



# Virginia Employment Commission *report to*

## The Commission on Unemployment Compensation

James Ellenberger, *Deputy Commissioner*  
Virginia Employment Commission

November 29, 2005



# VEC Trust Fund

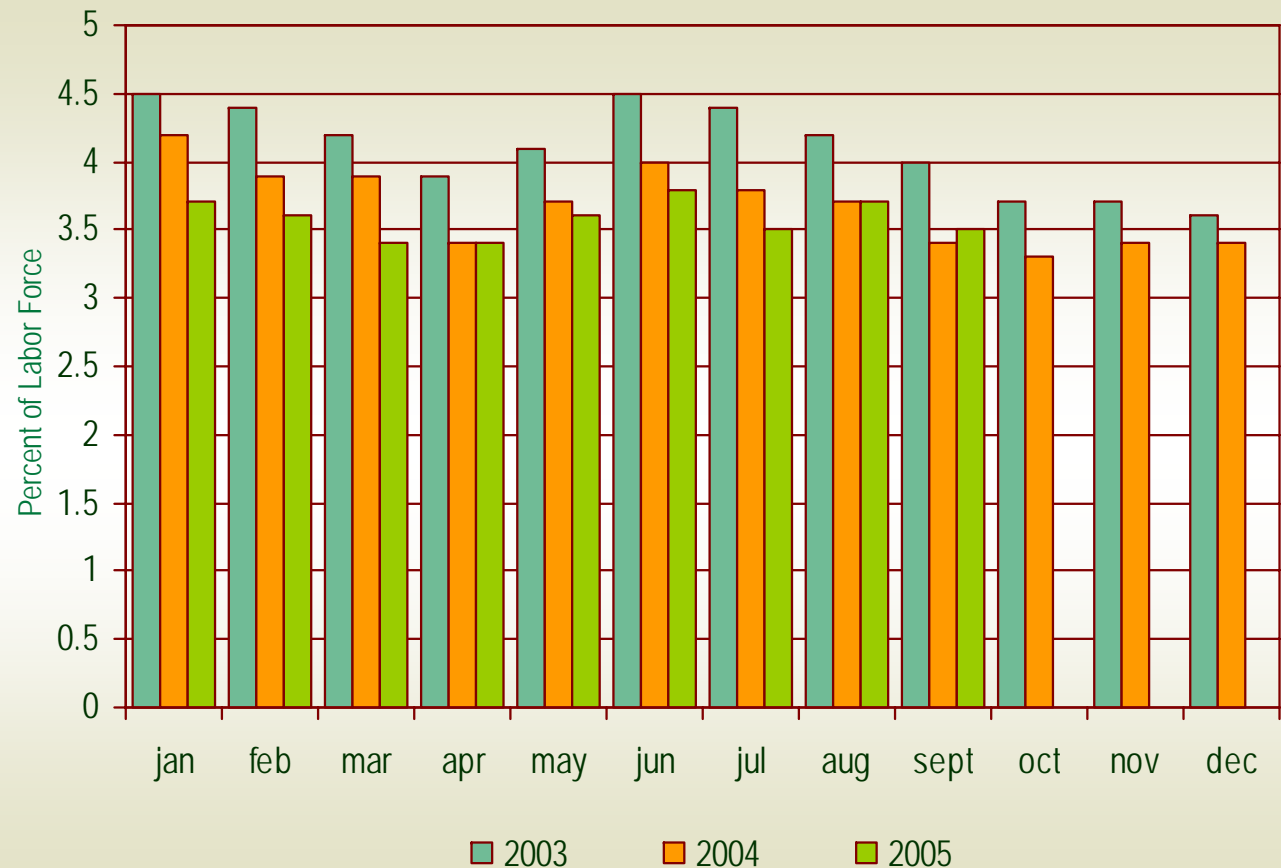




# Virginia's Unemployment Rates

## 2003 - 2005 (year to date)

➔ September's unemployment rate was the first in two years to have been above the year-ago rate.

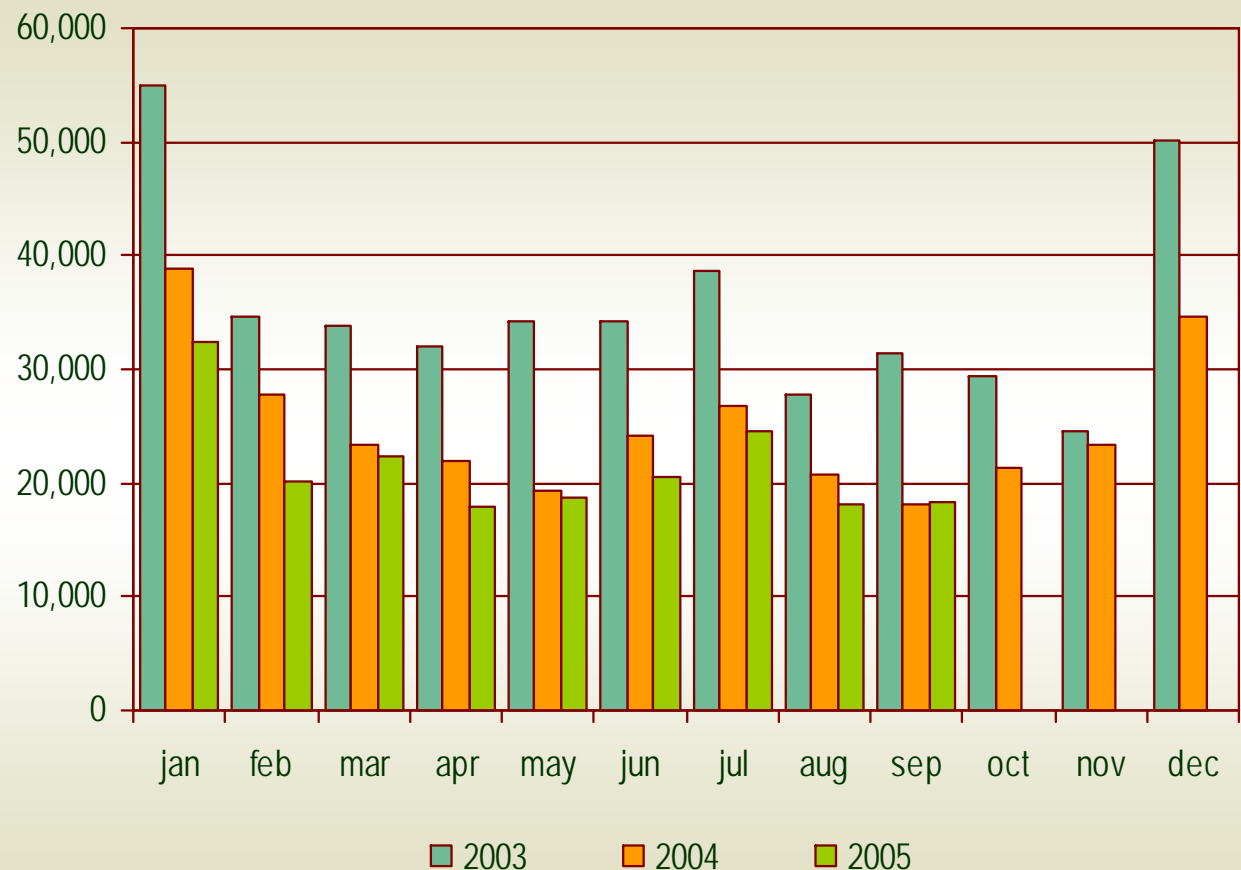




# UI Initial Claims

2003 - 2005 (year to date)

→ Total initial claims through September this year are down 12.8% because of fewer temporary factory furloughs and generally improving economy. For the same period, initial claims are down 40.1% from 2003.

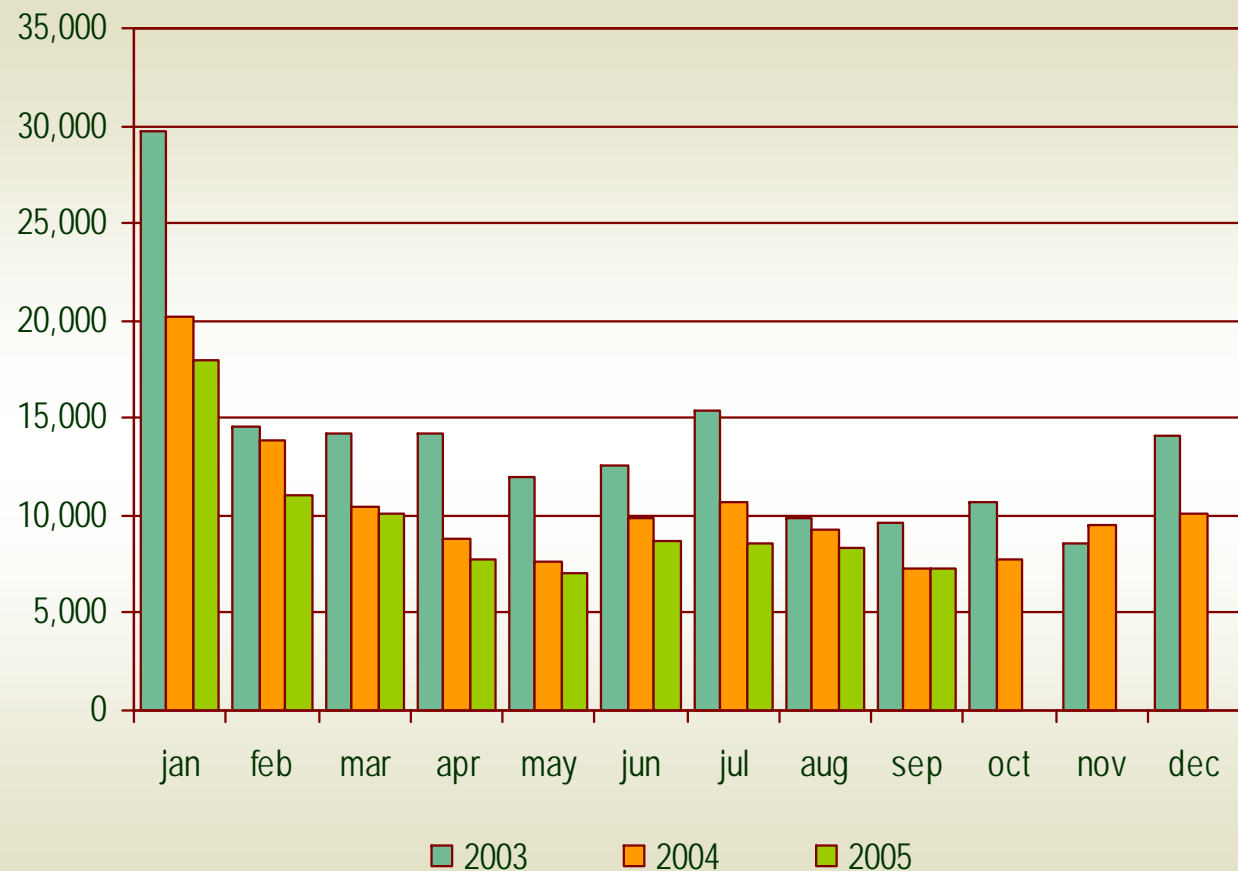




# UI First Payments

## 2003 - 2005 (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 September, first payments are down 11.6% from last year and 34.4% from 2003.
- The average duration in September was 12.5 weeks, below last September's 13.4 weeks.



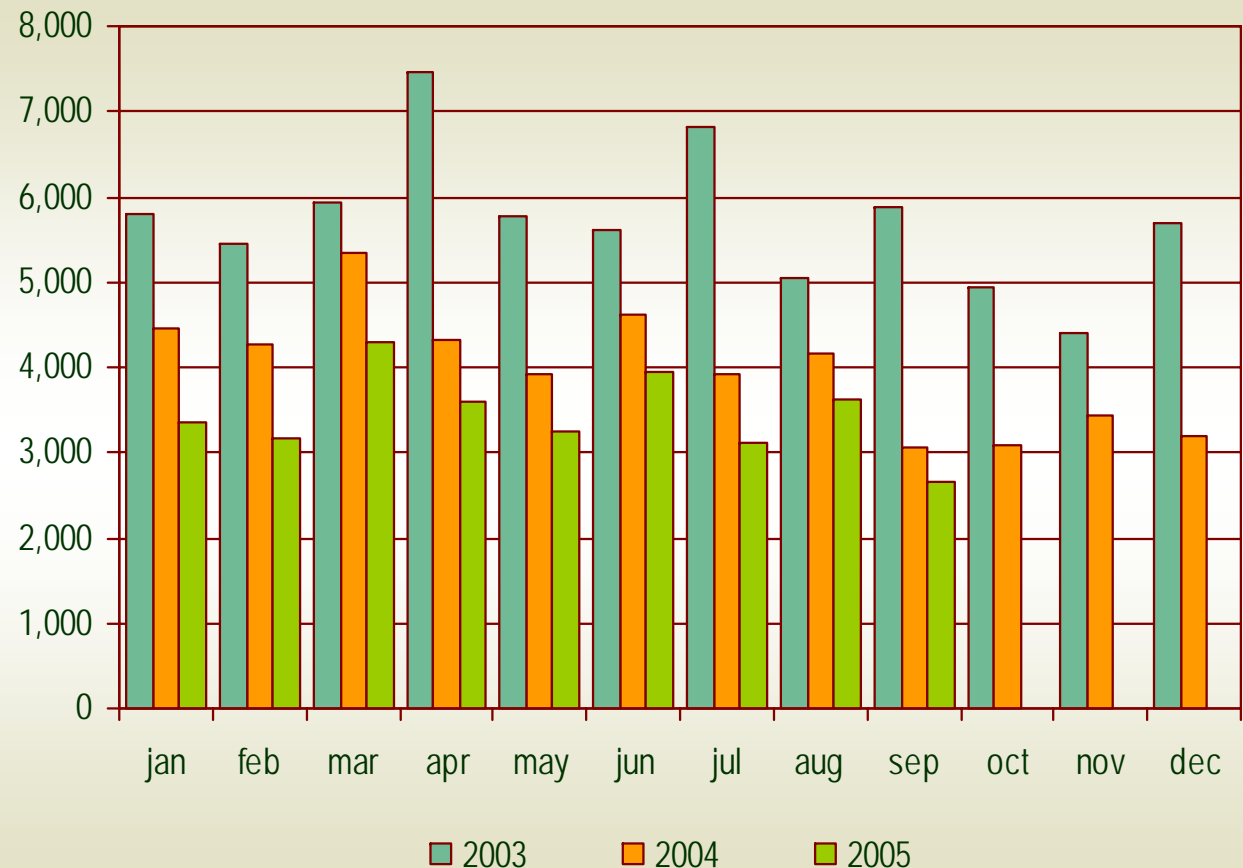


# UI Final Payments

## 2003 - 2005 *(year to date)*

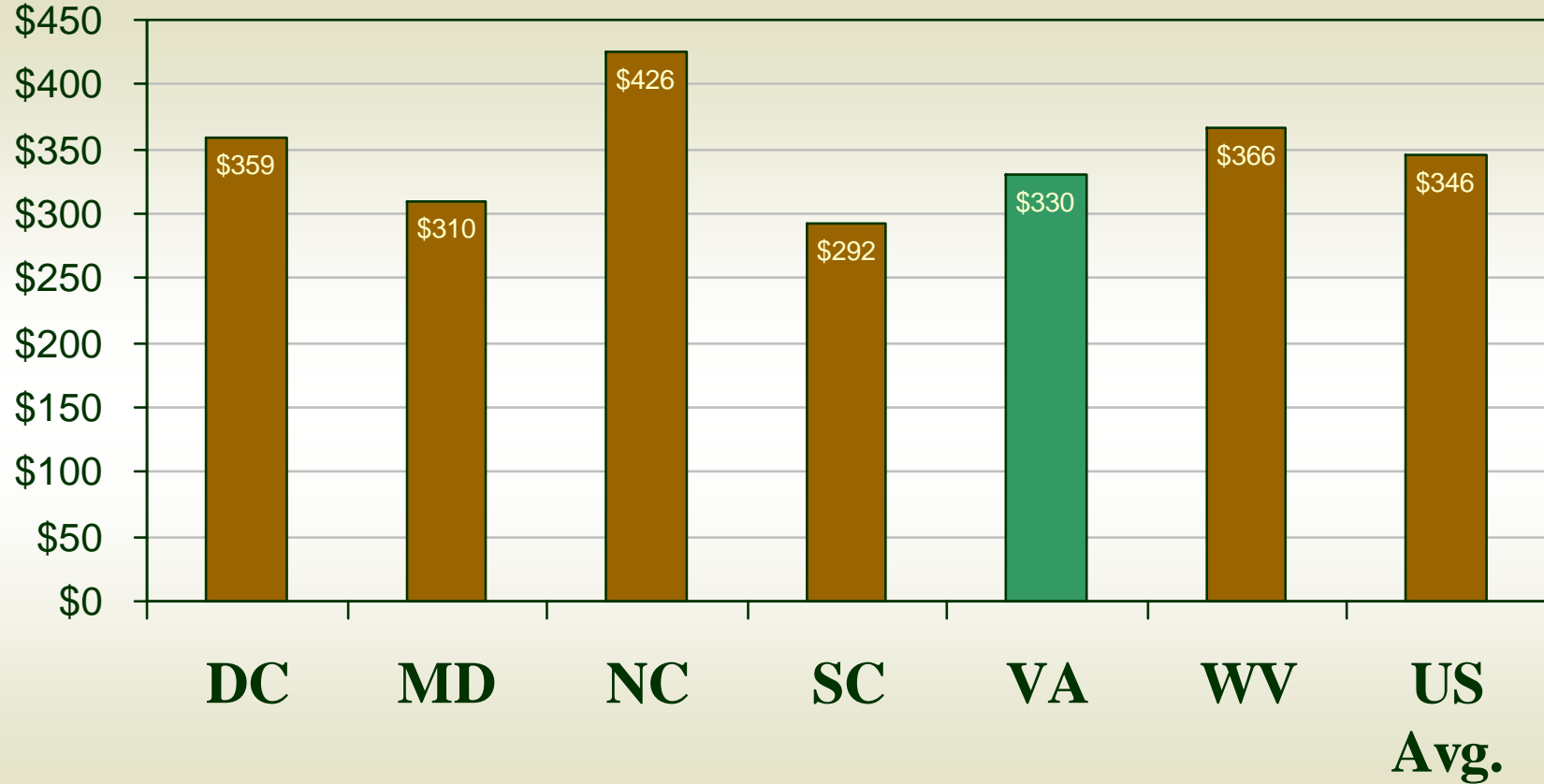
➔ For the first nine months of 2005, final payments are down 18.6% from 2004 and 42.4% from 2003.

➔ The exhaustion rate in September was 33.9%, down from last September's 35.0%.



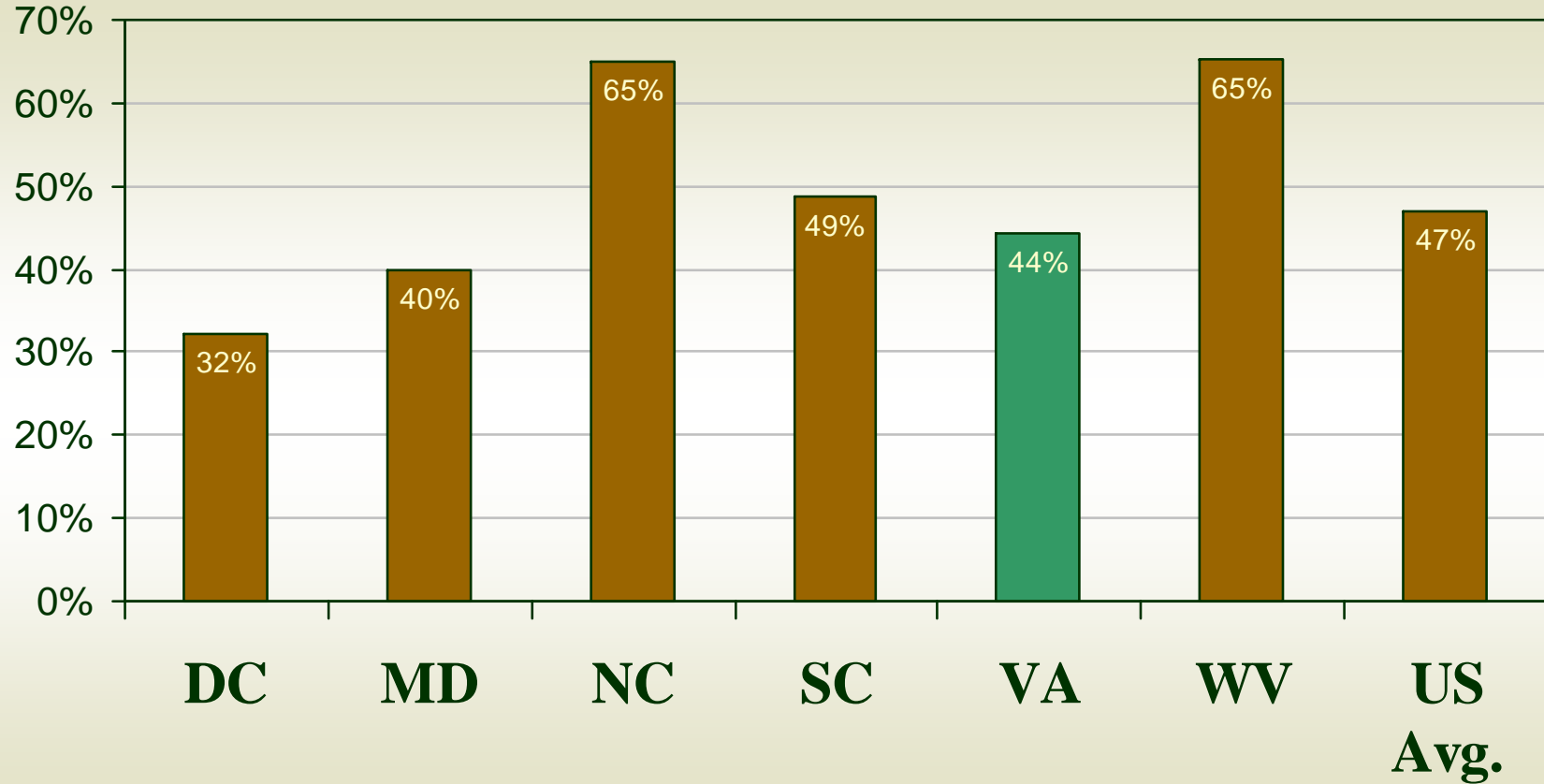


# 2005 Maximum Weekly Benefit Fourth Circuit





# 2005 Maximum Weekly Benefit Replacement Rate Fourth Circuit







# Trust Fund Data

## (Millions of Dollars)

(Projections will be updated in December)

	2004	2005
January 1 Balance	\$200.3	\$274.3
Tax Revenue	\$453.5	\$545.8
Interest Revenue	\$14.7	\$22.0
Benefits	\$385.3	\$348.8
December 31 Balance	\$274.3*	\$493.3
Solvency Level (6/30)	39.3%	54.9%

\* \$9 million in Reed Act money deducted from Trust Fund balance for FY05 and FY06 appropriations for JS and UI administration.



Actual



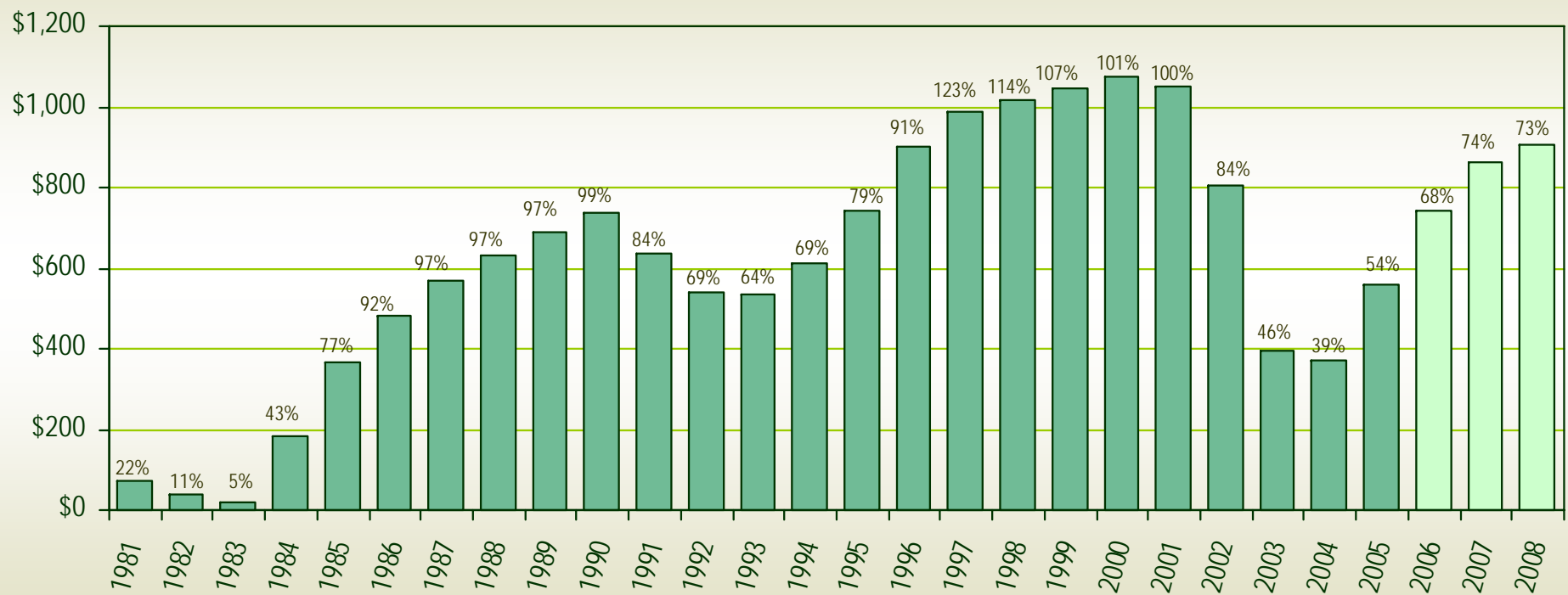
Projected



# June 30 Balances (millions) and Solvency Level

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

(Projections will be updated in December)



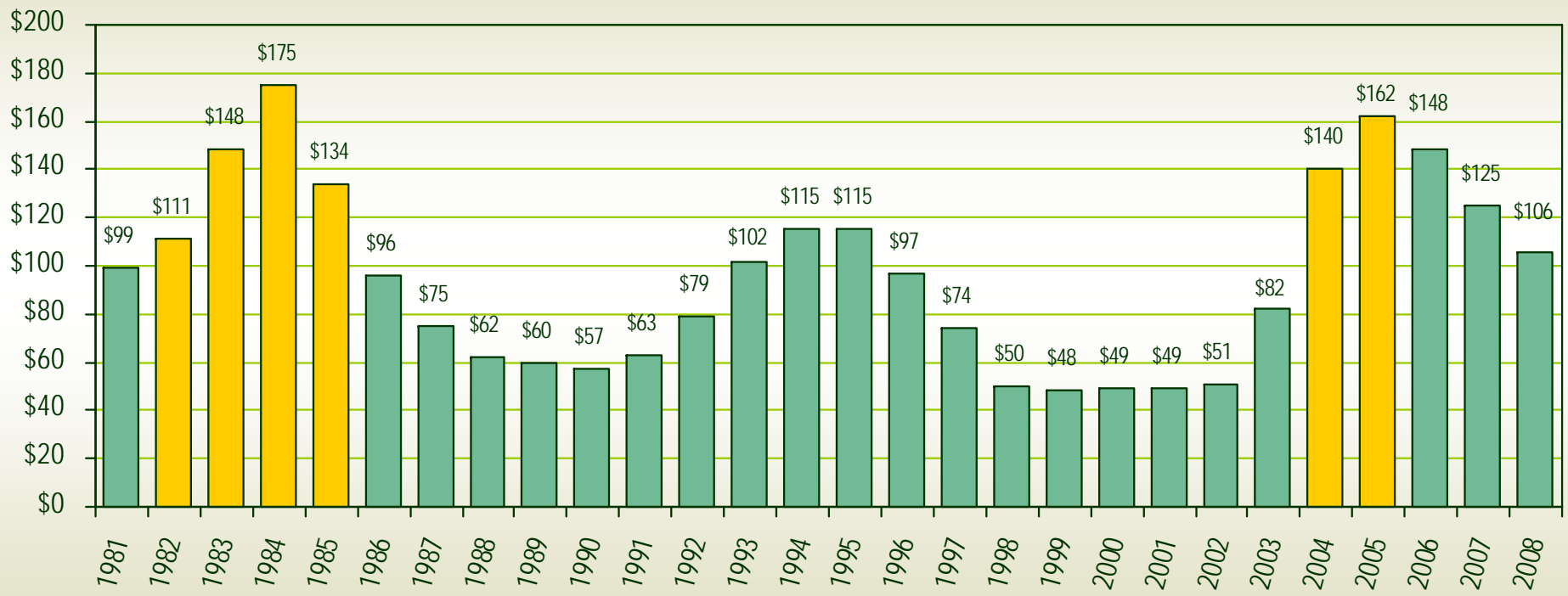
→ 2006 - 2008 projected.



# Average Tax per Employee

➔ The increases from 2003 through 2008 are the result of higher benefit schedules and the recession.

(Projections will be updated in December)



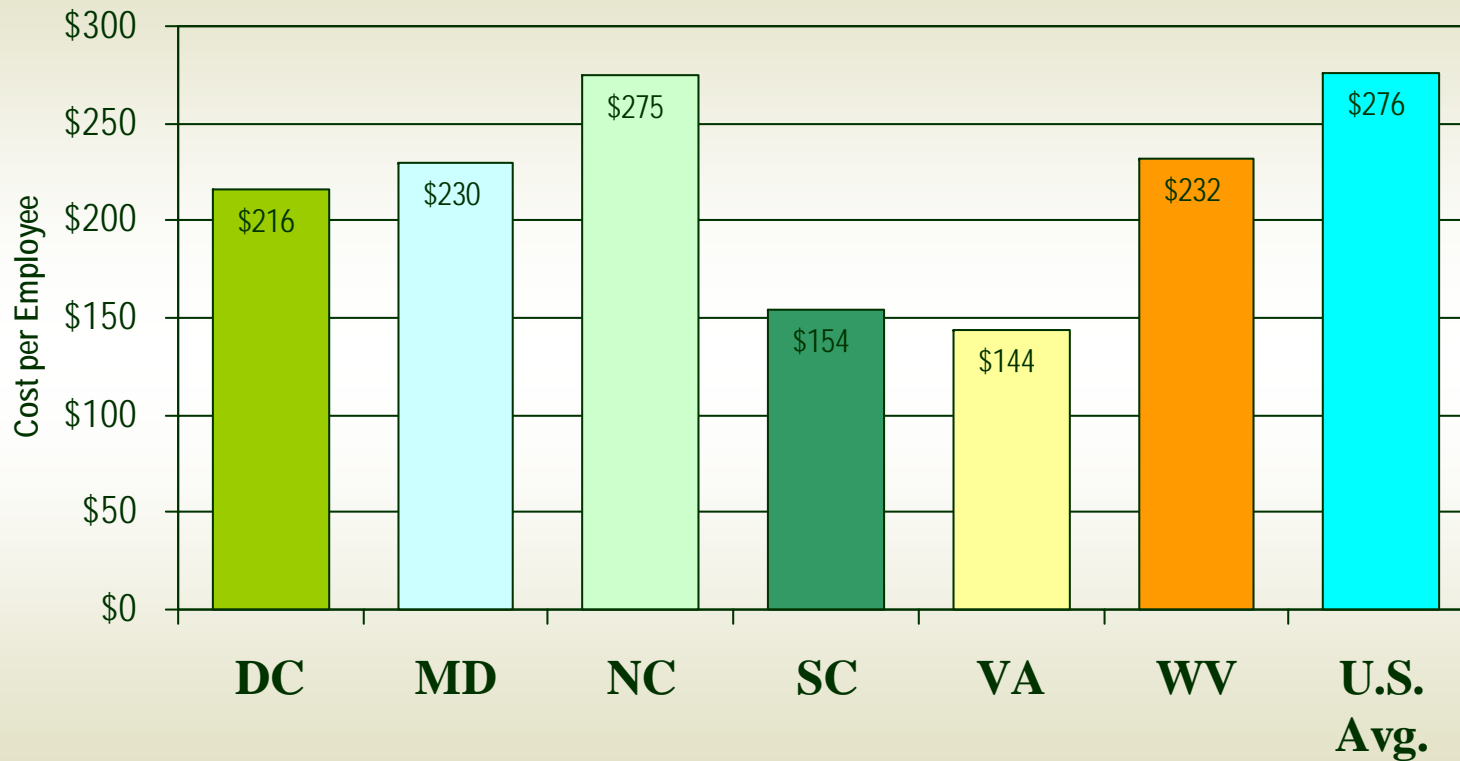
■ Fund Builder Tax in effect.

➔ 2005 – 2008 projected.



# Average Tax per Employee

## Fourth Circuit – Year ending 12/31/04





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# VEC Budget

## Report to the Commission on Unemployment Compensation

Dolores Esser, *Commissioner*  
Virginia Employment Commission

November 29, 2005



# VEC Administrative Funding

- Employers pay a FUTA tax to the Internal Revenue Service  
*(FUTA is the Federal Unemployment Tax Act).*
- FUTA is a flat tax of 0.8% on first \$7,000 of each employee's wages, which costs \$56 per employee per year.



# VEC Administrative Funding

*(continued)*

- Revenue from the FUTA tax is used to pay for SESA (State Employment Security Agency) administration at both the state and national levels.
- Virginia's employers paid \$192.8 million in FUTA taxes in FY 2004.
- VEC received \$63.2 million from U.S. DOL in FY 2004.





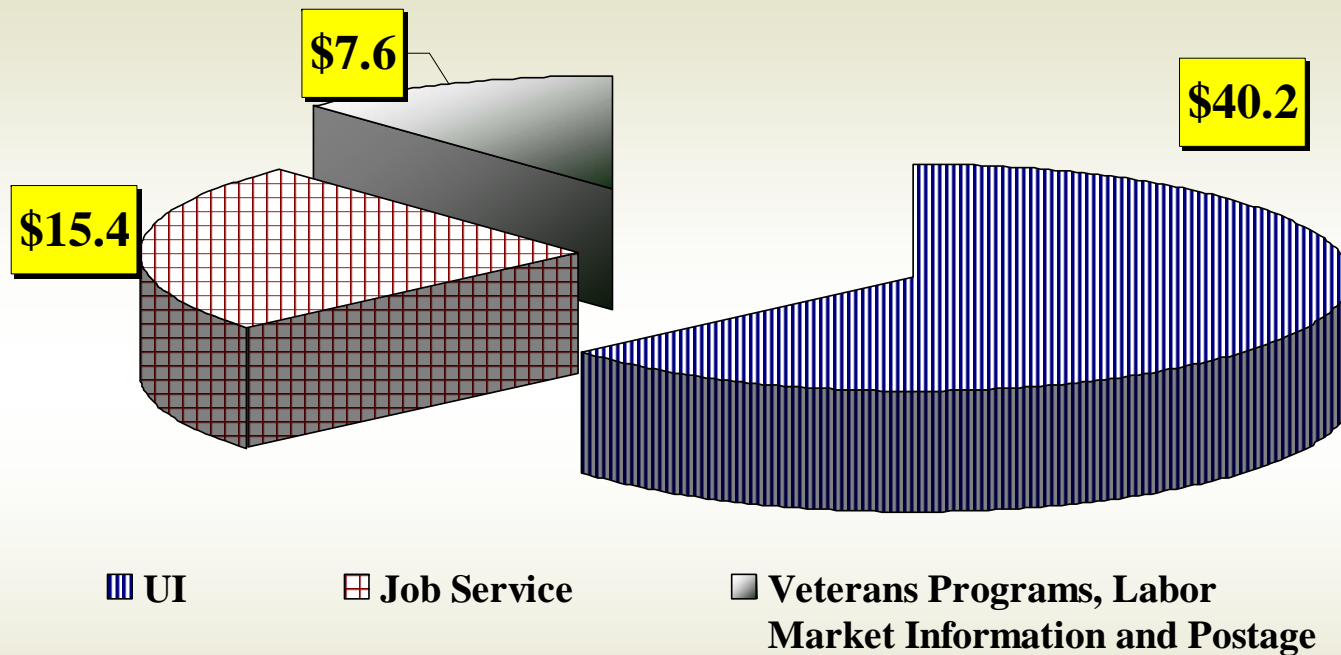
# VEC Administrative Funding

*(continued)*

- ➔ FY 2004 grants of \$63.2 million were divided into:
  - ✓ \$40.2 million for UI;
  - ✓ \$15.4 million for Job Service;
  - ✓ \$7.6 million for Veterans Programs, Labor Market Information and Postage.

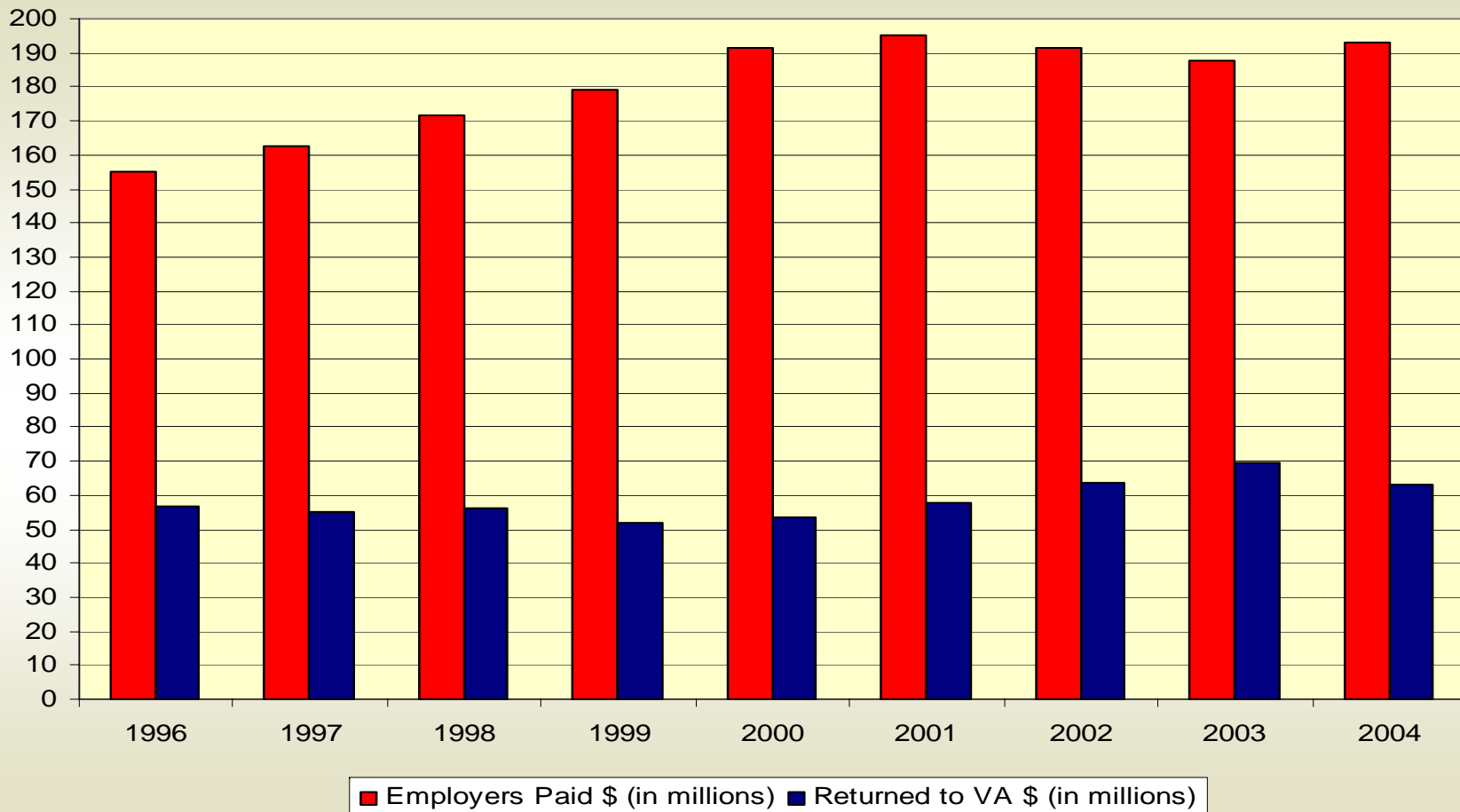


# VEC Administrative Funding (by FUTA) 2004





# 9-Year Virginia FUTA History





# Unemployment Insurance Program

<i>Applicable State Fiscal Year (SFY)</i>	<b>SFY '06</b>	<b>SFY '07</b>	<b>SFY '08</b>
<i>Applicable Federal Fiscal Year (FY)</i>	<b>FY '05</b>	<b>FY '06</b>	<b>FY '07</b>
<b>Unemployment Insurance Funding</b>	\$54.3	\$33.8	\$35.3
<b>Unemployment Insurance Expenditures</b>	\$48.1	\$42.7	\$43.8
<b>Fund Balance – Surplus/(Shortfall)</b>	<b>\$6.2</b>	<b>(\$8.9)</b>	<b>(\$8.5)</b>
<b>Carry-in SFY '07 &amp; '08</b>		<b>\$4.0</b>	<b>\$0.2</b>
<b>Adjusted Fund Balance – Surplus/(Shortfall)</b>	<b>\$6.2</b>	<b>(\$4.9)</b>	<b>(\$8.3)</b>
<b>Unemployment Insurance Adjustments – Decrease/(Increase)</b>			
Impact of Request for Reed Act Funding to keep Local Offices Open [Decision Pkg 725]		\$1.8	\$2.1
Request for State Funding – Reed Act [Decision Pkg 725]		\$3.0	\$0.3
Request for State Funding – P&I [Decision Pkg 725]		-	\$5.2
Surplus to Automation, not administration	(\$2.2)	-	-
Anticipated Future Year Savings from Internal Agency Initiatives		\$0.3	\$0.7
<b>NET ADJUSTMENTS</b>	<b>(\$2.2)</b>	<b>\$5.1</b>	<b>\$8.3</b>
<b>NET FUND BALANCE</b>	<b>\$4.0</b>	<b>\$0.2</b>	<b>-</b>

*FY = Federal Fiscal Year (October- September)*

*SFY = State Fiscal Year (July – June)*

*\*All Figures in Millions*



# Job Service Program

<i>Applicable State Fiscal Year (SFY)</i>	SFY '05	SFY '06	SFY '07	SFY '07
<i>Applicable Federal Program Year (PY)</i>	PY '04	PY '05	PY '06	PY '06
<b>Job Service Funding</b>	\$21.4	\$19.6	\$15.6	\$15.6
<b>Job Service Expenditures</b>	\$19.9	\$19.1	\$19.1	\$21.3
<b>Fund Balance – Surplus/(Shortfall)</b>	<b>\$1.5</b>	<b>\$0.5</b>	<b>(\$3.5)</b>	<b>(\$5.7)</b>
<b>Carry-in SFY '07 &amp; '08</b>		<b>\$1.5</b>	<b>\$1.3</b>	-
<b>Adjusted Fund Balance – Surplus/(Shortfall)</b>	<b>\$1.5</b>	<b>\$2.0</b>	<b>(\$2.2)</b>	<b>(\$5.7)</b>
<b>Job Service Adjustments</b>				
Impact of Request for Reed Act Funding to keep Local Offices Open [Decision Pkg 725]		(\$0.7)		
Salary & Benefit cost increase for additional staff			(\$1.5)	
Request for State Funding – Reed Act [Decision Pkg 725]			\$3.7	\$5.7
<b>NET ADJUSTMENTS</b>	<b>-</b>	<b>(\$0.7)</b>	<b>\$2.2</b>	<b>\$5.7</b>
<b>NET FUND BALANCE</b>	<b>\$1.5</b>	<b>\$1.3</b>	<b>(\$0.0)</b>	<b>-</b>

*PY = Federal Program Year (July-June)*

*SFY = State Fiscal Year (July – June)*

*\*All Figures in Millions*



# Proposed Reed Act Projects

(Projections will be updated in December)

- Modernize UI Automated Systems-  
Tax, Benefits, Wage Processing
- Uses \$45 Million in Reed Act Funds Over  
FYs 07 & 08



# Proposed Reed Act Projects

(Projections will be updated in December)

- ➔ Procure a Web-based Financial Management/Accounting System
- ➔ Uses \$3 Million in Reed Act Funds Over FYs 07 & 08



# Proposed Reed Act Projects

(Projections will be updated in December)

- ➔ Replace the Existing Virginia Workforce Network Information System
- ➔ Uses \$3.1 Million in Reed Act Funds in FY 07





# Proposed Reed Act Projects

(Projections will be updated in December)

- ➔ Additional UI Administrative Funding
- ➔ Uses \$6.45 Million in Reed Act Funds Over  
FYs 07 & 08
- ➔ Also Uses \$5.25 Million in Penalty and Interest  
Funds in FY 08



# Proposed Reed Act Projects

(Projections will be updated in December)

- Additional Job Service Administrative Funding
- Uses \$9.4 Million in Reed Act Funds Over  
FYs 07 & 08



# Proposed Reed Act Projects

(Projections will be updated in December)

- All 5 Projects
- Use Total of \$66.92 Million in Reed Act Funds and \$5.25 Million in Penalty and Interest Funds in FY 08
- Use of Reed Act Funds Raises UI Tax by Average of \$2.66 per Employee for CYs 2008 - 2012



# Workforce Development Study Committee HRJ 713

## → Recommendations:

- Create a Deputy Chief of Staff for Workforce Development in the Governor's Office to replace the Special Advisor.
- The Deputy Chief of Staff would serve as fiscal agent for WIA funds.
- Deputy Chief of staff would serve as staff to the Virginia Workforce Council (VWC) and lead the VWC in developing policies and procedures.
- Deputy Chief of Staff and VWC would develop and implement a statewide strategic plan for workforce development, to include performance measures and evaluate performance based on those measures.
- The statewide strategic plan would also address the needs for reforms in workforce policies, including the need for reform at the local WIB level.



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