

## MAY 2008 UNEMPLOYMENT INSURANCE (UI) FUND FORECAST

### INTRODUCTION

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This report provides the status of the UI Fund and includes information on the current and projected fund balance, receipts, disbursements, and contribution rates.

Currently, employers' UI contributions are based on the "F" contribution rate schedule plus a 15 percent surcharge, which is the highest allowed by law. The 15 percent surcharge is required by current statute when the UI Trust Fund balance dips below specified levels. It is projected employers will remain on this contribution rate schedule in 2009.

The UI Fund balance was \$2.4 billion at the end of 2007. The UI Fund is projected to have a balance of \$1.1 billion at the end of 2008, and could be in a deficit by the end of 2009. This forecast will be updated in October 2008 and may change depending upon actual employment levels, claims filed, and legislative changes.

As mentioned in previous forecasts, a UI Fund balance in excess of \$2.0 billion may not be sufficient in an economic downturn.

Unemployment levels are projected to average 1,108,000 in 2008 and 1,122,000 in 2009, compared to actual unemployment levels of 873,000 in 2006 and 968,000 in 2007. UI benefit payments are projected to be \$6.5 billion in 2008 and \$6.6 billion in 2009, for a total of \$13.1 billion.

Total receipts for the UI Fund are projected to be \$5.2 billion in both 2008 and 2009, for a total of \$10.4 billion.

With UI benefit payments projected to exceed total receipts by \$2.7 billion over 2008 and 2009, the UI Fund could become insolvent if no action is taken.

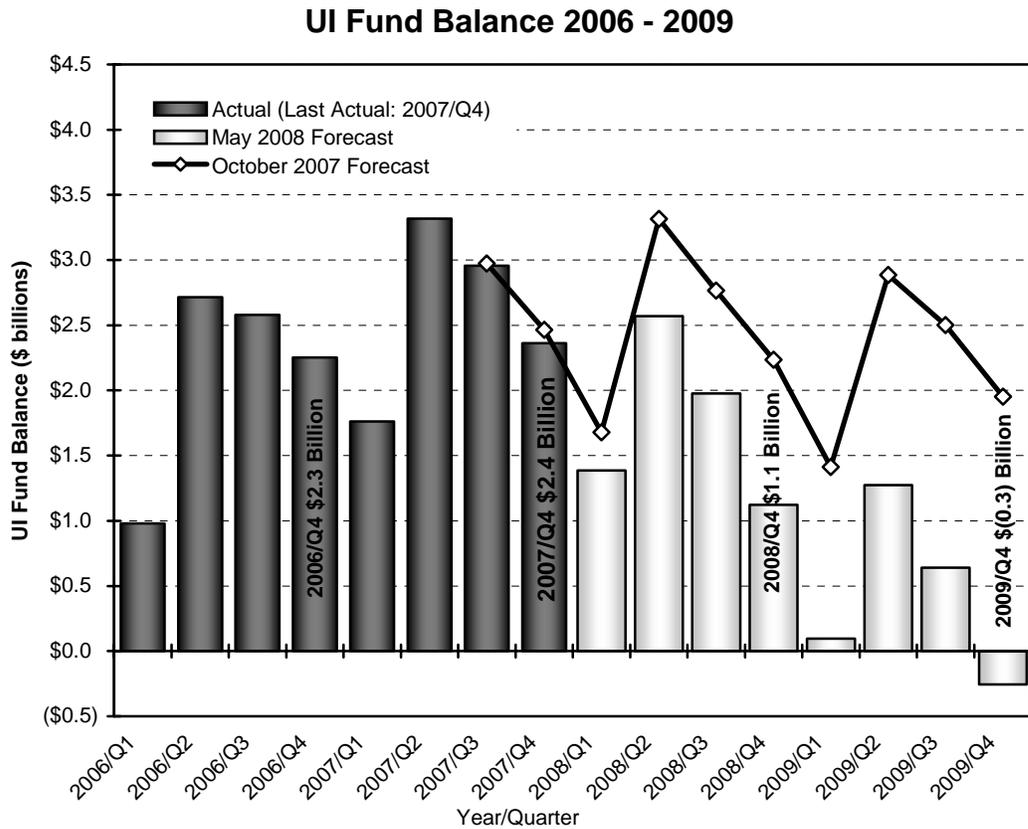
## FUND BALANCE

The UI Fund balance was \$2.4 billion at the end of December 2007. The UI Fund is projected to have a balance of \$1.1 billion at the end of 2008 and could be in a deficit of \$300 million by the end of 2009.

The chart below shows the projected quarterly UI Fund balance through 2009. These estimated balances could change depending upon actual employment levels and claims filed.



*The UI Fund is projected to have a balance of \$1.1 billion at the end of 2008.*



## DISBURSEMENTS

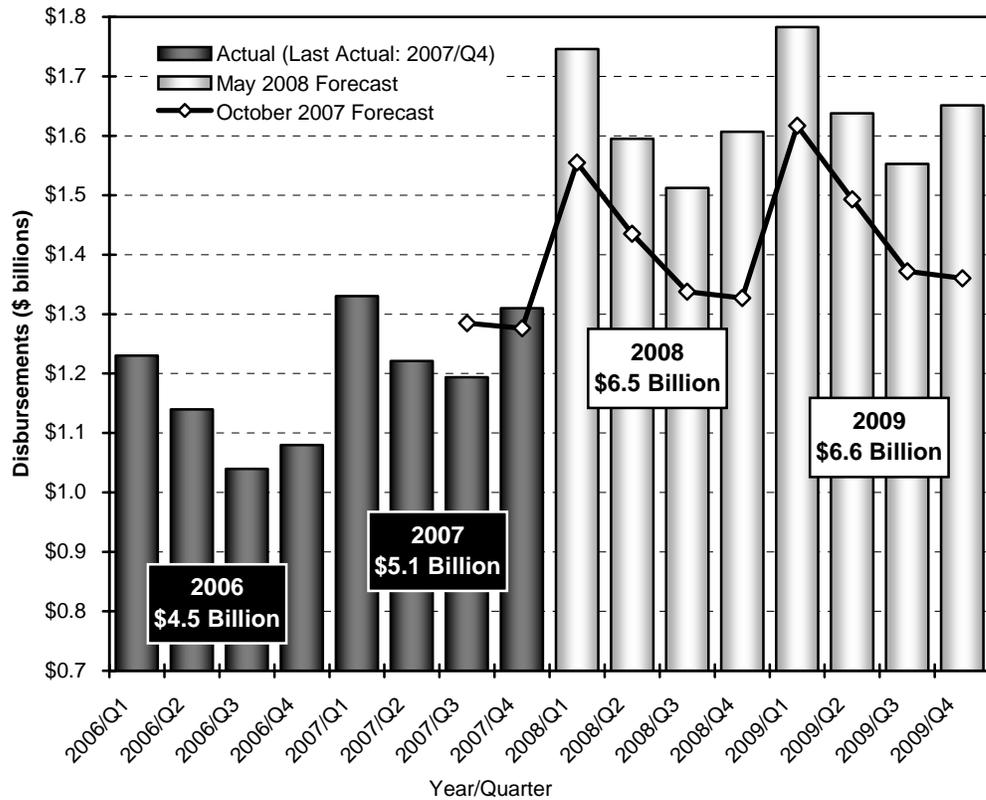
Total UI benefit payments were \$5.1 billion for 2007. Benefit payments are projected to be approximately \$6.5 billion in 2008 and \$6.6 billion in 2009. The projected year-over increases in benefit payments for 2008 and 2009 are due to a projected increase in the number of people unemployed.

The chart below shows the projected quarterly disbursements through 2009. These estimated disbursements could change depending upon actual claims filed.



*Benefit payments are projected to be \$6.5 billion in 2008.*

**Disbursements 2006 - 2009**



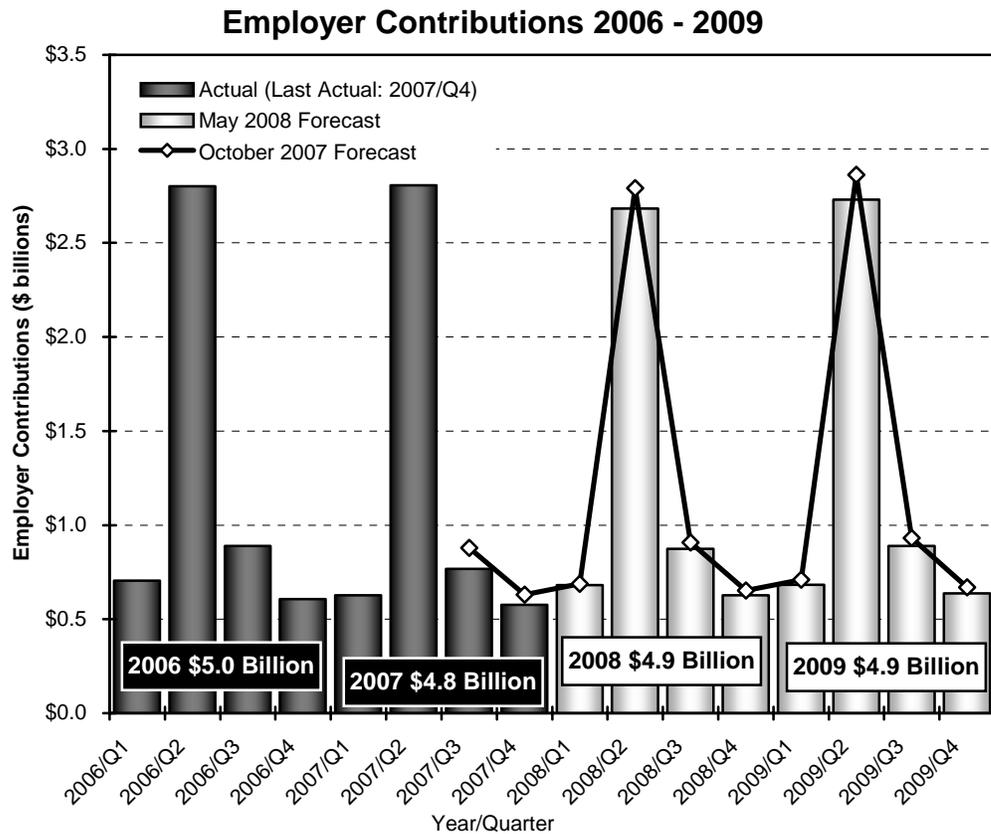
## EMPLOYER CONTRIBUTIONS

Employer contributions for calendar year 2007 were \$4.8 billion. Employer contributions are projected to total \$4.9 billion in both 2008 and 2009. Other receipts are projected to be \$352.4 million for 2008 and \$307.0 million for 2009. Total receipts are projected to be \$5.2 billion in both 2008 and 2009. Other receipts include interest earnings and reimbursements of UI benefits paid to employees of reimbursable employers (see Table 1).

Employers are currently on the “F” contribution rate schedule, plus a 15 percent surcharge in 2008. It is projected employers will remain on this contribution rate schedule in 2009. (Refer to pages A3 and A4 in the Appendix for an explanation of the contribution rate schedules.)

The following chart shows the projected quarterly employer contributions through 2009. These estimated employer contributions could change depending upon actual employment levels.

*Employer contributions are projected to total \$4.9 billion in 2008.*



UNEMPLOYMENT INSURANCE FUND  
FORECAST FOR CALENDAR YEARS 2008 - 2009

Table 1  
(Dollars in millions)

	2006	2007	2008(F)	2009(F)
YEAR END FUND BALANCE	\$2,254.1	\$2,363.1	\$1,122.3	(\$255.6)
Fund Balance as a Percentage of:				
Receipts	41.7%	45.8%	21.5%	(4.9%)
Employer Contributions	45.1%	49.4%	23.1%	(5.2%)
Disbursements	50.2%	46.7%	17.4%	(3.9%)
RECEIPTS MINUS DISBURSEMENTS	\$916.5	\$109.0	(\$1,240.7)	(\$1,377.9)
RECEIPTS	\$5,408.6	\$5,163.9	\$5,218.2	\$5,247.1
Employer Contributions	\$5,001.7	\$4,778.8	\$4,865.8	\$4,940.2
Interest	\$109.0	\$138.9	\$92.0	\$29.1
Reimbursements	\$273.8	\$255.9	\$269.5	\$289.7
Other Receipts	\$24.1	(\$9.8)	(\$9.1) (a)	(\$11.8) (a)
DISBURSEMENTS	\$4,492.1	\$5,055.0	\$6,458.9	\$6,625.0
Regular Benefits	\$4,492.1	\$5,055.0	\$6,458.9	\$6,625.0

**(F) Forecast** Last actual data through fourth quarter of 2007.

Totals may not be exact due to rounding.

(a) This includes undisbursed Reed Act funding set aside for UI automation.

UNEMPLOYMENT INSURANCE FUND  
FORECAST FOR CALENDAR YEARS 2007 - 2009  
Table 2

	2006	2007	2008(F)	2009(F)
<b>CLAIM ACTION</b>				
New Claims (a)	1,433,617	1,569,390	1,801,000	1,823,000
First Payments	959,946	1,035,557	1,204,000	1,218,000
Weeks Compensated	15,902,297	17,335,546	21,169,000	21,460,000
Average Duration	16.6	16.7	17.6	17.6
Weekly Benefit Amount				
Maximum/Minimum	\$450/\$40	\$450/\$40	\$450/\$40	\$450/\$40
Average (All Claimants)	\$281	\$290	\$305	\$309
<b>COVERED WAGES</b>				
Total Wages (Less Reimbursables) (In billions)	\$596.9	\$623.2	\$620.1	\$642.8
Average Weekly Wage	\$916	\$939	\$936	\$960
Taxable Wages (In billions)	\$111.6	\$115.9	\$115.6	\$117.7
Percent of Total Wages	18.7%	18.6%	18.7%	18.3%
Benefits/Taxable Wages	4.0%	4.4%	5.6%	5.6%
<b>EMPLOYER CONTRIBUTION FACTORS</b>				
Taxable Wage Ceiling	\$7,000	\$7,000	\$7,000	\$7,000
Contribution Rate Schedule	F+	F+	F+	F+
Average Contribution Rate (b)	4.41%	4.19%	4.21%	4.21%
<b>EMPLOYMENT</b>				
Average Covered Employment	15,259,540	15,577,000	15,555,000	15,719,000
Reimbursables - Average Covered Employment	2,779,730	2,868,000	2,865,000	2,895,000
All Others - Average Covered Employment	12,479,810	12,709,000	12,690,000	12,824,000
Contributions/Employment All Others	\$401	\$376	\$383	\$385
<b>CALIFORNIA LABOR DATA (c)</b>				
Civilian Labor Force	17,902,000	18,213,000	18,522,000	18,751,000
Unemployment Level	873,000	968,000	1,108,000	1,122,000
Civilian Unemployment Rate	4.8%	5.3%	6.0%	6.0%

**(F) Forecast** Last actual data for wages and employment through second quarter 2007. Last actual data for all other items through the fourth quarter 2007.

Totals may not be exact due to rounding.

(a) This includes intrastate, interstate, and transitional claims.

(b) The average contribution rate is calculated based on contributions from April - March each year. This varies from the average contribution rate reported to the Department of Labor that is calculated based on calendar year contributions.

(c) California Labor Data is from the Labor Market Information Division's January 2008 economic outlook.

# A P P E N D I X

## UNEMPLOYMENT INSURANCE (UI) DEFINITIONS

The definitions below are informational only and arranged in the order of their appearance in Tables 1 and 2. The law is the California Unemployment Insurance Code (CUIC). Interpretations of the law are contained in opinions of the Attorney General, administrative and court decisions, and Title 22 of the California Code of Regulations.

### **YEAR-END FUND BALANCE**

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The sum of all money remaining in the Unemployment Fund at the end of the year after all receipts and disbursements have been recorded but before the unamortized balance invested in capital assets is recorded.

### **RECEIPTS**

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#### ***Receipts:***

This includes all income to the Unemployment Fund. Receipt items are on an “as received” basis rather than on an “as earned” basis.

#### ***Employer Contributions:***

Contributions paid by an employer based on a contribution rate derived from the Experience Rating System. This system determines each individual employer’s contribution rate based on the employer’s employment experience and the condition of the UI Trust Fund. New employers are required to pay a rate of 3.4 percent for up to three years. (See Employer Contribution Factors on page A3.)

#### ***Interest:***

Income produced by investing a portion of the Unemployment Fund. This investment is made by the federal government and California has no discretion in investment decisions.

#### ***Reimbursements:***

Amounts received from employers (nonprofit organizations, state and local governments) required to reimburse the Unemployment Fund for benefits paid to their former employees.

#### ***Other Receipts:***

Includes receipts from miscellaneous adjustments such as insurance checks reverted.

## **DISBURSEMENTS**

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### ***Disbursements:***

All money paid from the Unemployment Fund.

### ***Regular Benefits:***

Disbursements made to UI claimants under the authority of Division 1, Part 1, of the CUIC. This includes only benefits paid under the California UI program from the UI Trust Fund. Regular benefits paid from the Federal Unemployment Benefit Account, which is separate from the California UI Trust Fund, including Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Service Persons (UCX) programs or any combination of these programs are excluded. Benefits paid under extended benefit programs are also excluded.

- ◆ UI: A state program that provides benefits to individuals covered under state and federal unemployment compensation laws.
- ◆ UCFE: The federal program of unemployment compensation for federal employees.
- ◆ UCX: The federal program of unemployment compensation for ex-service personnel.

## **CLAIM ACTION**

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### ***New Claims:***

An application for determination of eligibility for benefits, weekly amount, and award which certifies either the beginning of a first period of unemployment within a benefit year, or the continuance of a period of unemployment into a new benefit year.

### ***First Payments:***

The first benefit payment made to a claimant in his/her benefit year.

### ***Weeks Compensated:***

The total number of weeks of unemployment for which regular benefits are paid.

### ***Average Duration:***

The number of weeks of benefits paid divided by the first payments.

### ***Weekly Benefit Amount (WBA): Maximum/Minimum:***

Per Section 1280 of the CUIC, effective January 1, 2005, the maximum weekly benefit amount is \$450. The minimum weekly benefit amount is \$40.

### ***Average Weekly Benefit Amount (AWBA):***

For all claimants, regular benefits divided by the number of weeks compensated including full, partial, and part-total weekly benefit amounts results in the AWBA.

## COVERED WAGES

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### **Total Wages:**

All remuneration payable to employees subject to the CUIC for personal services, including tips and gratuities received by workers.

### **Average Weekly Wage:**

Total wages less reimbursable wages divided by average covered employment less reimbursable employment divided by 52.2 weeks.

### **Taxable Wages:**

Portion of total wages subject to taxation under Section 930 of the CUIC. (See Employer Contribution Factors below.)

### **Percent of Total Wages:**

The ratio of taxable wages divided by total wages, expressed as a percentage.

### **Benefits/Taxable Wages:**

The ratio of benefit expenditures to taxable wages. (Reimbursables excluded.)

## EMPLOYER CONTRIBUTION FACTORS

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### **Taxable Wage Ceiling:**

The maximum remuneration paid to an individual by an employer during a calendar year, which is subject to Section 930 of the CUIC. The taxable wage ceiling is set by state law. The current ceiling is \$7,000.

### **Contribution Rate Schedule:**

Per Section 977 of the CUIC, the Unemployment Insurance contribution rate schedule for the following calendar year is determined by the ratio of the Unemployment Fund balance on September 30 of the prior calendar year to total covered wages paid for the prior completed state fiscal year.

Unemployment Insurance Trust Fund Balance (September 30)  
Total UI Covered Wages (July 1 – June 30)

<b>If the ratio is</b>	<b>Use schedule</b>
Greater than 1.8%	AA
From 1.8% to more than 1.6%	A
From 1.6% to more than 1.4%	B
From 1.4% to more than 1.2%	C
From 1.2% to more than 1.0%	D
From 1.0% to more than 0.8%	E
From 0.8% to more than 0.6%	F
<b>Below 0.6%</b>	<b>F schedule plus 15%</b>

**Contribution Rate Schedule:**

The following tables are used to determine each employer's contribution rate based on its reserve ratio and the schedule in effect for the year.

Line	Reserve Ratio		Contribution Rate Schedules								
	Column 1	Column 2	AA	A	B	C	D	E	F	F+ 15%	
01	less than	-20	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	6.2
02	-20 to	-18	5.2	5.3	5.4	5.4	5.4	5.4	5.4	5.4	6.2
03	-18 to	-16	5.1	5.2	5.4	5.4	5.4	5.4	5.4	5.4	6.2
04	-16 to	-14	5.0	5.1	5.3	5.4	5.4	5.4	5.4	5.4	6.2
05	-14 to	-12	4.9	5.0	5.3	5.4	5.4	5.4	5.4	5.4	6.2
06	-12 to	-11	4.8	4.9	5.2	5.4	5.4	5.4	5.4	5.4	6.2
07	-11 to	-10	4.7	4.8	5.1	5.3	5.4	5.4	5.4	5.4	6.2
08	-10 to	-09	4.6	4.7	5.1	5.3	5.4	5.4	5.4	5.4	6.2
09	-09 to	-08	4.5	4.6	4.9	5.2	5.4	5.4	5.4	5.4	6.2
10	-08 to	-07	4.4	4.5	4.8	5.1	5.3	5.4	5.4	5.4	6.2
11	-07 to	-06	4.3	4.4	4.7	5.0	5.3	5.4	5.4	5.4	6.2
12	-06 to	-05	4.2	4.3	4.6	4.9	5.2	5.4	5.4	5.4	6.2
13	-05 to	-04	4.1	4.2	4.5	4.8	5.1	5.3	5.4	5.4	6.2
14	-04 to	-03	4.0	4.1	4.4	4.7	5.0	5.3	5.4	5.4	6.2
15	-03 to	-02	3.9	4.0	4.3	4.6	4.9	5.2	5.4	5.4	6.2
16	-02 to	-01	3.8	3.9	4.2	4.5	4.8	5.1	5.4	5.4	6.2
17	-01 to	00	3.7	3.8	4.1	4.4	4.7	5.0	5.4	5.4	6.2
18	00 to	01	3.4	3.6	3.9	4.2	4.5	4.8	5.1	5.1	5.9
19	01 to	02	3.2	3.4	3.7	4.0	4.3	4.6	4.9	4.9	5.6
20	02 to	03	3.0	3.2	3.5	3.8	4.1	4.4	4.7	4.7	5.4
21	03 to	04	2.8	3.0	3.3	3.6	3.9	4.2	4.5	4.5	5.2
22	04 to	05	2.6	2.8	3.1	3.4	3.7	4.0	4.3	4.3	4.9
23	05 to	06	2.4	2.6	2.9	3.2	3.5	3.8	4.1	4.1	4.7
24	06 to	07	2.2	2.4	2.7	3.0	3.3	3.6	3.9	3.9	4.5
25	07 to	08	2.0	2.2	2.5	2.8	3.1	3.4	3.7	3.7	4.3
26	08 to	09	1.8	2.0	2.3	2.6	2.9	3.2	3.5	3.5	4.0
27	09 to	10	1.6	1.8	2.1	2.4	2.7	3.0	3.3	3.3	3.8
28	10 to	11	1.4	1.6	1.9	2.2	2.5	2.8	3.1	3.1	3.6
29	11 to	12	1.2	1.4	1.7	2.0	2.3	2.6	2.9	2.9	3.3
30	12 to	13	1.0	1.2	1.5	1.8	2.1	2.4	2.7	2.7	3.1
31	13 to	14	0.8	1.0	1.3	1.6	1.9	2.2	2.5	2.5	2.9
32	14 to	15	0.7	0.9	1.1	1.4	1.7	2.0	2.3	2.3	2.6
33	15 to	16	0.6	0.8	1.0	1.2	1.5	1.8	2.1	2.1	2.4
34	16 to	17	0.5	0.7	0.9	1.1	1.3	1.6	1.9	1.9	2.2
35	17 to	18	0.4	0.6	0.8	1.0	1.2	1.4	1.7	1.7	2.0
36	18 to	19	0.3	0.5	0.7	0.9	1.1	1.3	1.5	1.5	1.7
37	19 to	20	0.2	0.4	0.6	0.8	1.0	1.2	1.4	1.4	1.6
38	20 or more		0.1	0.3	0.5	0.7	0.9	1.1	1.3	1.3	1.5

***Average Contribution Rate:***

The average of the rates assigned to all employers at the beginning of the year.

**EMPLOYMENT**

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***Average Covered Employment:***

The monthly average of the number of workers who earned wages in employment subject to the unemployment compensation provisions of the CUIA.

***Reimbursables:***

The average number of workers whose employers reimburse the Unemployment Fund (dollar for dollar) for all benefit payments that are attributed to their employment and wages.

***All Others:***

The average number of workers whose employers are subject to the regular unemployment tax.

***Contributions/Employment All Others:***

All employer contributions divided by the average covered employment, which excludes reimbursables, provides an average cost per nonreimbursable employee.

**CALIFORNIA LABOR DATA**

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***Civilian Labor Force:***

Those individuals, 16 years of age and older, who were working or actively seeking work.

***Unemployment Level:***

Comprised of non-institutionalized civilians who did not work, but made specific efforts to find a job.

***Civilian Unemployment Rate:***

The number of unemployed persons in California expressed as a percentage of the total number of persons in the California civilian labor force.