



# Virginia Employment Commission *report to*

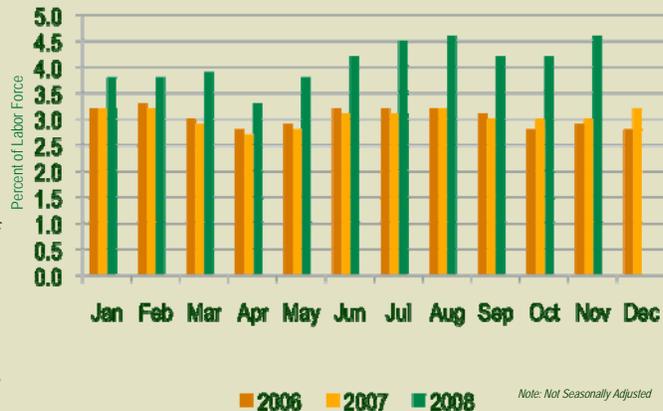
## House Commerce and Labor Committee

Dolores Esser, *Commissioner*  
Virginia Employment Commission  
January 15, 2009



## Virginia's Unemployment Rates 2006 - 2008 (year to date)

- This year all unemployment rates have been above the year-ago rates.
- August's and November's rate of 4.6 percent was the highest rate since January 1997's 4.7 percent.





# Current Economic Situation

## The Nation and Virginia



## The Nation

- The National Bureau of Economic Research (NBER), the Princeton, New Jersey, think tank that officially designates U.S. recessions, has recently announced that the U.S. has been in a recession since December 2007. The NBER sometimes does not define recessions until a couple of years later. (They did not fully define the March-November 2001 recession officially until July 2003.)



## The Nation - *continued*

- As a result of the financial and housing crises, the already looming recession has been worsened and prolonged.
- As a result of what has already happened:
  - It now looks like recession in the U.S. will last through 2009 with a slow recovery in 2010.
  - Employment and unemployment are the “caboose” of the economic train—always the last to turn around in both good and bad times.

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## The Nation - *continued*

- It looks like the current downturn will be slightly worse than the 1991 recession, but not as bad as the 1982 recession.
  - ⇒ Employment should drop an additional 2.6 percent in 2009.
  - ⇒ Unemployment should peak about 9.2 percent at the beginning of 2010.

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## Virginia

- Virginia, as usual, is expected to perform better than the nation because over half of Virginia employment is in the less recession-prone:
  - Professional and business services
  - Health care
  - Public and private higher education
  - Federal government and defense

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## Virginia - *continued*

- Virginia should see negative job growth throughout 2009.
- Virginia unemployment should peak at 6.6%.
- A worst case scenario would have U.S. unemployment approaching 10% and Virginia unemployment over 7%.

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## VEC Trust Fund



## UI Taxes

- Taxes are paid by employers to the VEC on the first \$8,000 of each employee's wage.
- Taxes deposited in the UI Trust Fund.
- Tax rates:
  - Minimum tax for 2009 is 0.18%, or \$14.40 per employee.
    - ⇒ 119,000 employers, or 63% of employers
  - Maximum tax for 2009 is 6.28%, or \$502.40 per employee.
    - ⇒ 5,800 employers, or 3.1% of employers
  - Average tax per employee is \$95.



## UI Taxes

- Individual employer's tax rate based on:
  - Trust Fund solvency level that determines which of 15 tax tables is used.
  - Employer's experience over last 4 years.
- Two surtaxes can also be levied:
  - Pool tax used to recover benefits that cannot be charged to a specific employer.
  - Fund-building tax used when solvency falls below 50%.

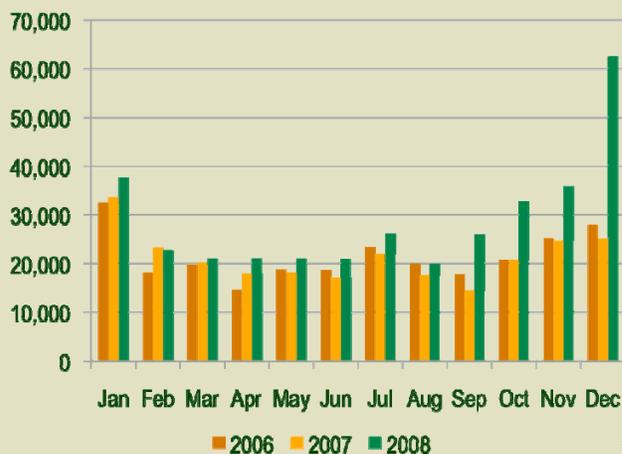
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## UI Initial Claims

2006 - 2008 (year to date)

- Total initial claims through December this year are up 33.4% because of more motor vehicle, furniture, textiles, building-related, and finance layoffs. For the same period, initial claims are up 33.3% from 2006.



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## Workload\* New Standard Forecast

Calendar Year	Insured Unemployment Rate	Initial Claims
2006	1.03%	260,804
2007	1.07%	260,561
2008	1.45%	347,570
2009	2.25%	576,780
2010	1.82%	465,150

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

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## Claims Load and Dollars

	Dec 2007	Jan 2008	Dec 2008	Jan 2009*
Average Weekly Initial Claims	6,430	8,171	12,694	21,862
Average Weekly Benefits (millions)	\$7.7	\$10.1	\$13.4	\$21.6

\*January 4 - 10, 2009

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## Trust Fund Data—New Standard Forecast

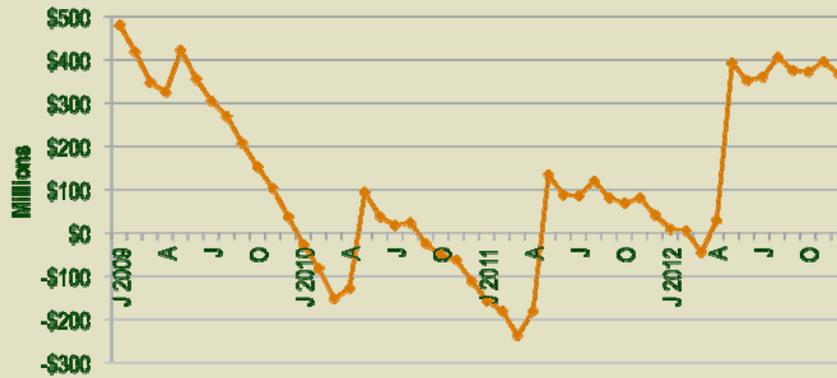
(Millions of Dollars)

	2008 (actual)	2009
January 1 Balance	\$708.4	\$546.6 (actual)
Tax Revenue	\$335.9	\$329.3
Interest Revenue	\$35.6	\$14.1
Benefits	\$516.7	\$857.4
December 31 Balance	\$546.6	\$32.6
Solvency Level (6/30)	64.4%	30.9%



## Balances

### End of Month Cash Available for Benefits





## Loans—New Standard Forecast 90-91/81-82 Recession Scenario

- 2010q1--\$152.1 million paid back by 6/30/2010
- 2010q2--\$56.3 million paid back by 6/30/2010
- 2010q3--\$25.0 million
- 2010q4--\$86.7 million
- 2011q1--\$126.2 million
- 2011q2--\$46.3 million
- 2012q1--\$44.6 million
- 2012q2--\$40.5 million
- Total--\$577.7 million

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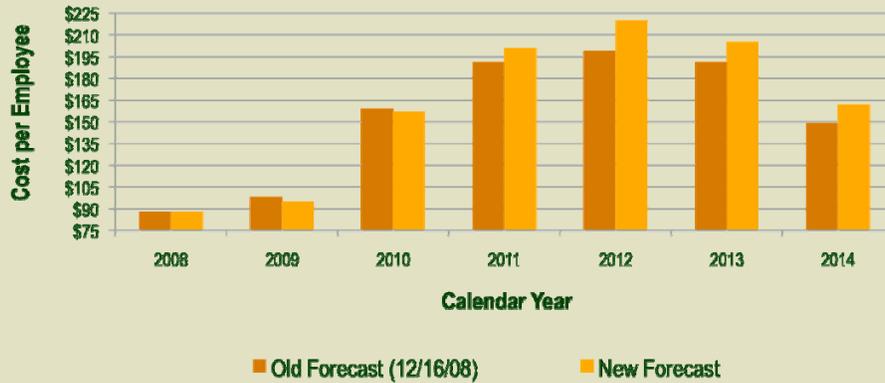
## Interest Payments—New Standard Forecast 90-91/81-82 Recession Scenario

- \$2.1 million—Due September 30, 2010
- \$3.9 million—Due September 30, 2011
- Total--\$6.0 million
- Per Section 60.2-315 of the Code of Virginia, interest must be paid from Penalty and Interest (Special Unemployment Compensation Administration) fund

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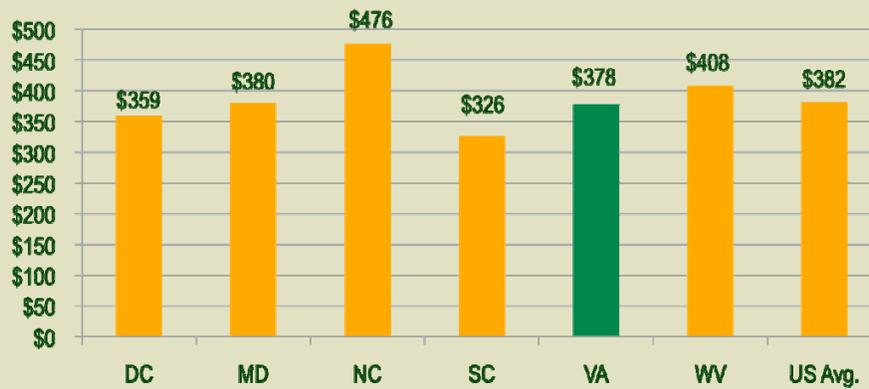
## Average Tax Old Forecast vs. New Forecast



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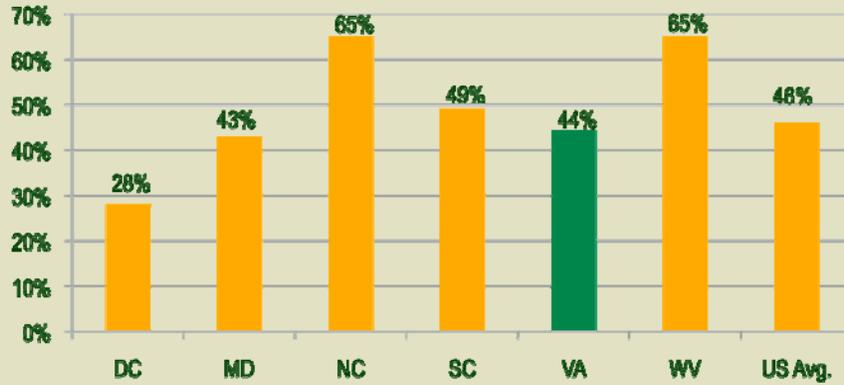
## 2008 Maximum Weekly Benefit Fourth Circuit



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## 2008 Maximum Weekly Benefit Replacement Rate Fourth Circuit



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## Average Tax per Employee Fourth Circuit – Year ending 3/31/08



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## Taxable Wage Base Fourth Circuit – Calendar Year 2008



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## Emergency Unemployment Compensation (Federally Funded)

- Exhausted all rights to regular compensation – May 1, 2007
- Total amount equal to 50% of their regular benefits
- TRA claim is suspended until EUC is exhausted and TRA may be resumed
- On November 21, 2008, Congress authorized up to an additional 7 weeks of benefits.

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## Emergency Unemployment Compensation (Federally Funded)

- Through December 31, 2008
  - Application mailed 98,624
  - Claims processed 35,517
  - Total Amount paid \$72.8 million

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