



Virginia Employment Commission *report to*

The Commission on Unemployment Compensation

James Ellenberger, *Deputy Commissioner*
Virginia Employment Commission

December 15, 2004



VEC Trust Fund

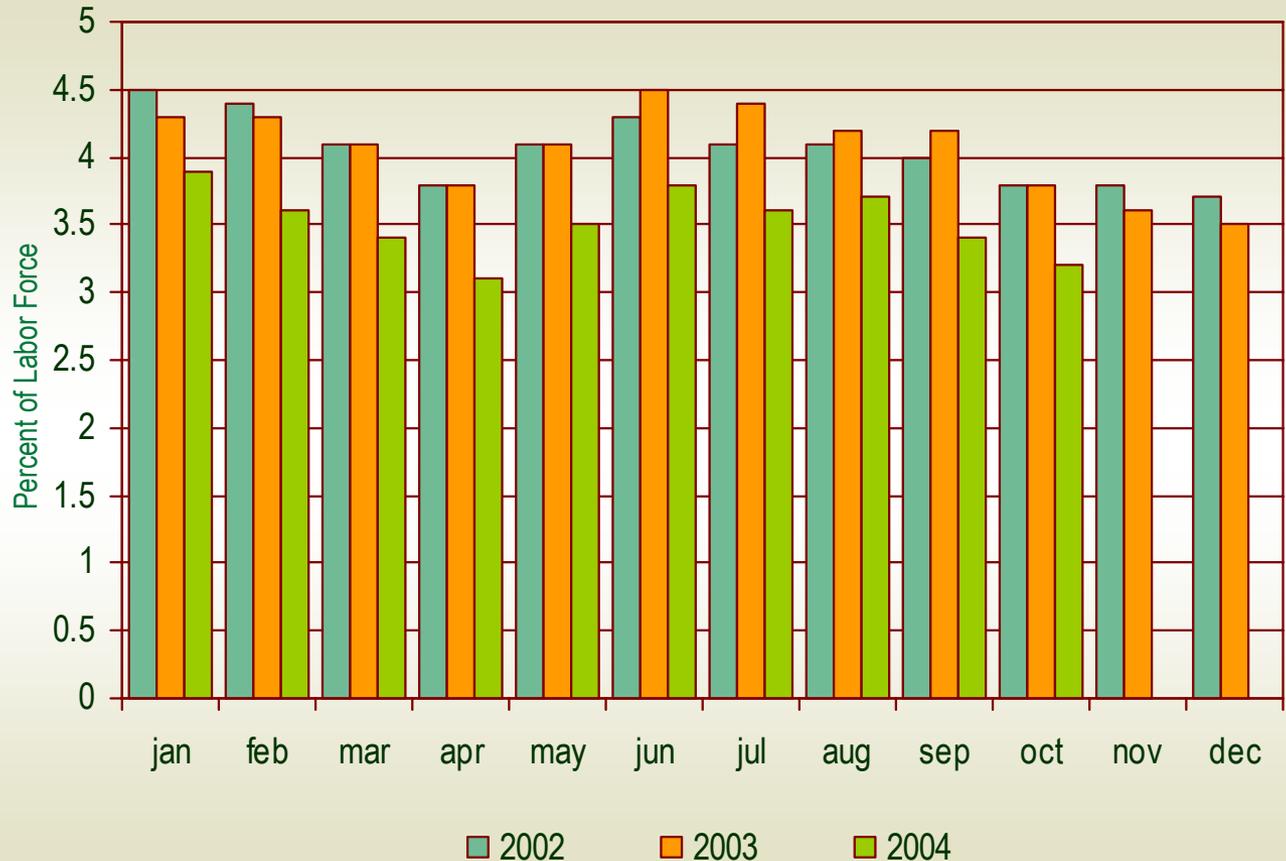




Virginia's Unemployment Rates

2002 - 2004 *(year to date)*

→ Since October 2003, all unemployment rates have been at or below year-ago rates.

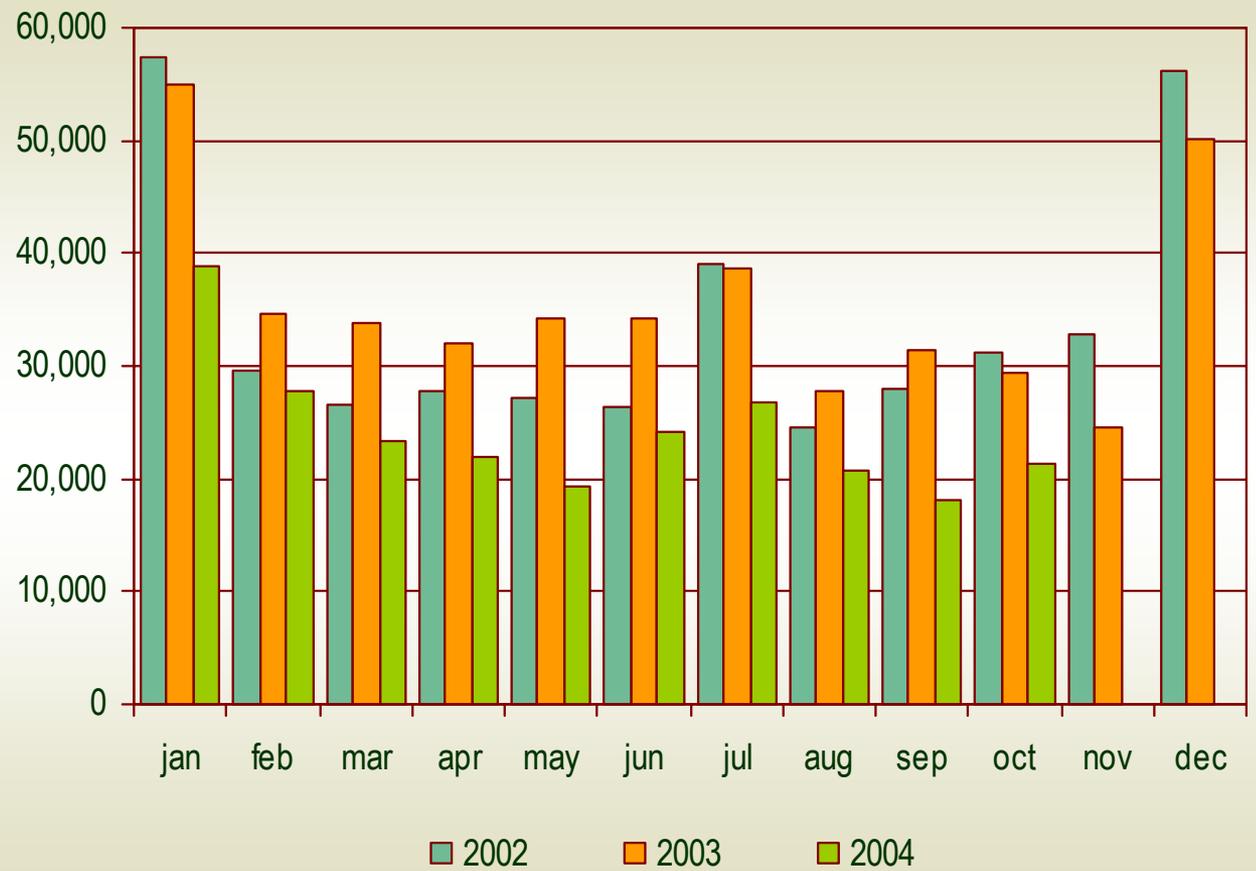




UI Initial Claims

2002 - 2004 *(year to date)*

➔ Total initial claims through October this year are down 31% because of fewer temporary factory furloughs and a generally improving economy.

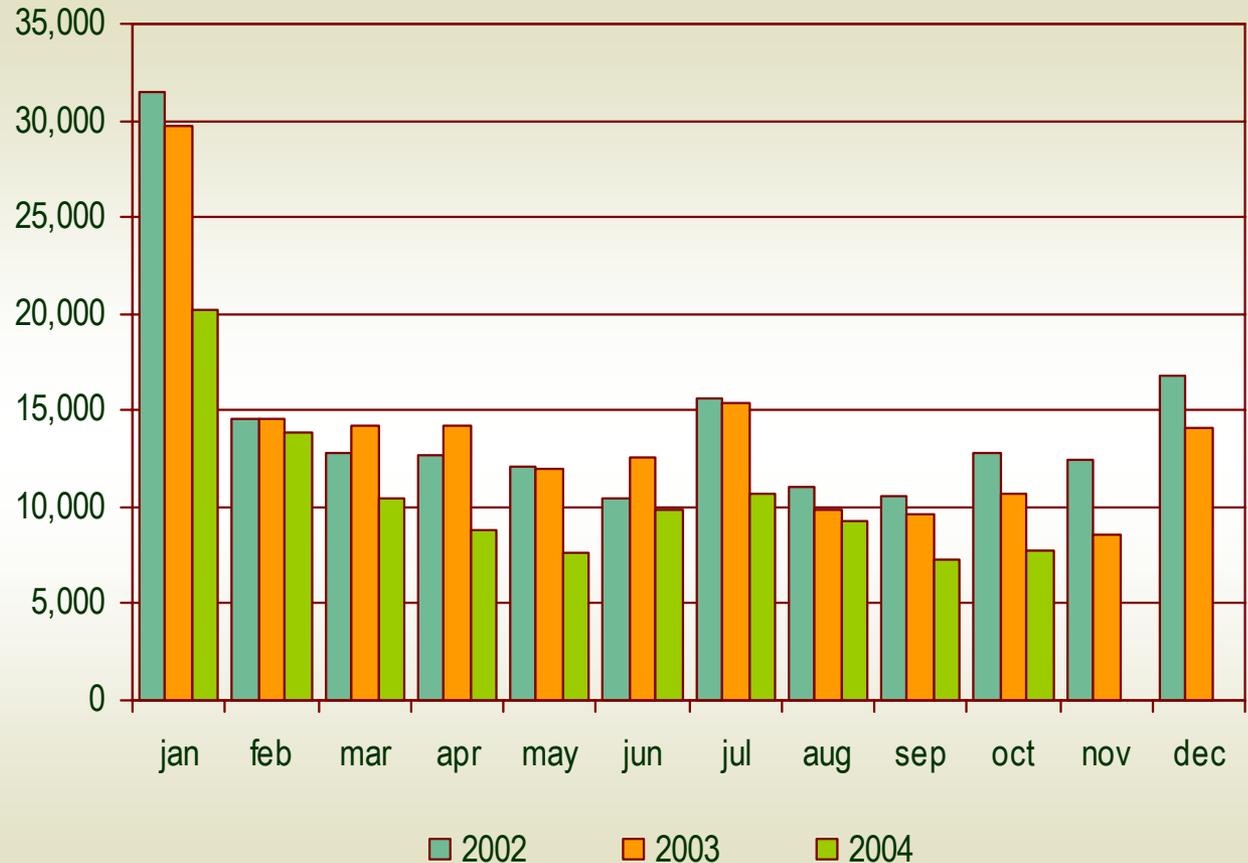




UI First Payments

2002 - 2004 *(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 down 25.9% from last year.
- The average duration in October was 13.3 weeks, below last October's 13.9 weeks.

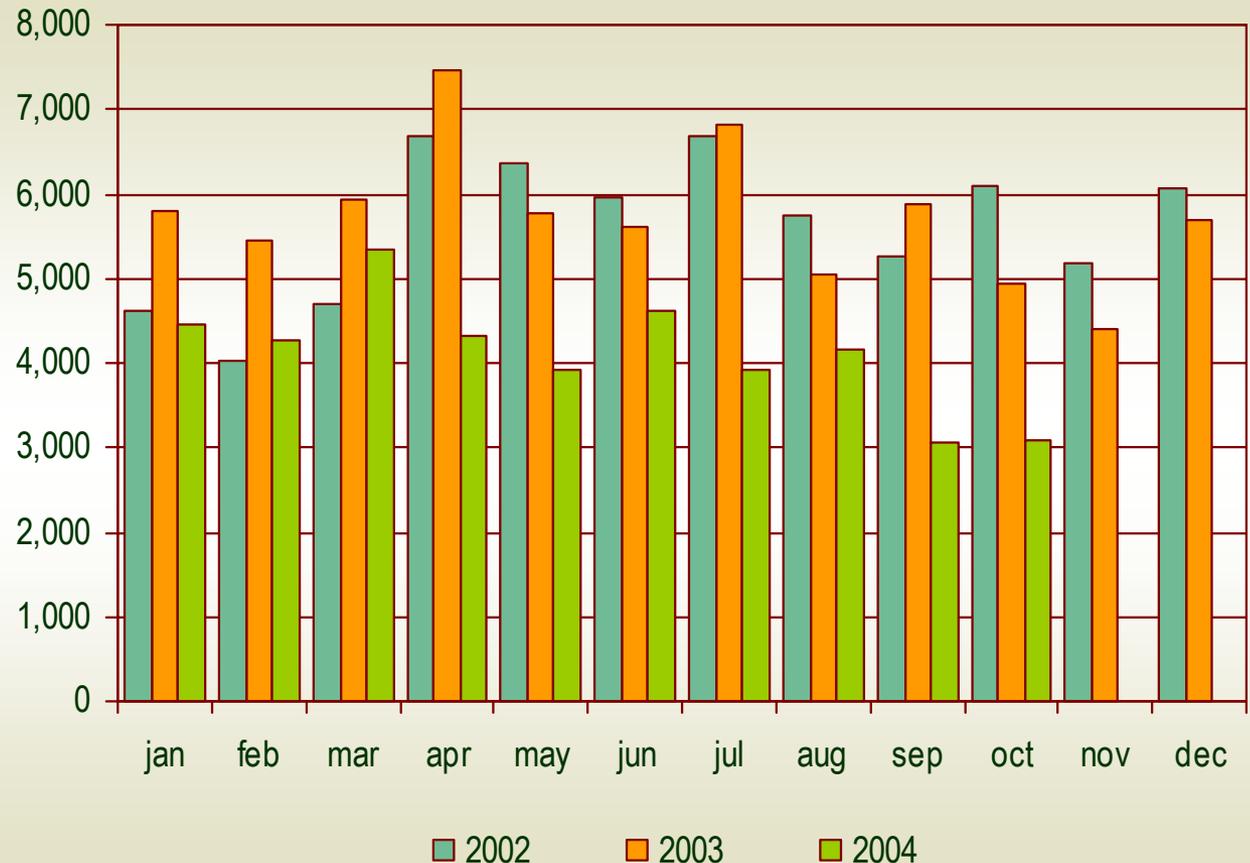




UI Final Payments

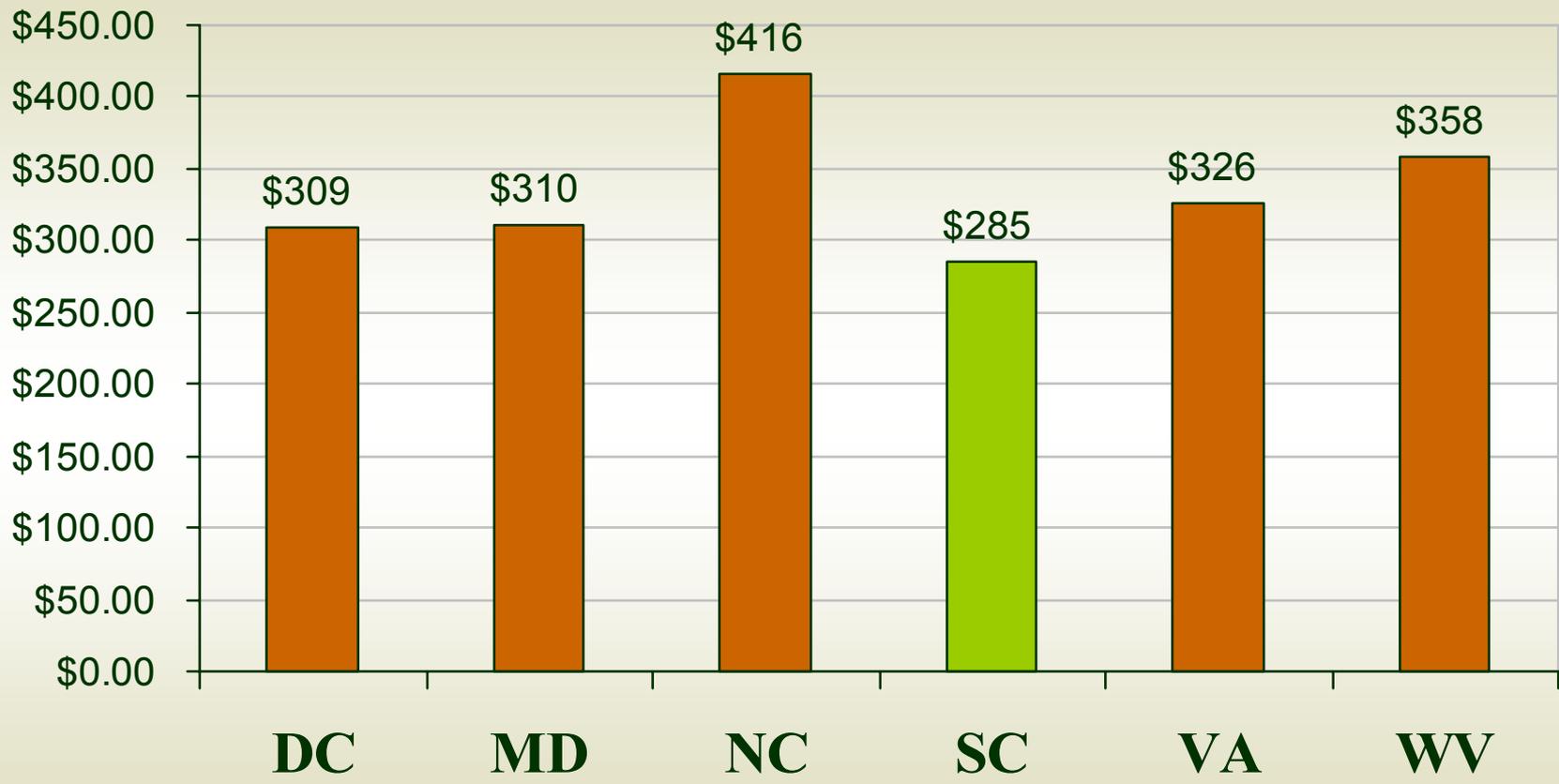
2002 - 2004 *(year to date)*

- For the first ten months of 2004, final payments are down 29.9% from 2003.
- The exhaustion rate in October was 35.1%, down from last October's 40.1%.





2004 Maximum Weekly Benefit Fourth Circuit





Trust Fund Data

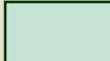
(Millions of Dollars)

(Projections will be updated in December)

	2003	2004
January 1 Balance	\$528.0	\$200.3
Tax Revenue	\$255.3	\$452.8
Interest Revenue	\$23.4	\$14.3
Benefits	\$606.4	\$376.5
December 31 Balance	\$200.3	\$281.8*
Solvency Level (6/30)	45.5%	39.3%

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

 Actual

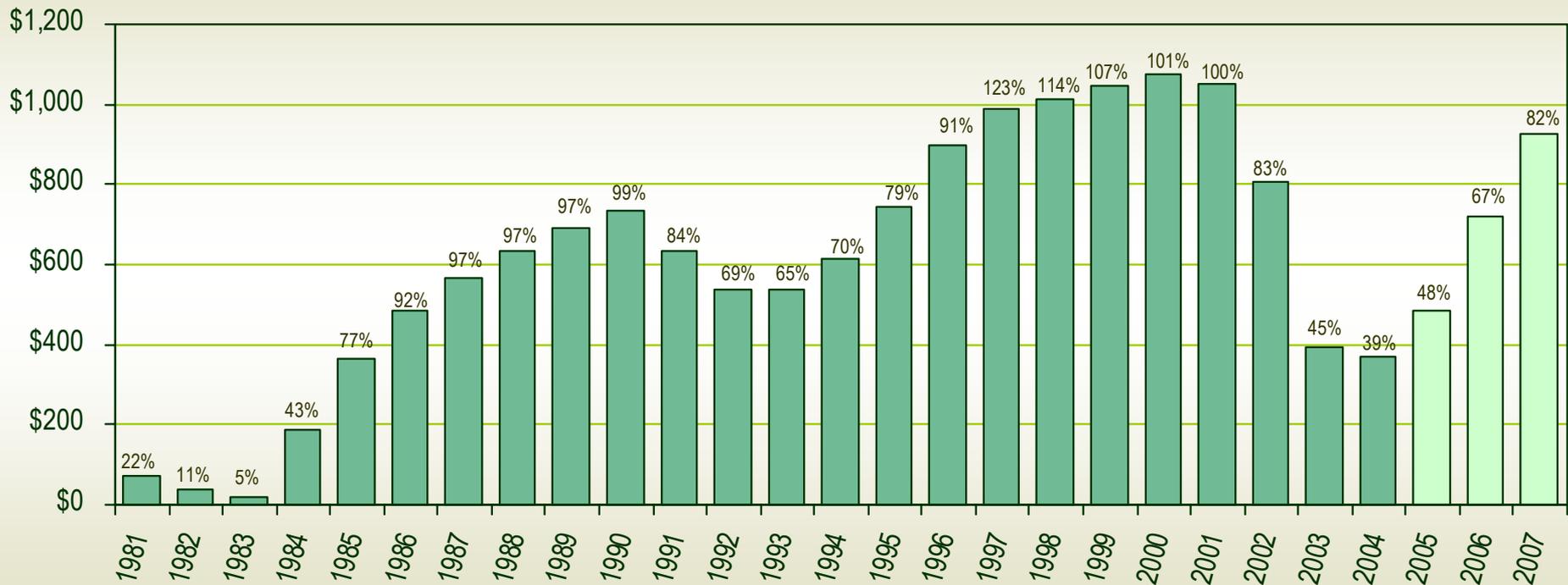
 Projected



June 30 Balances and Solvency Level

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

(Projections will be updated in December)



→ 2005 – 2007 projected.



U.I. Taxes

→ Taxes are paid by employers to the VEC on the first \$8,000 of each employee's wages.

→ Tax rates:

→ Minimum tax for 2005 is 0.52% or \$41.60 per employee

⇒ 104,965 employers, or 61.4% of employers

→ Maximum tax for 2005 is 6.62% or \$529.60 per employee

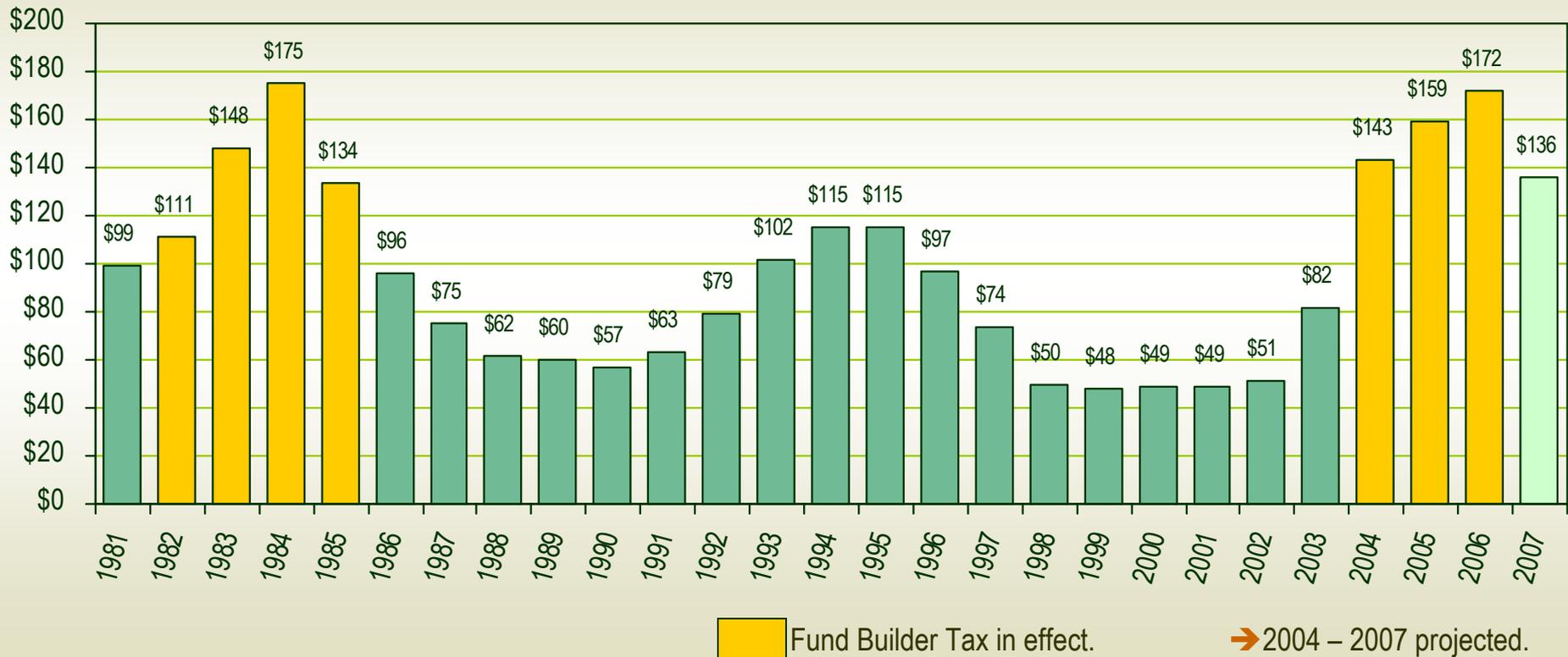
⇒ 8,949 employers, or 5.2% of employers



Average Tax per Employee

→ The increases from 2003 through 2007 are the result of higher benefit schedules and the recession.

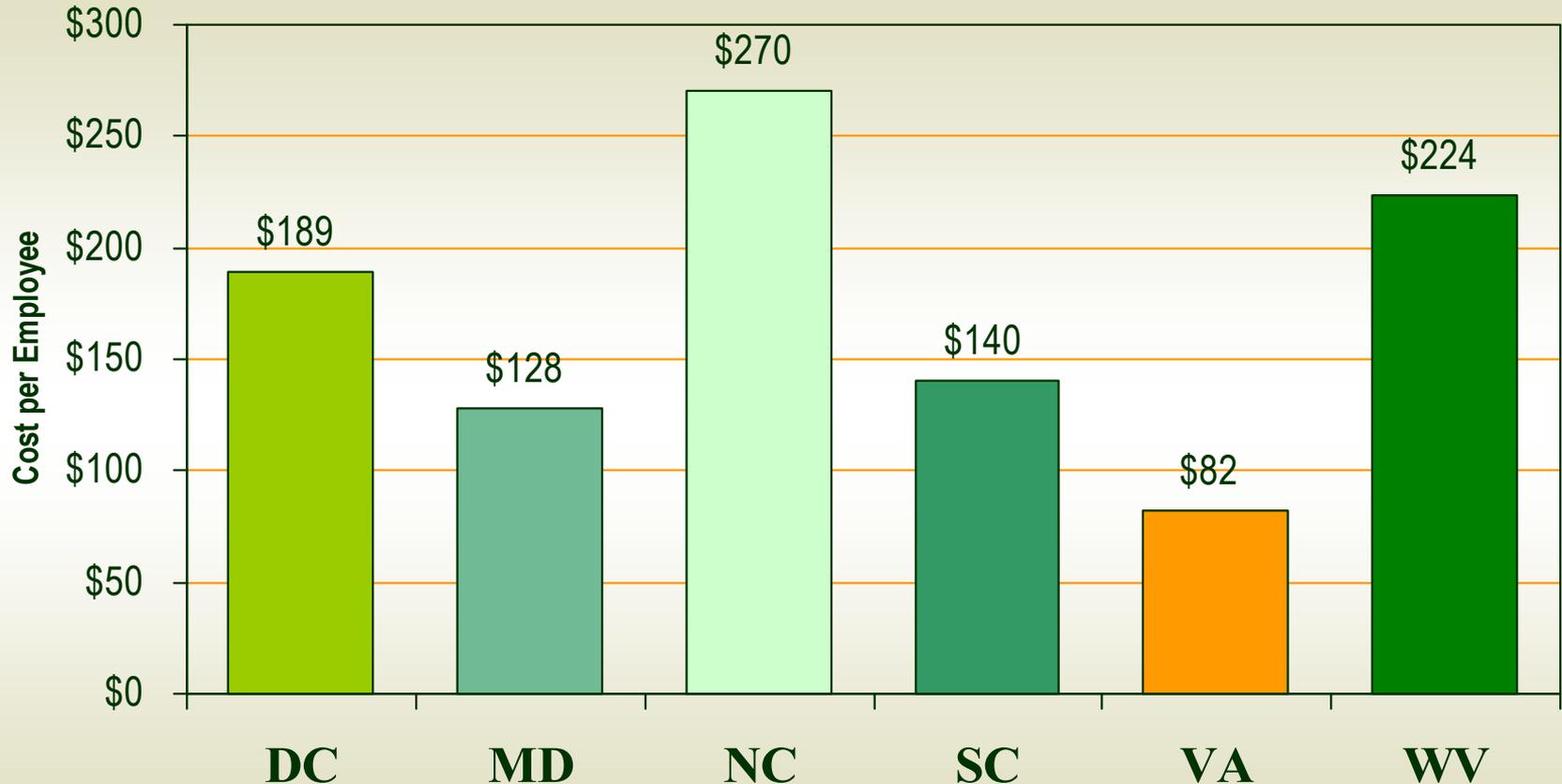
(Projections will be updated in December)





Average Tax per Employee

Fourth Circuit – Year ending 12/31/03





SB 128

Social Security Offset

Effect on Trust Fund

Year	FY Taxes*	FY Benefits*	June 30 Accrued Bal.*	CY Average Tax**	CY Solvency Level in Effect	Effect on FY General Fund Revenues
2004	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2005	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2006	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2007	\$ —	\$ 0.8	\$ (0.8)	\$ —	0%	\$ —
2008	\$ 0.1	\$ 1.4	\$ (2.2)	\$ 0.04	0%	\$ (300)
2009	\$ 0.1	\$ 1.4	\$ (3.7)	\$ 0.04	0%	\$ (300)
2010	\$ 1.5	\$ 1.4	\$ (3.9)	\$ 0.63	0%	\$ (4,500)
2011	\$ 3.2	\$ 1.5	\$ (2.3)	\$ 0.94	0%	\$ (9,600)
2012	\$ 2.0	\$ 1.6	\$ (2.1)	\$ 0.23	0%	\$ (6,000)
Total	\$ 6.9	\$ 8.1				\$ (20,700)
5-year Average (08 – 12)				\$ 0.38		\$ (4,140)

* millions

** cost per employee



HB 505

Earned Income Offset

→ The VEC has run projections on the cost of increasing the allowable earning before offset to \$50, \$75, and \$100. The cost in FY 04 would have been as follows:

\$ 50	\$ 6.3 million	\$1.22 increase in average per employee tax
\$ 75	\$12.1 million	\$2.79 increase in average per employee tax
\$100	\$17.5 million	\$4.35 increase in average per employee tax



HB 505

Earned Income Offset

Effect on Trust Fund

Increase allowable earnings from \$25 to \$50 per week, effective July 2005

Year	FY Taxes*	FY Benefits*	June 30 Accrued Bal.*	CY Average Tax**	CY Solvency Level in Effect	Effect on FY General Fund Revenues
2004	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2005	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2006	\$ —	\$ 4.9	\$ (4.9)	\$ —	0%	\$ —
2007	\$ 2.0	\$ 4.8	\$ (6.9)	\$ 0.40	0%	\$ (6,000)
2008	\$ 4.1	\$ 5.0	\$ (8.2)	\$ 1.66	0%	\$ (12,300)
2009	\$ 5.0	\$ 5.1	\$ (9.1)	\$ 1.14	0%	\$ (15,000)
2010	\$ 5.1	\$ 5.2	\$ (9.9)	\$ 1.51	0%	\$ (15,300)
2011	\$ 6.7	\$ 5.4	\$ (9.3)	\$ 1.86	0%	\$ (20,100)
2012	\$ 4.7	\$ 5.5	\$ (11.0)	\$ 0.76	0%	\$ (14,100)
Total	\$ 27.6	\$ 35.9				\$ (82,800)
6-year Average (07 – 12)				\$ 1.22		\$ (13,800)

* millions

** cost per employee



HB 505

Earned Income Offset

Effect on Trust Fund

Increase allowable earnings from \$25 to \$75 per week, effective July 2005

Year	FY Taxes*	FY Benefits*	June 30 Accrued Bal.*	CY Average Tax**	CY Solvency Level in Effect	Effect on FY General Fund Revenues
2004	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2005	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2006	\$ —	\$ 9.6	\$ (9.6)	\$ —	0%	\$ —
2007	\$ 3.3	\$ 9.4	\$ (15.5)	\$ 0.98	0%	\$ (9,900)
2008	\$ 12.5	\$ 9.7	\$ (13.2)	\$ 5.17	-5%	\$ (37,500)
2009	\$ 13.2	\$ 9.9	\$ (11.4)	\$ 2.47	0%	\$ (39,600)
2010	\$ 8.0	\$ 10.1	\$ (14.8)	\$ 1.90	0%	\$ (24,000)
2011	\$ 14.8	\$ 10.5	\$ (11.0)	\$ 5.10	-5%	\$ (44,400)
2012	\$ 10.6	\$ 10.7	\$ (12.7)	\$ 1.09	0%	\$ (31,800)
Total	\$ 62.4	\$ 69.9				\$ (187,200)
6-year Average (07 – 12)				\$ 2.79		\$ (31,200)

* millions

** cost per employee



HB 505

Earned Income Offset

Effect on Trust Fund

Increase allowable earnings from \$25 to \$100 per week, effective July 2005

Year	FY Taxes*	FY Benefits*	June 30 Accrued Bal.*	CY Average Tax**	CY Solvency Level in Effect	Effect on FY General Fund Revenues
2004	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2005	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2006	\$ —	\$ 13.7	\$ (13.7)	\$ —	0%	\$ —
2007	\$ 4.9	\$ 13.5	\$ (22.7)	\$ 1.67	0%	\$ (14,700)
2008	\$ 15.1	\$ 13.9	\$ (22.6)	\$ 5.88	-5%	\$ (45,300)
2009	\$ 17.1	\$ 14.2	\$ (21.9)	\$ 3.77	0%	\$ (51,300)
2010	\$ 26.5	\$ 14.6	\$ (10.6)	\$ 9.17	-5%	\$ (79,500)
2011	\$ 21.4	\$ 15.0	\$ (6.2)	\$ 3.08	0%	\$ (64,200)
2012	\$ 10.8	\$ 15.3	\$ (11.9)	\$ 2.53	0%	\$ (32,400)
Total	\$ 95.8	\$ 100.2				\$ (287,400)
6-year Average (07 – 12)				\$ 4.35		\$ (47,900)

* millions

** cost per employee



SB 621

Increase Minimum Earnings Requirement

- Current law requires claimants to earn at least \$2,500 during two calendar quarters in order to be eligible for unemployment insurance benefits. Senator Wagner's bill would increase minimum earnings to \$3,500.



SB 621

Increase Minimum Earnings Requirement

- ➔ Based on claims filed between November '03 and October '04, this measure would have eliminated UI eligibility for 6,594 claimants, or 3.3% of new claimants.



SB 621

Increase Minimum Earnings Requirement

- Those who would lose their eligibility are disproportionately black and female. These claimants work predominately in retail, food preparation, office and administrative support, and manufacturing.



SB 621

Increase Minimum Earnings Requirement

- The reduction in eligibility would save an average of \$5.1 million per year, but would be insufficient to affect the Trust Fund solvency level 5 out of 6 years. It would decrease per employee taxes by an average of \$1.46 annually.



SB 621

Increase Minimum Earnings Requirement

- ➔ Eliminating eligibility for low-wage workers would exacerbate Virginia's low first payment rate, already one of the worst in the nation.



SB 621

Increase Minimum Earnings Requirement

Effect on Trust Fund

Increase minimum WBA from \$50 to \$70 and
Earnings requirement from \$2,500 to \$3,500, effective July 2005

Year	FY Taxes*	FY Benefits*	June 30 Accrued Bal.*	CY Average Tax**	CY Solvency Level in Effect	Effect on FY General Fund Revenues
2004	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2005	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2006	\$ —	\$ (4.8)	\$ 4.8	\$ —	0%	\$ —
2007	\$ (2.5)	\$ (4.8)	\$ 7.3	\$ (0.86)	0%	\$ 7,500
2008	\$ (1.8)	\$ (4.9)	\$ 11.2	\$ (0.24)	0%	\$ 5,400
2009	\$ (8.2)	\$ (5.1)	\$ 8.2	\$ (3.56)	5%	\$ 24,600
2010	\$ (8.5)	\$ (5.2)	\$ 5.7	\$ (1.33)	0%	\$ 25,500
2011	\$ (4.4)	\$ (5.3)	\$ 7.2	\$ (1.00)	0%	\$ 13,200
2012	\$ (5.8)	\$ (5.5)	\$ 7.4	\$ (1.79)	0%	\$ 17,400
Total	\$ (31.2)	\$ (35.6)				\$ 93,600
6-year Average (07 – 12)				\$ (1.46)		\$ 15,600

* millions

** cost per employee



HB 1288

UI Eligibility for Military Trailing Military Spouses

Effect on Trust Fund

Pay benefits to trailing spouses of military personnel,
charge benefits to pool, effective July 2005 through June 2007

Year	FY Taxes*	FY Benefits*	June 30 Accrued Bal.*	CY Average Tax**	CY Solvency Level in Effect	Effect on FY General Fund Revenues
2004	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2005	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2006	\$ —	\$ 6.6	\$ (6.6)	\$ —	0%	\$ —
2007	\$ 1.7	\$ 6.4	\$ (11.3)	\$ 0.80	0%	\$ (5,033)
2008	\$ 4.6	\$ —	\$ (6.7)	\$ 1.60	0%	\$ (13,889)
2009	\$ 5.9	\$ —	\$ (0.8)	\$ 1.60	0%	\$ (17,810)
2010	\$ 4.3	\$ —	\$ 3.5	\$ 0.80	0%	\$ (12,759)
2011	\$ 1.2	\$ —	\$ 4.7	\$ —	0%	\$ (3,715)
2012	\$ —	\$ —	\$ 4.7	\$ —	0%	\$ —
Total	\$ 17.7	\$ 13.0				\$ (53,206)
4-year Average (07–10)				\$ 1.20	5-year Average (07–11)	\$ (10,641)

* millions

** cost per employee



HB 1288

UI Eligibility for Military Trailing Military Spouses

Effect on Trust Fund

Pay benefits to trailing spouses of military personnel who are transferred within Virginia or to a state that pays similar benefits, charge benefits to pool, effective July 2005 through June 2007

Year	FY Taxes*	FY Benefits*	June 30 Accrued Bal.*	CY Average Tax**	CY Solvency Level in Effect	Effect on FY General Fund Revenues
2004	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2005	\$ —	\$ —	\$ —	\$ —	0%	\$ —
2006	\$ —	\$ 3.3	\$ (3.3)	\$ —	0%	\$ —
2007	\$ —	\$ 3.2	\$ (6.5)	\$ —	0%	\$ —
2008	\$ 1.7	\$ —	\$ (4.8)	\$ 0.80	0%	\$ (5,162)
2009	\$ 3.0	\$ —	\$ (1.8)	\$ 0.80	0%	\$ (8,905)
2010	\$ 1.2	\$ —	\$ (0.6)	\$ —	0%	\$ (3,658)
2011	\$ —	\$ —	\$ (0.6)	\$ —	0%	\$ —
2012	\$ —	\$ —	\$ (0.6)	\$ —	0%	\$ —
Total	\$ 5.9	\$ 6.5				\$ (17,725)
2-year Average (08–09)				\$ 0.80	3-year Average (08–10)	\$ (5,908)

* millions

** cost per employee



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