



COMMONWEALTH of VIRGINIA

Virginia Employment Commission

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Commissioner

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RICHMOND—The improved economy and lower unemployment in Virginia is good for the people of the Commonwealth, but is having the opposite effect on the Virginia Employment Commission (VEC). A reduction in federal funds for the programs administered by the VEC will mean fewer offices and a reduction in personnel.

The two major programs provided by the VEC are the Job Service and Unemployment Insurance (UI). The Job Service helps businesses fill available positions and assists those who are seeking employment. Unemployment Insurance provides benefits to those who lose their job through no fault of their own.

Both of these programs are funded entirely by the Federal government. Virginia employers are taxed for this purpose under the Federal Unemployment Tax Act (FUTA). The Federal Government in turn uses those tax revenues to fund the Job Service and Unemployment Insurance programs.

Dolores Esser, Commissioner of the VEC, said, "The economic downturn in 2001, particularly after September 11, resulted in sharply higher unemployment rates and unemployment insurance claims in Virginia. VEC added 234 staff to meet the demand of this workload. As the economy has improved, the number of UI claims has decreased 38 percent statewide. As the number of claims has fallen, VEC's workload has decreased, its staffing needs have decreased and, as a result, funding from the USDOL has also decreased."

\$53 million was available to the VEC for administering the UI program during the current year. Administrative funds from a Federal Reed Act distribution, \$25 million for UI and \$9.6 million for Job Service, that have helped the agency over the past three years will expire in June 2006. Only \$42 million will be available in the fiscal year beginning October 1 for UI with a loss of \$11 million in Federal funds. In 2007 it is projected that the funding will be reduced an additional \$10 million.

Funding from the USDOL for job service has declined continually since 1995. Funding beginning in July will be about \$400,000 less than the year before. For next year, we project a decrease of \$3.1 million.

(more)

The VEC receives no state funding.

In the midst of these budgetary challenges the VEC has implemented program changes that both improve service and reduce the need for maintaining a large number of offices. Internet claims filing was introduced nearly three years ago. The General Assembly authorized the VEC to open two call centers to enable claimants to file claims with the VEC via a toll-free telephone number. The first call center in Grundy was opened in December 2003; the second, in South Boston, opened two weeks ago.

Commissioner Esser stated, "Internet or telephone claims now account for more than sixty-five percent of all claims filed with the VEC. Consequently, the number of people coming into the VEC offices has declined."

Even though joblessness remains much higher than we would like in certain areas of the Commonwealth, Virginia's overall rate is 3.4% -- the third lowest in the country.

Offices already affected by the consolidation and restructuring are Newport News, Portsmouth, Richmond West, and Virginia Beach," said Commissioner Esser. "Staff from these offices will be consolidated into offices within the Tidewater and Central Virginia regions. Due to the loss of funding and the consolidation of offices, some part-time or wage staff will experience layoffs between July and September 2005. The VEC will make every effort to assist impacted staff by providing job search and other assistance.

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Description of Reed Act Distribution

Additional funding for the VEC was made available due to a Reed Act distribution in March of 2002. The 1954 Reed Act provides that when the federal UI trust funds exceed ceilings set by Congress the “excess” funds are transferred to state UI trust funds. These funds can be used to pay benefits or, if appropriated by the state legislature, can be used for administrative purposes.

The Temporary Extended Unemployment Compensation Act of 2002 provided a “Special Reed Act Transfer” of \$8 billion. Each state’s allotment was determined based on its proportionate share of wages subject to the federal FUTA tax. Virginia’s share was \$214.9 million. Of that amount, the Virginia General Assembly appropriated \$31.9 in 2002 and an additional \$9 million in 2004 to be used primarily for the call centers described in the press release and for other administrative purposes. The balance was deposited in Virginia’s Unemployment Insurance Trust Fund – a fund that can only be used to pay benefits.