



Virginia Employment Commission

Report to

Commission on Unemployment Compensation

Dolores Esser, Commissioner
Virginia Employment Commission

December 17, 2009



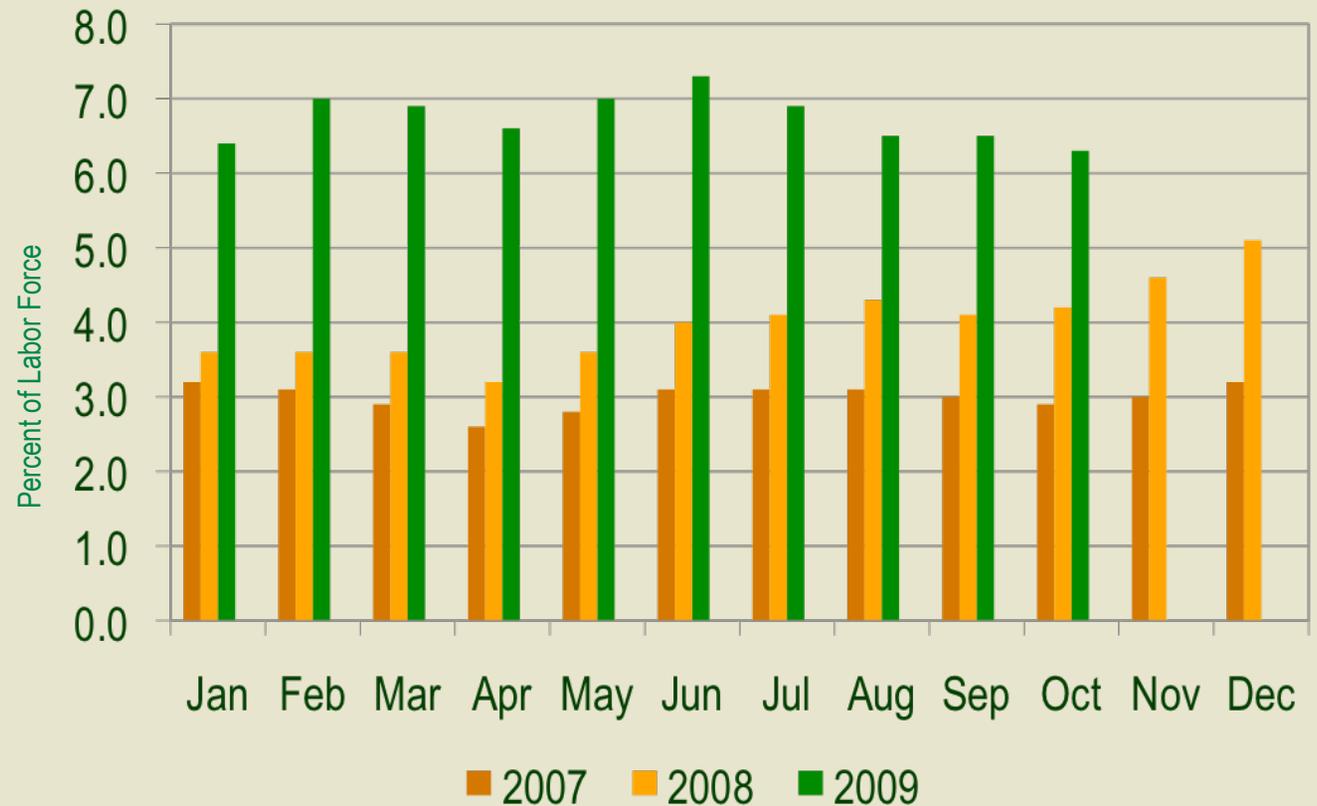
Outline

- VEC Trust Fund
- Federal Emergency and Extended Benefits



Virginia's Unemployment Rates 2007 - 2009 *(year to date)*

- This year unemployment rates have averaged about 75 percent higher than the year-ago rates.
- June's rate of 7.3 percent was the highest rate since March 1983's 7.3 percent.

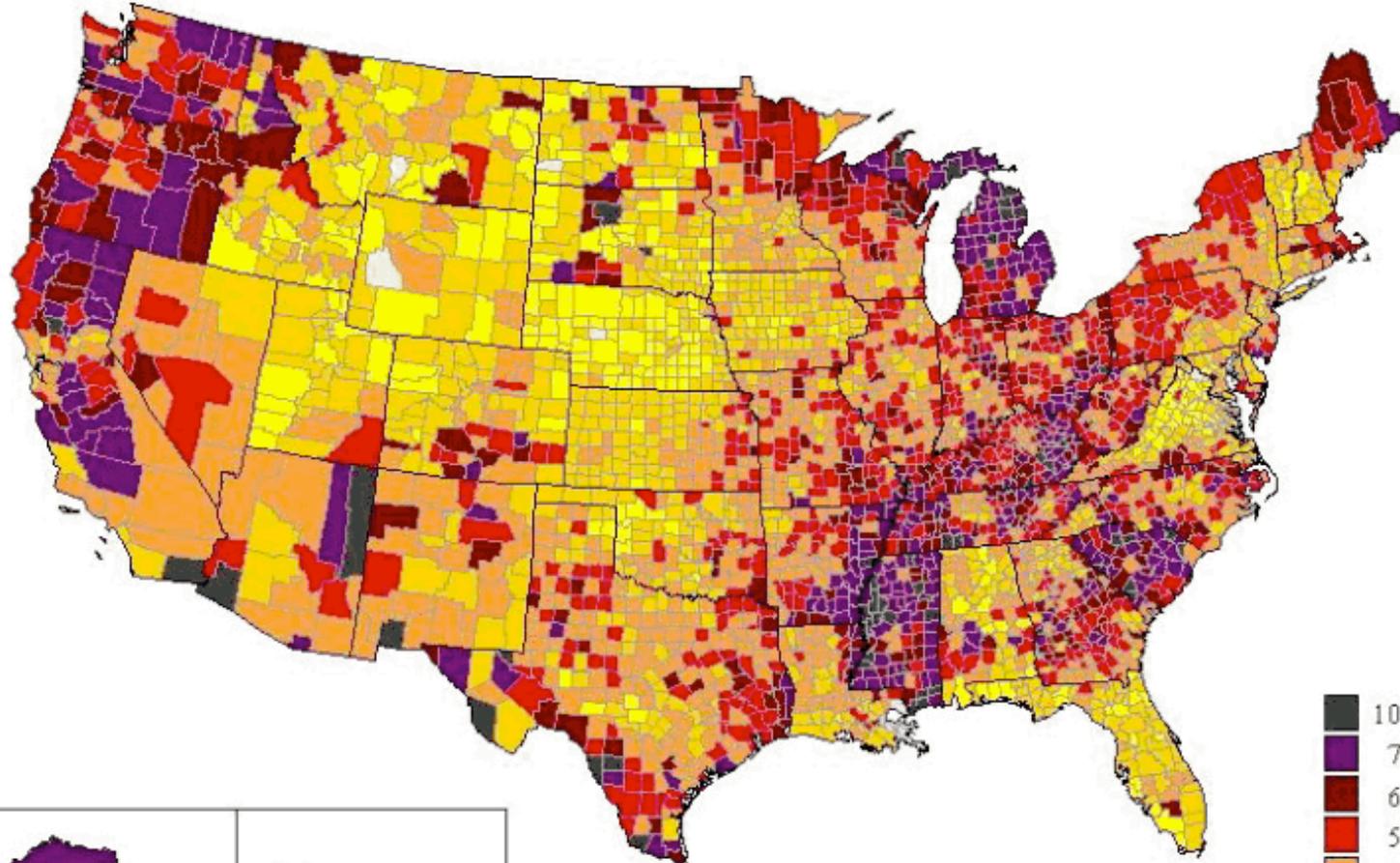


Note: Not Seasonally Adjusted

Unemployment Rates by County

January 2007

4.6%

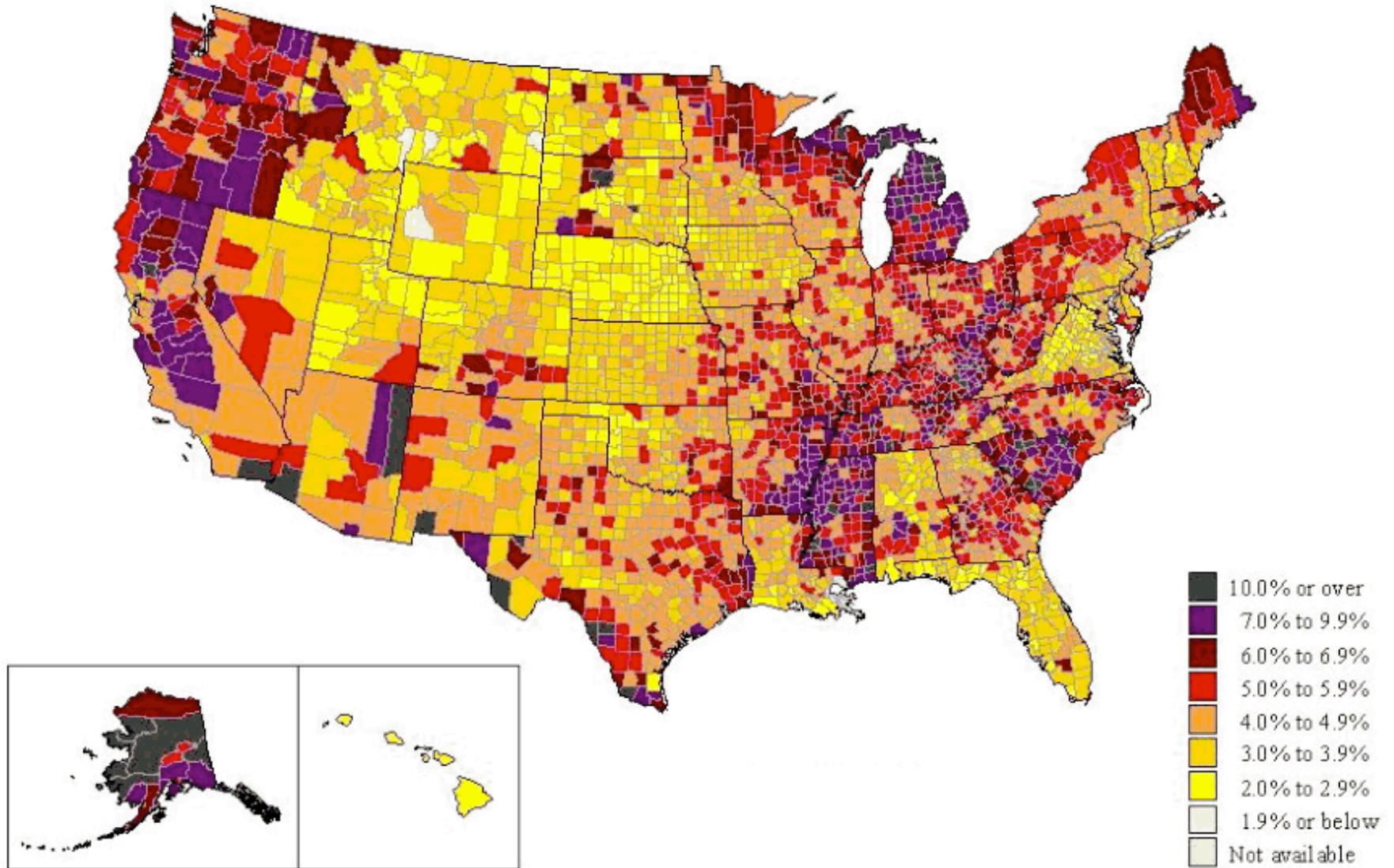


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- 1.9% or below
- Not available

Unemployment Rates by County

February 2007

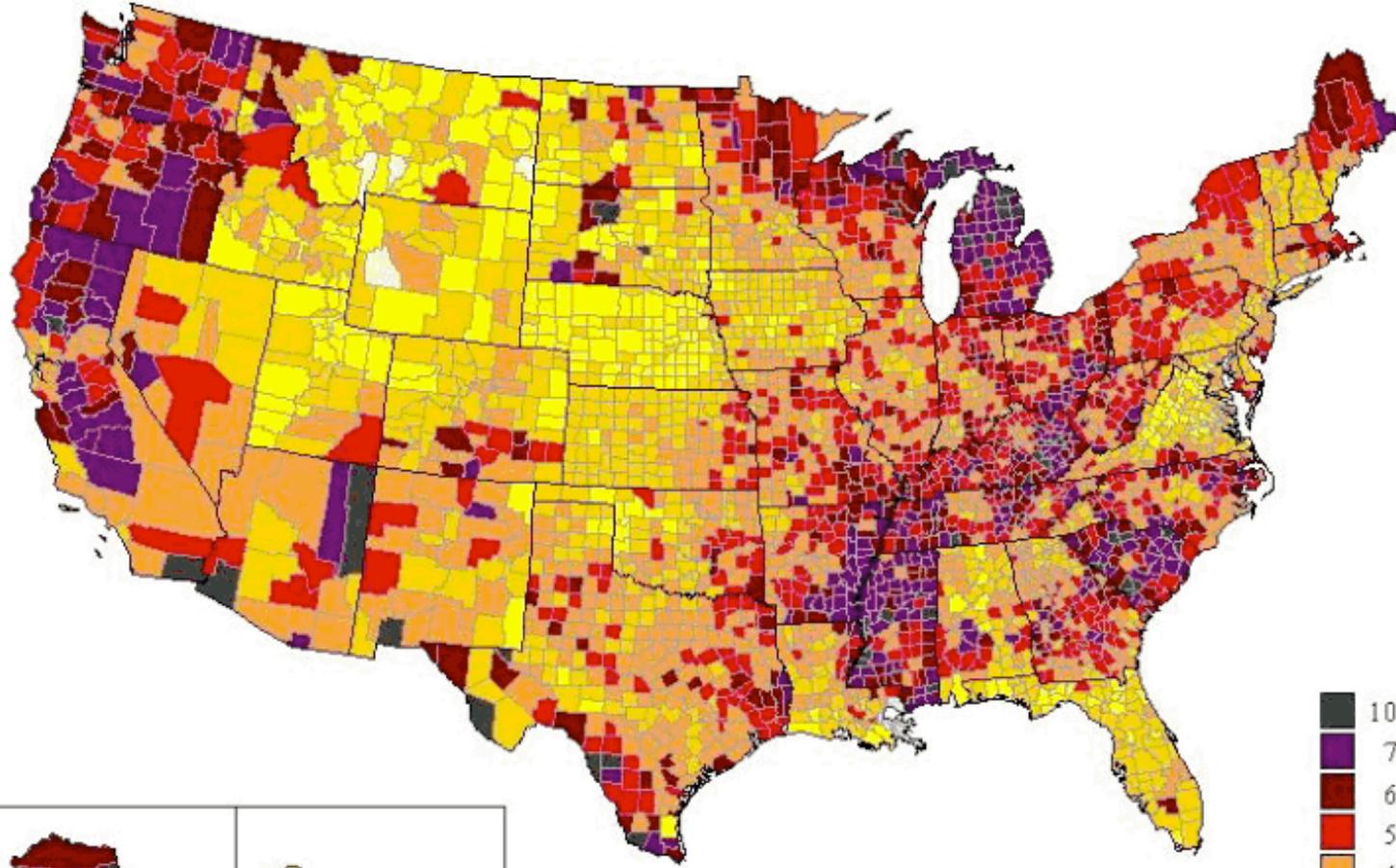
4.6%



Unemployment Rates by County

March 2007

4.6%



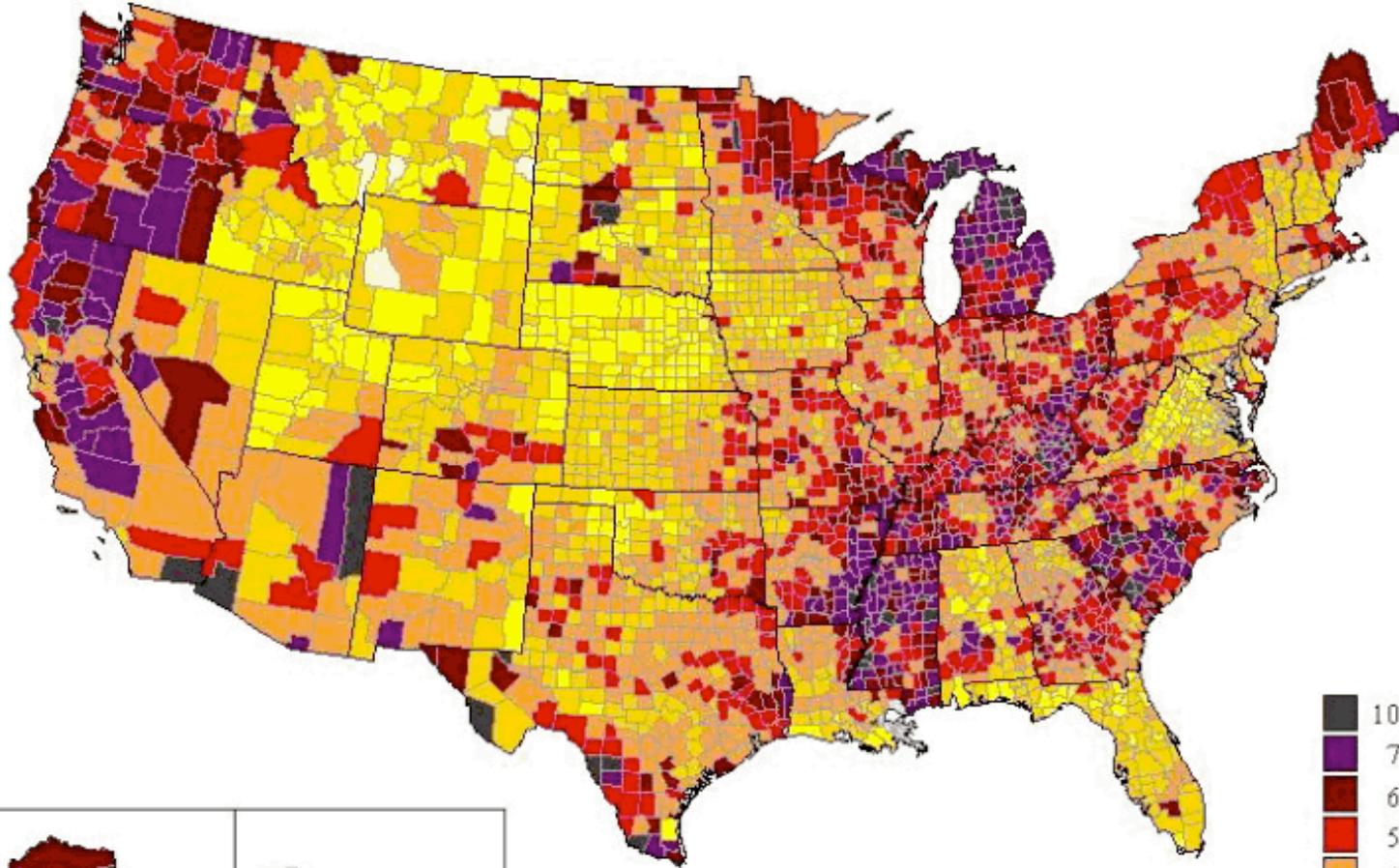
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Unemployment Rates by County

April 2007

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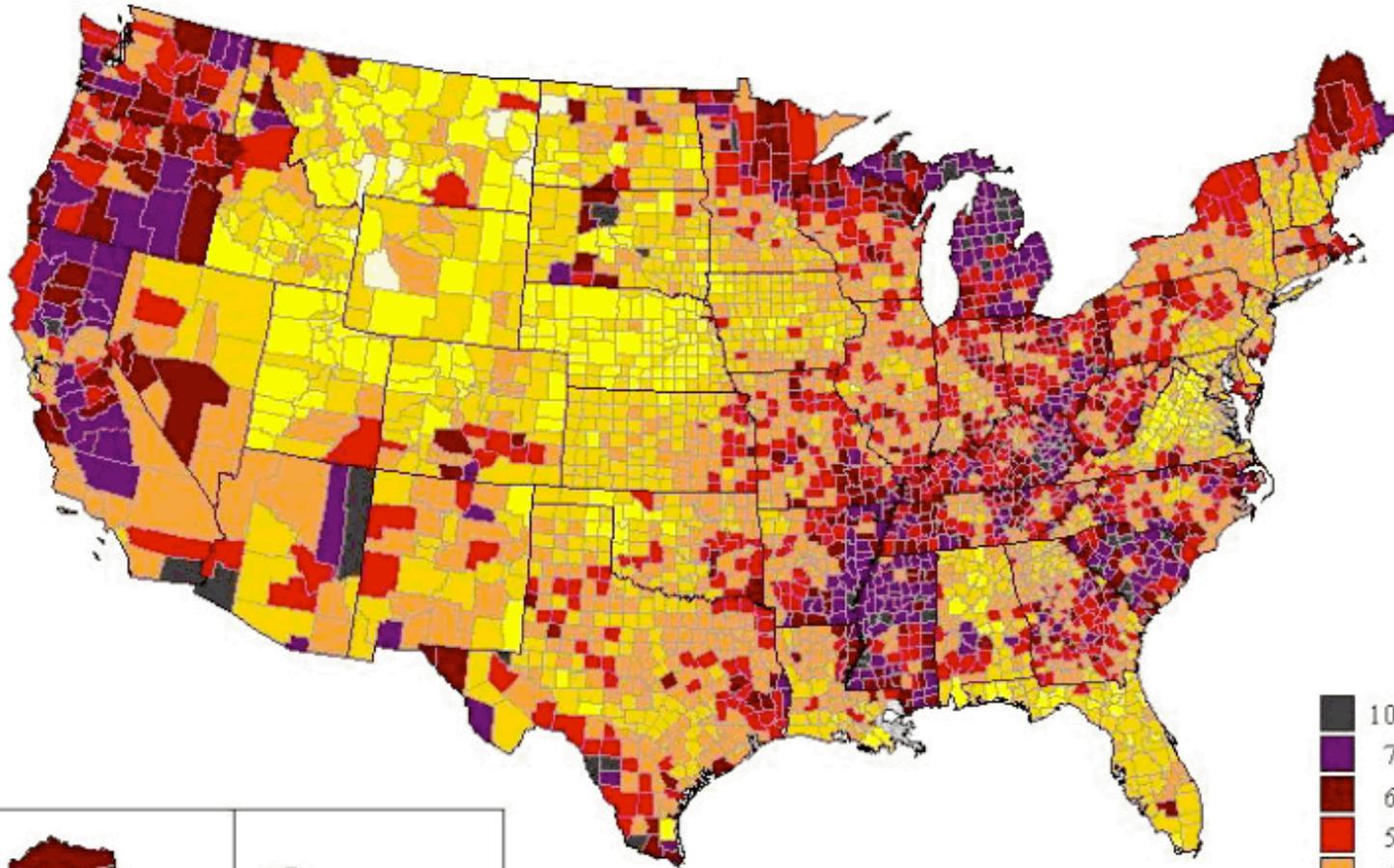


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Unemployment Rates by County

May 2007

4.5%



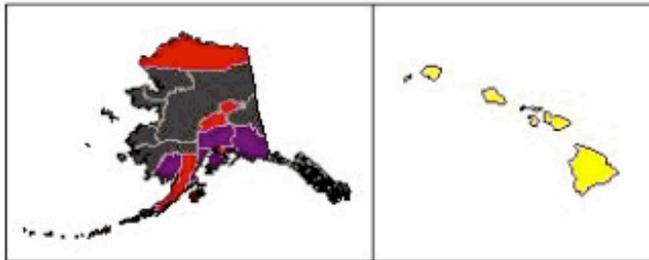
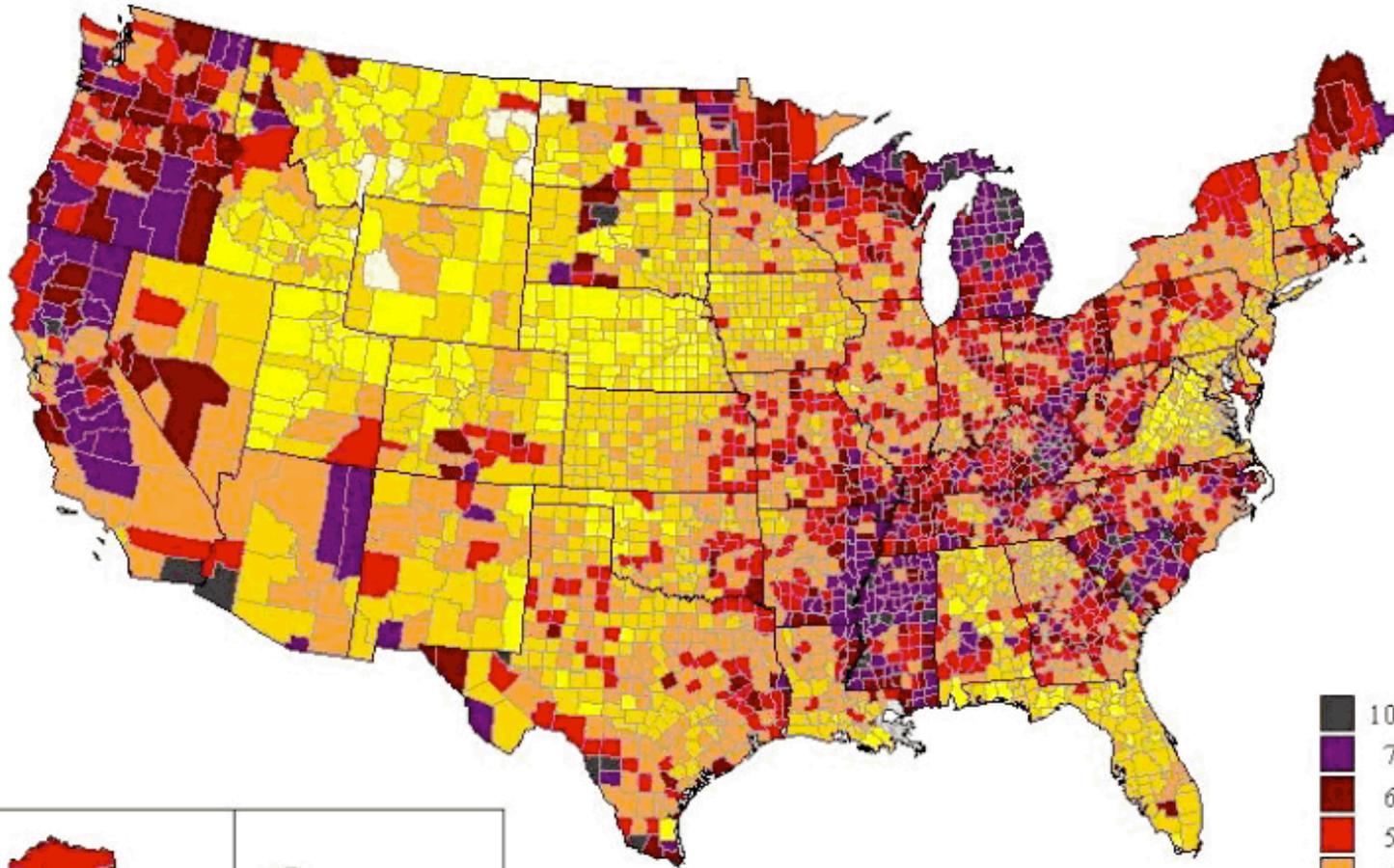
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Unemployment Rates by County

June 2007

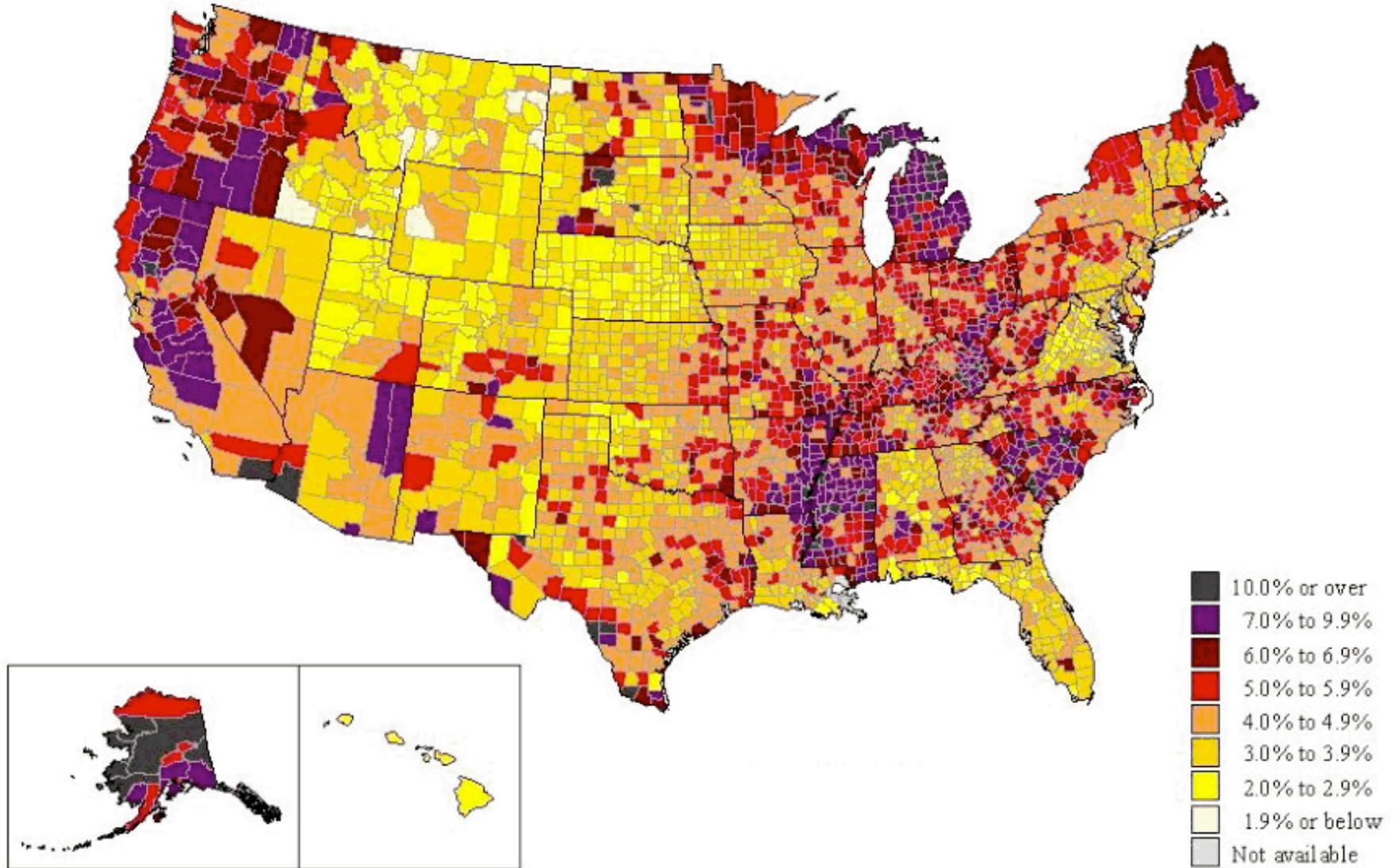
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Unemployment Rates by County

July 2007

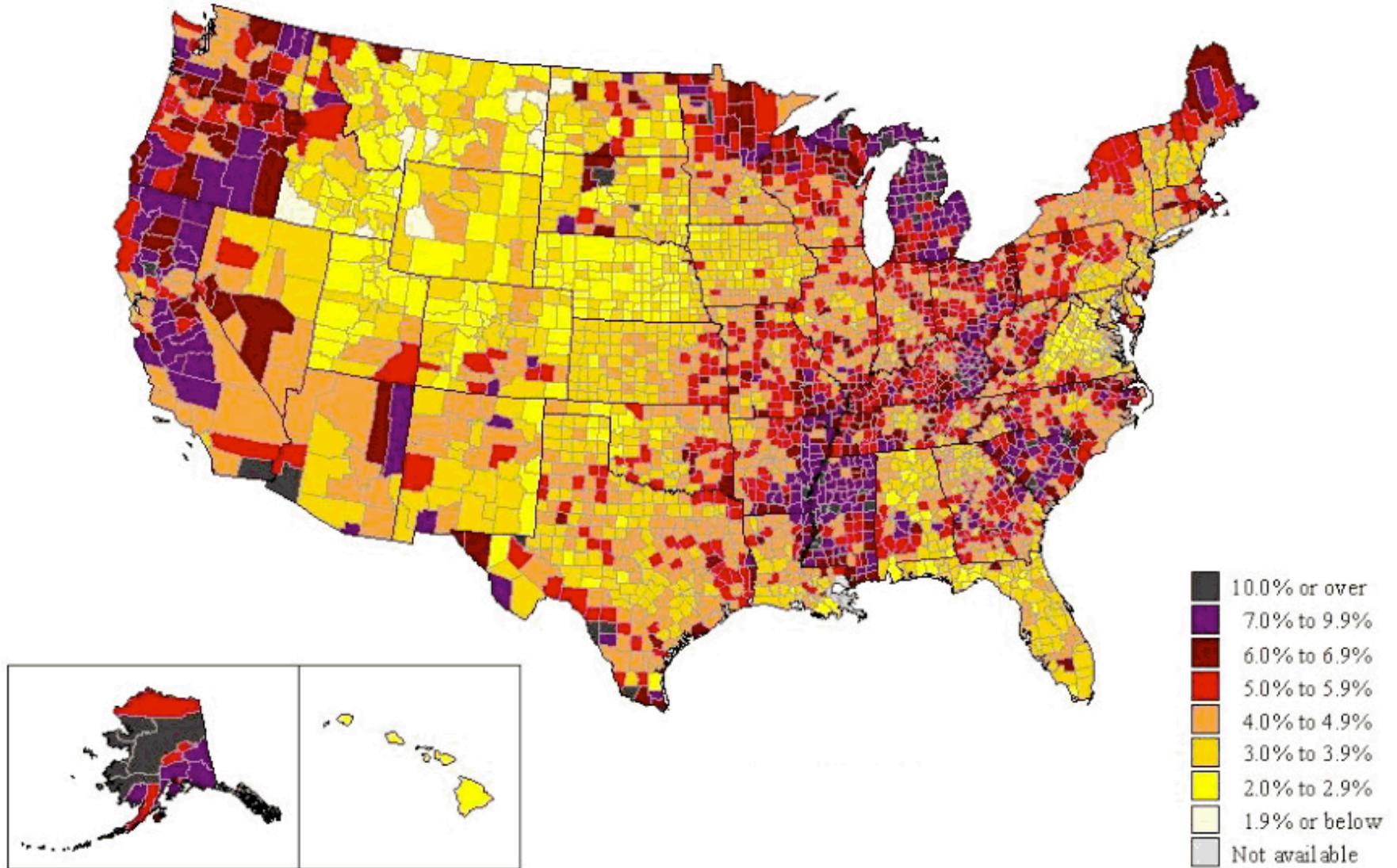
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Unemployment Rates by County

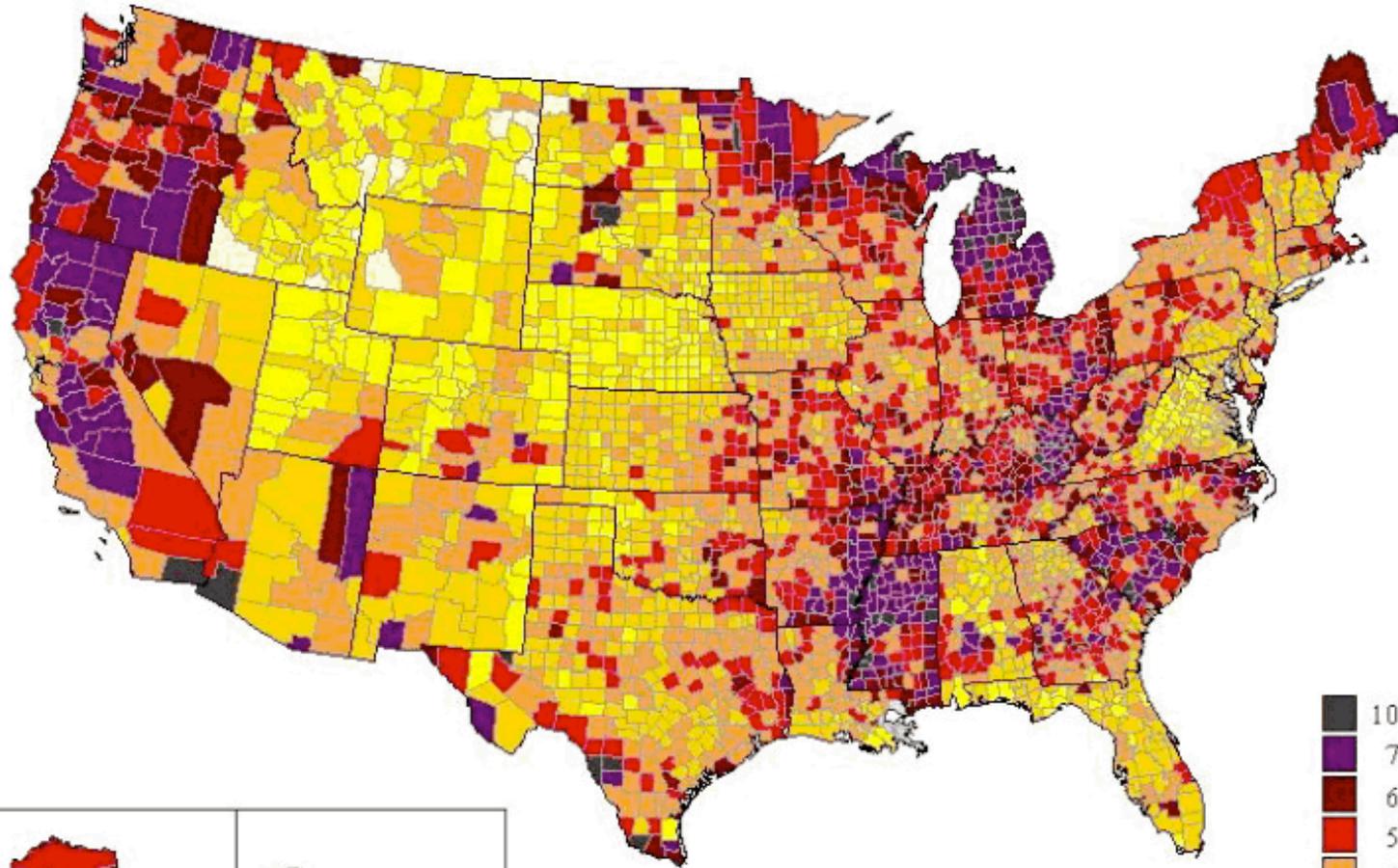
August 2007

4.5%



Unemployment Rates by County September 2007

4.5%

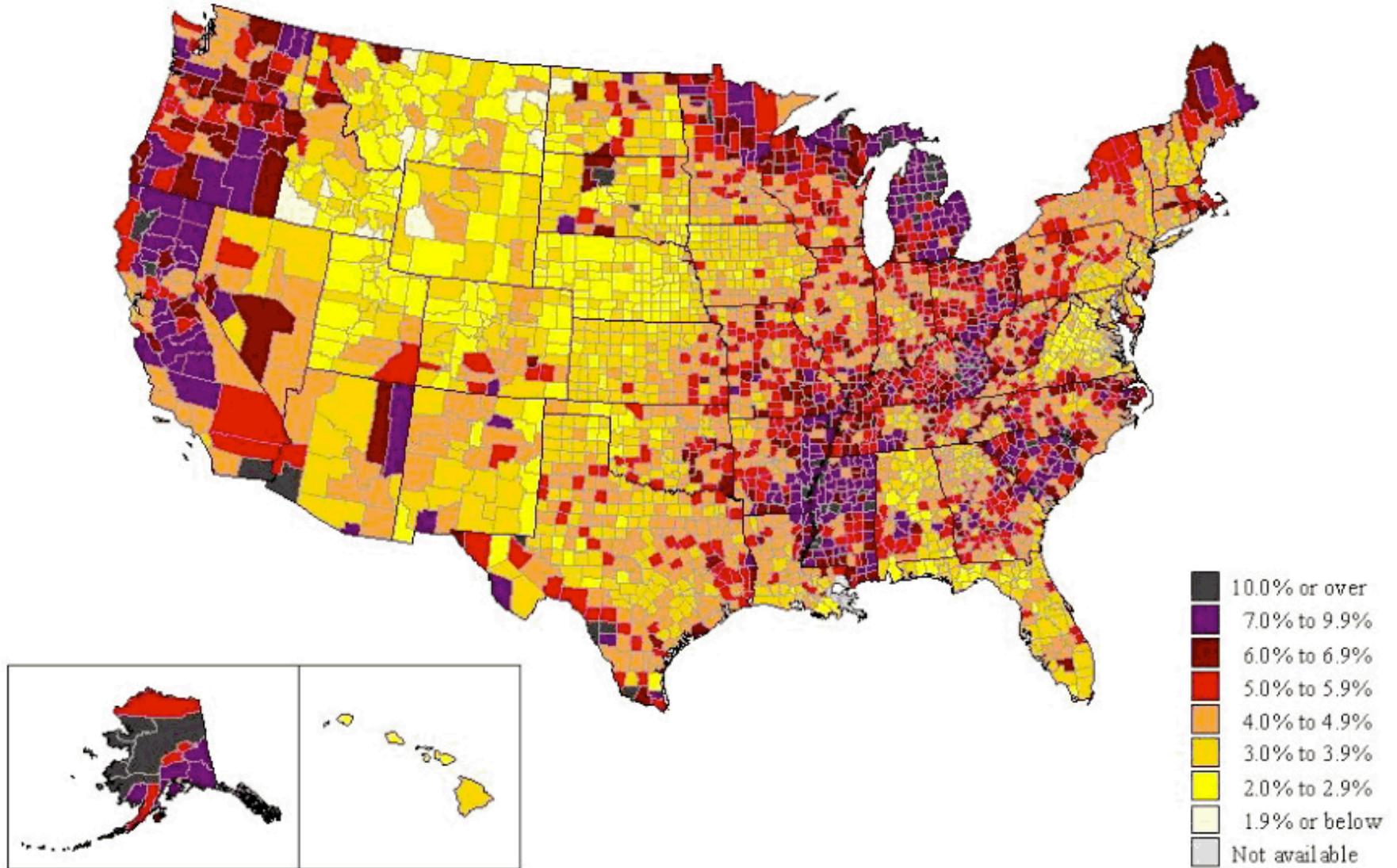


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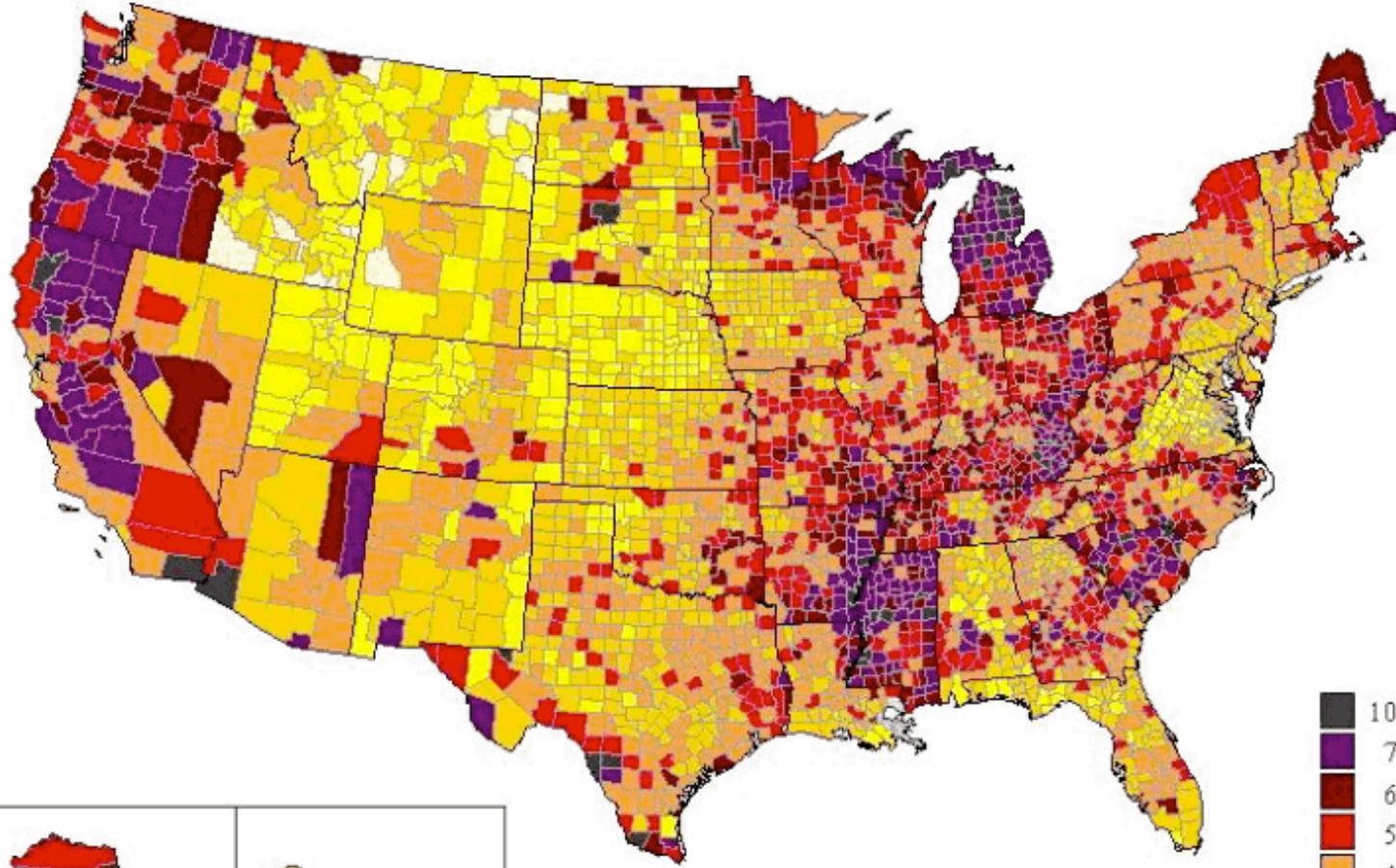
Unemployment Rates by County

October 2007

4.6%



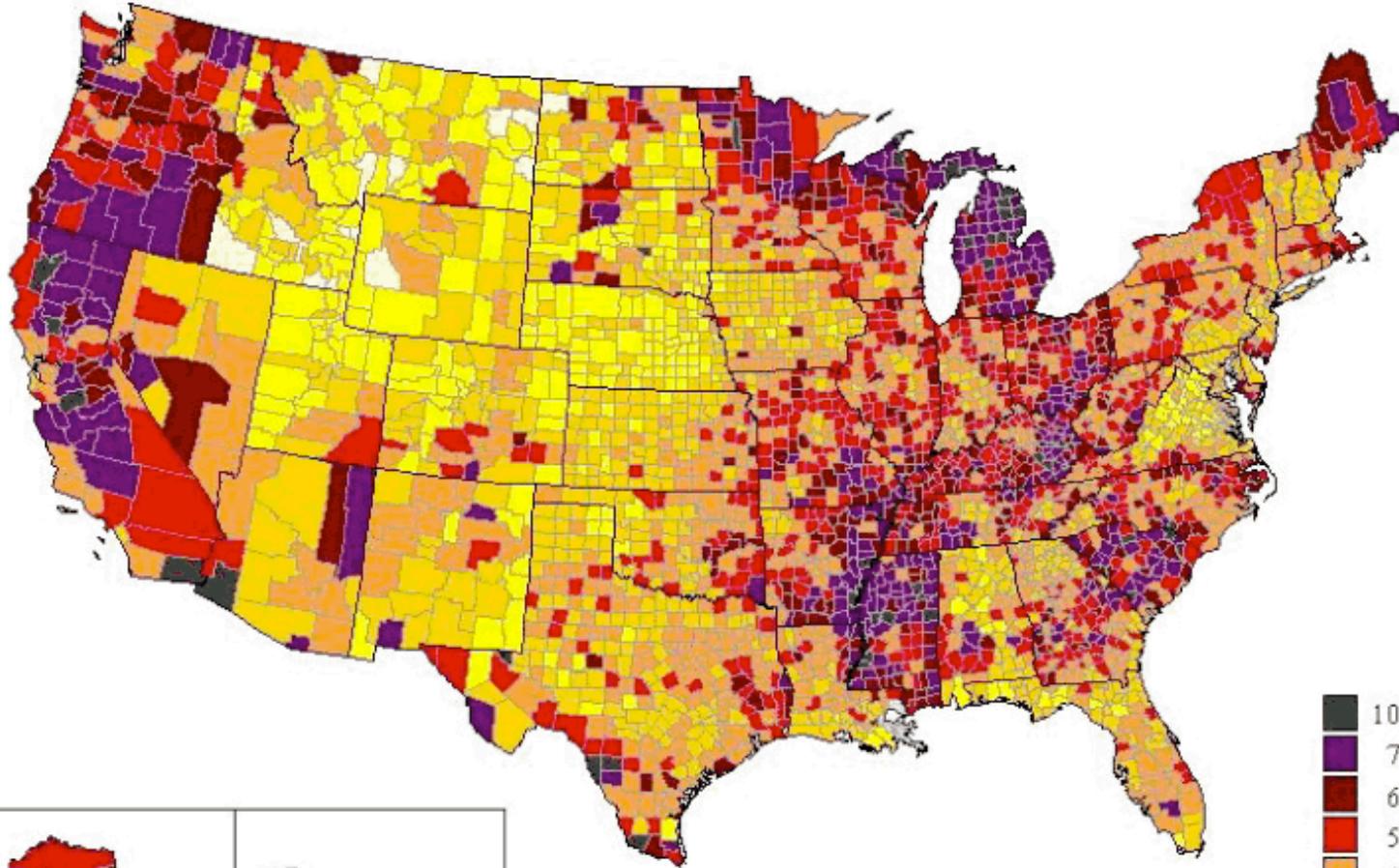
Unemployment Rates by County November 2007 4.6%



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Unemployment Rates by County December 2007

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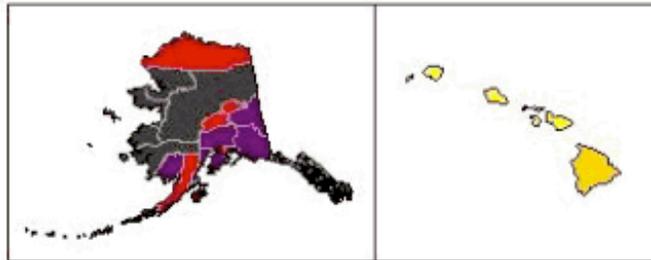
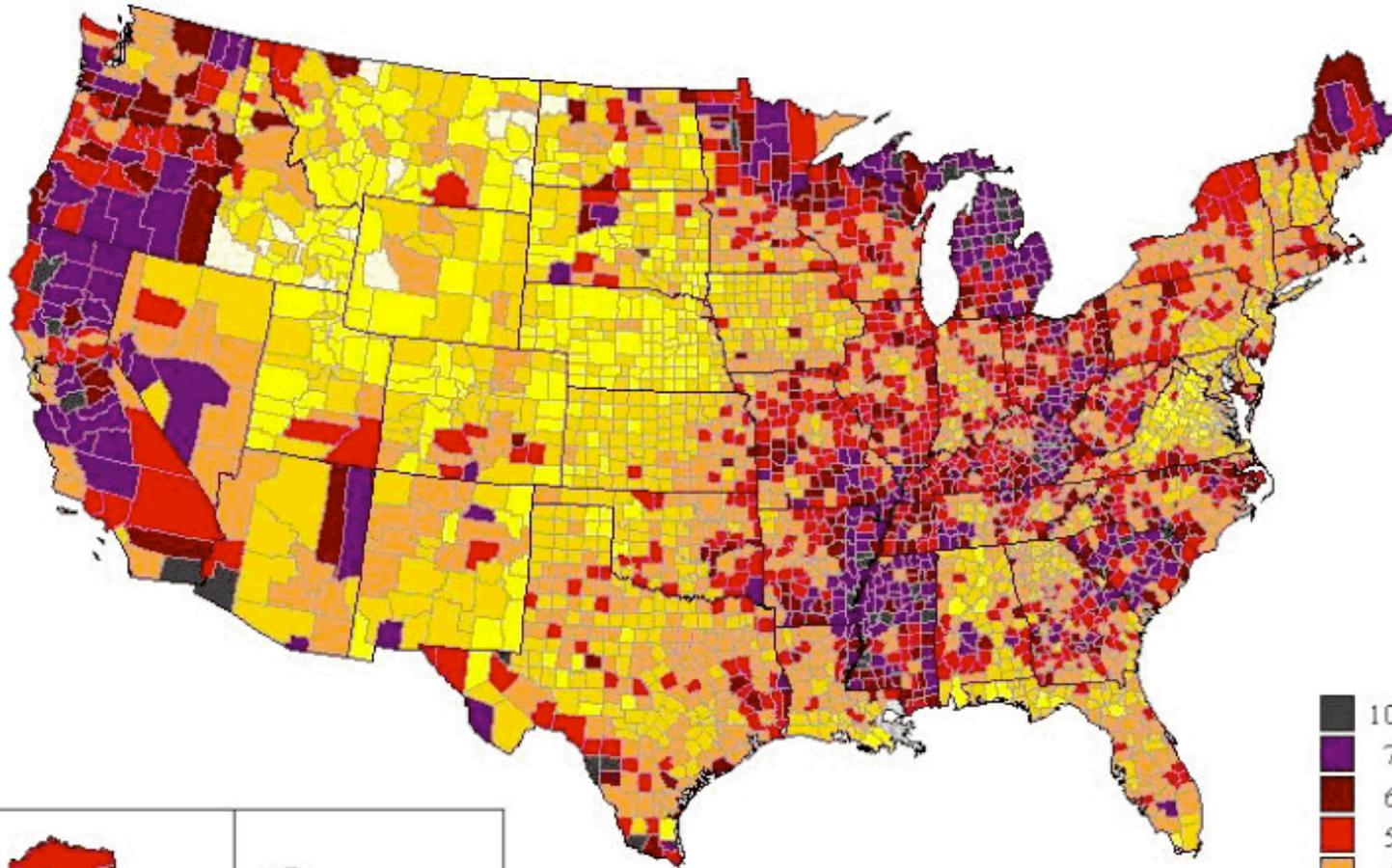


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Unemployment Rates by County January 2008

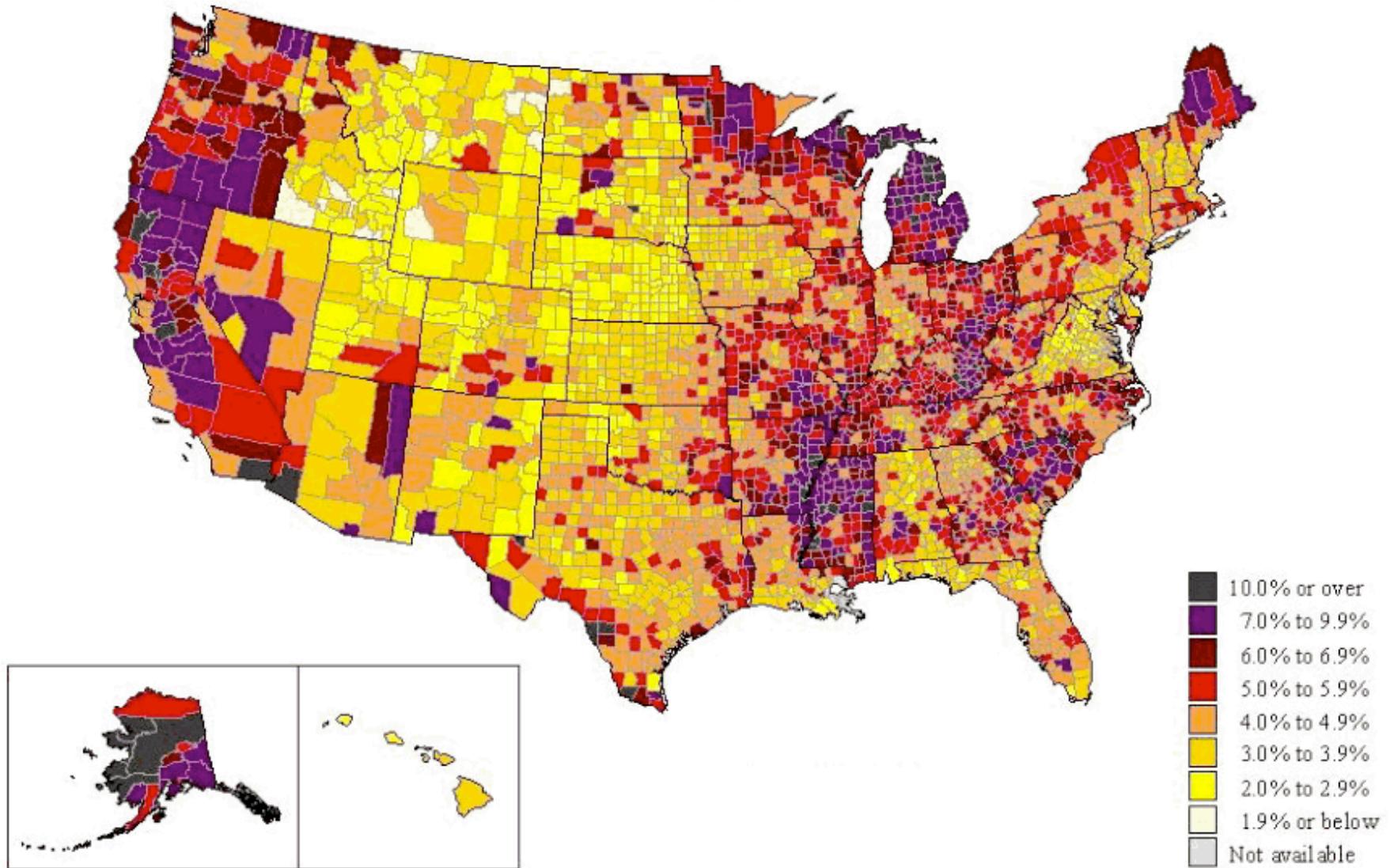
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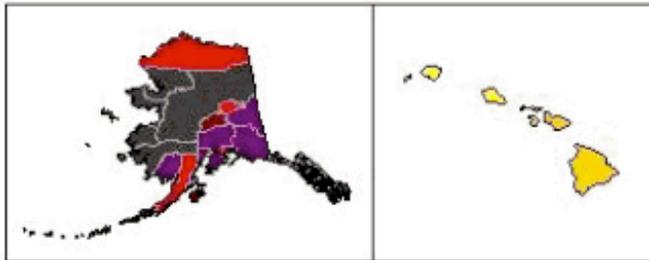
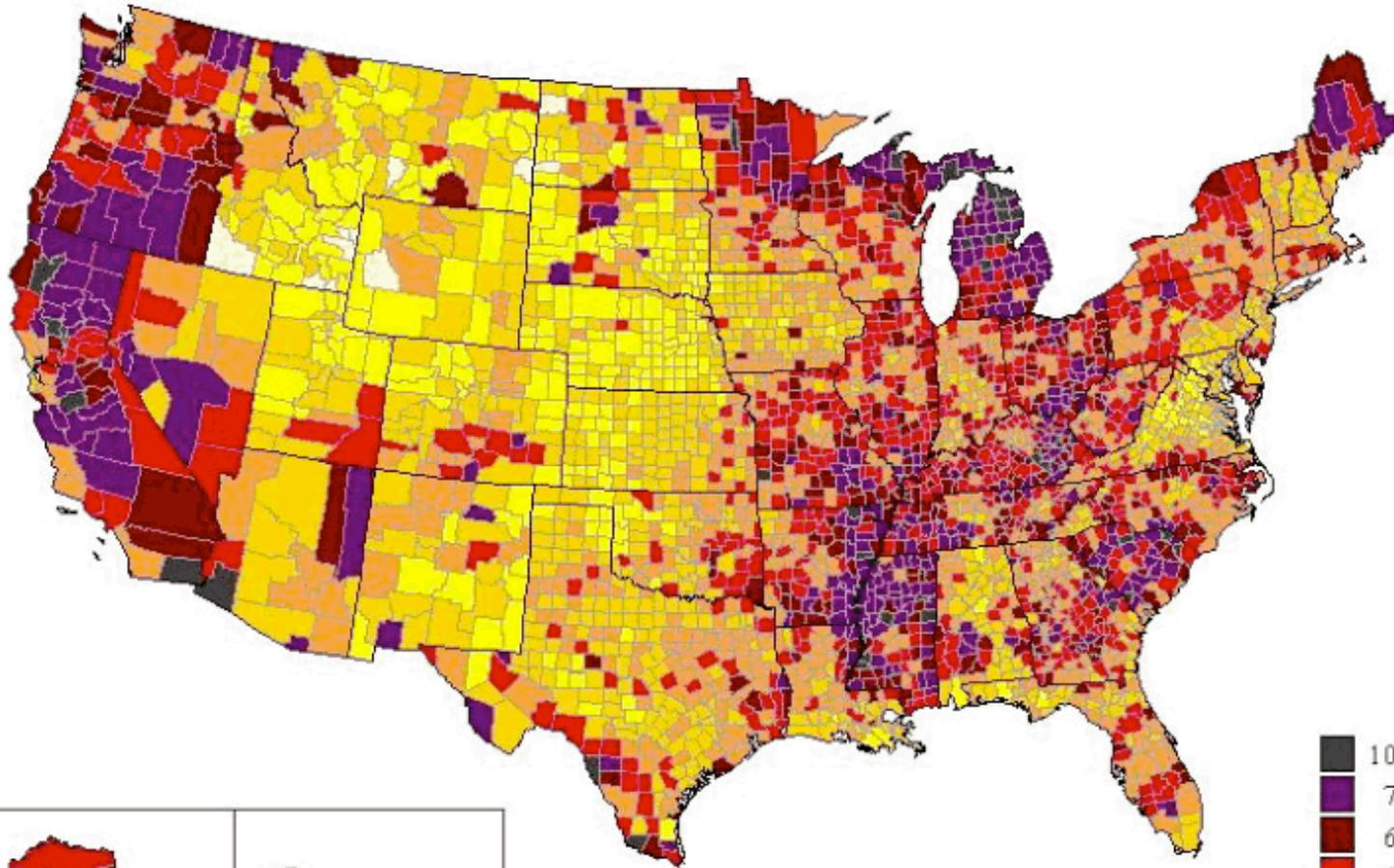
Unemployment Rates by County February 2008

4.7%



Unemployment Rates by County March 2008

4.7%

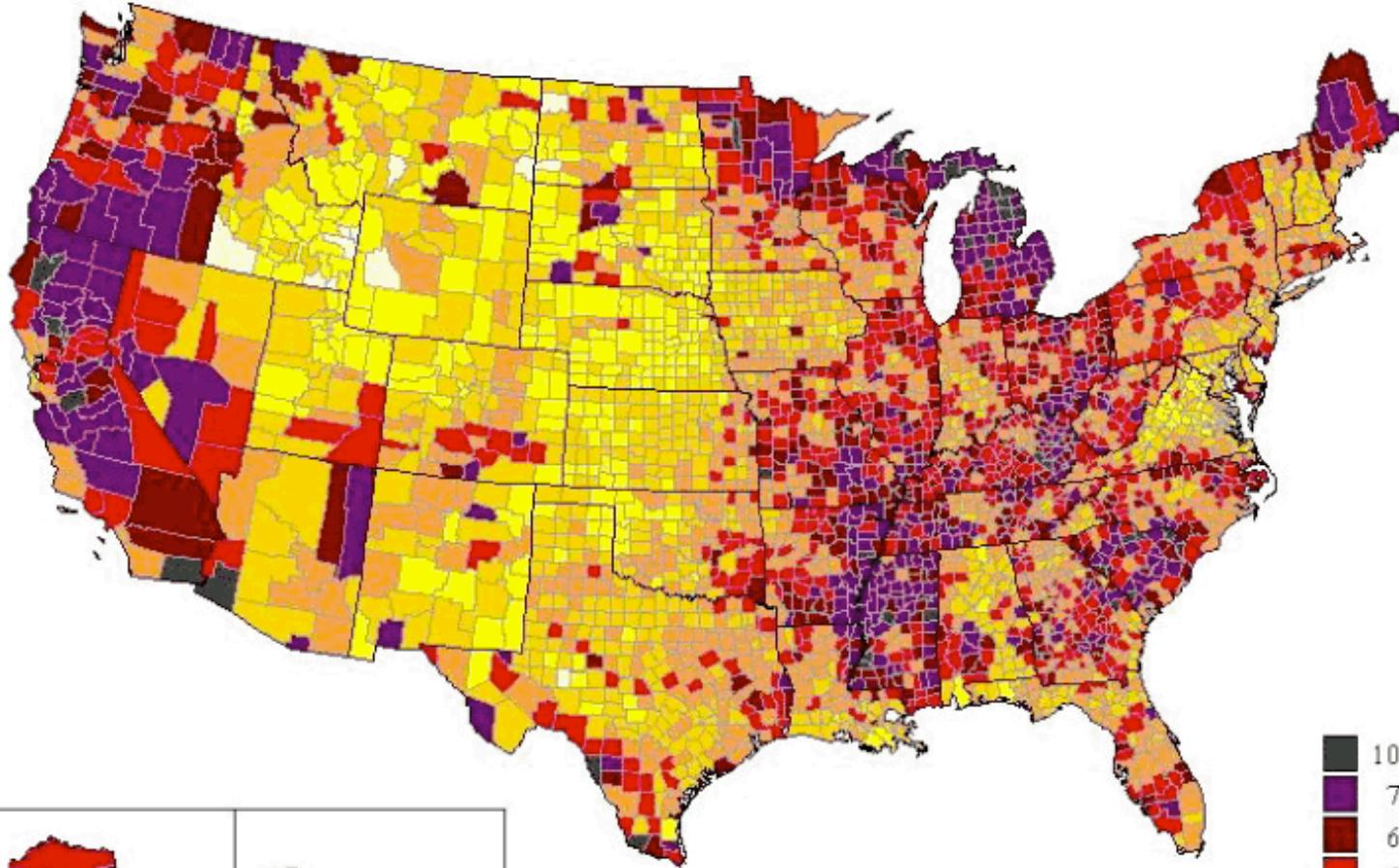


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Unemployment Rates by County

April 2008

4.8%

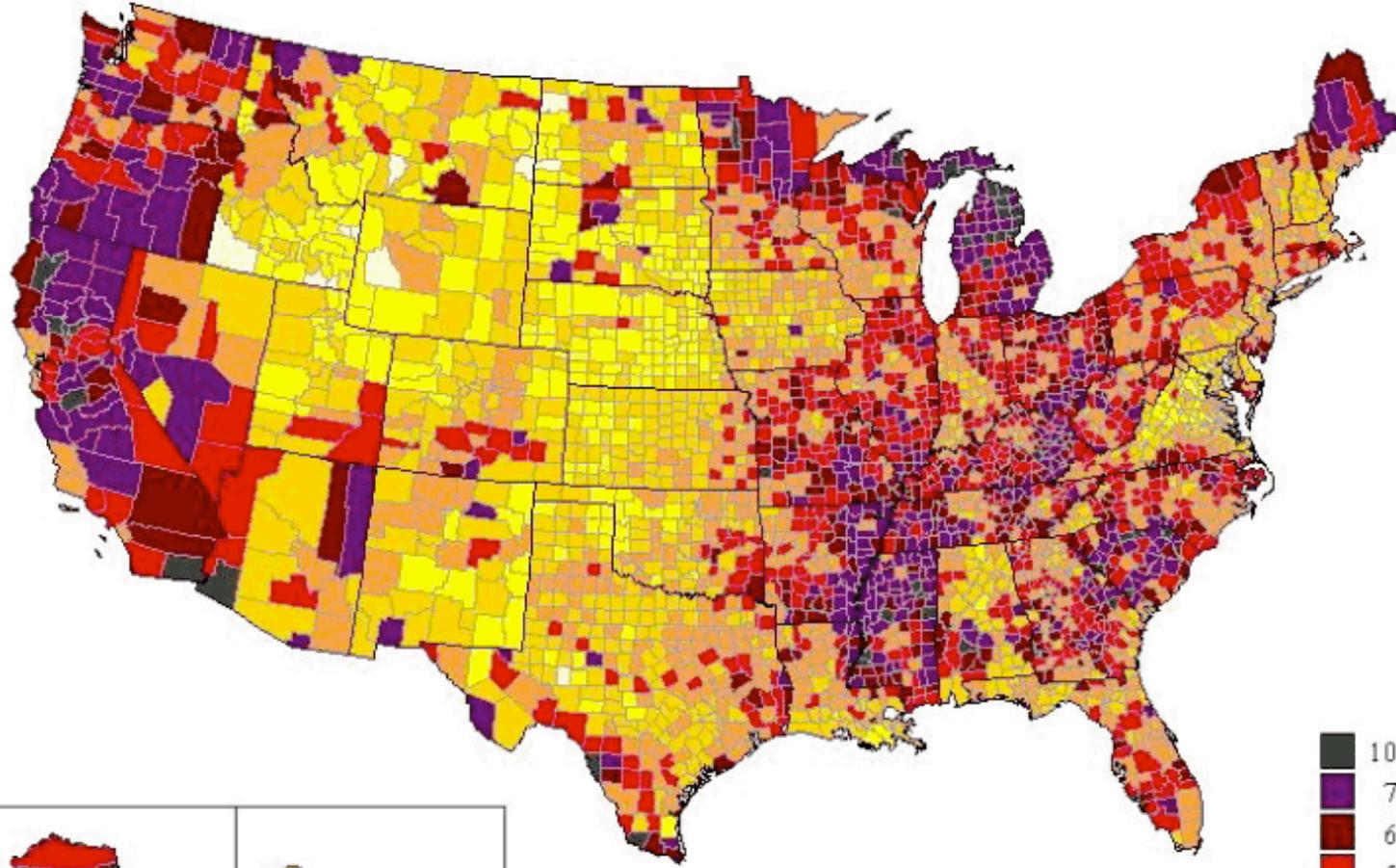


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Unemployment Rates by County

May 2008

4.9%



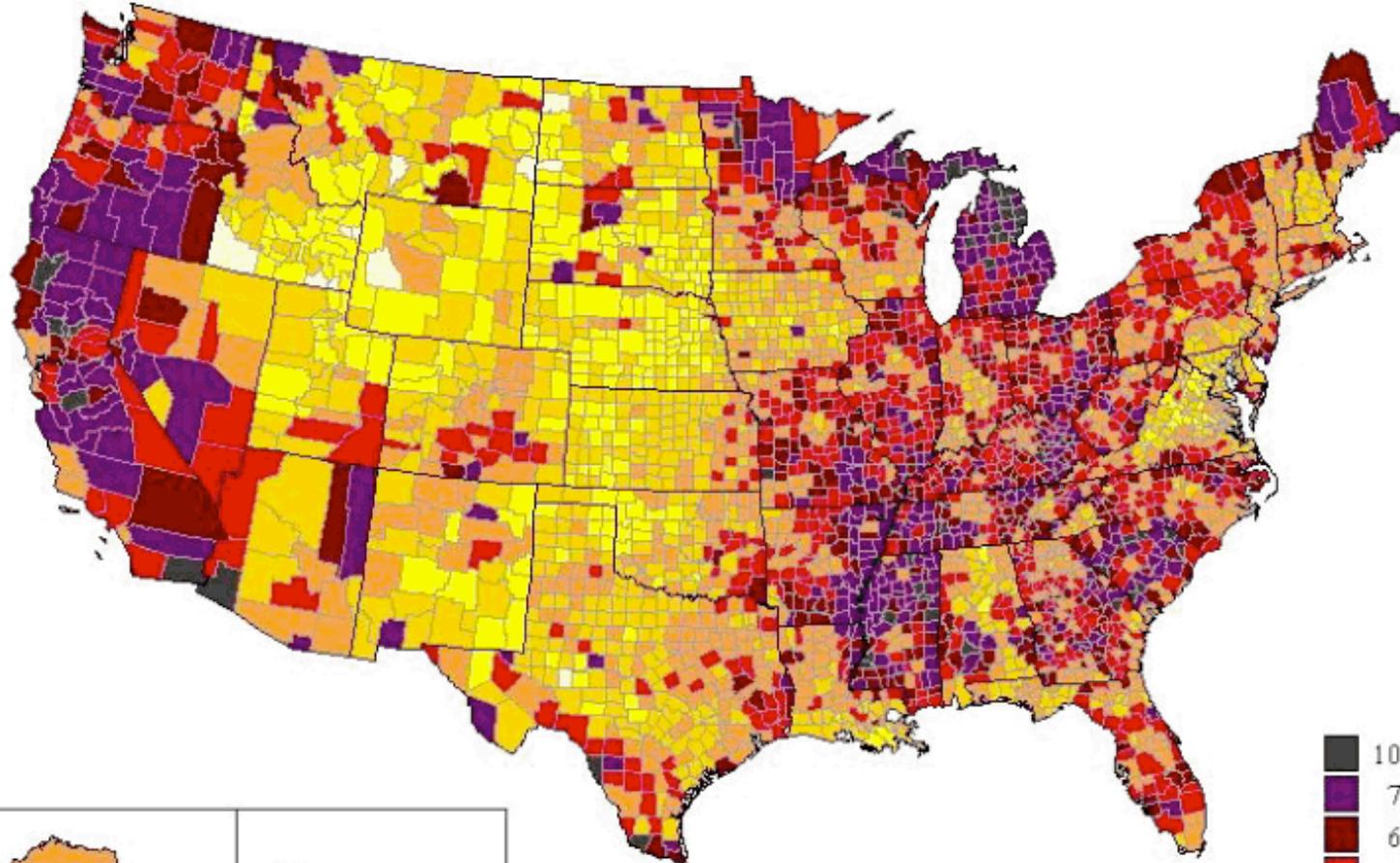
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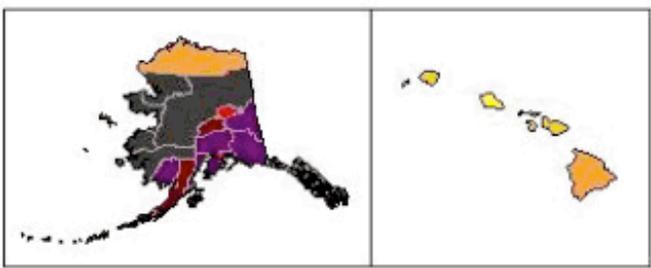
Unemployment Rates by County

June 2008

4.9%



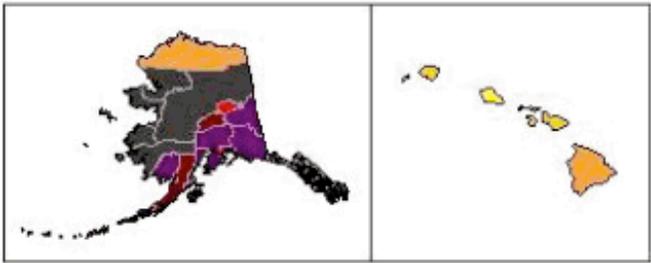
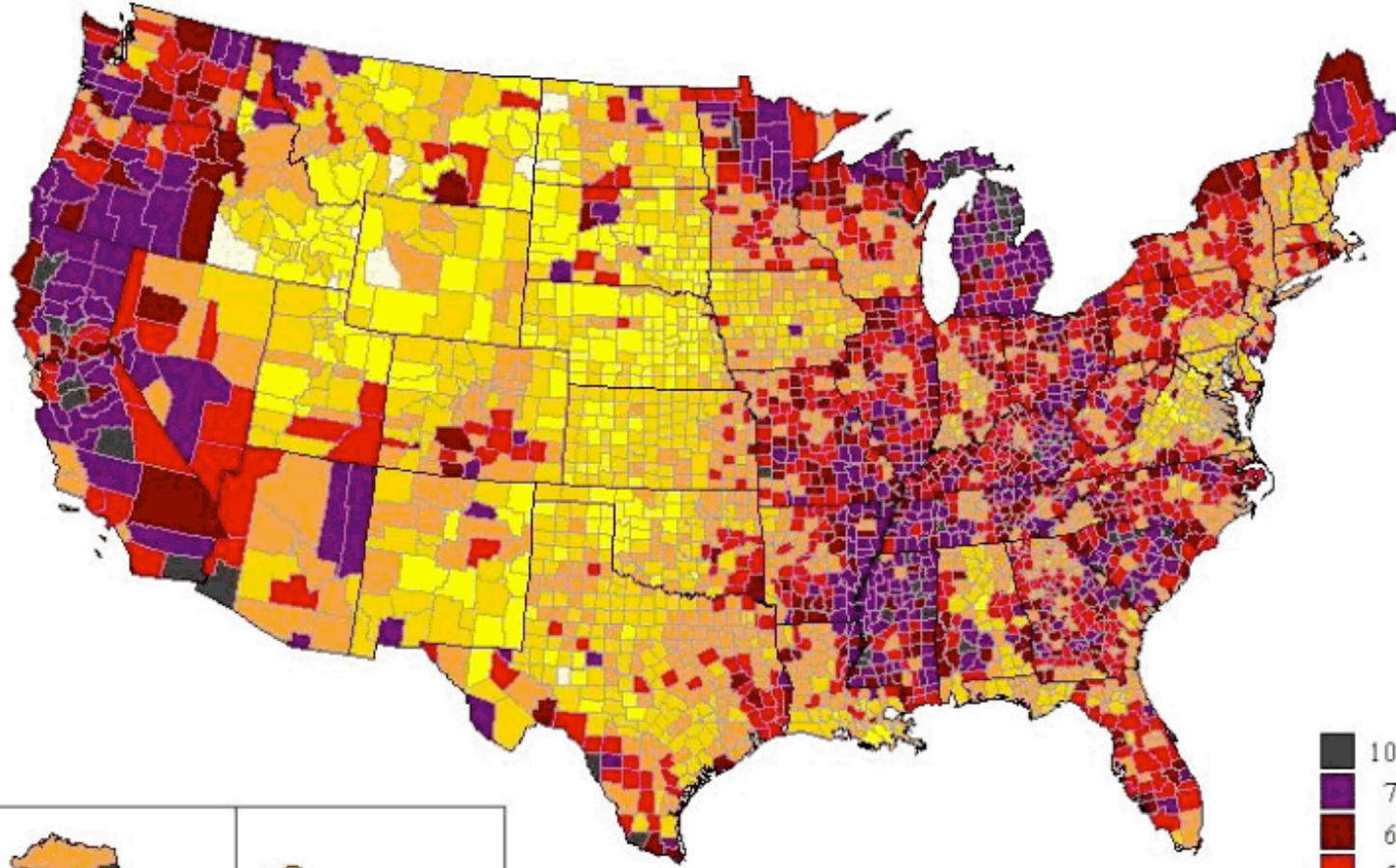
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Unemployment Rates by County

July 2008

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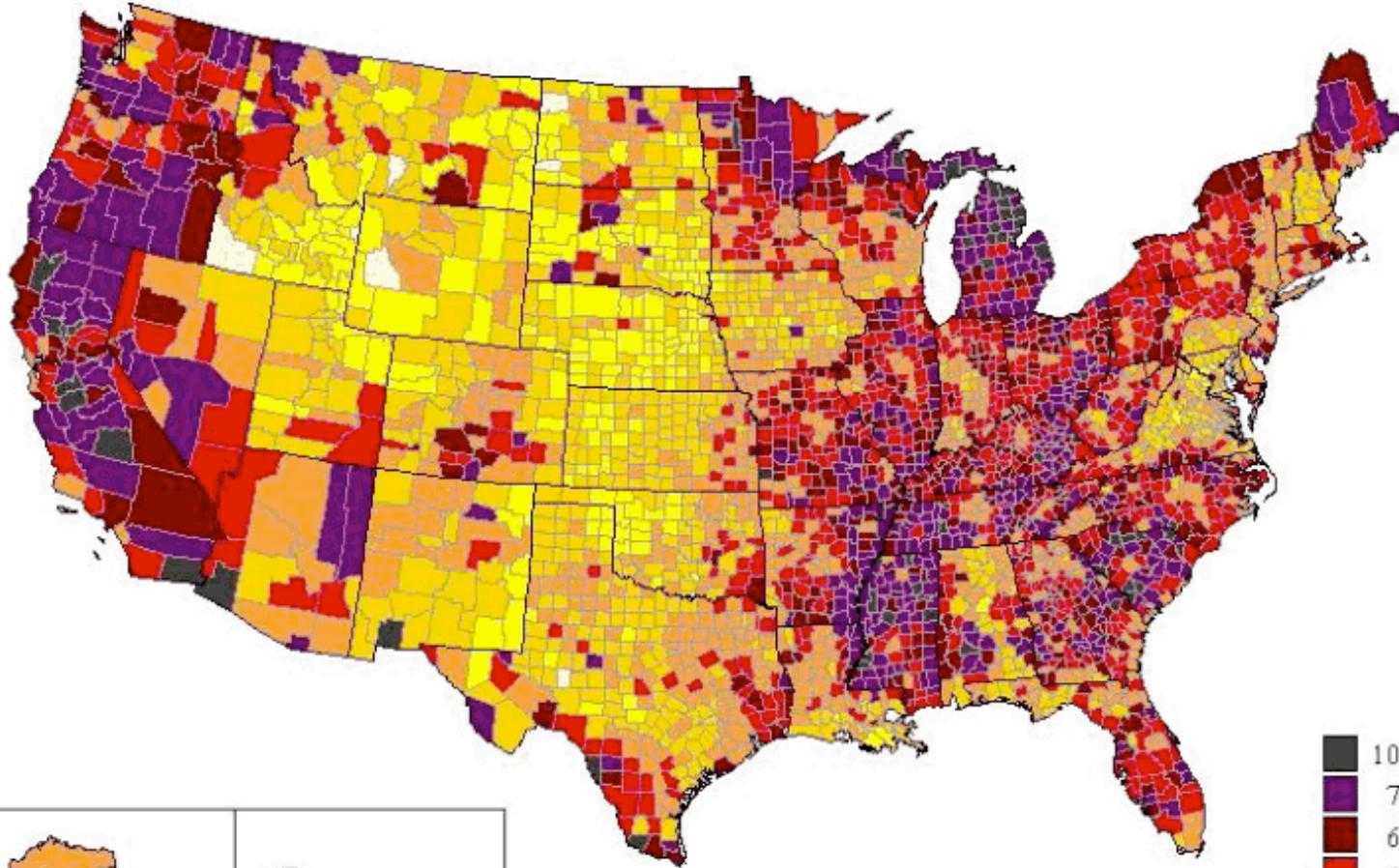


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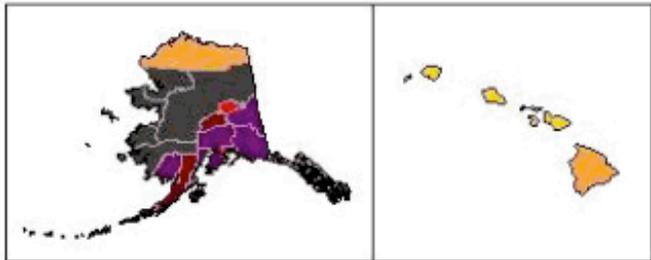
Unemployment Rates by County

August 2008

5.2%

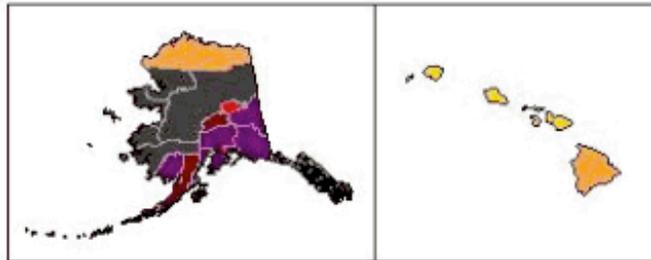
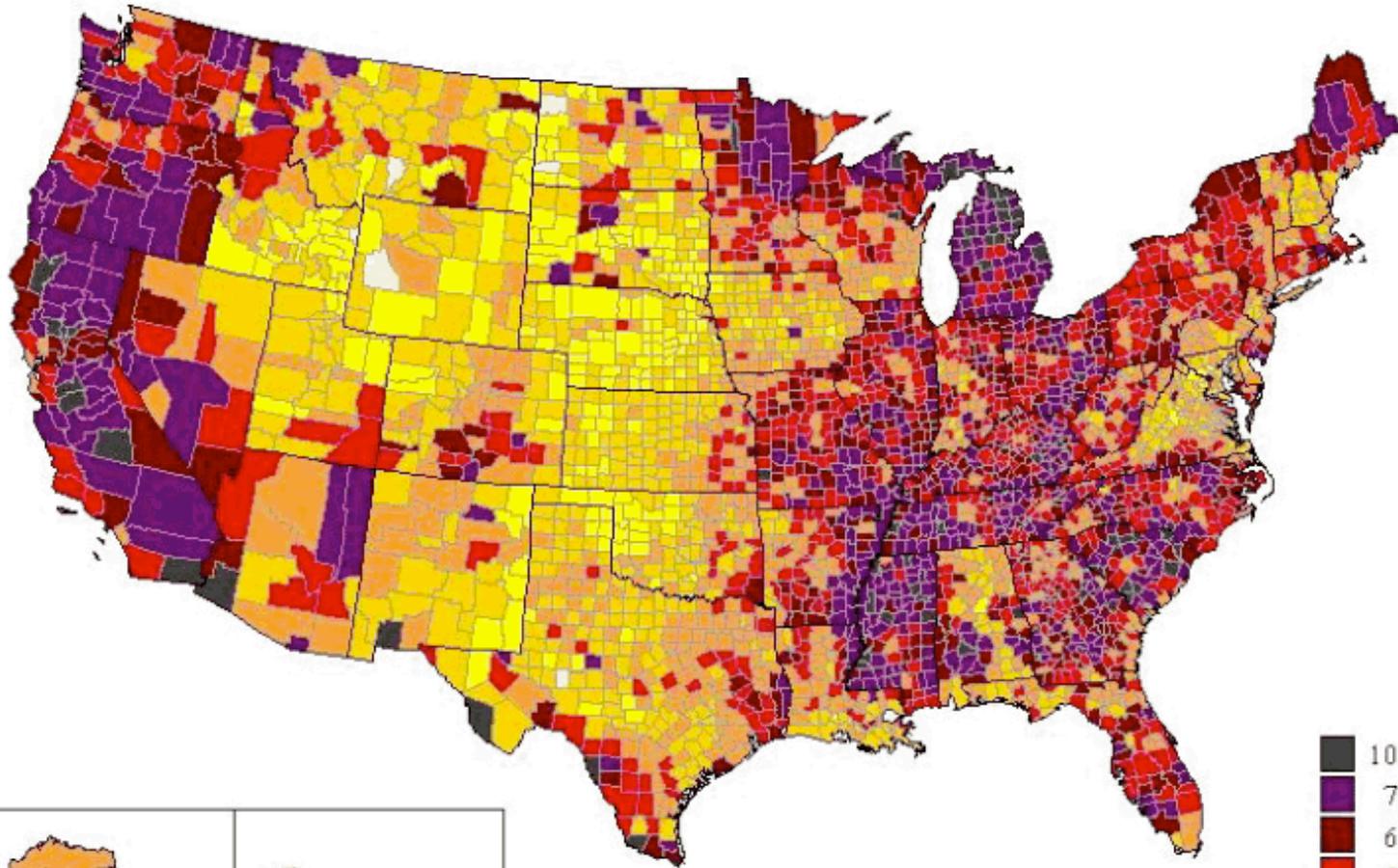


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Unemployment Rates by County September 2008

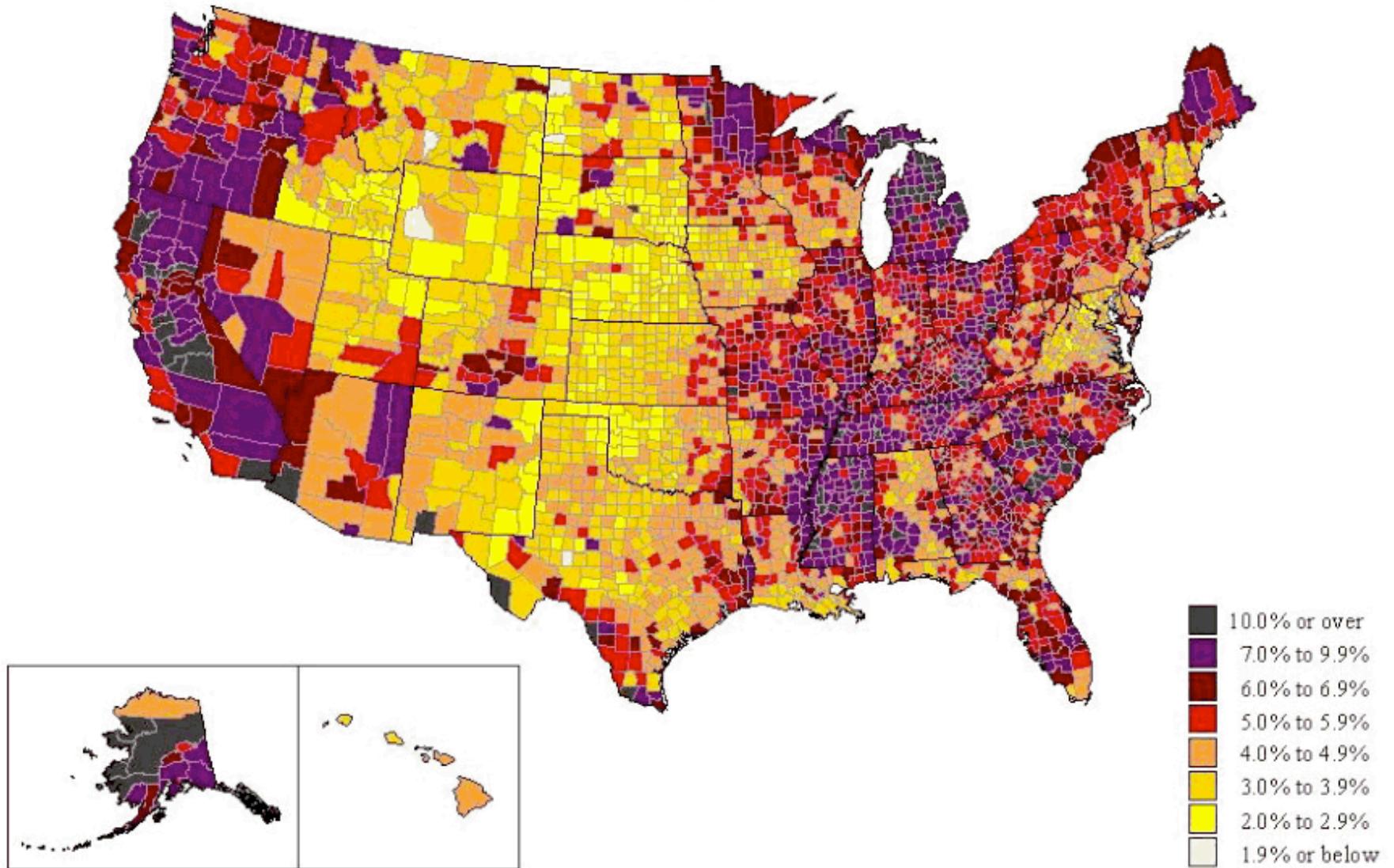
5.3%



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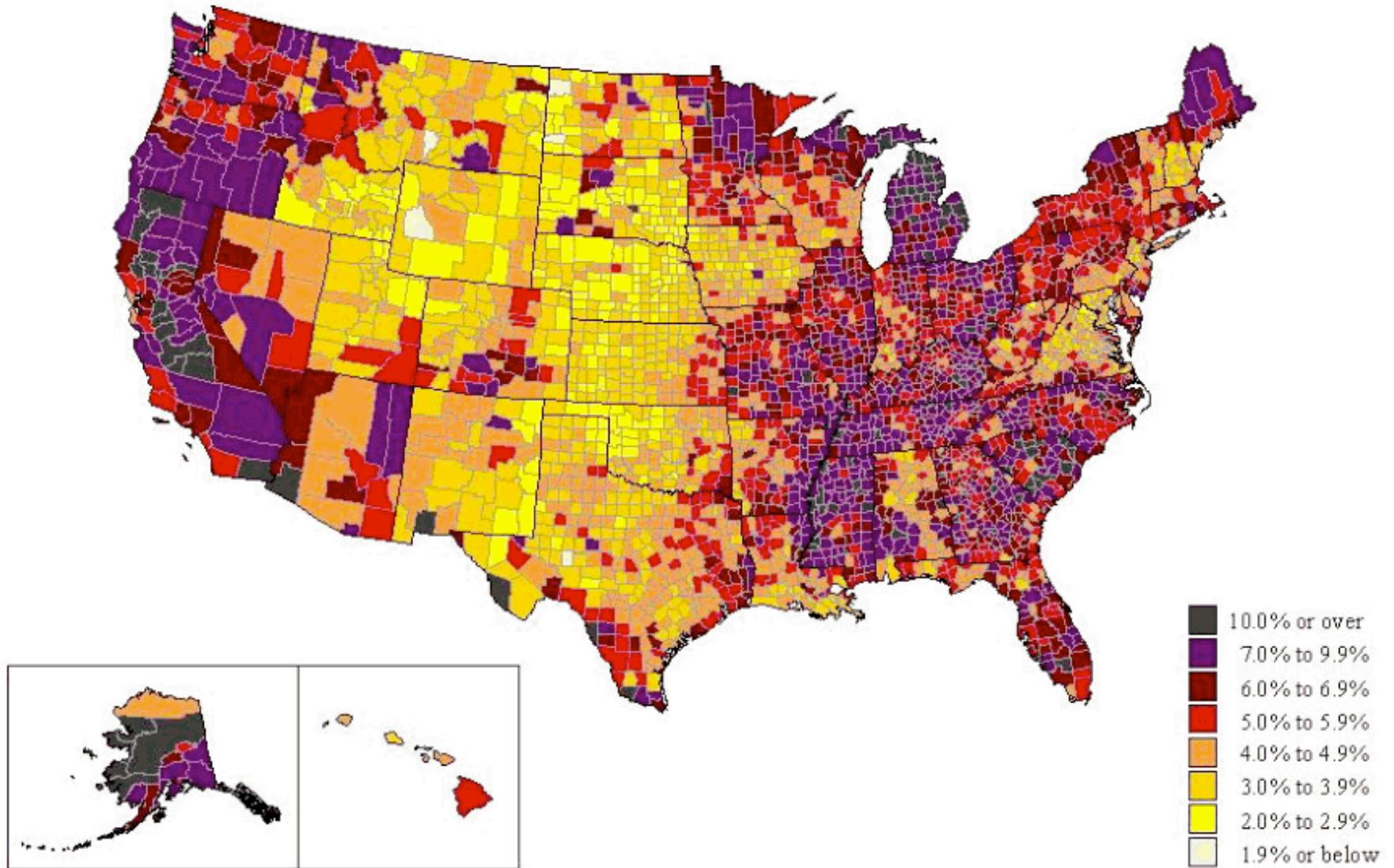
Unemployment Rates by County October 2008

5.4%



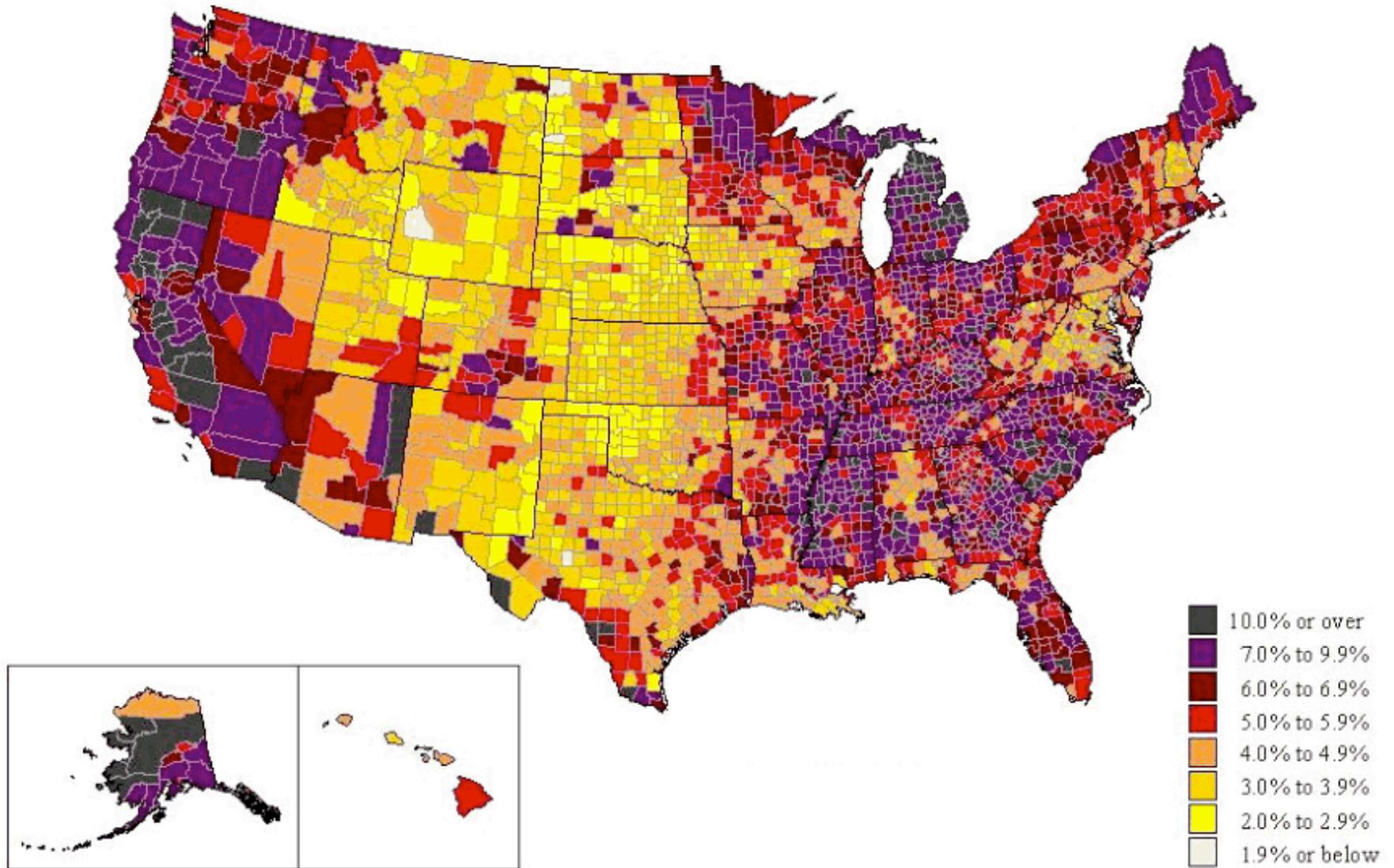
Unemployment Rates by County November 2008

5.6%



Unemployment Rates by County December 2008

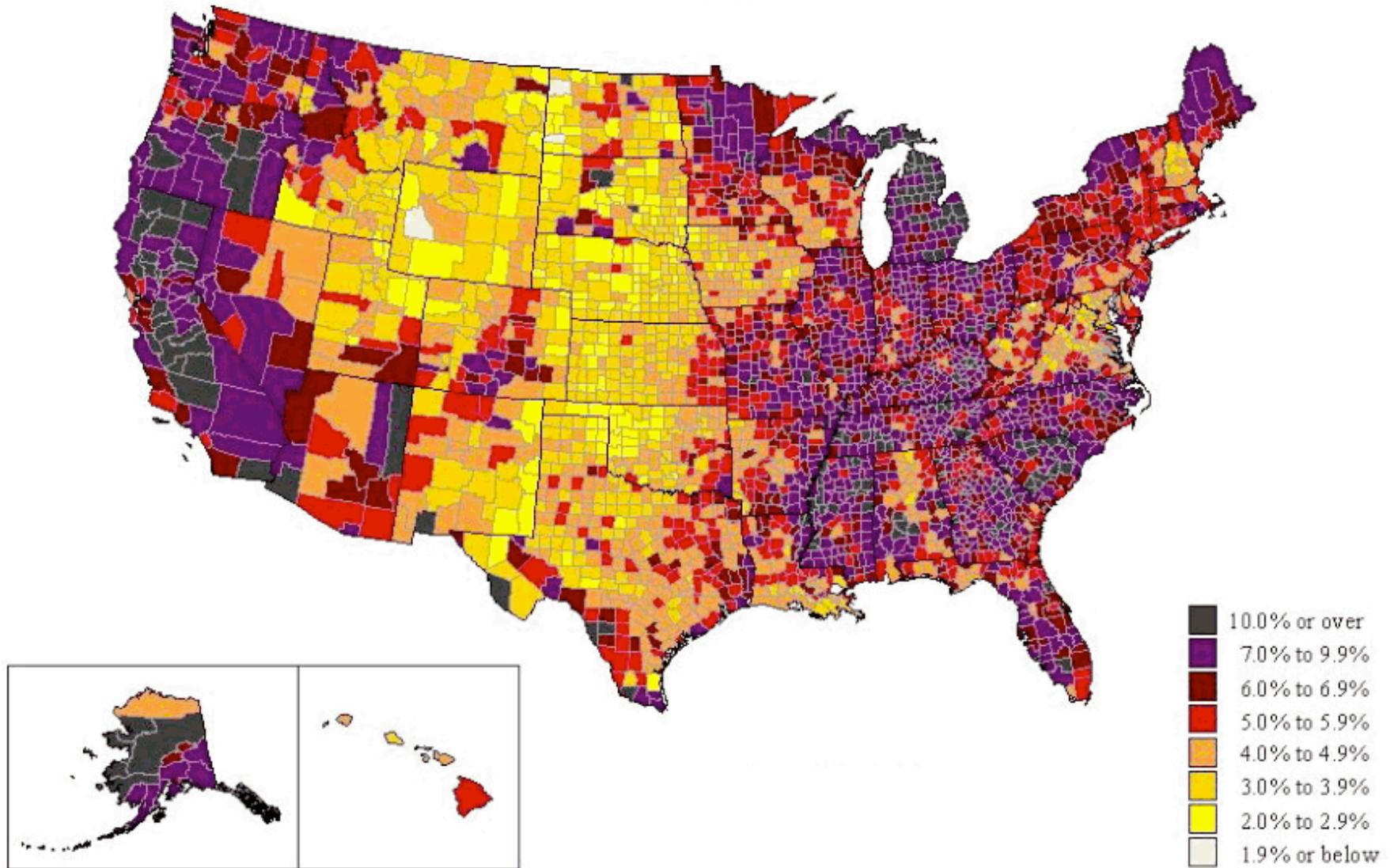
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Unemployment Rates by County

January 2009

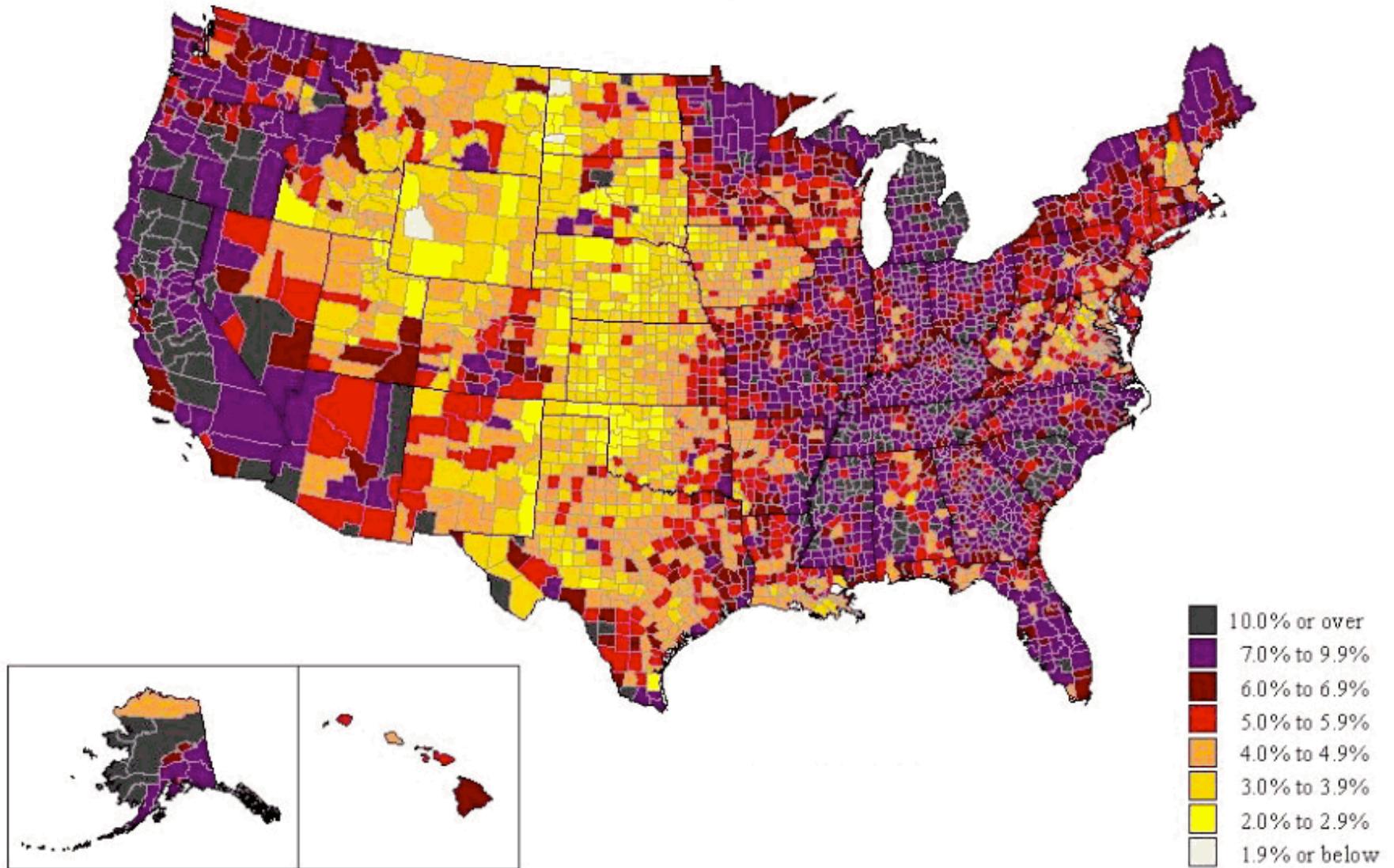
6.0%



Unemployment Rates by County

February 2009

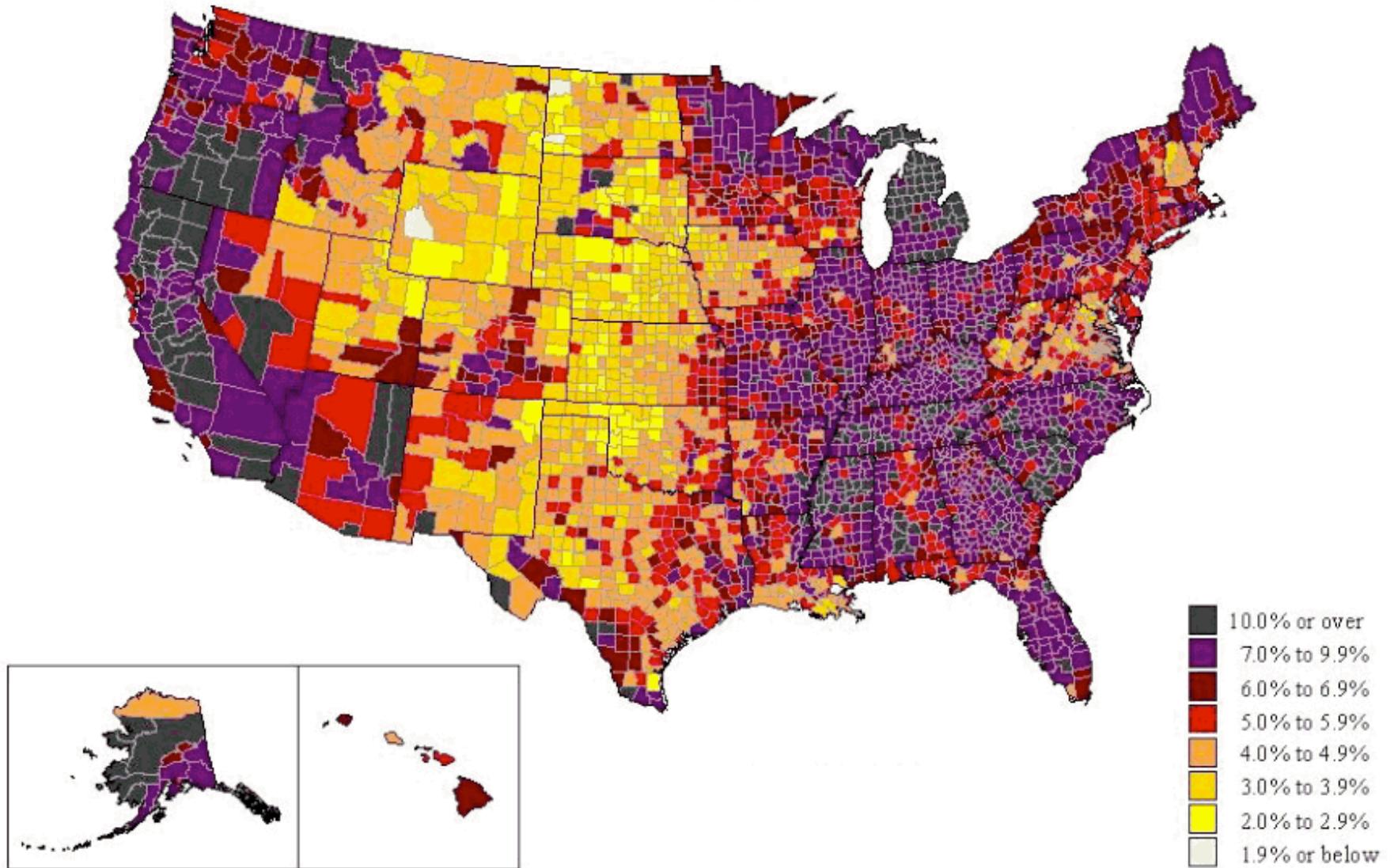
6.3%



Unemployment Rates by County

March 2009

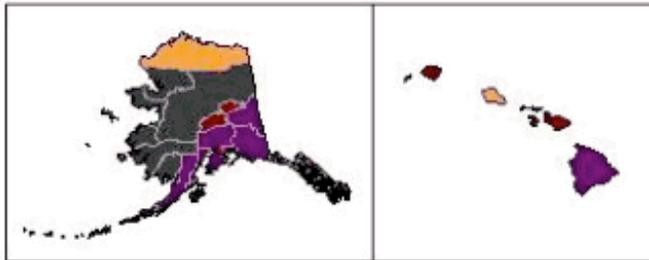
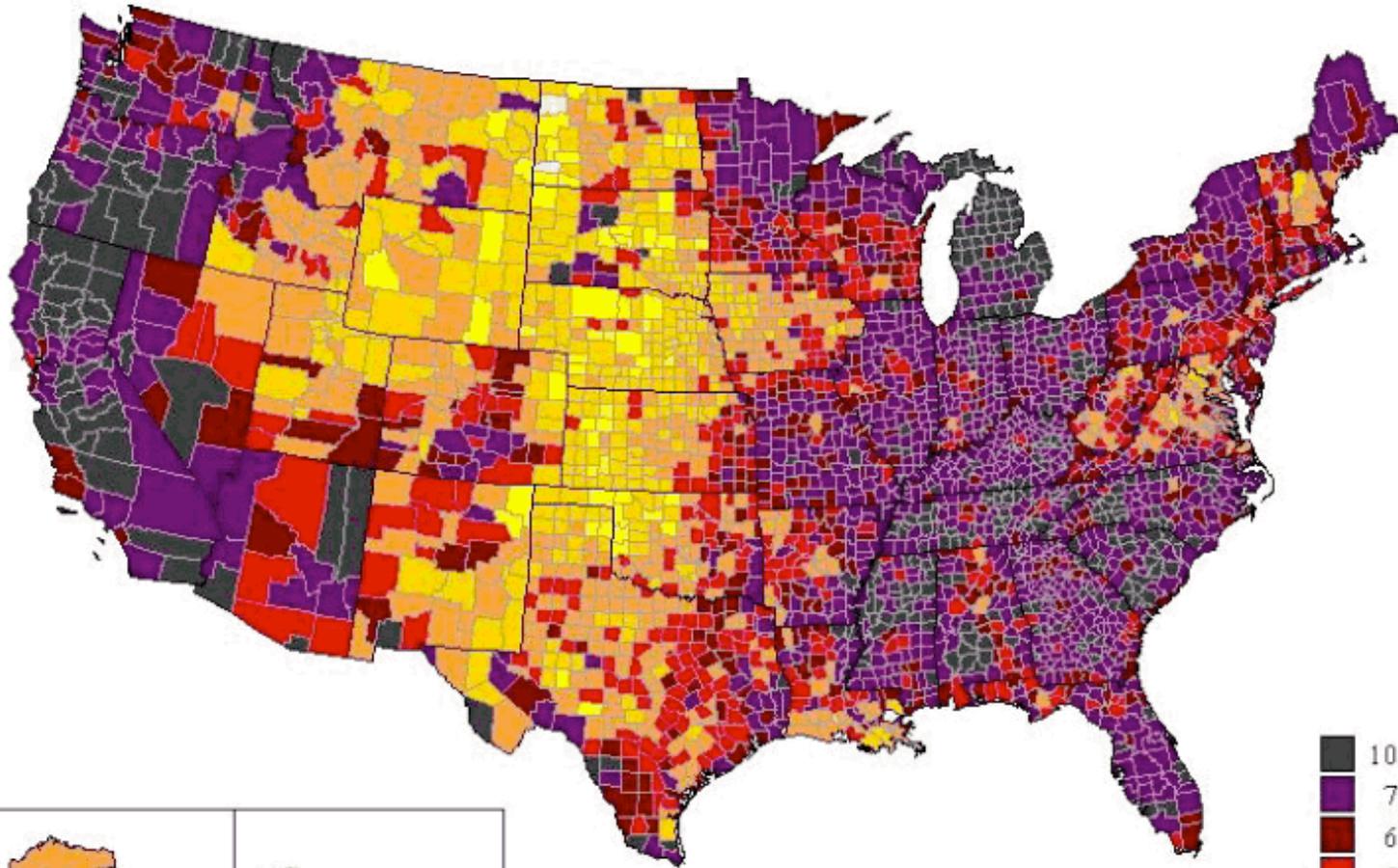
6.7%



Unemployment Rates by County

April 2009

7.0%

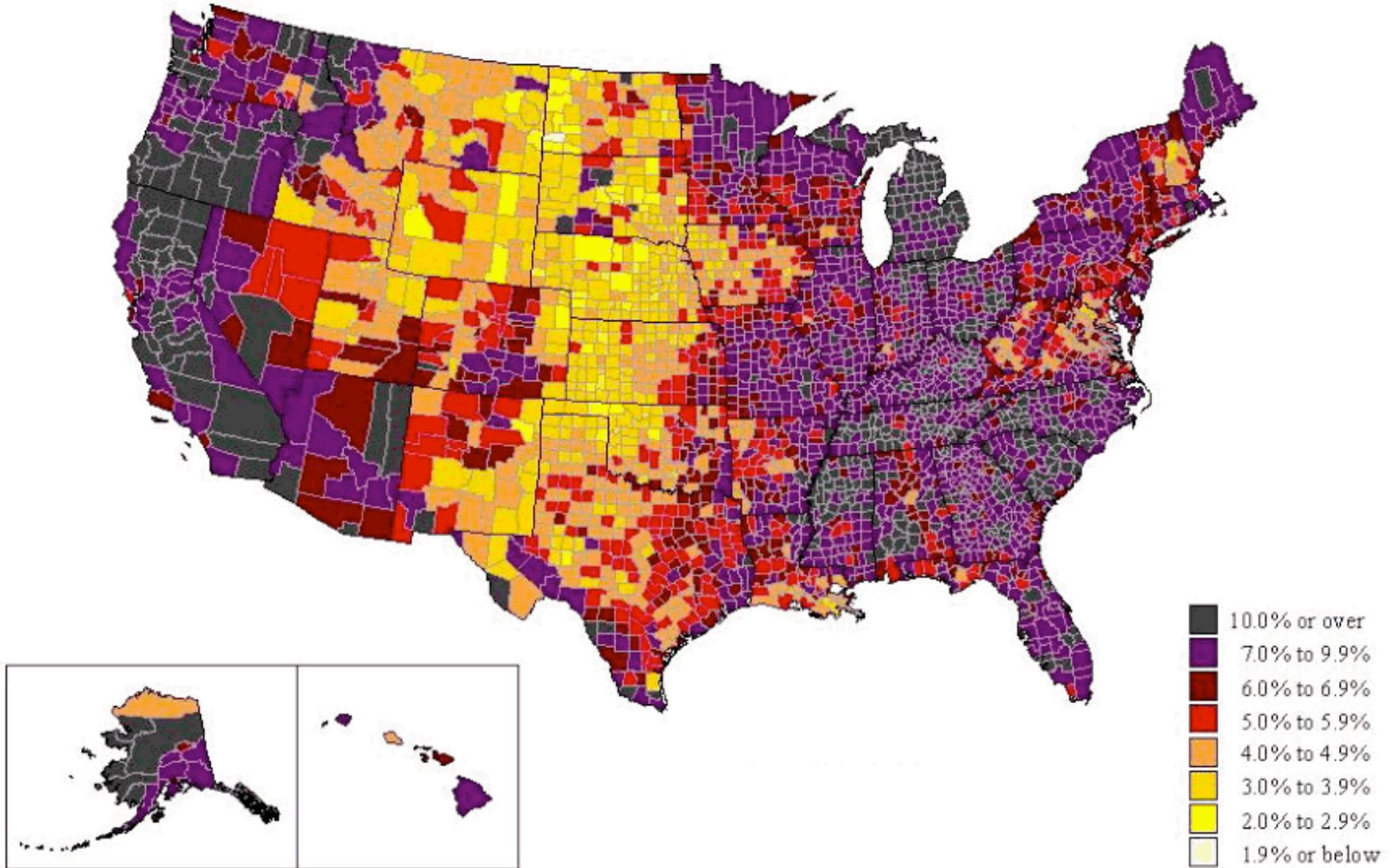


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Unemployment Rates by County

May 2009

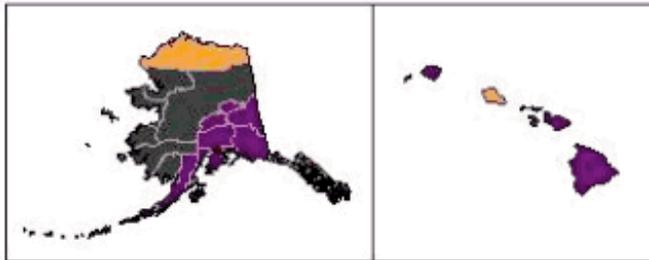
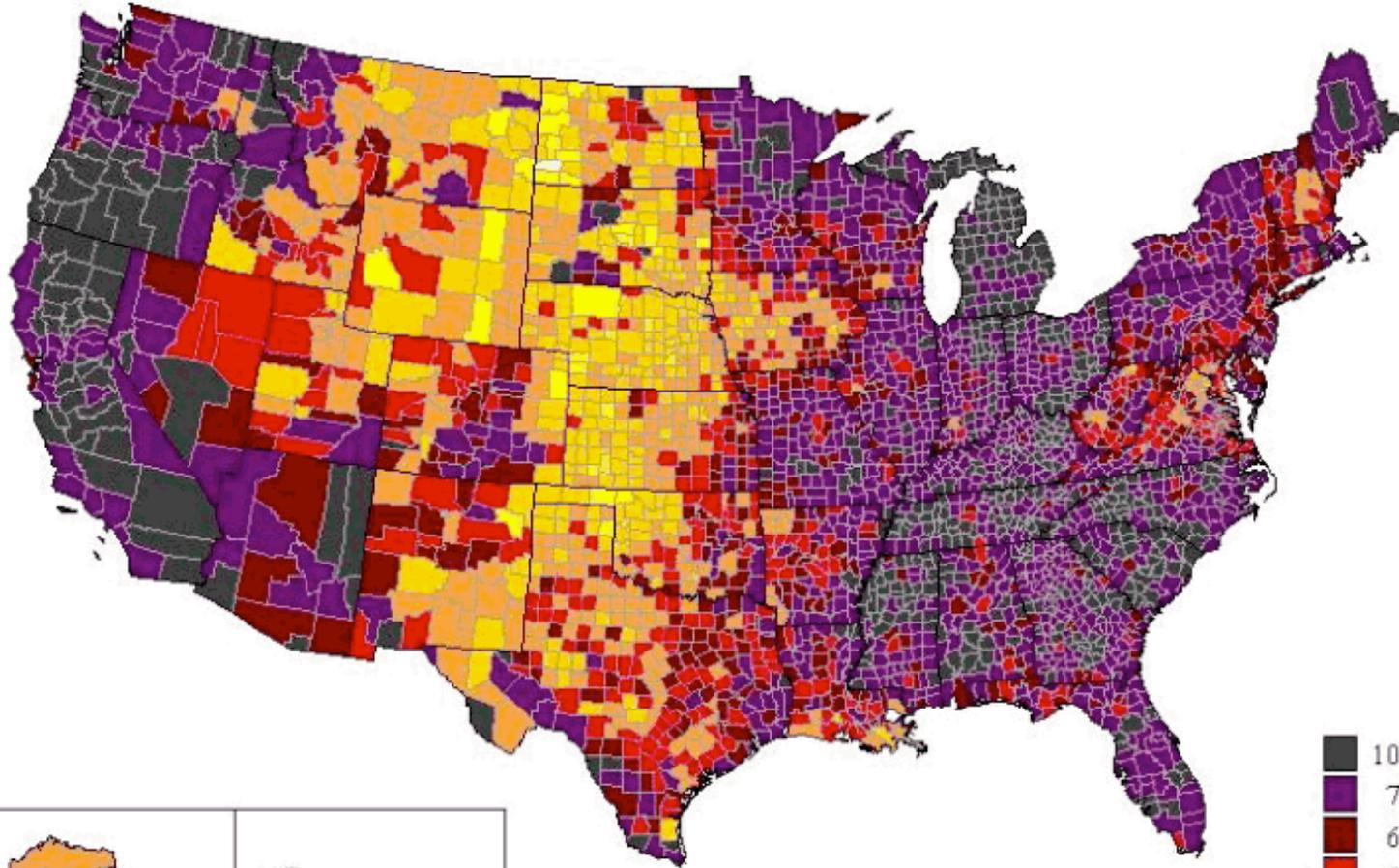
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Unemployment Rates by County

June 2009

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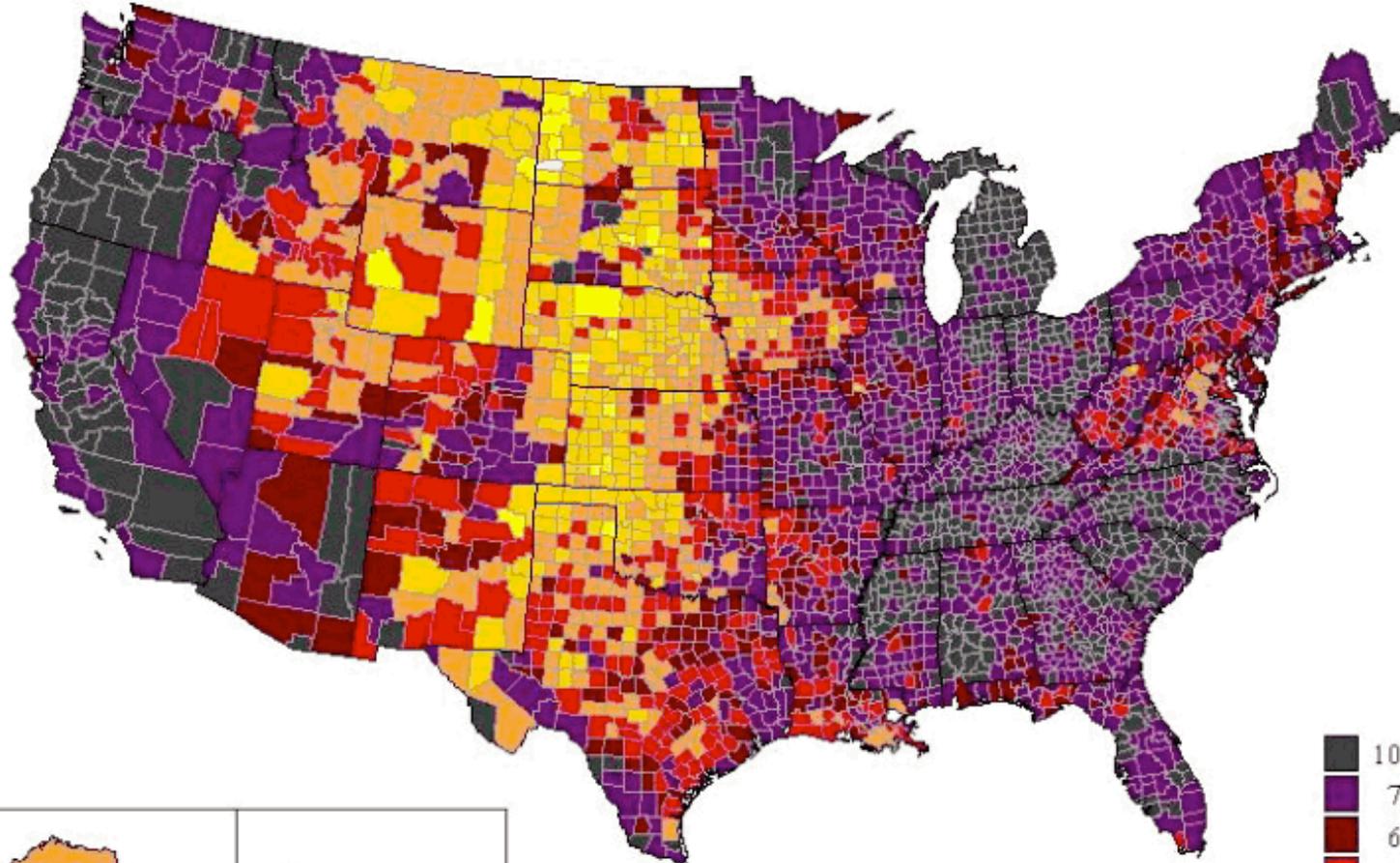


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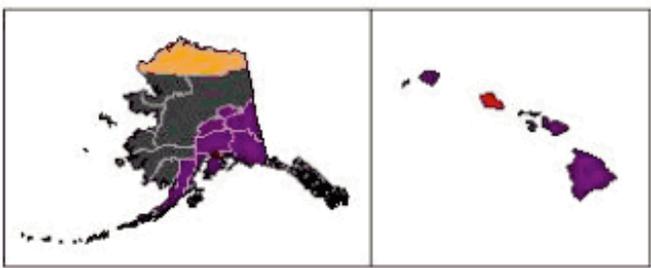
Unemployment Rates by County

July 2009

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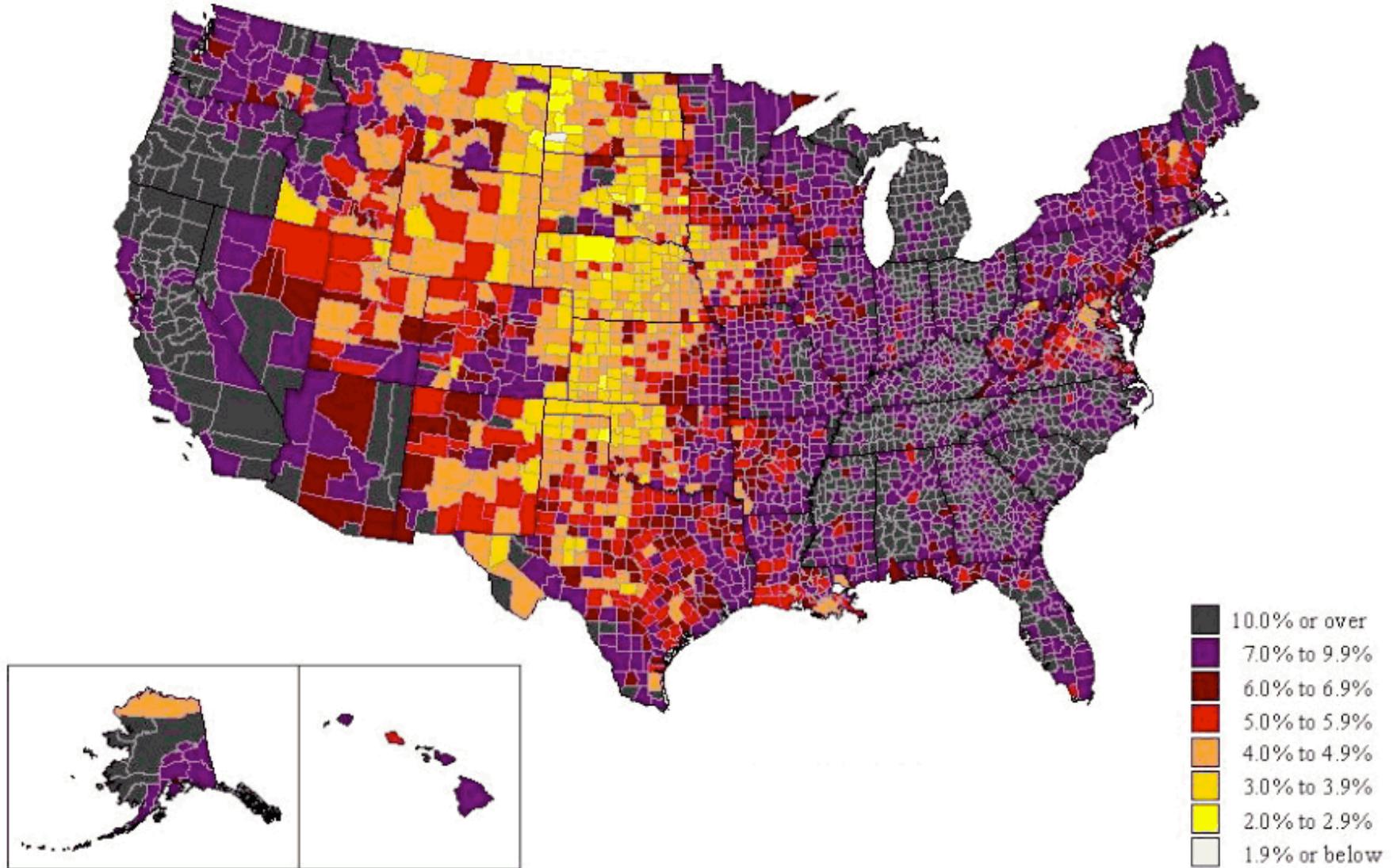
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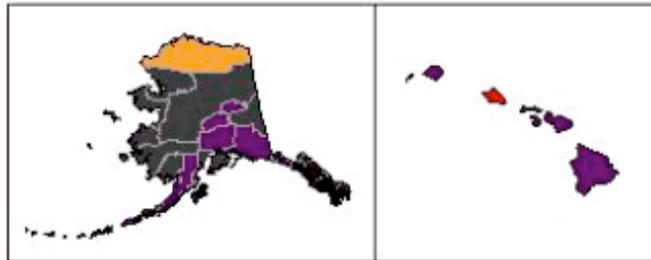
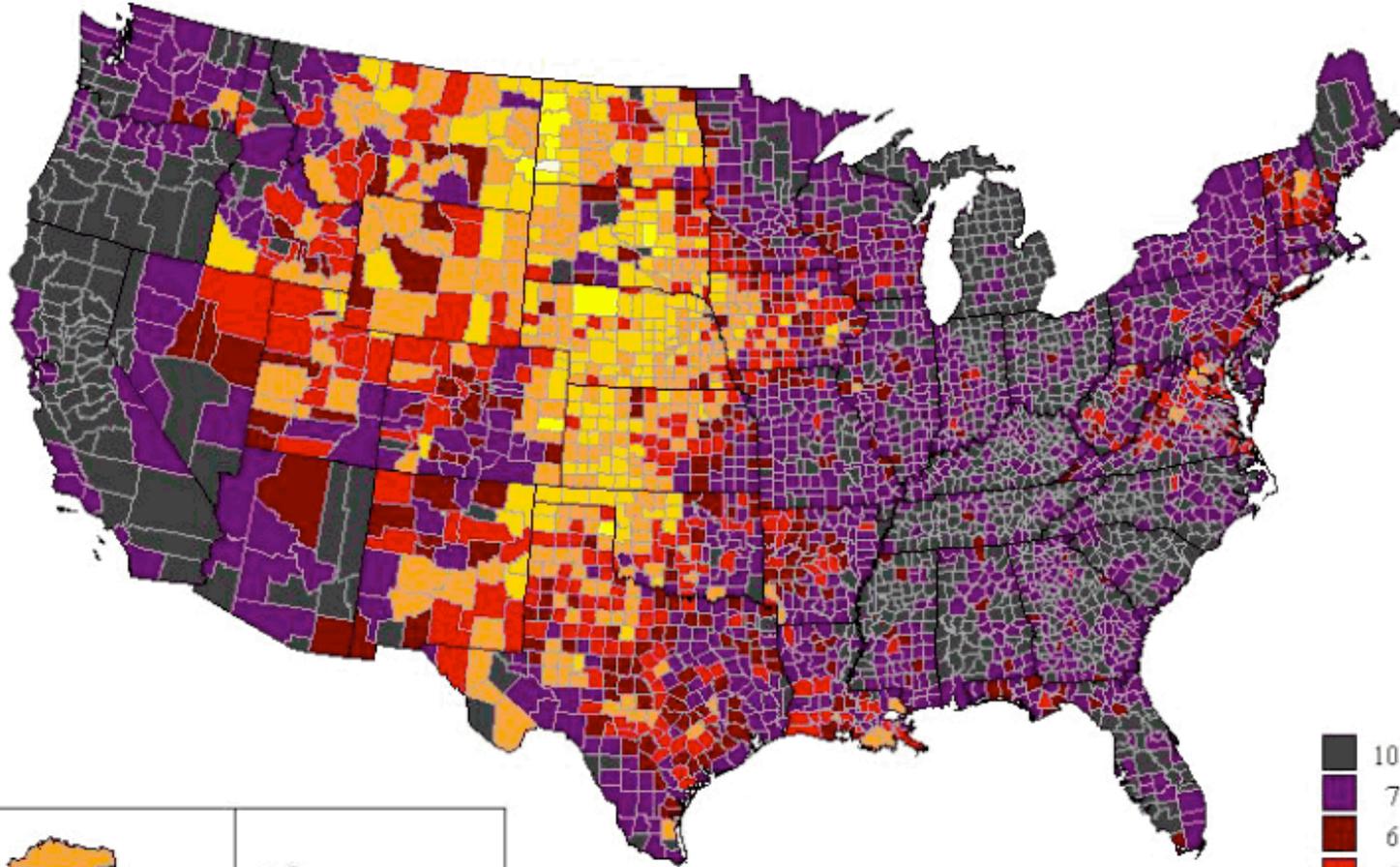
Unemployment Rates by County

August 2009

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Unemployment Rates by County September 2009 8.5%

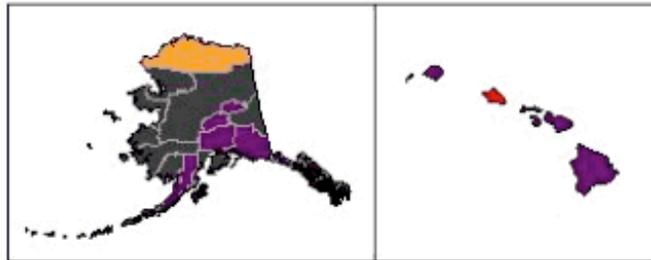
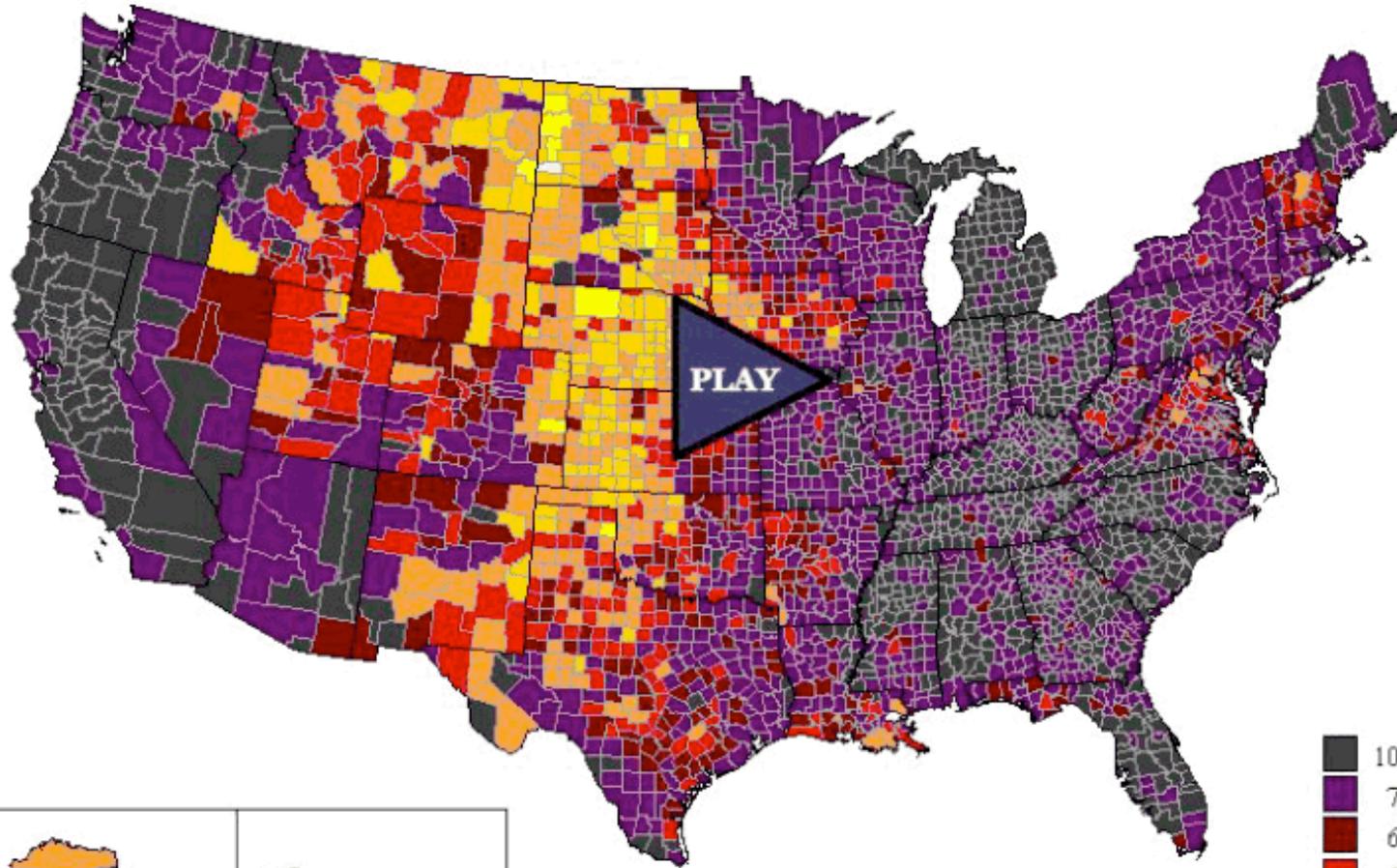


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Unemployment Rates by County

October 2009

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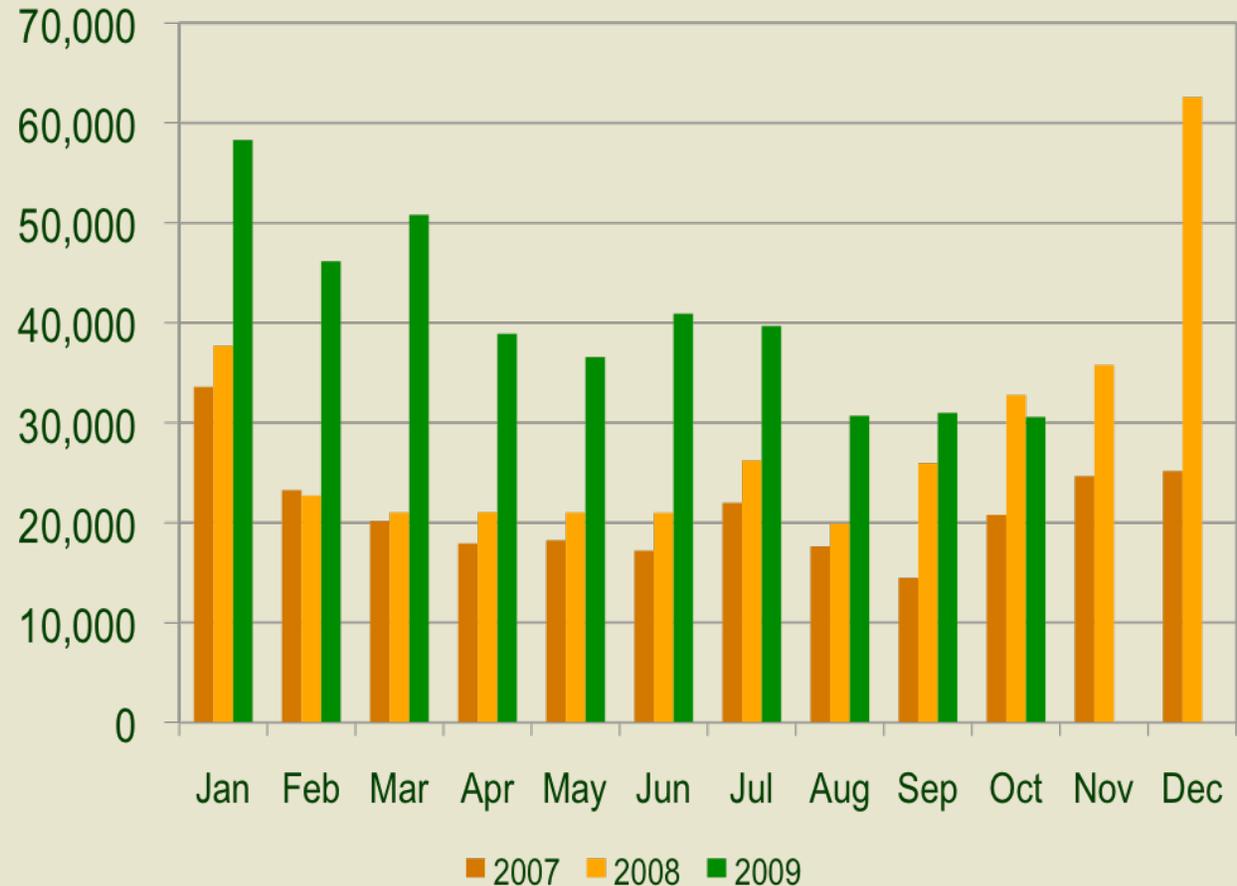
VEC Trust Fund



UI Initial Claims

2007 - 2009 *(year to date)*

→ Total initial claims through October this year are up 61.9% because of more motor vehicle, furniture, textiles, building-related, and finance layoffs. For the same period, initial claims are up 96.7% from 2007.





Workload*

Calendar Year	Insured Unemployment Rate	Initial Claims
2006	1.03%	260,804
2007	1.07%	260,561
2008	1.44%	356,220
2009	2.85%	501,514
2010	2.40%	420,814

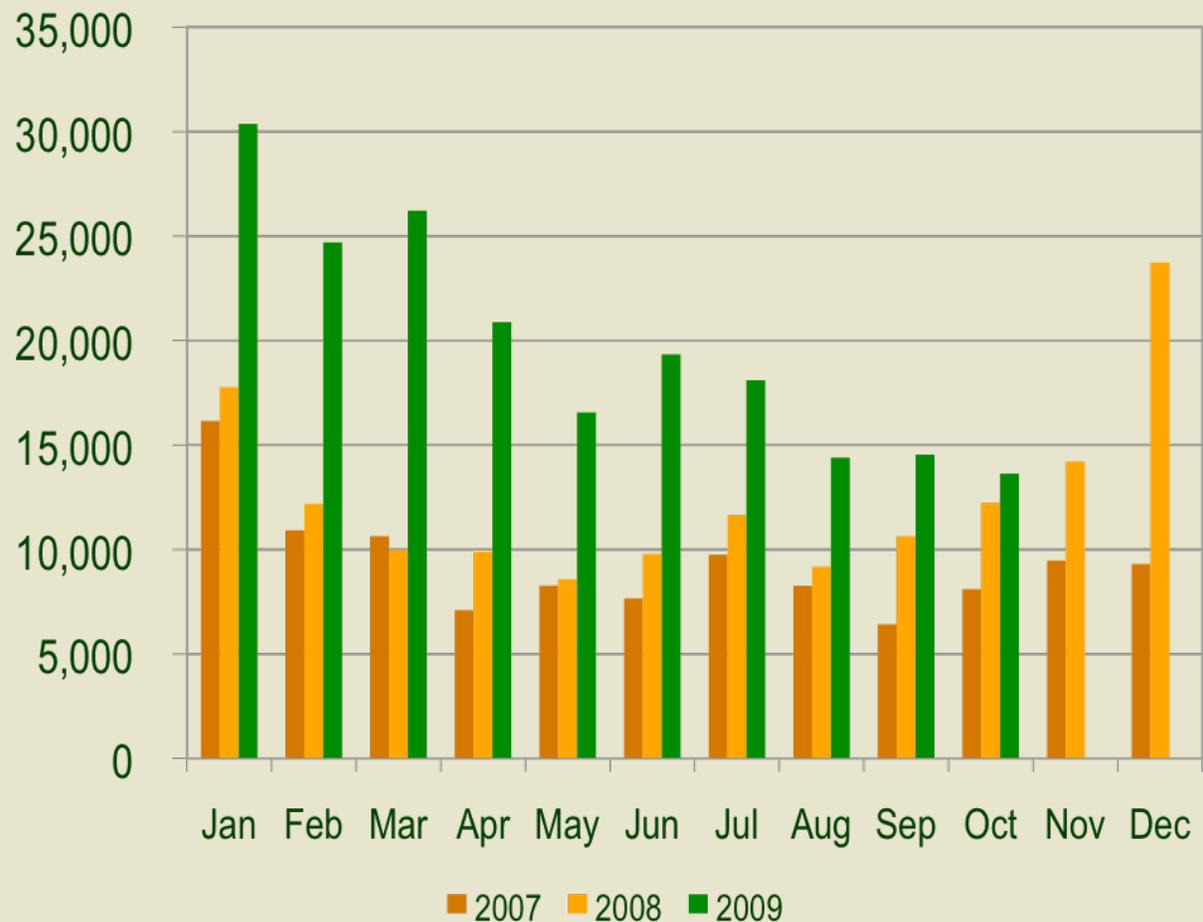
*2006, 2007, and 2008 actual; 2009 and 2010 projected



UI First Payments

2007 - 2009 *(year to date)*

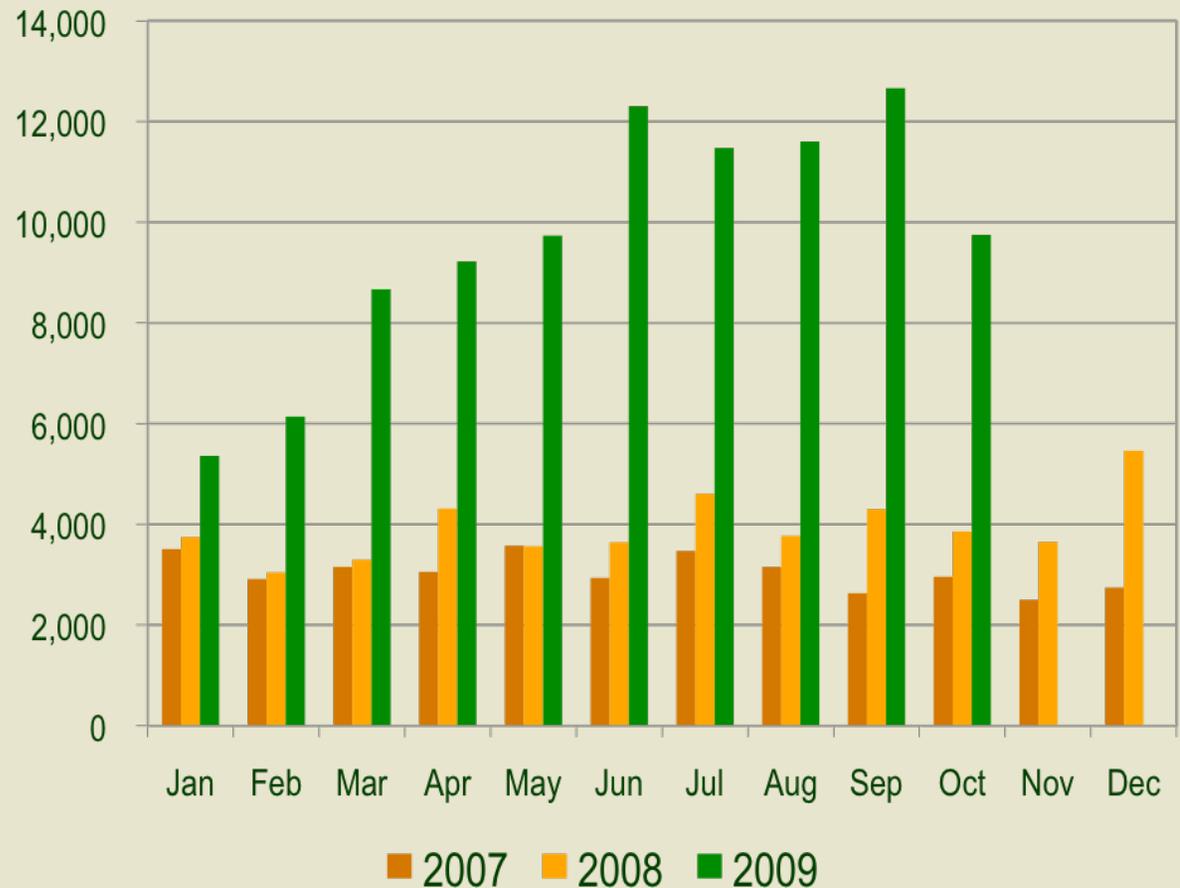
- A claimant can receive only one first payment in his benefit year; so first payments are a good proxy for the number of claimants receiving unemployment benefits.
- Through October, first payments are up 77.7% from last year and up 113.2% from 2007.
- The average duration in October was 14.9 weeks, up from last October's 12.6 weeks.





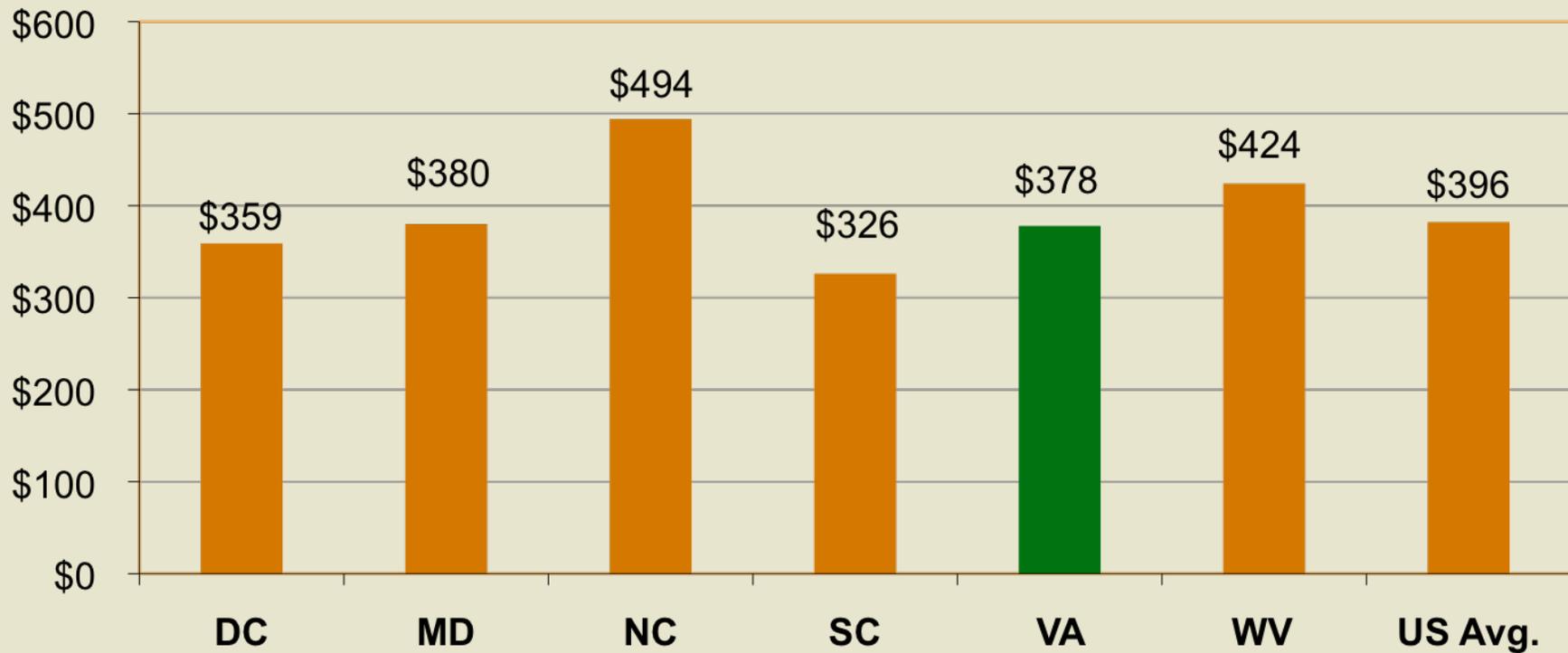
UI Final Payments 2007 - 2009 *(year to date)*

- For the first ten months of 2009, final payments are up 154.2% from 2008 and up 209.3% from 2007.
- The exhaustion rate in October was 52.4%, up from last October's 37.1%.





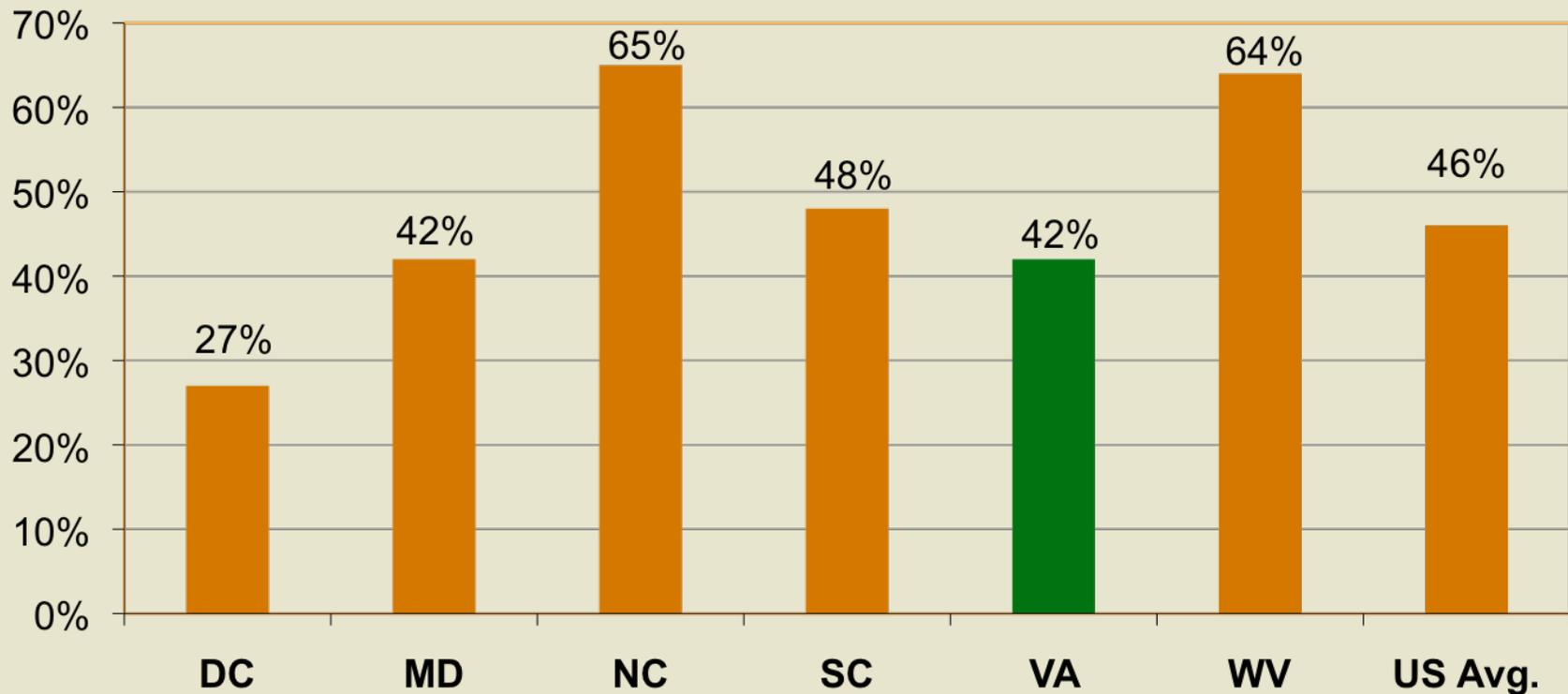
2009 Maximum Weekly Benefit Fourth Circuit





2009 Maximum Weekly Benefit Replacement Rate

Fourth Circuit





Trust Fund Data—Standard Forecast (Millions of Dollars)

(Projections will be updated in December)

	2009	2010
January 1 Balance	\$546.7	—\$178.5
Tax Revenue	\$320.7	\$569.6
Interest Revenue	\$13.4	\$0.0
Benefits	\$1,122.1	\$936.8
December 31 Balance	—\$178.5*	—\$545.7
Solvency Level (6/30)	24.4%	—20.1%

*Includes \$62.8 million Incentive Distribution from Federal government.

Actual
 Projected



Standard Forecast—1981-1982 Recession Scenario

- Loans would total about \$1.3 billion.
- The trust fund would have negative balances for 15 straight quarters—2009q4 through 2013q2. In some of these quarters, the loan balance is reduced, but not to zero.
- The cash balance for June 30, 2011 is negative.



Standard Forecast—1981-1982 Recession Scenario

- The 2010 and 2011 solvency levels are *negative*.
- Total interest payments from 2011 to 2013 would be about \$36.7 million. Interest payments in 2011 and 2012 would be \$22.0 and \$14.4 million. Interest payments in 2013 would be about \$0.3 million.
- Interest can not be paid from the trust fund or federal administrative grants.
- In 2011 employers would lose 0.3 percentage point of the FUTA credit and pay an additional \$87 million in FUTA taxes or an additional \$21 per employee.



June 30 Balances (millions) and Solvency Level 1997 - 2015

→ When solvency drops below 50%, Fund Builder Tax is triggered the following year.

(Projections will be updated in December)



→ 2010–2015 projected



Average Tax per Employee 1997 – 2015 (Virginia only)

→ The increases from 2003 through 2015 are the result of higher benefit schedules and the recessions.

(Projections will be updated in December)



 2004, 2005, and 2010-2014 Fund Builder Tax in effect.

→ 2009 – 2015 projected.



Average Tax per Employee 2009-2015 (Including FUTA Credit Reduction)



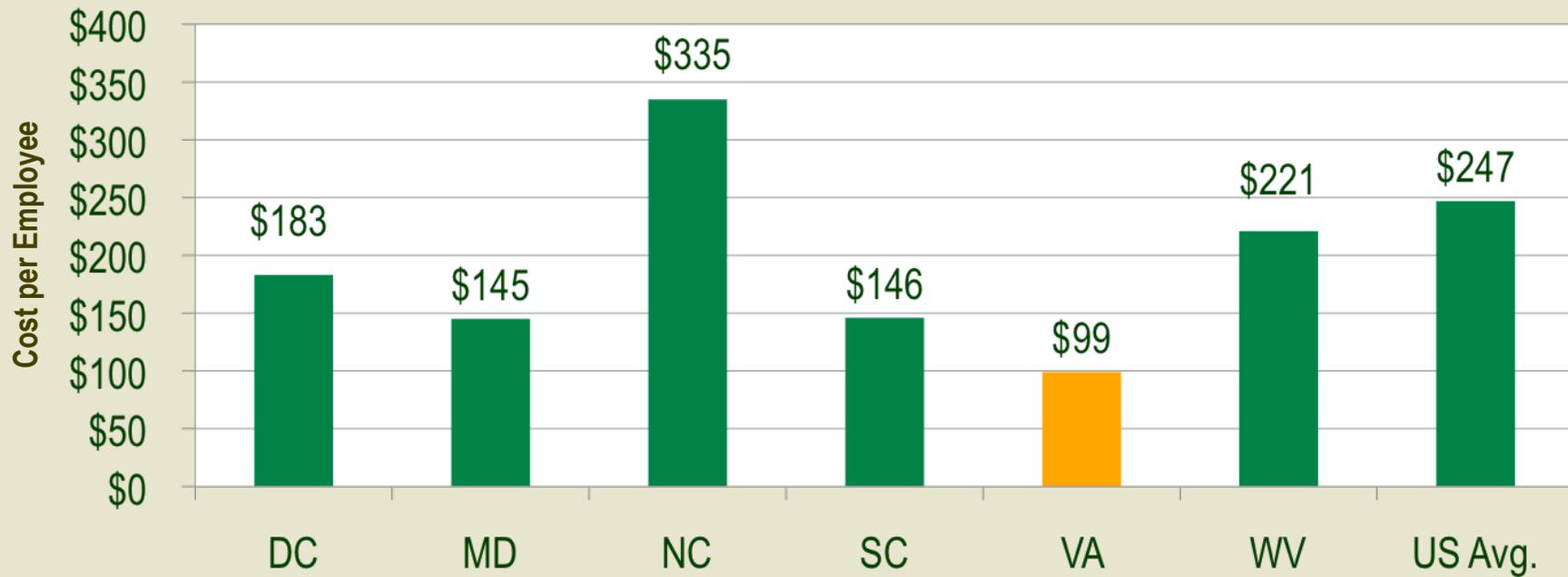
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Average Tax per Employee

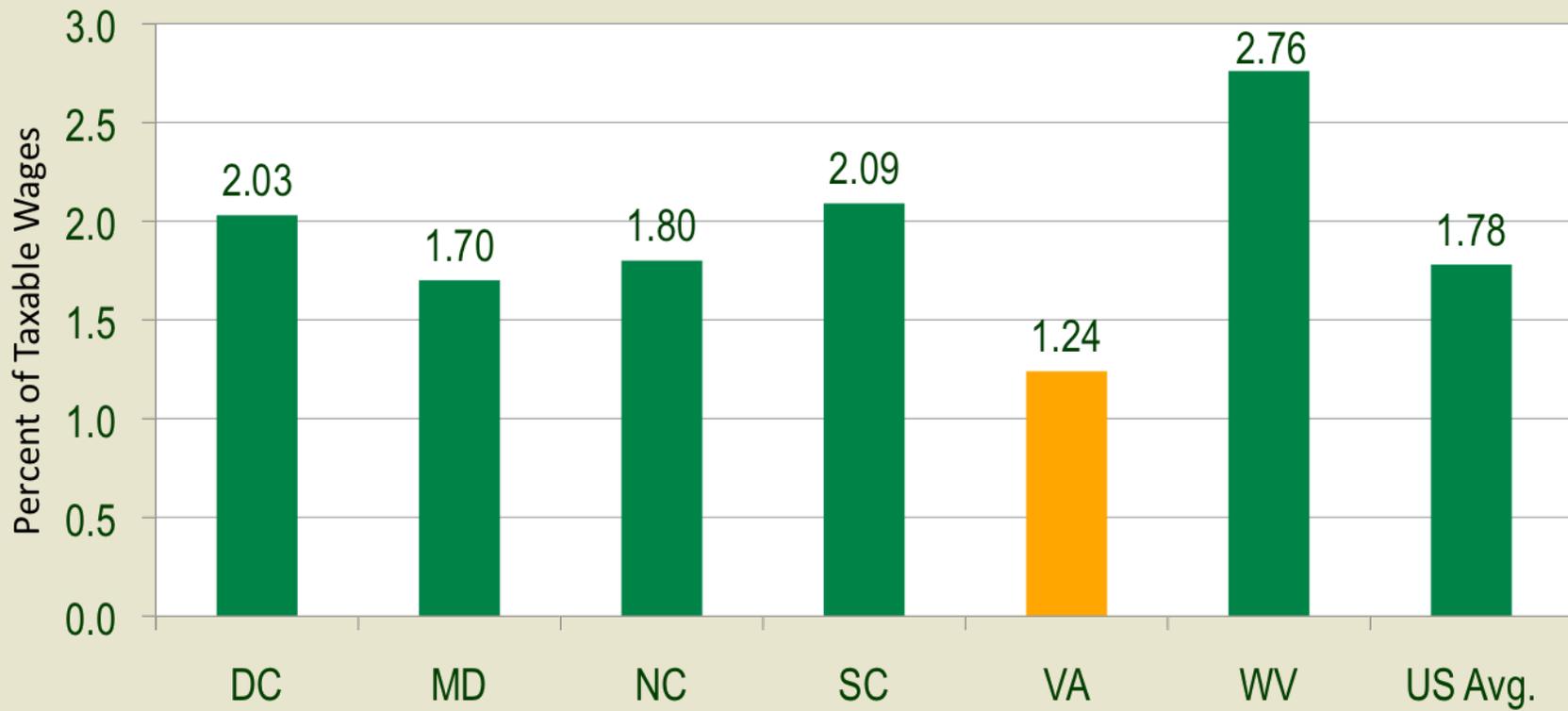
Fourth Circuit – Year Ending 12/31/08





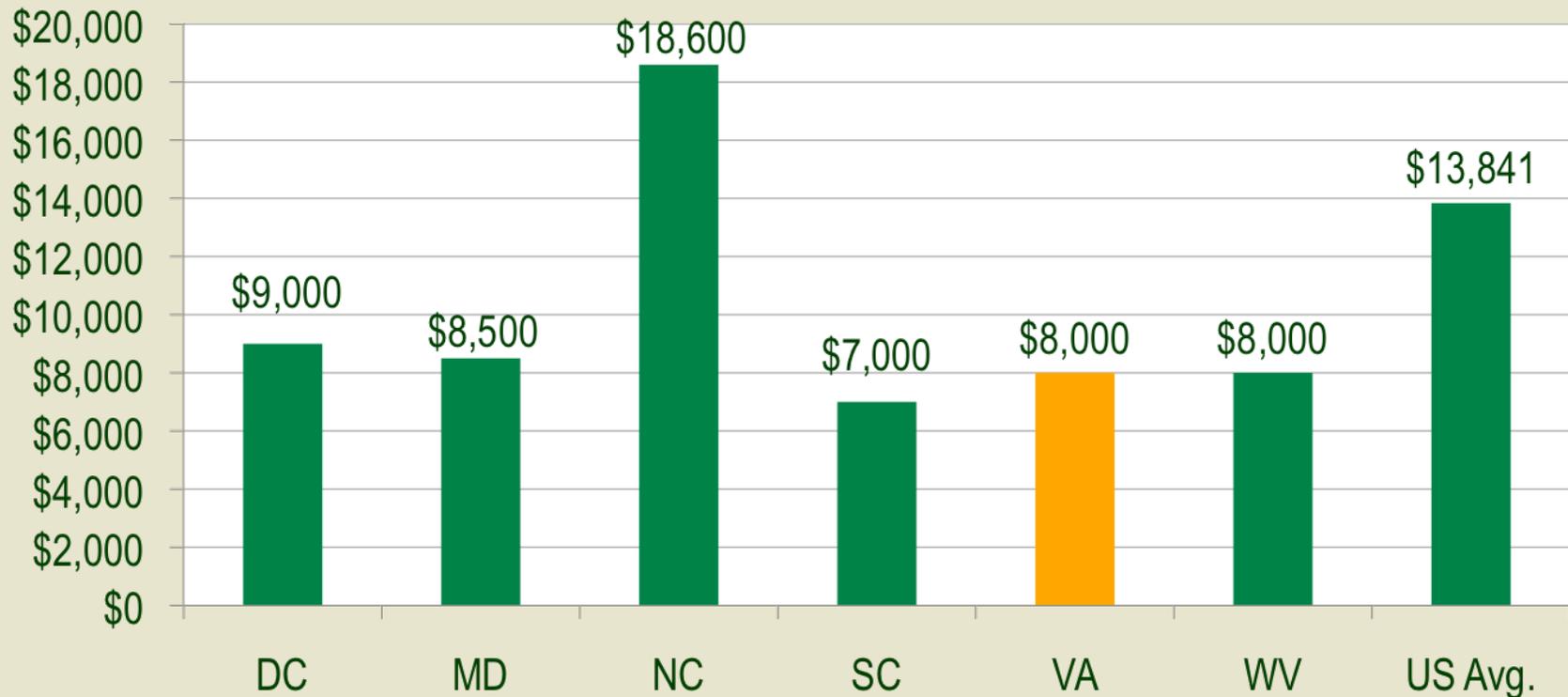
Average Tax Rate

Fourth Circuit – Year Ending 12/31/08



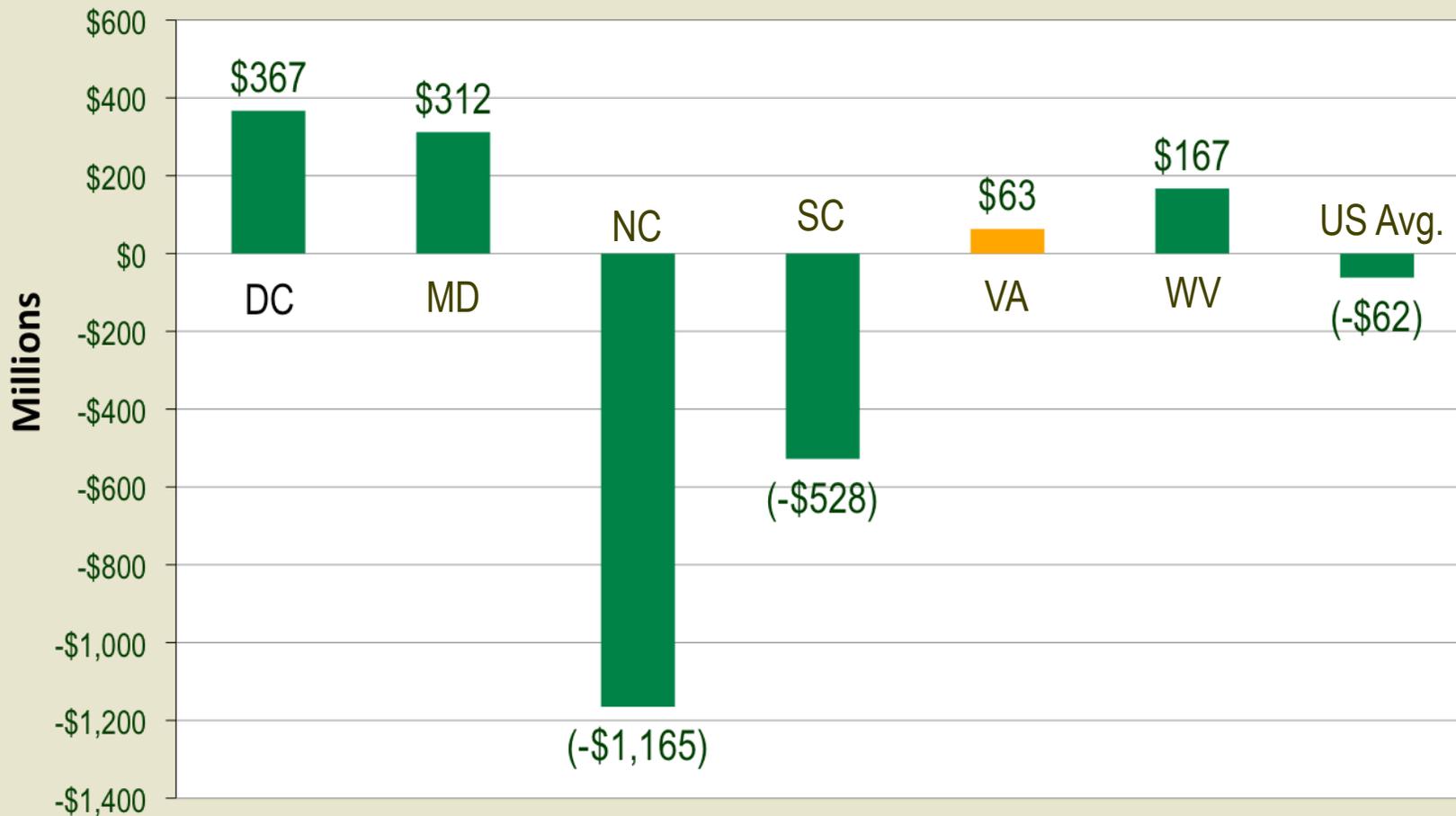


Taxable Wage Base Fourth Circuit – Calendar Year 2008





Trust Fund Balance (less Loans) Fourth Circuit – 9/30/09





Current Recession Compared to Historical Recessions

	73-75 Recession	81-82 Recession	90-91 Recession	2001 Recession	07-09 Recession
Highest Monthly Unemployment Rate	7.6%	8.4%	7.1%	4.5%	7.4%
Highest Annual Unemployment Rate	6.4%	7.4%	6.2%	4.2%	6.7%
Highest Annual Number Unemployed	147,000	196,591	206,341	156,557	280,883
Highest Annual Number Employed	2,135,000	2,482,021	3,146,997	3,588,079	3,960,011
Highest Annual Benefits Paid	\$138.2 million	\$245.1 million	\$328.0 million	\$755.3 million*	\$1,122.1 million
Average Weekly Benefit Amount	\$58	\$100	\$145	\$297*	\$278
Average Weekly Wage	\$156	\$274	\$431	\$703	\$900
Exhaustion Rate	42.9%	31.3%	35.9%	41.8%	52.5%**
Average Duration	15.4 weeks	11.5 weeks	14.0 weeks	14.4 weeks	14.9 weeks**
Lowest Solvency Level in Effect	N/A***	+5%***	+60%	+35%***	—20%***

* Benefits increased 37.3% September 2001-January 5, 2003

** Highest values so far.

*** 50% tax table used; fund-builder tax added. Current solvency method first used in 1981



Impact of Trust Fund Insolvency

- Triggers fund builder tax (0.2%) through CY 2014.
- Social Security offset (50%) reinstated through CY 2014.
- Shift to highest tax table.
- Potential interest payments on federal loans (estimated \$22-36 million).
- Partial loss of FUTA tax credit (0.3%) in 2011 due to federal loan balances in consecutive years.



Alternate Forecast – 1981-1982 Recession with Slower Recovery

- Loans would total about \$1.44 billion vs. \$1.3 billion in Standard Forecast.
- Total interest payments would be about \$44 million vs. \$36.5 million in Standard Forecast.
- Besides the 2011 FUTA credit reduction in the Standard Forecast, in 2012 employers would lose another 0.3 percentage point of the FUTA credit for a total of 0.6 percentage points and pay an additional \$177 million in FUTA taxes or an additional \$42 per employee.
- Fund builder tax and social security offset (50%) through CY 2014—same as Standard Forecast.



Borrowing to Pay Unemployment Insurance Benefits

Outstanding loans (in millions) from the Federal Unemployment Account. Balances as of November 30, 2009, and date of first federal loan are:

Alabama	\$97	September 2009
Arkansas	\$175	March 2009
California	\$4,986	January 2009
Florida	\$695	August 2009
Idaho	\$75	June 2009
Illinois	\$839	July 2009
Indiana	\$1,379	November 2008
Kentucky	\$523	January 2009
Michigan	\$2,922	December 2007
Minnesota	\$168	July 2009
Missouri	\$377	February 2009
Nevada	\$40	October 2009
New Jersey	\$790	March 2009



Borrowing to Pay Unemployment Insurance Benefits (continued)

Outstanding loans (in millions) from the Federal Unemployment Account. Balances as November 30, 2009, and date of first federal loan are:

New York	\$1,726	January 2009
North Carolina	\$1,397	February 2009
Ohio	\$1,615	January 2009
Pennsylvania	\$1,532	March 2009
Rhode Island	\$110	March 2009
South Carolina	\$626	December 2008
South Dakota	\$2	September 2009
Texas	\$974	July 2009
Virginia	\$44	October 2009
Virgin Islands	\$7	September 2009
Wisconsin	\$773	February 2009
Total	\$21,954	



Federal Emergency and Extended Benefits



Emergency Unemployment Compensation (Federally Funded)

- Exhausted all rights to regular compensation – May 1, 2007.
- Tier I total amount equal to 80% of their regular benefits.
- Tier II total amount equal to 50% of their regular benefits.
- Tier III total amount equal to 50% of their regular benefits.
- TRA claim is suspended until EUC is exhausted and TRA may be resumed.
- On November 6, 2009, Congress authorized one additional week of Tier II benefits.



Federal Additional Compensation (Federally Funded)

- \$25 per week added to regular UI, EUC, EB, and TRA
- Started 2/28/09
- Ends 7/3/10
- Amount paid through 11/30/09 is \$106.2 million



Emergency Unemployment Compensation (Federally Funded)

- Through November 20, 2009 (Tiers I & II):
 - Applications mailed 213,557
 - Claims processed 172,621
 - Total amount paid \$458.2 million



Extended Benefits (Federally Funded)

- Total amount equal to 50% of their regular benefits.
- Cost usually shared equally by state and federal governments.
- Federal legislation temporarily increases federal share to 100%.
- State legislation temporarily enables state to “trigger on” these benefits using total unemployment rate instead of insured unemployment rate.
- Claimant must exhaust regular UI and EUC (Tiers I & II) before they become eligible for EB.



Extended Benefits (Federally Funded)

- Through November 20, 2009 (EB)
 - Applications mailed 30,050
 - Claims processed 14,121
 - Total amount Paid \$25.2 million



Virginia Employment Commission

Report to

Commission on Unemployment Compensation

Dolores Esser, Commissioner
Virginia Employment Commission

December 17, 2009



Virginia Employment Commission

UI Benefit Expansion Under the American Recovery and Reinvestment Act

Coleman Walsh, Chief Administrative Law Judge
Virginia Employment Commission

December 17, 2009



Overview

- ARRA included a \$7 billion Reed Act distribution for states who modernized their UI laws
- Virginia was potentially eligible for about \$188 million
- Virginia received \$62.8 million because we had an alternate based period in our law
- Virginia could potentially receive up to \$125.5 million if any two of four changes were made to our law



Modernization Options

- Provide UC for workers who left work voluntarily due to certain compelling family reasons
- Provide UC to certain unemployed workers enrolled in approved training
- Provide UC to part-time workers
- Provide dependent allowances



Governor's Amendments

- Governor proposed amendments to SB 1495 that would have amended Virginia's UC laws with respect to part-time workers and training benefits
- Amendments were not adopted



Part-time workers

- Unemployed individual who has a history of part-time employment would be “available for work” if he sought part-time work that was consistent with his employment history
- Part-time worker could not be disqualified for refusing an offer of full-time work



Training Benefits as Proposed by Governor

- Individual must have exhausted all entitlement to regular UI
- Enrolled in and making satisfactory progress in state approved training program, including WIA-authorized job training program
- Separated from a declining occupation; or
- Involuntarily and indefinitely separated from employment as a result of permanent reduction of operations at place of employment



Requirement of “Permanent” Law Change

- State must show law changes are permanent
- Sunset or “trigger off” provisions are not permissible
- The U. S. Department of Labor has stated in writing that a law change will be deemed to be permanent if it is not subject to change except by repeal of the state legislature



Virginia Employment Commission

UI Benefit Expansion Under the American Recovery and Reinvestment Act

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