



Virginia Employment Commission *report to*

The Commission on Unemployment Compensation

Dolores Esser, *Commissioner*
Virginia Employment Commission
September 10, 2008



Current Economic Situation

The Nation, Virginia, and Virginia Areas



The Nation

- The much projected downturn keeps getting moved forward into the future.
- The economy has had subpar Gross Domestic Product (GDP) growth for the past two years—well below the 3.0 percent average for the last 20 years, but a small amount of growth continues.
 - Boosting economic growth are the tax rebates, low interest rates, booming U.S. exports because of the weak dollar, and still strong commercial construction.
 - Retarding economic growth are high energy and commodity prices and big problems in financial, mortgage, and real estate markets.

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The Nation - *continued*

- It now looks like the slowest economic growth will be in either Fourth Quarter 2008 or First Quarter 2009 with a pick up in growth late in 2009.
- GDP growth is projected to average 1.6 percent in 2008 and 1.0 percent in 2009.
- A recession is usually considered to be two consecutive quarters of negative GDP growth.
- The economy will probably hover just above the recession level (negative GDP growth), but could sink into a brief, mild recession around the end of 2008.

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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 almost recession-proof:

- Professional and business services
- Health care
- Public and private higher education
- Federal government and defense

→ Job growth is expected to be:

→ The unemployment rate is expected to be:

Nation		Virginia	
2008	2009	2008	2009
0.0%	-0.2%	+0.3%	+0.2%
5.4%	6.1%	3.8%	3.9%

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Virginia Areas

→ Best job growth (+1.0 to +1.5 percent) will be in small college- and service-oriented MSAs: Harrisonburg, Lynchburg, Charlottesville, and Winchester.

→ Three large MSAs (74 percent of jobs) have seen job growth slow.

→ Hampton Roads now best (+1.5 percent job growth) with stability from services, military, and defense. Hampton Roads usually performs best in downturns.

→ Northern Virginia (+0.9 percent job growth) hurt by real estate, finance, airlines, and telecoms, but still strong in professional/business services, health care, and federal government.

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Virginia Areas - *continued*

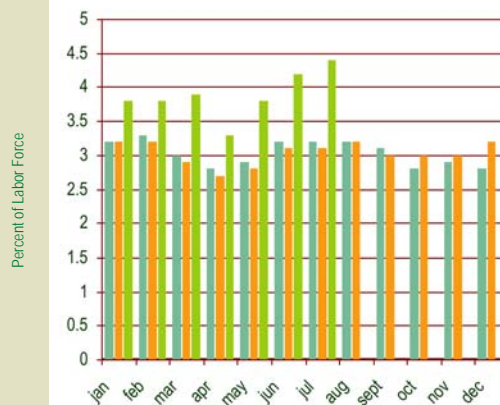
- Richmond area (+0.8 percent job growth) benefits from Fort Lee expansion, health care, and higher education.
- Roanoke should continue to see health care growth.
- New River Valley is hurt by vehicle layoffs, but benefits from Virginia Tech and Radford University growth.
- Arlington and Fairfax counties still best economies.
- Martinsville and Southside worst economies, but Danville has gotten new industries.

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

- This year all unemployment rates have been above the year-ago rates.
- July's rate of 4.4 percent was the highest rate since July 2003.



Note: Not Seasonally Adjusted

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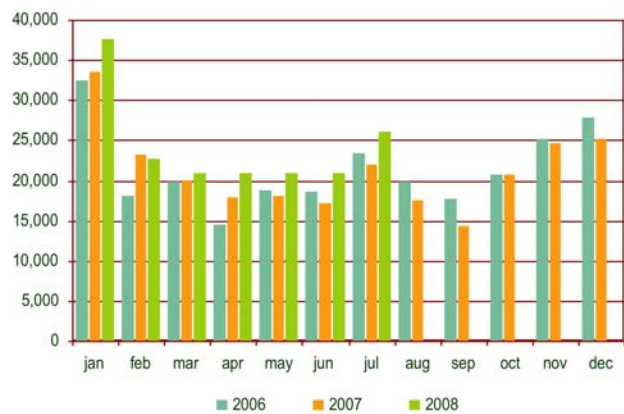
VEC Trust Fund



UI Initial Claims

2006 - 2008 *(year to date)*

→ Total initial claims through July this year are up 12.0% because of more motor vehicle, furniture, textiles, building-related, and finance layoffs. For the same period, initial claims are up 16.9% from 2006.





Workload*

Calendar Year	Insured Unemployment Rate	Initial Claims
2006	1.03%	260,804
2007	1.07%	260,561
2008	1.42%	355,986
2009	1.63%	414,607

*2006 and 2007 actual; 2008 and 2009 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 July, first payments are up 13.3% from last year, and up 22.0% from 2006.
- The average duration in July was 12.7 weeks, above last July's 12.6 weeks.

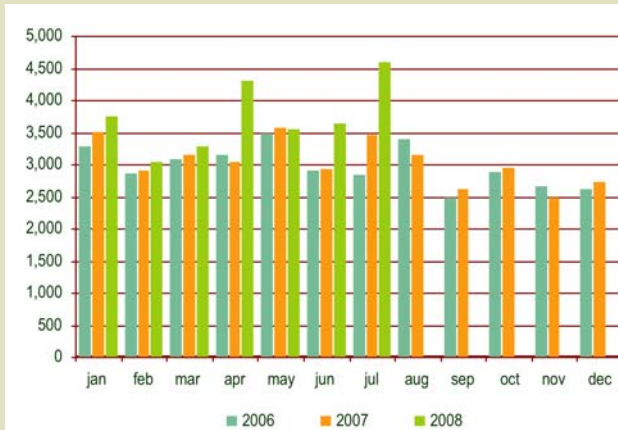


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UI Final Payments 2006 - 2008 (year to date)

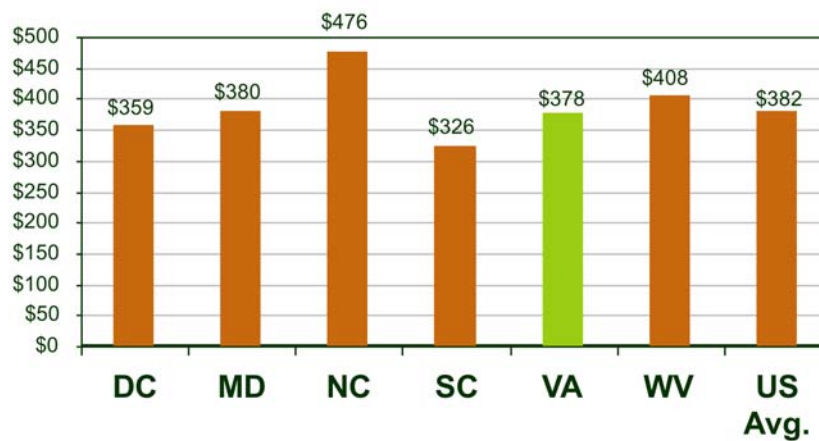
- For the first seven months of 2008, final payments are up 15.9% from 2007, and up 20.9% from 2006.
- The exhaustion rate in July was 35.4%, up from last July's 34.1%.



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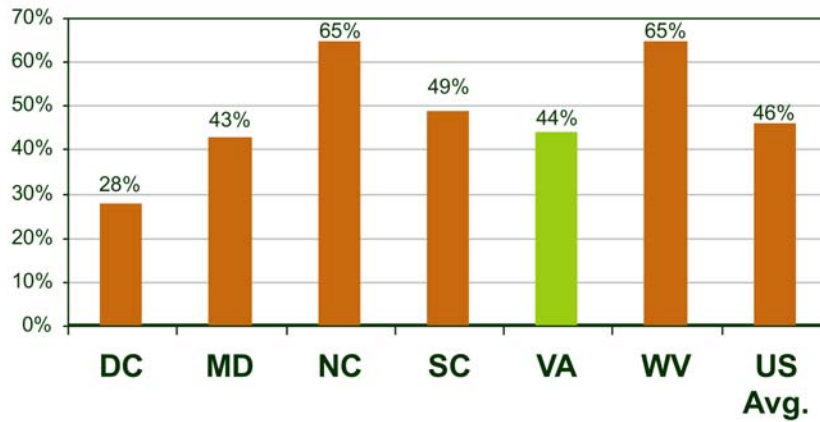
2008 Maximum Weekly Benefit Fourth Circuit



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2008 Maximum Weekly Benefit Replacement Rate Fourth Circuit



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Trust Fund Data (Millions of Dollars)

(Projections will be updated in December)

	2007	2008
January 1 Balance	\$645.2	\$708.2
Tax Revenue	\$416.3	\$329.5
Interest Revenue	\$37.5	\$34.7
Benefits	\$380.3	\$501.9
December 31 Balance	\$708.2*	\$553.9**
Solvency Level (6/30)	70.4%	64.4%

*\$10.5 million in Reed Act money deducted from Trust Fund balance for FY 08 appropriations for JS and UI administration.

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

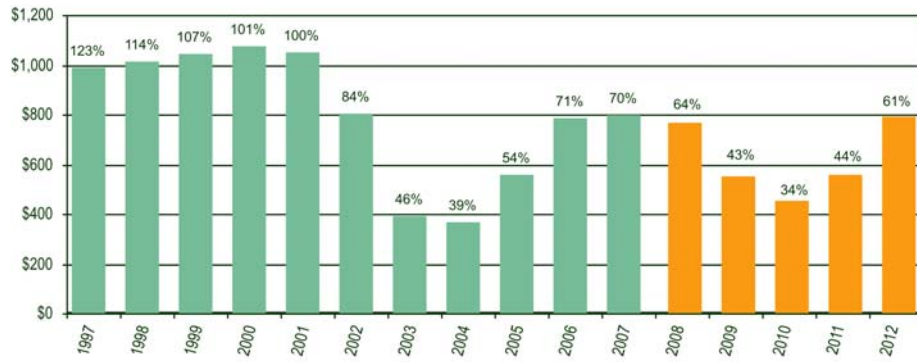
Actual Projected

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June 30 Balances (millions) and Solvency Level 1997 - 2012

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



→ 2008 - 2012 projected.

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Average Tax per Employee 1997 - 2012

→ The increases from 2003 through 2012 are the result of higher benefit schedules and the recession.
(Projections will be updated in December)

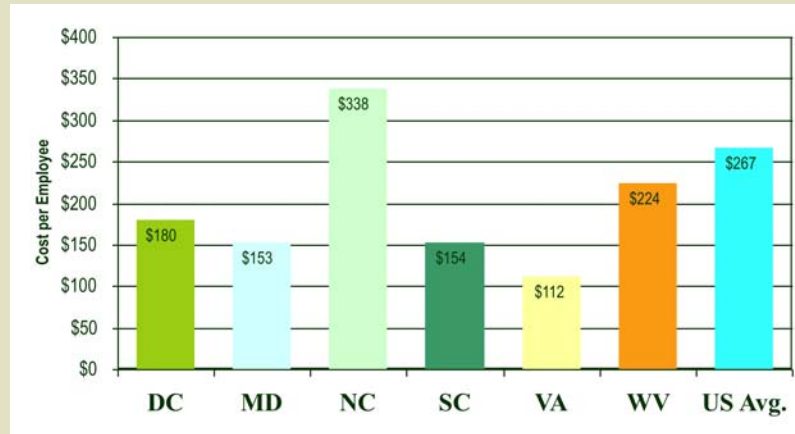


■ Fund Builder Tax in effect. → 2008 - 2012 projected.

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Average Tax per Employee Fourth Circuit – Year ending 9/30/07



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Emergency Unemployment Compensation

- 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

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Emergency Unemployment Compensation

→ As of 8/29/07:

- Applications mailed 65,917
- Claims processed 20,973
- Total amount paid \$21,092,572

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