



Virginia Employment Commission report to

The Commission on Unemployment Compensation

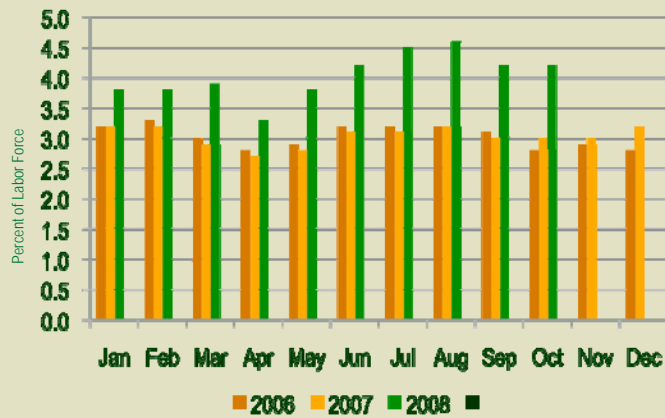
Dolores Esser, *Commissioner*
Virginia Employment Commission

December 16, 2008



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

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





Current Economic Situation

The Nation, Virginia, and Virginia Areas



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 1.5 percent.
 - ⇒ Unemployment should peak about 8.5 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 just over 6.0%.
- A worst case scenario would have U.S. unemployment over 9% and Virginia unemployment approaching 7%.

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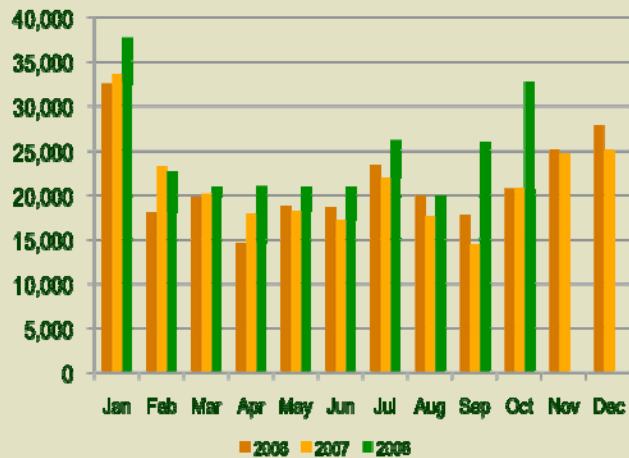
VEC Trust Fund



UI Initial Claims

2006 - 2008 *(year to date)*

→ Total initial claims through October this year are up 21.5% because of more motor vehicle, furniture, textiles, building-related, and finance layoffs. For the same period, initial claims are up 22.0% from 2006.





Workload*

Calendar Year	Insured Unemployment Rate	Initial Claims
2006	1.03%	260,804
2007	1.07%	260,561
2008	1.42%	307,511
2009	2.00%	514,652
2010	1.80%	464,054

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

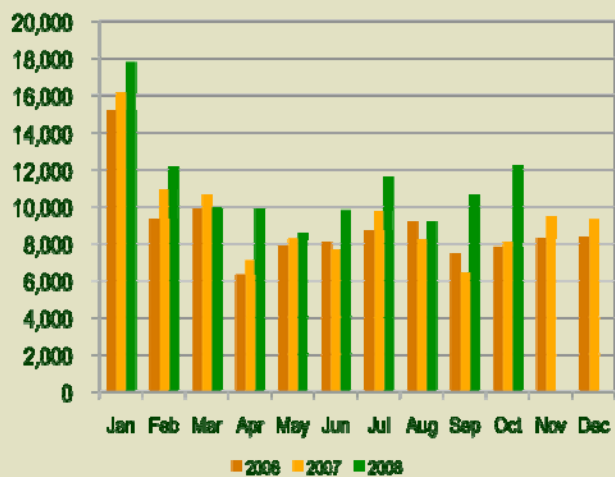
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UI First Payments

2006 - 2008 (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 up 27.5% from last year, and up 32.2% from 2006.
- The average duration in October was 12.6 weeks, unchanged from last October's level.

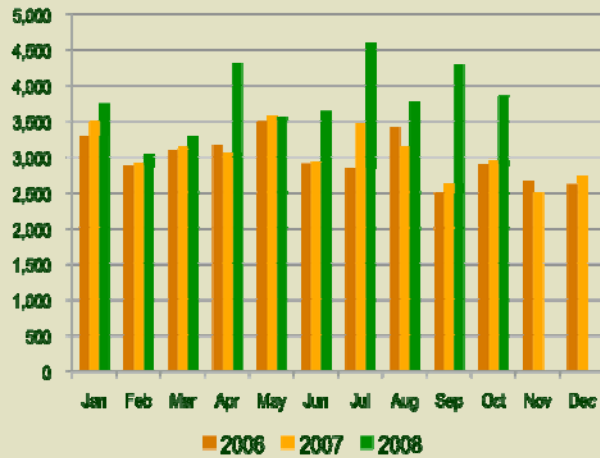


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UI Final Payments 2006 - 2008 (year to date)

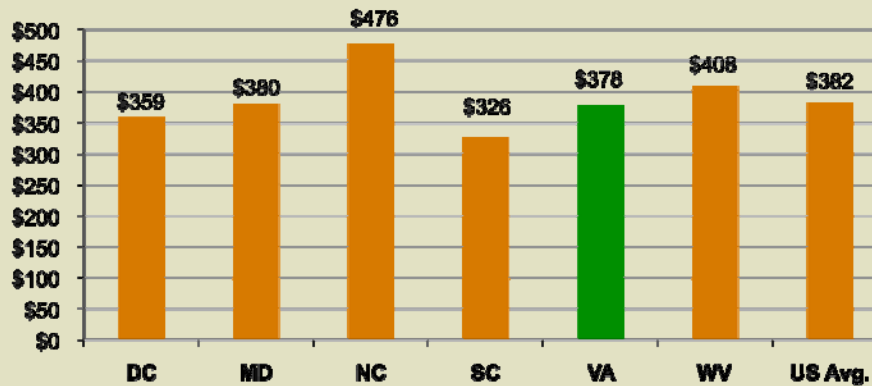
- For the first ten months of 2008, final payments are up 21.7% from 2007 and up 25.1% from 2006.
- The exhaustion rate in October was 37.1%, up from last October's 33.1%.



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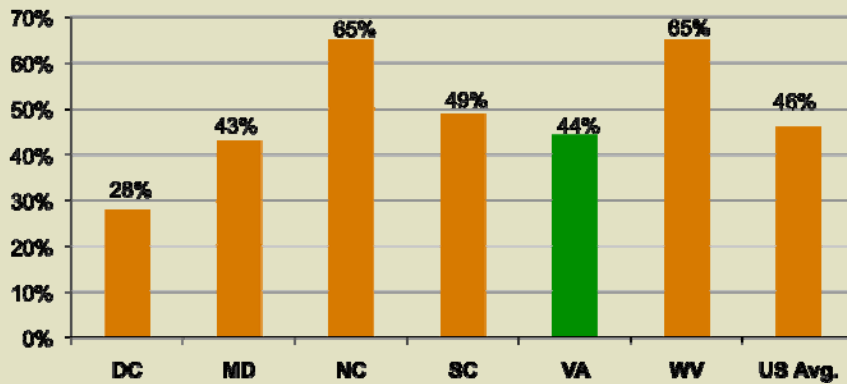
2008 Maximum Weekly Benefit Fourth Circuit



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2008 Maximum Weekly Benefit Replacement Rate Fourth Circuit



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Trust Fund Data—Standard Forecast (Millions of Dollars)

(Projections will be updated in December)

	2008	2009
January 1 Balance	\$708.2	\$565.3
Tax Revenue	\$331.4	\$324.7
Interest Revenue	\$35.2	\$18.8
Benefits	\$492.9	\$760.4
December 31 Balance	\$565.3*	\$148.4
Solvency Level (6/30)	64.4%	38.5%

*\$16.6 million in Reed Act money deducted from Trust Fund balance for FY's 2009 and 2010 appropriations for JS and UI administration.

Actual Projected

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Standard Forecast— 1990 - 1991 Scenario

→ Loans

2010q1--\$25.7 million paid back by 6/30/2010

2010q2--\$56.2 million paid back by 6/30/2010

2011q1--\$103.3 million paid back by
6/30/2011

2011q2--\$46.8 million paid back by 6/30/2011

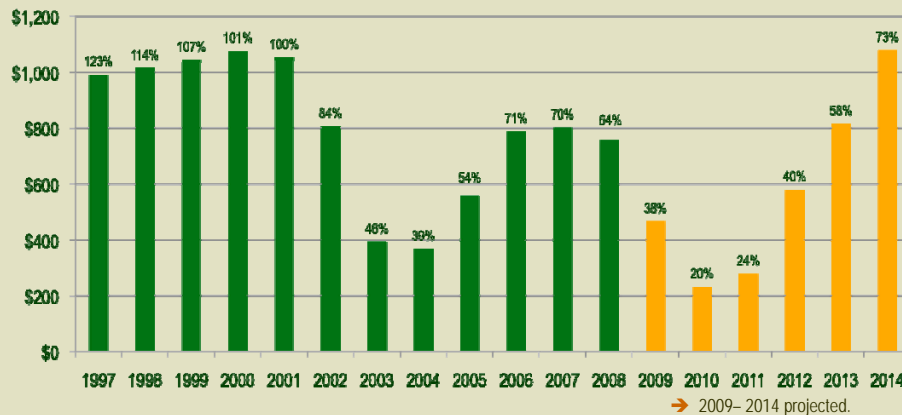
→ **Total--\$232.0 million**

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June 30 Balances (millions) and Solvency Level 1997 - 2014

→ When solvency drops below 50%, Fund Builder Tax is triggered the following year.
(Projections will be updated in December)

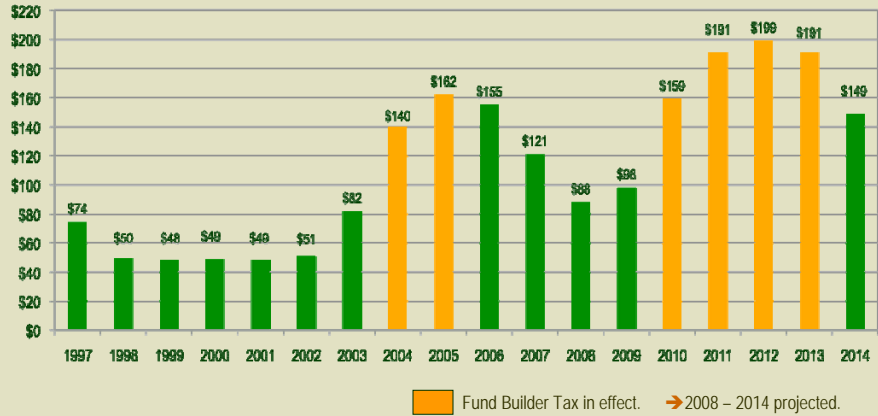


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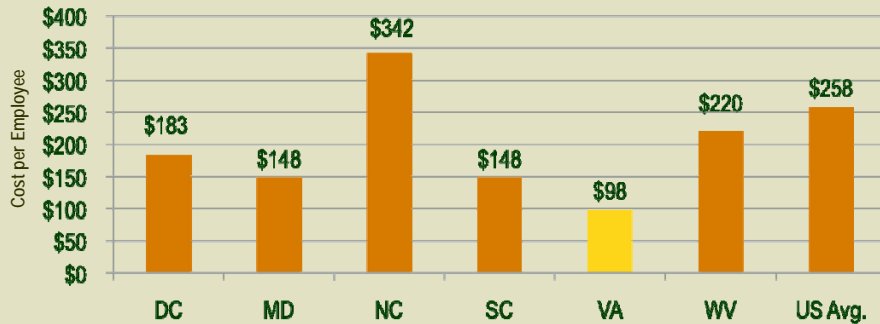


Average Tax per Employee 1997 - 2014

→ The increases from 2003 through 2014 are the result of higher benefit schedules and the recessions.
(Projections will be updated in December)

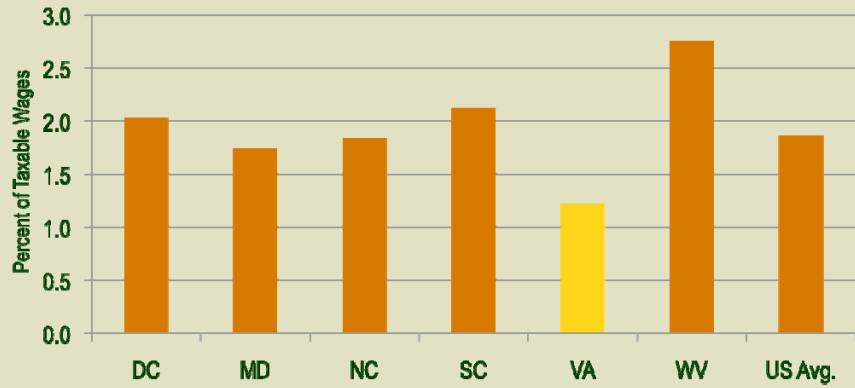


Average Tax per Employee Fourth Circuit – Year ending 3/31/08





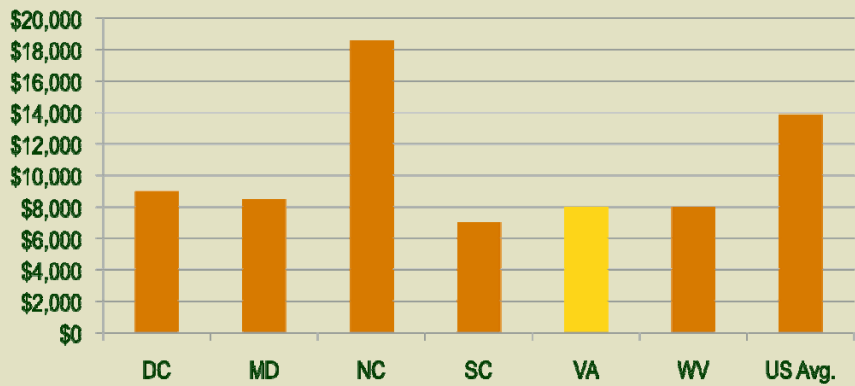
Average Tax Rate Fourth Circuit – Year ending 3/31/08



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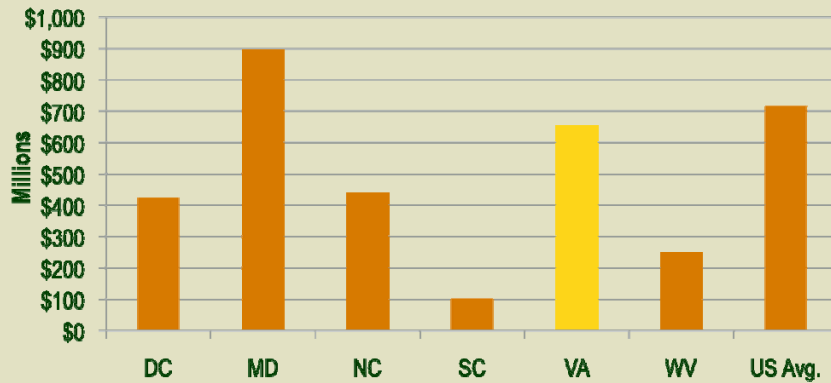
Taxable Wage Base Fourth Circuit – Calendar Year 2008



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Trust Fund Balance Fourth Circuit – 9/30/08



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1981-1982 Recession Scenario

- Loans would total about \$800 million.
- The trust fund would have negative balances for 11 straight quarters—2009q4 through 2012q2. In some of these quarters, the loan balance is reduced, but not to zero.
- The cash balances for June 30, 2010 and 2011 are negative.

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1981-1982 Recession Scenario

- The 2010 solvency level is *negative*.
- Total interest payments from 2010 to 2012 would be about \$25 million. Interest payments in 2010 and 2011 would each be over \$10 million or about 3 times the current annual Penalty and Interest revenue, the source for such payments. Interest payments in 2012 would be about \$4 million.
- In 2011 employers would lose 0.3 percentage point of the FUTA credit and pay an additional \$90 million in FUTA taxes or an additional \$21 per employee.

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Current Recession Compared to Historical Recessions

	81-82 Recession	90-91 Recession	07-09 Recession
Highest Monthly Unemployment Rate	8.4%	7.1%	7.1%
Highest Annual Unemployment Rate	7.4%	6.2%	6.2%
Highest Annual Number Unemployed	196,591	206,341	297,888
Highest Annual Number Employed	2,482,021	3,146,997	3,897,721
Highest Annual Benefits Paid	\$245.1 million	\$328.0 million	\$760.4 million
Average Weekly Benefit Amount	\$100	\$145	\$280
Average Weekly Wage	\$274	\$431	\$925
Exhaustion Rate	31.3%	35.8%	41.8%
Average Duration	12.6 weeks	14.0 weeks	14.4 weeks

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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 November 28, 2008:
 - Applications mailed 78,720
 - Claims processed 31,381
 - Total amount paid \$54.7 million

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