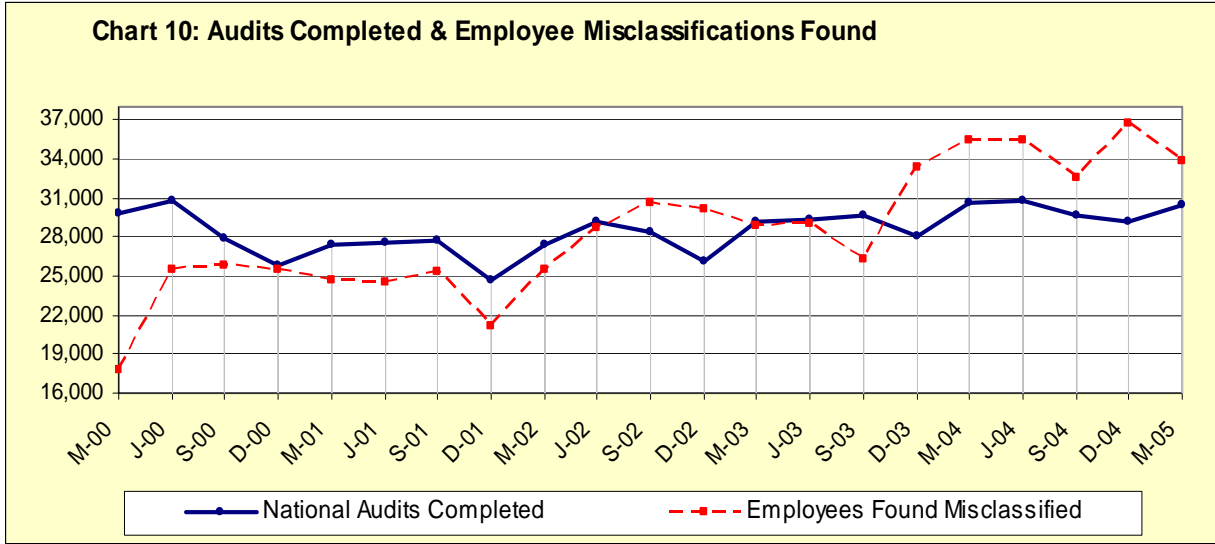


Individual states reporting increases in receivables of ten million dollars or more for the year between the quarters ending March 31, 2004, and March 31, 2005, were: California - \$37,285,913 (43%); Florida - \$17,537,448 (29%); Mississippi - \$16,946,000 (72%); and North Carolina - \$15,505,012 (121%). New York reported a decline of \$14,872,587 (19%).

Concerning Chart 9, it should be noted that Alaska, due to technical difficulties, reported zero receivables for both of the quarters used in these comparisons, and although the Virgin Islands reported receivables of \$339,048 for the QE 3/31/2005, no receivables were reported for the QE 3/31/2004 due to a report not being filed.

Audit Activity

As illustrated on Chart 10 below, SWAs completed 30,408 audits, 86.2% of the quarterly national objective of 35,275 audits.



During the quarter, auditors discovered 33,889 employees that had been misclassified as independent contractors, averaging about 1.1 misclassifications per audit. Although emphasis is placed on counting and reporting employee misclassifications, other errors are also discovered and corrected during examinations of employer's wage records. Chart 11 below provides a visual account of the growth in under reported total wage adjustments reported by SWAs for all types of errors (including misclassifications) that were discovered and adjusted during the quarter. Perhaps some of this increase can be attributed to the increase in the number of audits completed per quarter (see Chart 10).

