

Commission on Unemployment Compensation

August 19, 2011

John R. Broadway, Commissioner

Virginia's Unemployment Rates

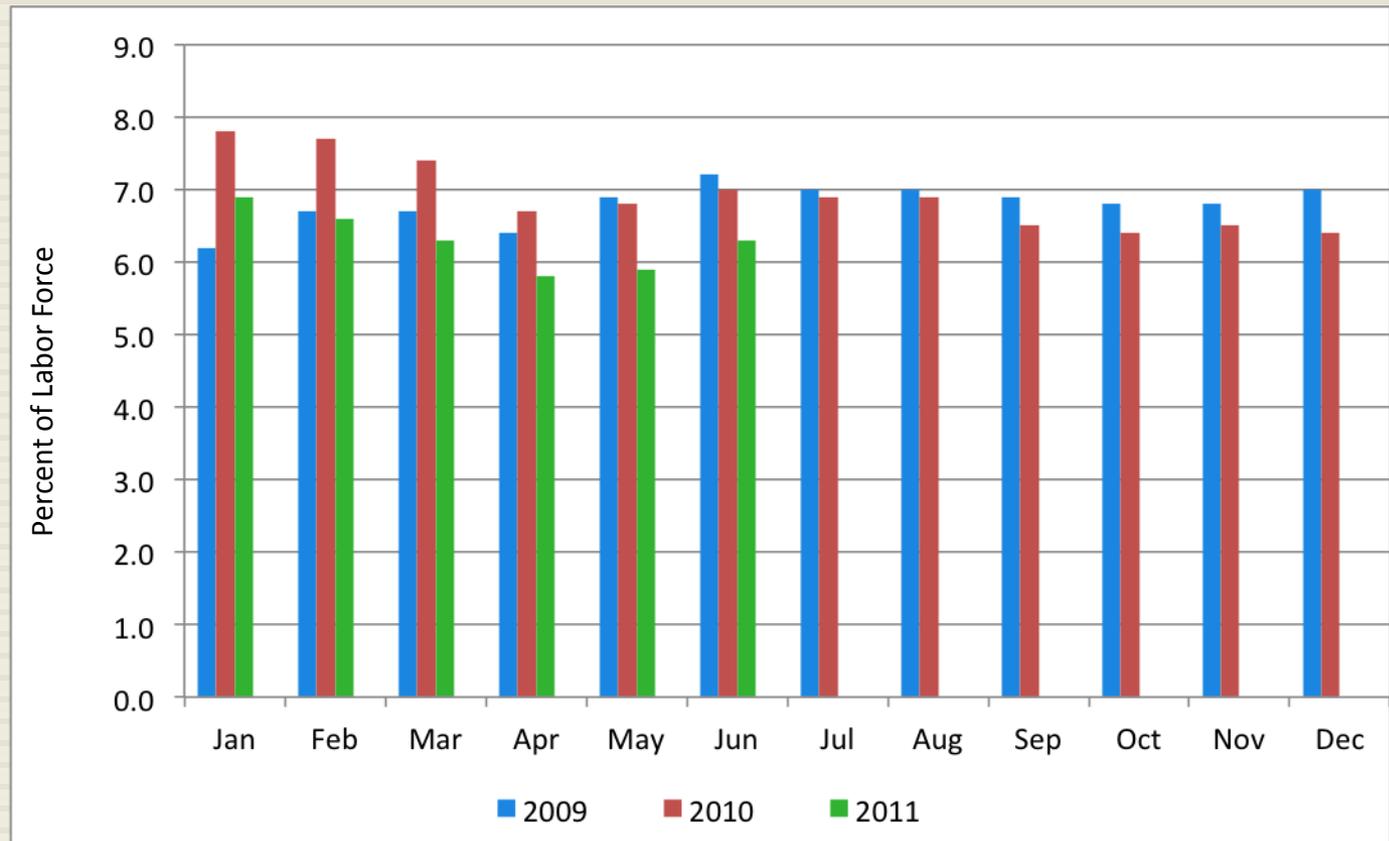
2009 - 2011 (year to date)



2

- This year unemployment rates have averaged about 12 percent lower than the year-ago rates.
- January 2010's rate of 7.8 percent was the highest rate since February 1983's 8.1 percent.

(not seasonally adjusted)



Workload

3

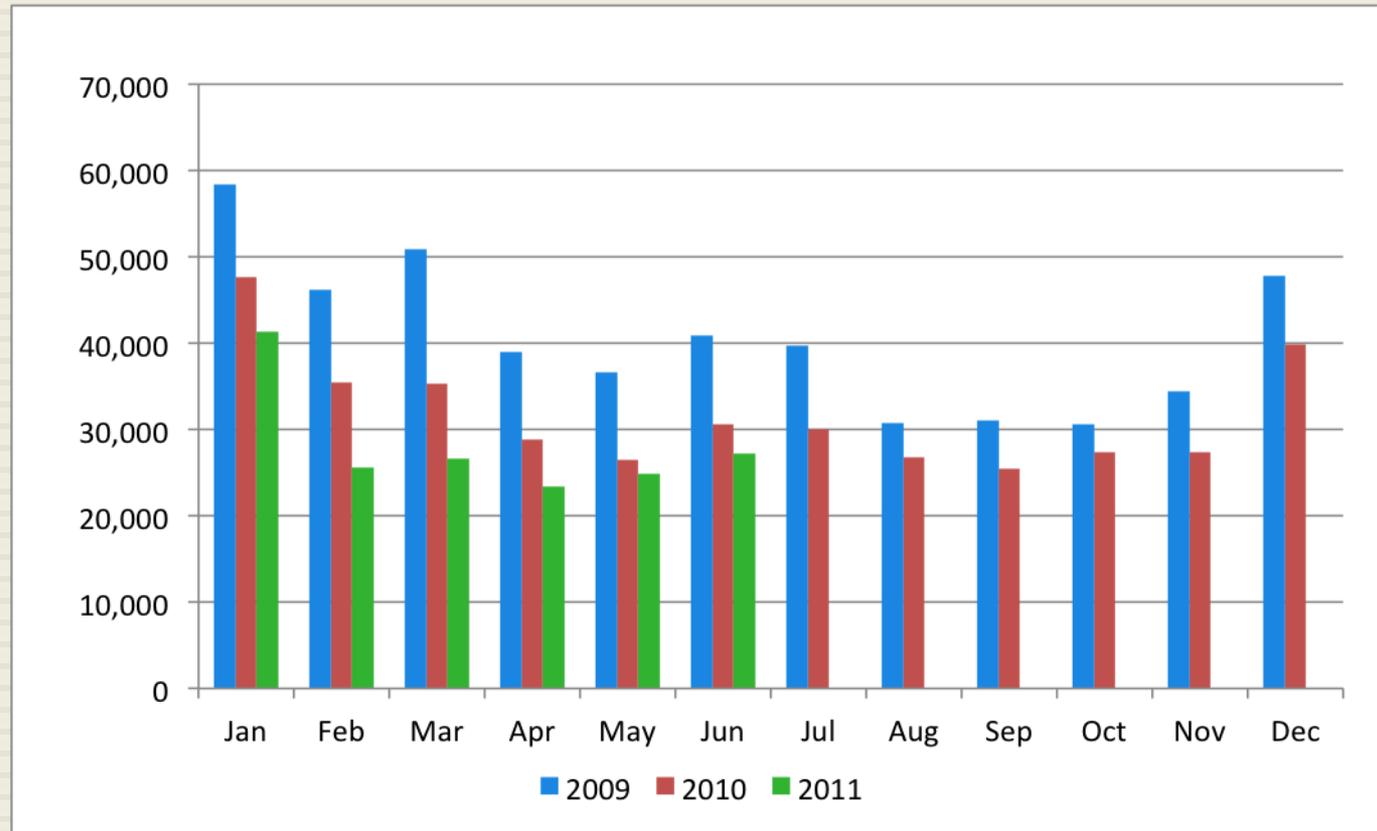
Calendar Year	Initial Claims
2007	260,561
2008	356,220
2009	501,950
2010	395,888
2011 (Jan.-June)	169,089

UI Initial Claims

2009 - 2011 (year to date)

4

- Total initial claims through June this year are down 17.2% because of fewer manufacturing, construction, wholesale trade, and mining layoffs. For the same period, initial claims are down 37.7% from 2009.

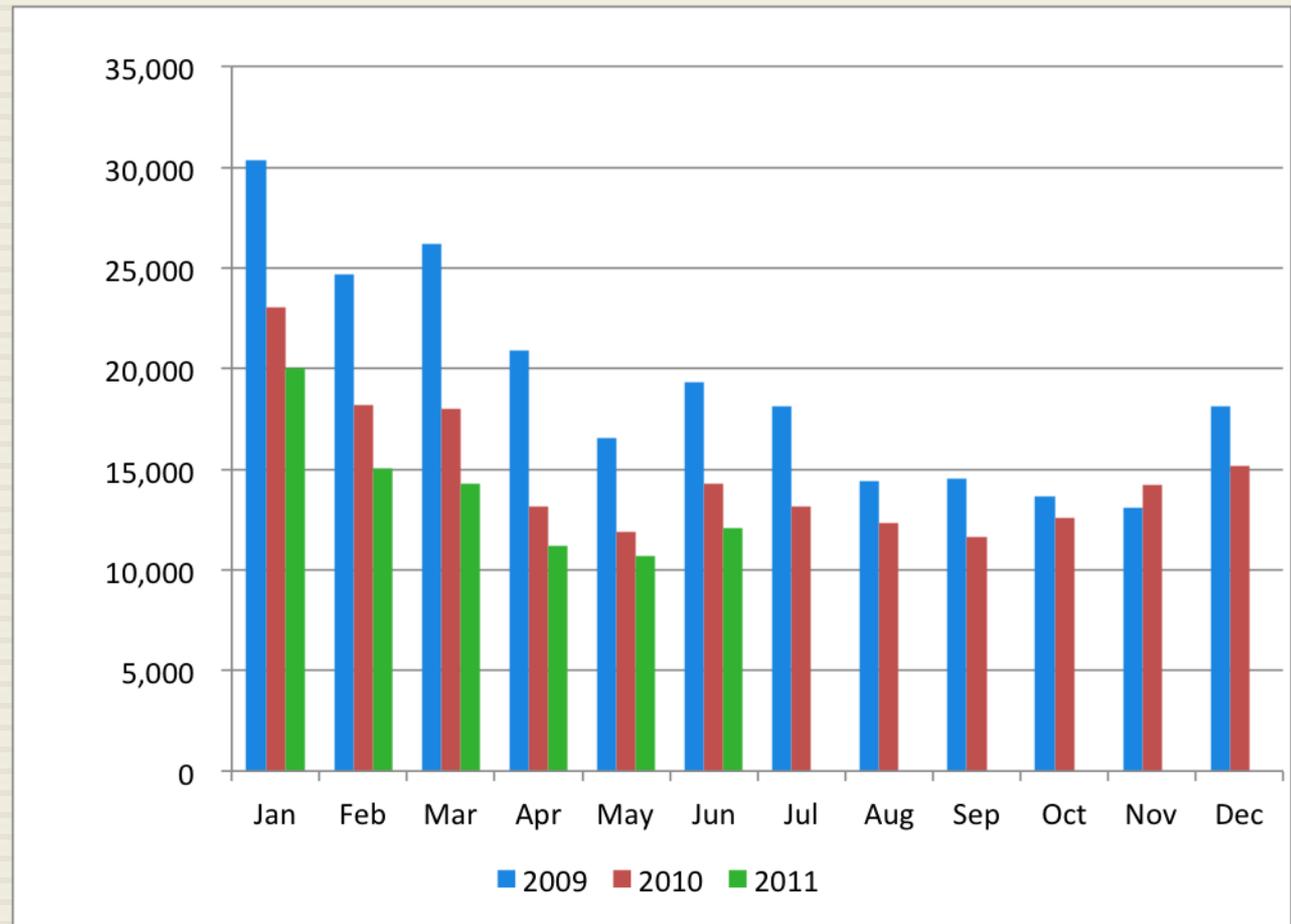


UI First Payments

2009 - 2011 (year to date)

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- A claimant can receive only one first payment in his benefit year; so first payments are a good indication of the number of claimants receiving unemployment benefits.
- Through June, first payments are down 15.5% from last year, and 39.7% from 2009.
- The average duration in June was 14.8 weeks, down from last June's 16.7 weeks.

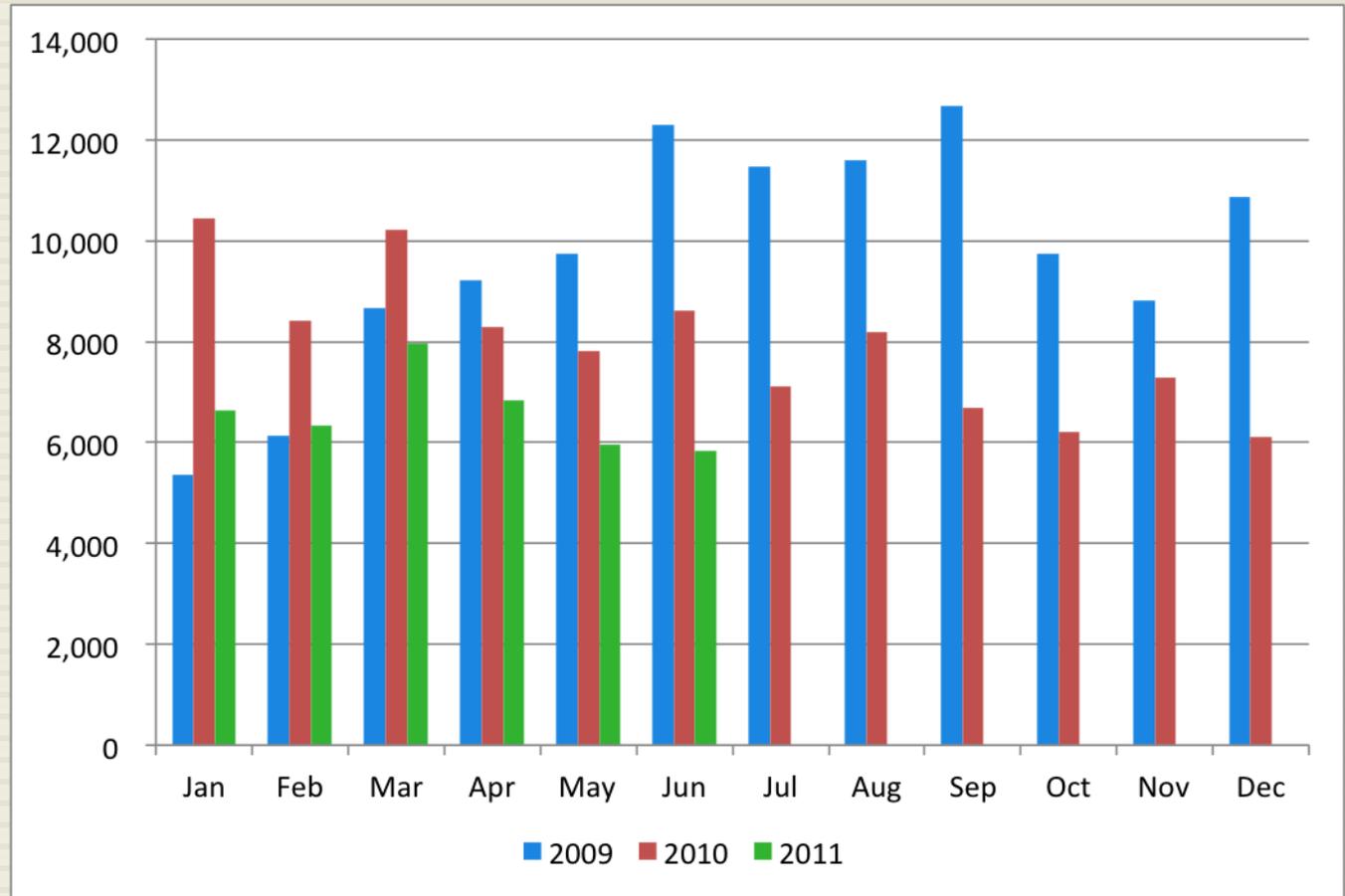


UI Final Payments

2009 - 2011 (year to date)

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- For the first six months of 2010, final payments are down 26.5% from 2009, and 23.0% from 2009.
- The exhaustion rate in June was 45.7%, down from last June's 51.8%.

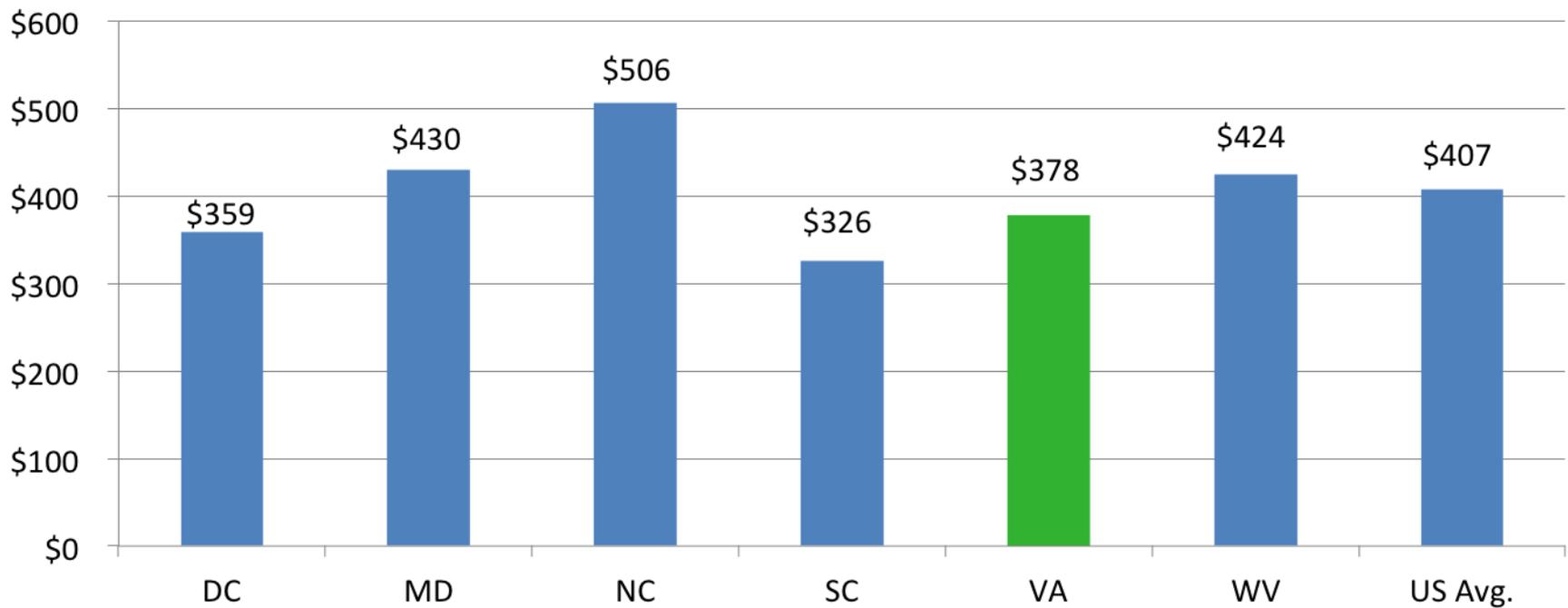


2011 Maximum Weekly Benefit

Fourth Circuit



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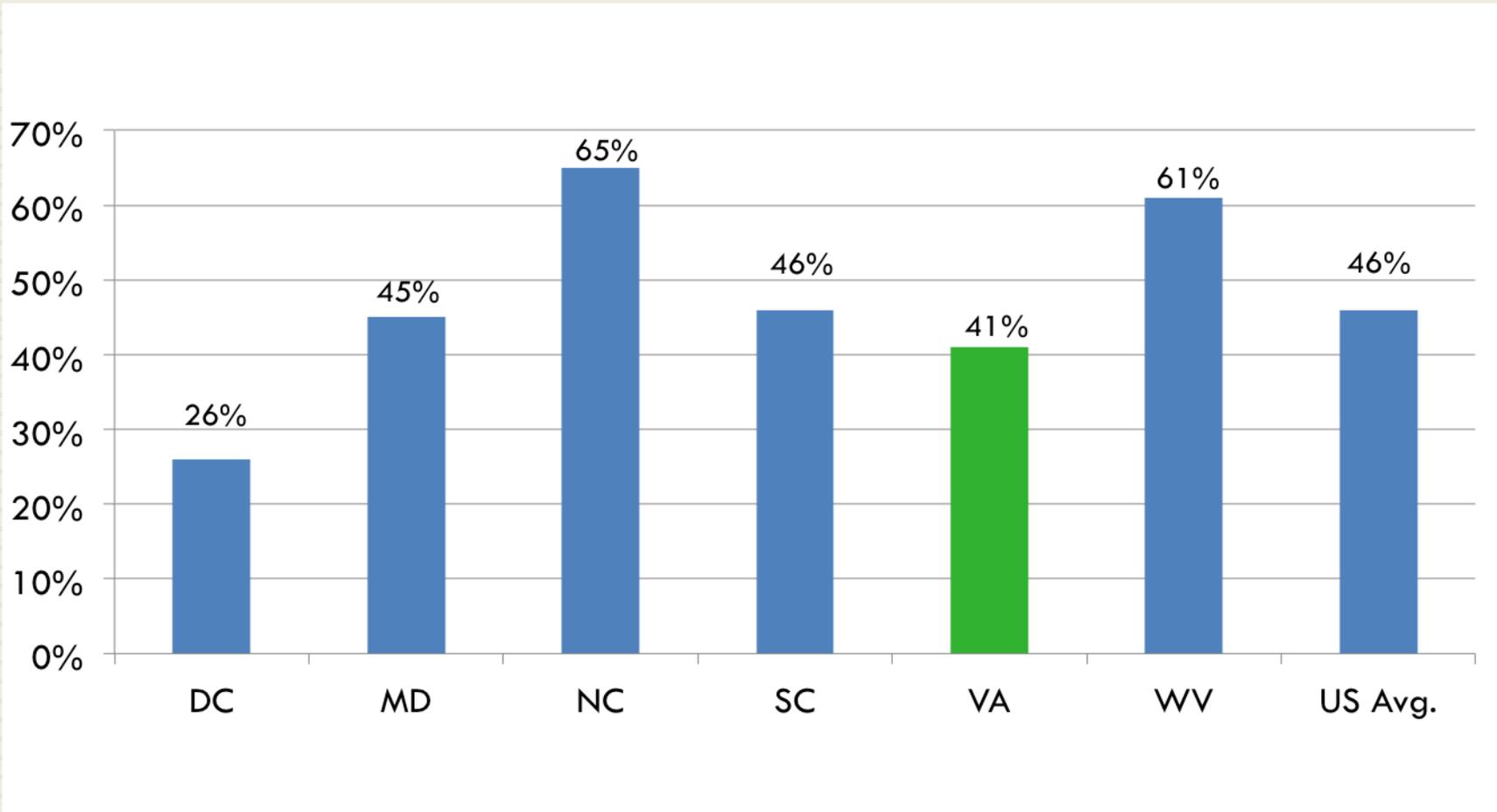
2011 Maximum Weekly Benefit

Replacement Rate



Fourth Circuit

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Trust Fund Data—Standard Forecast

(Millions of Dollars)



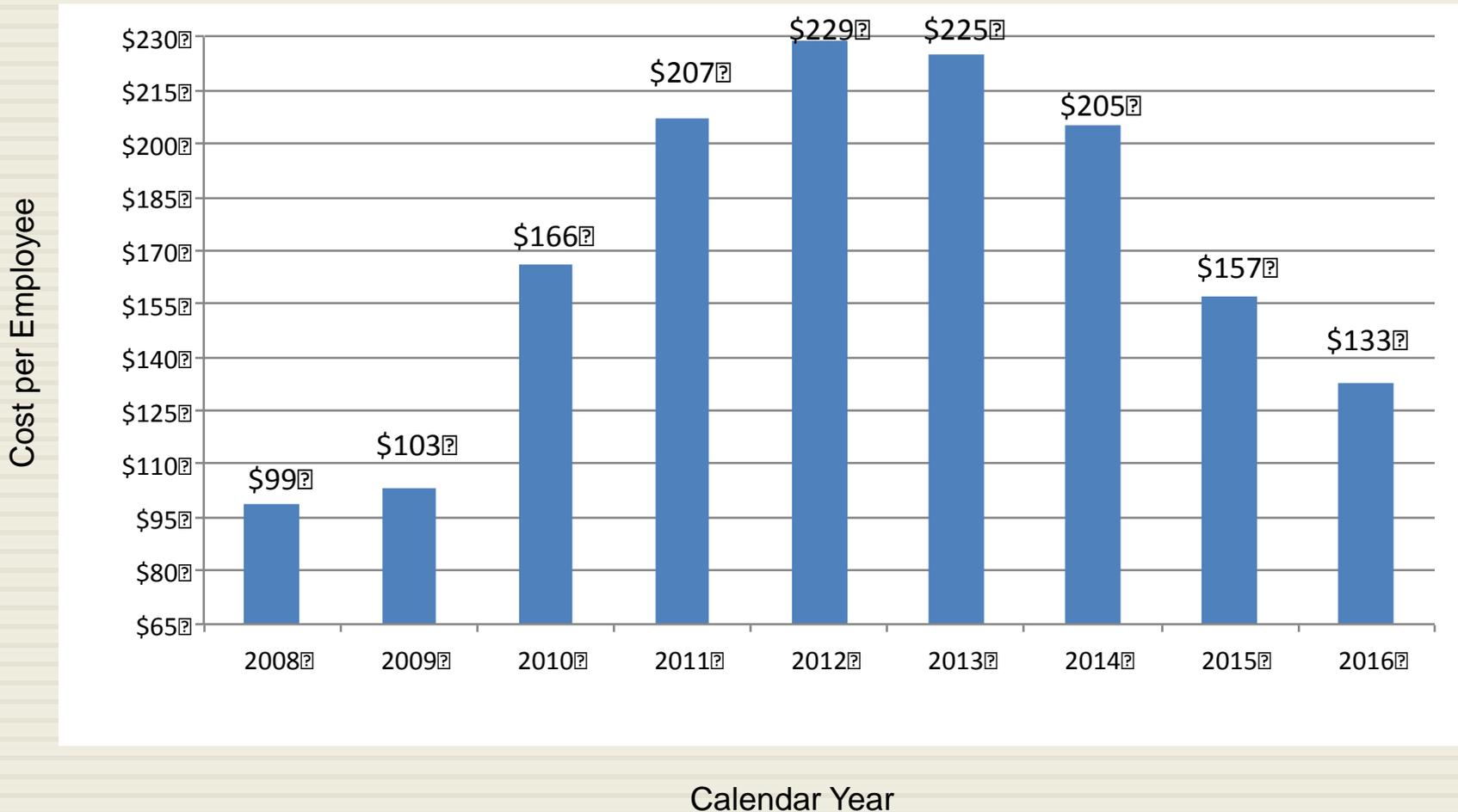
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	2010	2011
January 1 Balance	-\$122.9	-\$347.5
Tax Revenue	\$530.6	\$692.0
Interest Revenue	\$0.0	\$0.0
Benefits	\$755.2	\$611.1
December 31 Loan Balance	-\$347.5	-\$266.6
Solvency Level (6/30)	-8.1%	-8.2%

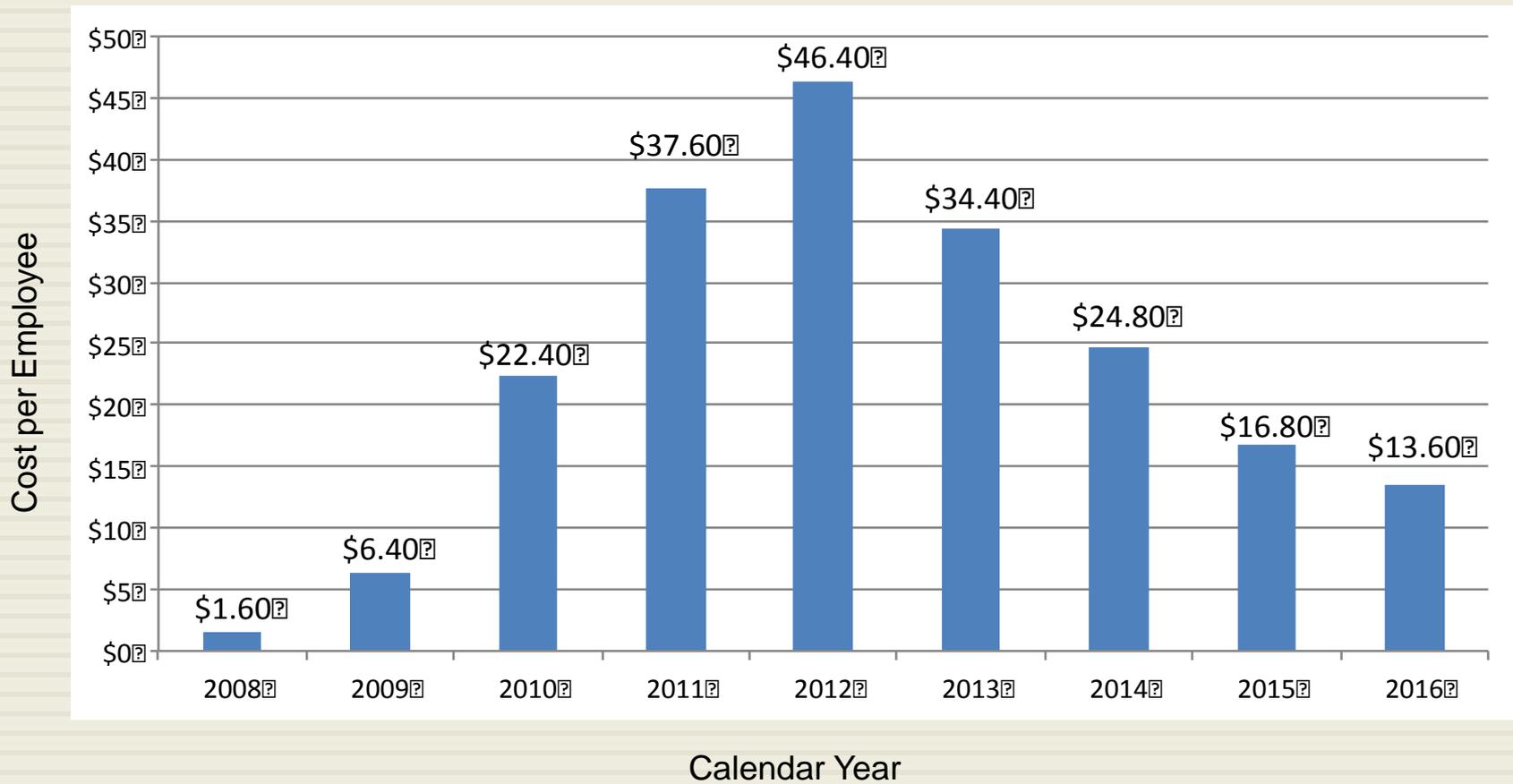
As of August 5, 2011, Trust Fund Balance was -\$126 million.
\$45 million loan repayment in August, 2011

Average Total State Tax

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Pool Taxes

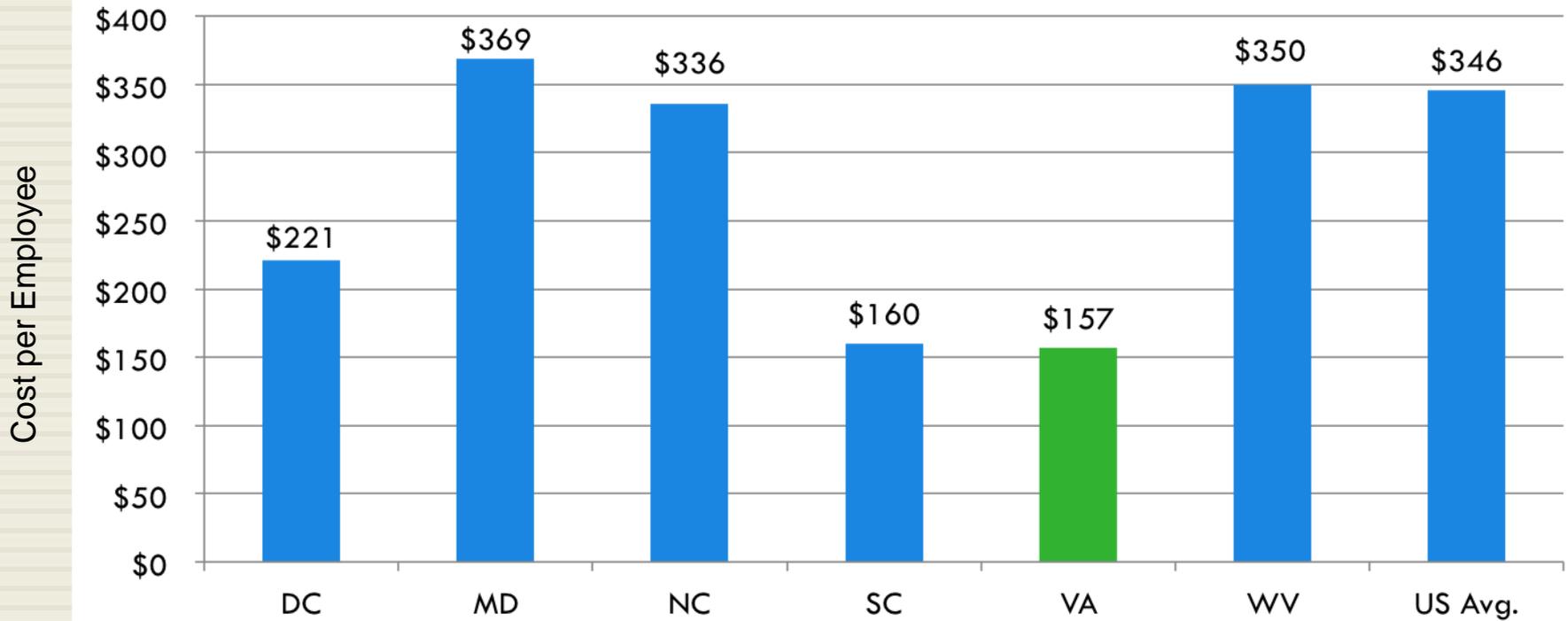


Average Tax per Employee

Fourth Circuit – Year Ending 9/30/10



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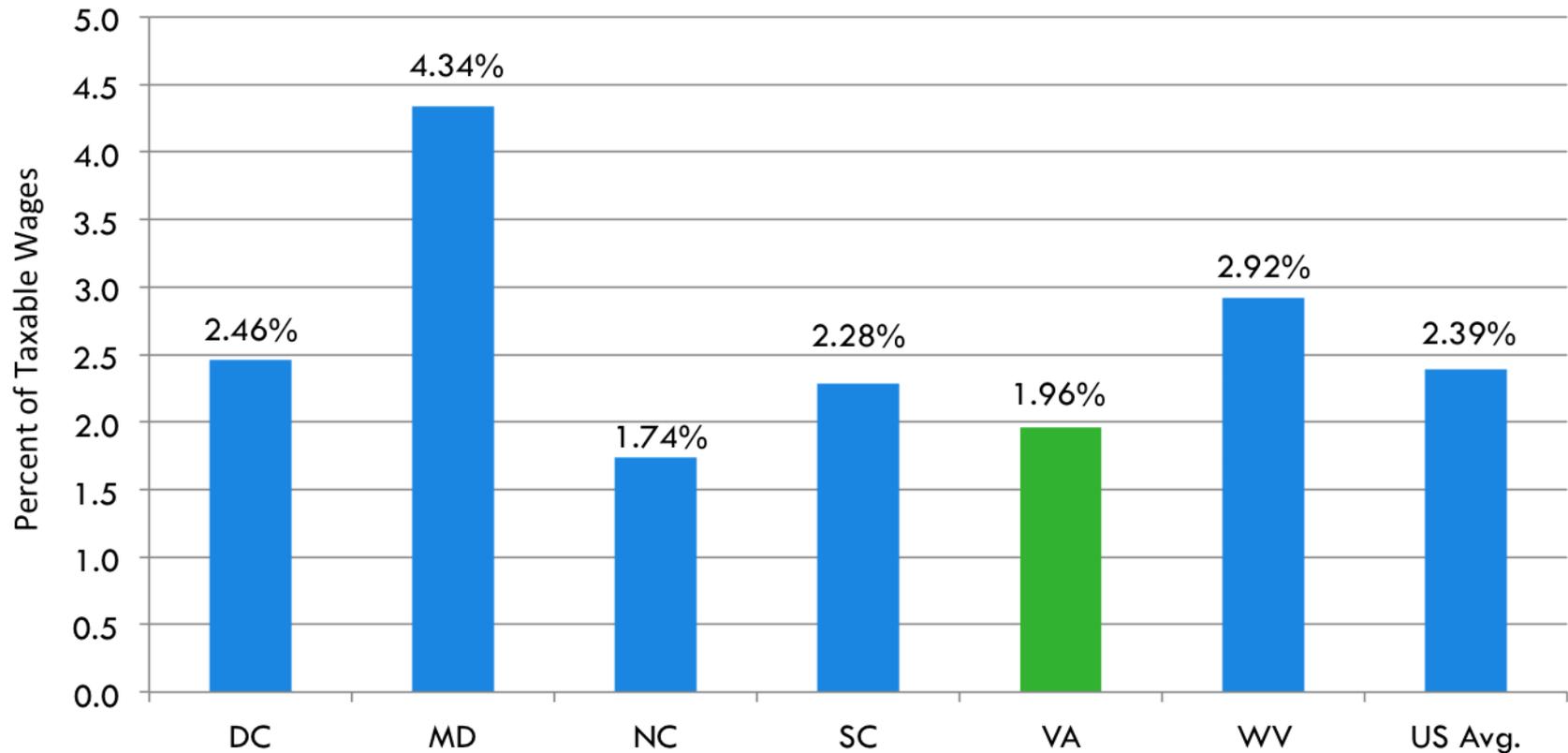


Average Tax Rate

Fourth Circuit – Year Ending 9/30/10



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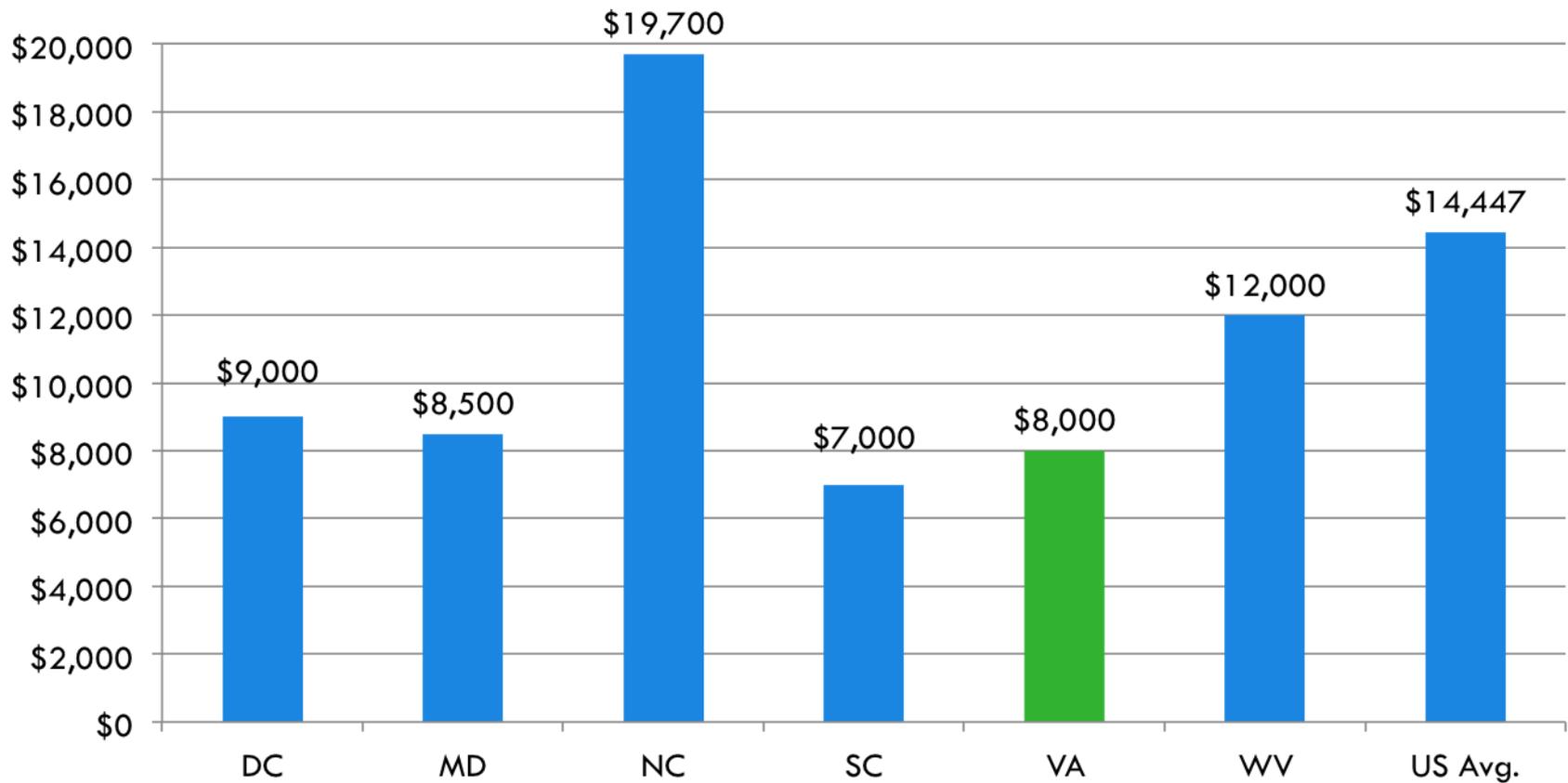


Taxable Wage Base

Fourth Circuit – Calendar Year 2010



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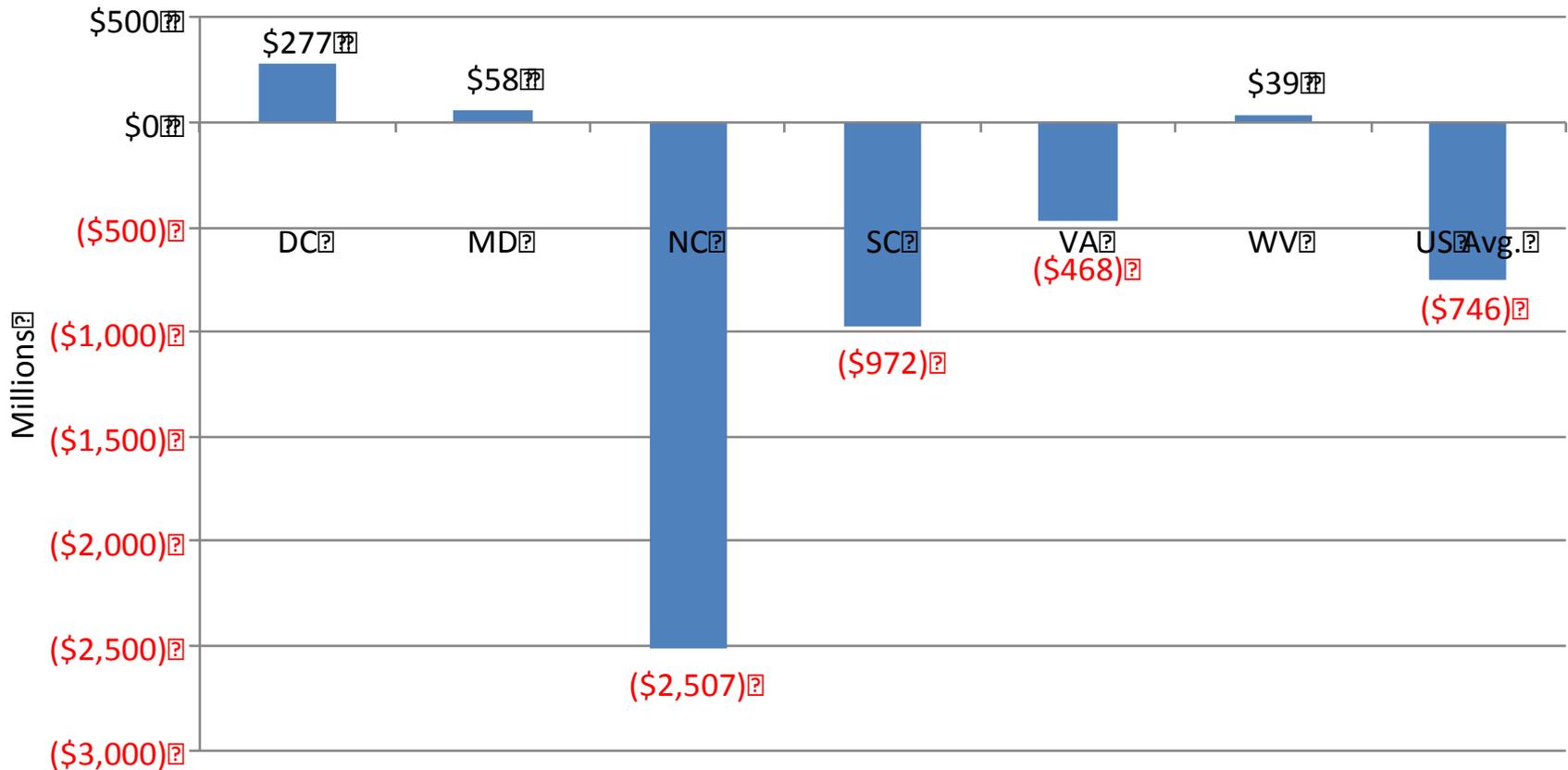


Trust Fund Balance (Less Loans)

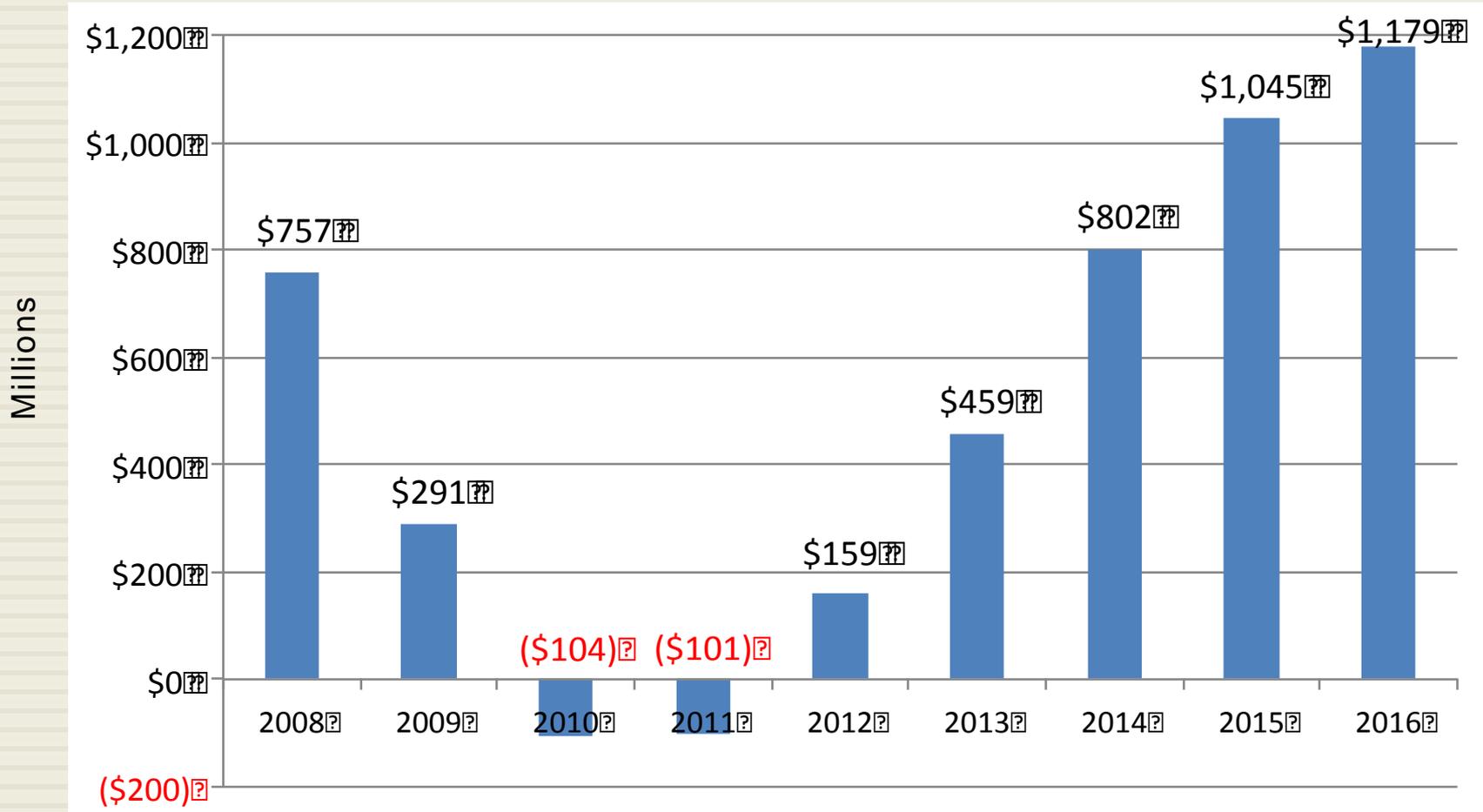
Fourth Circuit – 3/31/11



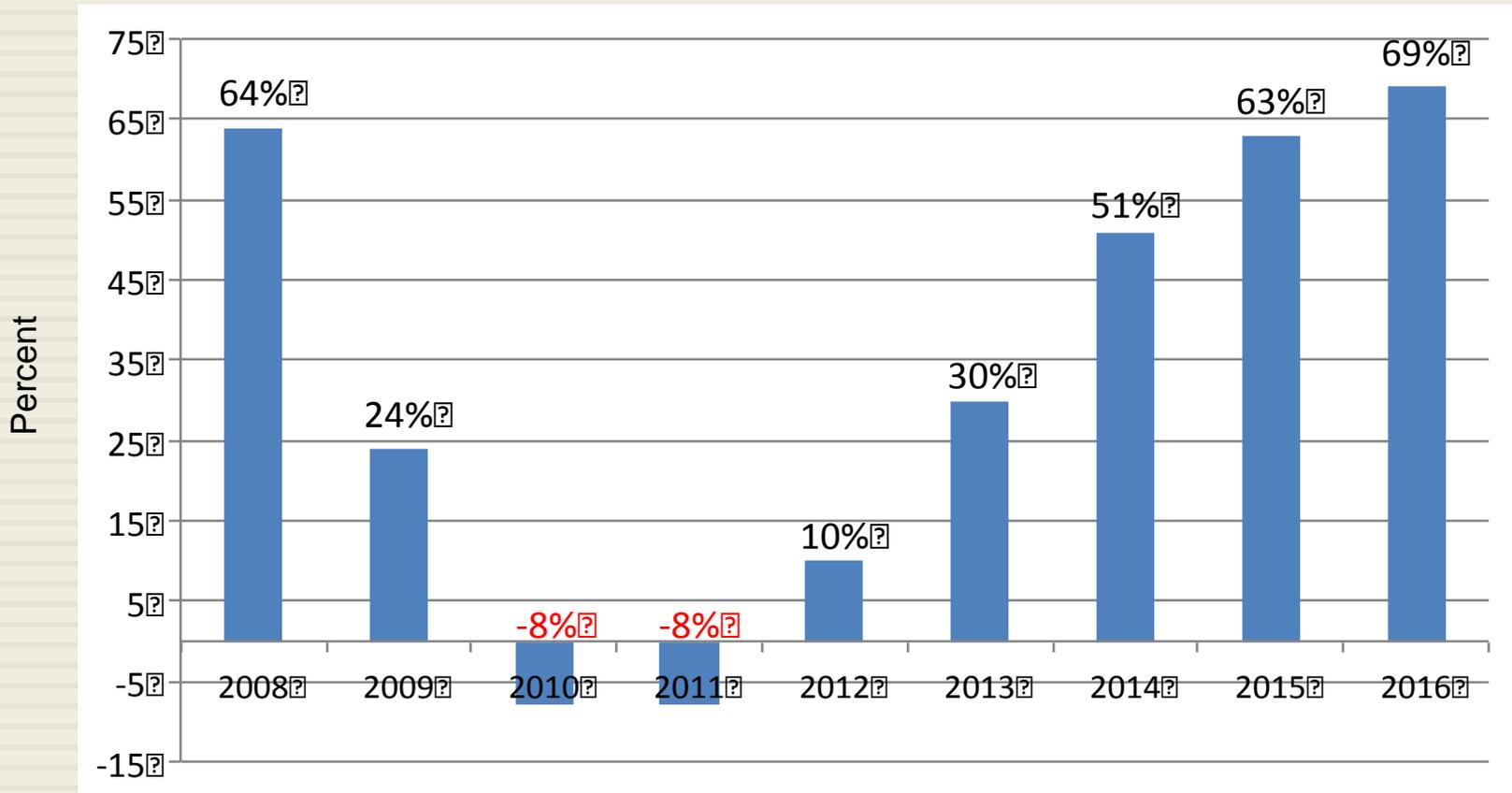
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June 30 Balances



Trust Fund Solvency



June 30

Standard Forecast Summary



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- Must borrow additional \$251 million September 2011- April 2013.
- Federal waiver of interest was not extended beyond 2010, so interest payments total \$20.2 million in 2011 and 2012. This could not be paid out of Trust Fund or UI grants from federal government. In September 2011, \$8.9 million will be paid out of the General Fund and remainder (up to \$3.0 million) out of the VEC's Penalty and Interest Fund.
- FUTA credit reduction in 2011 increases taxes \$21 per employee and reduces loan balances \$82 million in January 2012.
- Includes SB 1010, which postpones until July 2012 increase in minimum earnings requirement and minimum weekly benefit amount, and HB 2357/SB 1113, which repealed the Social Security pension offset, effective July 2011.
- No further legislated changes in benefits and taxes.

Loss of FUTA Tax Credit Due to Loan Balances



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- If a state has an outstanding loan balance to the federal government in two consecutive years, that state's employers will lose 0.3% of the 5.4% FUTA tax credit.
- Results in the FUTA tax rate being 0.9%, or a maximum of \$63 per employee for that year (0.2% surtax from 1976 allowed to expire June 30, 2011).
- For each year beyond two that the state has a loan balance, an additional 0.3% takes place.
- The additional tax revenues are applied against the state's loan balance.

Weeks of Unemployment Benefits Currently Authorized



State	Federal Emergency Unemployment Compensation (scheduled to expire December 31, 2011)				State-Federal Extended Benefits*	
26	20 (Tier I)	13+1 (Tier II)	13 (Tier III)	7 (Tier IV)	13	7
Maximum weeks in most states	Up to 20 weeks available nationwide	Up to an extra 13 weeks paid in "high unemployment state", 14th week added by Congress effective 11/2009	Up to 13 additional weeks of benefits paid on "high unemployment" states (6%+) to Exhaustees (Tier II and EBS)	Up to 7 additional weeks paid to states with unemployment rate of 8.5% or more	Up to 13 weeks available in states that have certain levels of unemployment	Up to 7 extra weeks of EB at state option available when unemployment exceeds certain levels
<ul style="list-style-type: none"> • New Program • Benefits July 2008 						

* 100% federally funded after February 17, 2009; last payable in Virginia the week ending 5/14/2011
 Unemployed can qualify for up to 73 weeks of benefits in Virginia: Regular UI and Tiers I-III
 Source: NASWA Bulletin, June 19, 2009

Borrowing to Pay Unemployment Insurance Benefits



Outstanding loans (in millions) from the Federal Unemployment Account. Balances and interest owed (in millions) as of July 29, 2011, and date of first federal loan are:

State	Balance	Date of First Loan	Interest Owed*
Alabama	\$66	September 2009	\$4
Arizona	\$267	March 2010	\$6
Arkansas	\$360	March 2009	\$8
California	\$8,575	January 2009	\$243
Colorado	\$326	January 2010	\$10
Connecticut	\$810	October 2009	\$17
Delaware	\$63	March 2010	\$1
Florida	\$1,667	August 2009	\$45
Georgia	\$721	December 2009	\$16
Hawaii	\$11	December 2010	\$0.6
Idaho	\$202	June 2009	\$5
Illinois	\$2,206	July 2009	\$58
Indiana	\$1,926	November 2008	\$47

* Since January 1, 2011

Borrowing to Pay Unemployment Insurance Benefits (continued)



Outstanding loans (in millions) from the Federal Unemployment Account. Balances and interest owed (in millions) as of July 29, 2011, and date of first federal loan are:

State	Balance	Date of First Loan	Interest Owed*
Kansas	\$171	February 2010	\$3
Kentucky	\$949	January 2009	\$21
Maryland	\$0	February 2010	\$0
Massachusetts	\$0	February 2010	\$3
Michigan	\$3,274	December 2007	\$84
Minnesota	\$486	July 2009	\$13
Missouri	\$725	February 2009	\$18
Nevada	\$773	October 2009	\$17
New Hampshire	\$0		\$0.1
New Jersey	\$1,595	March 2009	\$39
New York	\$3,000	January 2009	\$75
North Carolina	\$2,605	February 2009	\$61

* Since January 1, 2011

Borrowing to Pay Unemployment Insurance Benefits (continued)



Outstanding loans (in millions) from the Federal Unemployment Account. Balances and interest owed (in millions) as of July 29, 2011, and date of first federal loan are:

State	Balance	Date of First Loan	Interest Owed*
Ohio	\$2,611	January 2009	\$59
Pennsylvania	\$3,762	March 2009	\$84
Rhode Island	\$237	March 2009	\$5
South Carolina	\$967	December 2008	\$22
South Dakota	\$0	September 2009	\$0
Texas	\$0	July 2009	\$0.5
Vermont	\$78	February 2010	\$2
Virginia	\$210	October 2009	\$7
Virgin Islands	\$24	September 2009	\$0.5
Wisconsin	\$1,339	February 2009	\$34
Total	\$40,005		\$1,011

* Since January 1, 2011

Loan Repayment Schedule

- \$358 million payment in May 2011.
- \$45 million payment in August 2011.
- FUTA Credit Reduction payments to IRS reduce loan balance by \$82 million in February 2012.
- \$300 million payment in May 2012 pays off remaining loan balance. (Further borrowing unnecessary for rest of CY 2012.)
- Borrowing resumes for January through mid-April 2013.
- Final \$70 million loan payment made in May 2013.