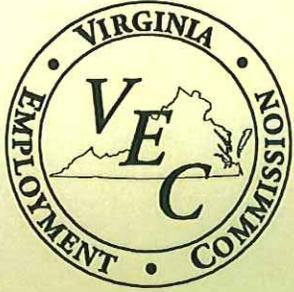


Virginia Employment Commission *report to*

Senate Finance Economic Development and
Natural Resources Subcommittee

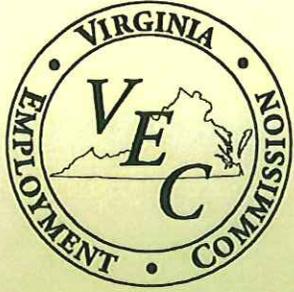
Dolores Esser, Commissioner
Virginia Employment Commission

January 30, 2008



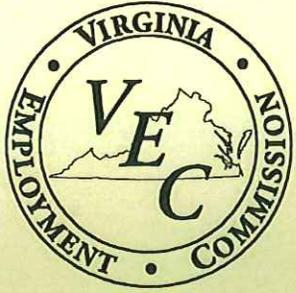
Virginia Employment Commission

- State agency that is federally funded – VEC receives no general fund revenues
- VEC administers five major programs, each of which has its own discrete funding stream
 - Unemployment Insurance
 - Job Service
 - Trade Act
 - Veterans Services
 - Labor Market Information



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.



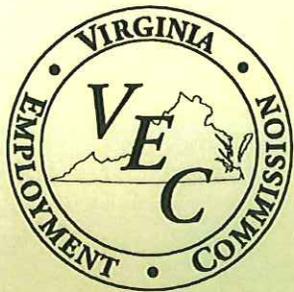
VEC Administrative Funding *(continued)*

- 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 over \$205 million in FUTA taxes in FY 2006.
- VEC received about \$56 million from U.S. DOL in FY 2006.



VEC Administrative Funding (continued)

- In 2004, Virginia received 32.8% of the FUTA taxes paid by our employers for program administration—second-lowest in the country.
- In 2005, Virginia's return of its FUTA taxes fell to 30.2%.
- In 2006, last year of data availability, the return dropped to 27.6%.



Result of Funding Decreases:

→ 2005: Reductions

→ Closed Offices -

⇒ Newport News

⇒ Portsmouth

⇒ Richmond-West

⇒ Virginia Beach Closed Offices

→ Layoffs -

⇒ 63 (wage)

→ 2007: Layoffs

⇒ 146 wage and classified

⇒ 86 unfilled vacancies eliminated



State UI Taxes

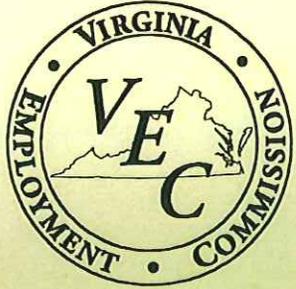
- Taxes are paid by employers to the VEC on the first \$8,000 of each employee's wages.
- Taxes deposited in the UI Trust Fund.
- UI Trust Fund can only be used to pay unemployment insurance benefits.



UI Fact Sheet

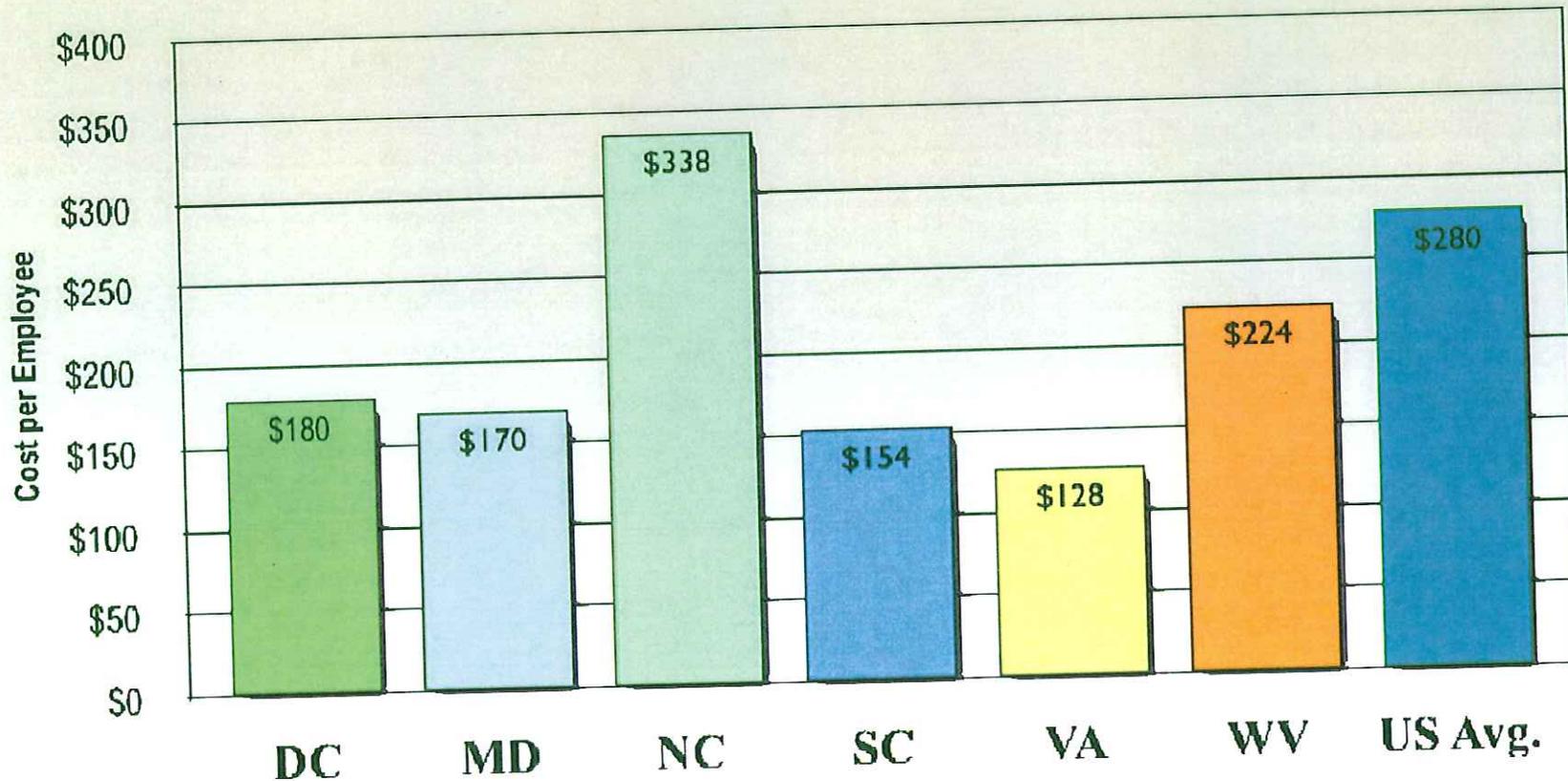
| | 2006 (YTD Nov.) | 2007 (YTD Nov.) |
|---------------------------|-----------------|-----------------|
| Total Claims | 229,544 | 229,812 |
| Total Benefits Paid | \$320 million | \$349 million |
| Average Duration (weeks) | 12.5 | 12.5 |
| State UI Taxes Collected | \$530 million | \$416 million |
| Average Tax per Employee* | \$152 | \$128 |
| Trust Fund Balance | \$665 million | \$730 million |

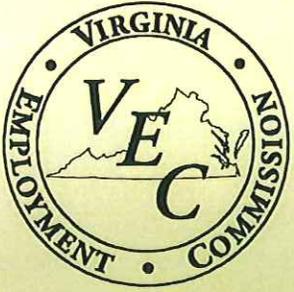
*Year ending 3/31/06 and 3/31/07



Average Tax per Employee

Fourth Circuit – Year ending 3/31/07





Questions?

Dolores (Dee) Esser

Commissioner, Virginia Employment Commission

804-786-3001

dee.esser@vec.virginia.gov