

ACTUARIAL EVALUATION

Financial Operations of the
Pennsylvania Unemployment Compensation Program

2007



pennsylvania

DEPARTMENT OF LABOR & INDUSTRY

*Commonwealth of Pennsylvania
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Published By:

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INTRODUCTION

The 2007 Actuarial Evaluation of the Financial Operations of the Pennsylvania Unemployment Compensation Program is issued pursuant to Section 204.1 of the Pennsylvania Unemployment Compensation Law as amended July 1985. **The projections contained in this report are based on the December 2007 Global Insight Baseline Forecast of economic activity.**

The report provides an analysis of Pennsylvania's unemployment compensation system regarding the Unemployment Compensation Trust Fund activity for 2007 and a forecast for 2008 through 2010. The forecast incorporates the unemployment compensation solvency mechanism provided for by the 1988 Unemployment Compensation Law Amendments and an impact analysis of the mechanism on the Unemployment Compensation Trust Fund cash flow. Highlights of the analysis and an overview of the economic forecasts and methodologies used to estimate unemployment compensation activity are provided in the report.

The Technical Appendix of this report provides detailed information and data on the December 2007 Global Insight Baseline Forecast used to forecast Unemployment Compensation Trust Fund activity. The Statistical Appendix contains tables pertinent to Pennsylvania's unemployment compensation program. Definitions of terms used on the tables in the Statistical Appendix appear on the page preceding each table.

HIGHLIGHTS

- The estimated average UC tax rate for employers is forecasted to drop from 5.0 percent in 2007 to 4.7 percent in 2008. It will remain steady at 4.7 in 2009 and rise to 4.8 in 2010. The tax rate is impacted by automatically triggered solvency measures.
- The UC Trust Fund cash balance at the end of 2007 was \$1.6 billion, which represents a reserve of 4.5 months of payments based on 1982 UC benefit costs (the year the number of weeks paid reached a record high) adjusted to 2007 dollars. The Trust Fund balance is projected to drop to \$1.3 billion in 2008, \$1.1 billion in 2009, and \$0.9 billion in 2010.
- Annual UC benefit costs are forecasted to rise from \$2.1 billion in 2007 to \$2.4 billion in 2008 and 2009, then rise to \$2.5 billion in 2010.
- UC employer contributions deposited into the Trust Fund, which totalled \$2.1 billion in 2007, are projected to subside to \$2.0 billion in 2008 and 2009, then rise to \$2.1 billion in 2010.
- In 2007, the solvency measures were recalculated for 2008 through 2010, according to UC Law. Due to the solvency measures in effect, employers will pay additional tax and surcharge contributions totaling an estimated \$190 million for 2008, \$192 million for 2009 and \$270 million for 2010.
- An employee solvency tax of .06 percent will be in effect in 2008. In 2009, the employee tax is forecasted to remain at .06 percent and rise to 0.08 percent in 2010. The amount of contributions due from employees is forecasted to be \$148 million in 2008, \$154 million in 2009 and \$213 million in 2010.
- The maximum weekly benefit rate for 2008 is \$539 with forecasts of \$556 for 2009 and \$577 for 2010.
- In July 2006, Pennsylvania launched the Unemployment Compensation Modernization System (UCMS) project. The UCMS project is the replacement of Unemployment Compensation's (UC) 40-year-old computer system and the transformation of UC business processes with an integrated solution, which will provide tools and access for UC staff, claimants, employers and Third Party Administrators to have a quality business experience with UC programs.
- In October 2007, Pennsylvania began issuing UC payments via debit cards, instead of paper checks, to improve the speed, security, and convenience of benefit payments to claimants, while saving the commonwealth approximately 2 million dollars a year in administrative costs.

FINANCIAL ANALYSIS

BASIS OF ANALYSIS

2008-2010 Economic Data

The Department of Labor and Industry uses Global Insight's forecasts for Pennsylvania and the nation to develop a forecast of Unemployment Compensation Trust Fund activity. The key Global Insight economic forecast indicators used to determine Unemployment Compensation (UC) benefit costs are Pennsylvania's industrial production index (IPI) by sector, total unemployment rate (TUR) and nonagricultural wage and salary employment. Pennsylvania's nonagricultural wages and employment are used to forecast UC revenue activity.

The outlook for 2008-2010 contained in this report is based on the December 2007 Global Insight Baseline Forecast for the nation and Pennsylvania (referred to as the December 2007 Global Insight Forecast).

The Technical Appendix at the end of this report provides a comparison of the December 2007 Global Insight Forecast with the December 2006 Global Insight Forecast used for the 2006 Actuarial Evaluation of the Unemployment Compensation Trust Fund.

The December 2007 Global Insight Forecast projects that the economic expansion, which began in late 2001 but lost steam in 2007, will slow to a crawl - narrowly avoiding a recession - in the first half of 2008. The pace of the expansion will pick up in the latter half of 2008 through 2010. Employment growth is forecast to be a lackluster 0.5 percent in 2008 before posting slightly better gains in 2009 and 2010. The jobless rate, which fell to a post-2001-recession low of 4.4 percent in 2007, will jump to 4.7 percent in 2008 and level off in 2009 and 2010. The forecast of UC activity will reflect this economic outlook.

A thorough analysis of the impact of the December 2007 Global Insight Forecast on UC data appears in the Technical Appendix.

In *BusinessWeek's* annual economic outlook survey for 2008, the December 2007 Global Insight Forecast placed near the midpoint among the forecasts of 54 economists as ranked by fourth-quarter to fourth-quarter growth in real gross domestic product (GDP). The Global Insight Forecast of average annual growth in GDP for 2008 is 2.0 percent compared to the consensus of all forecasts of 2.1 percent. Also, the Global Insight Forecast for the fourth quarter 2008 jobless rate for the nation of 5.2 percent barely edged the consensus of 5.1 percent.

2007 IN REVIEW

Unemployment Compensation Modernization System

In July 2006, Pennsylvania launched the Unemployment Compensation Modernization System (UCMS) project. The UCMS project is the replacement of Unemployment Compensation's 40-year-old computer system and transformation of UC business processes with an integrated solution, which will provide the tools and self-access for UC staff, claimants, employers and Third Party Administrators to have a quality business experience with UC programs. The project is a partnership among Labor & Industry staff, IBM and their subcontractors.

The primary goal of the UCMS project is to implement a completely integrated UC service delivery system that is compliant with state and federal UC laws and regulations. This will reduce processing time, leverage flexible modern technology, and simplify and automate workflow wherever practical. While the UCMS

project is underway, delivery of properly authorized mission critical UC services to Pennsylvania citizens will continue without interruption.

Implementation of UCMS will provide value to citizens, employers, claimants and other customers who use UC services. UCMS will:

- Provide 24/7 availability, or provide continuous system availability as much as possible
- Allow customers to initiate requests for services that require little or no manual intervention
- Allow claimants and employers to view determinations and appeal decisions online
- Allow employers and Third-Party Administrators (TPAs) to submit their information via batch and bulk electronic file transfer
- Expand or enhance claimants' ability to change their own address and PIN, and view their account information

The UCMS project will span approximately 5 years. Deployment of UCMS will focus on the following three areas: Wage Records, Tax Services and Benefit Services. The "go-live" for replacing the current Wage Record system is scheduled for 2008.

Comprehensive Workforce Development System

In September 2005, Pennsylvania's Departments of Labor & Industry, and Public Welfare (DPW) launched the Comprehensive Workforce Development System (CWDS) project. The CWDS project involves a partnership among Labor & Industry's Bureau of Workforce Development Partnership (BWDP) and Office of Vocational Rehabilitation (OVR), and DPW's Bureau of Employment and

Training Programs (BETP), and reflects the Rendell Administration's vision of integrating Workforce Development programs to maximize effectiveness and efficiency. Project activities are expected to span five years.

After extensive design and requirement gathering sessions, user acceptance testing and just-in-time staff training, the first phase of the CWDS encompassing Labor Exchange, Trade Adjustment Assistance (TAA) and Workforce Investment Act (WIA) functionalities was implemented in September 2007. Included in these functionalities was the ability of employers to post job orders, the ability of self-service users to search for and apply for jobs, enhanced job matching capabilities, a Spanish language version of most public-facing screens, application functionality for TAA and WIA participants, new case management capacity, and the functionality for providers to apply to have courses/programs approved for the statewide list of training providers used for WIA and Trade Act training.

Initial phases of CWDS for BETP (October, 2007) and OVR (November, 2007) have also been implemented and help BWDP, OVR and BETP to effectively coordinate workforce development services to Pennsylvania's job seekers, employers and training providers. Instead of each office and bureau having separate workforce development systems (BWDP's CareerLink system, DPW's AIMS system and OVR's Mainframe/Counselor Toolsets), each are using a shared system to provide workforce development services. CWDS provides access to Pennsylvania workforce development and independent living services provided by the Departments of Labor & Industry and Public Welfare. CWDS has approximately 12,000 staff users and 1.3 million self-service users.

The goals and benefits of the CWDS include the following:

- Improve customer service by increasing coordination and collaboration across and within state agencies
 - Provide better information to support case managers, counselors and service providers in assisting customers
 - Improve accuracy and timeliness of reporting by capturing uniform customer data
 - Replace aging systems with a new integrated system that will increase accessibility and staff productivity
 - Create a system that can be easily adapted to support business requirements specific to local offices and programs
- Number of job orders created / updated 56,847
 - Number of jobs referred 1,000,569

Additional business functionality and enhancements that are critical to our customer base, especially our employer and job seeker stakeholders, will be developed and implemented in Functional Release 2 of the project which will span from January 2008 until June 2009.

Relief From Charges For Reimbursable Employers

Nonprofit organizations may elect to be covered by the Pennsylvania UC Fund as a reimbursable employer under the Pennsylvania UC Law. Reimbursable coverage requires dollar-for-dollar reimbursement to the UC Fund for all benefits paid. Prior to 2003, reimbursable employers were ineligible to request relief from charges, which previously was only available to contributory employers. The UC Law was amended January 1, 2003 to provide reimbursable employers the option to receive relief from charges by paying a nonrefundable solvency fee to the UC Fund. For calendar year 2007, the solvency rate was 0.11 percent and shall remain at this level through calendar year 2008. In calendar year 2008 and each fifth year thereafter, the Secretary shall reevaluate the solvency fee rate. In order to be approved for eligibility, reimbursable employers must pay this fee and have all quarterly tax reports filed through the fiscal year prior to the year of election.

It is important to note that the launch of a system the size of CWDS was not without some problems. Initial users experienced trouble using the new system to its full potential. Some public users, including job seekers and employers, struggled to learn the new way to do old processes like looking for a job or posting a job order. In addition, staff roles and permission issues related to the enhanced security measures within the system resulted in access problems for staff. Project team members addressed the issues as they were identified. In the first four weeks after the system was rolled out, three production environment updates were implemented to improve functionality and service. Since then four additional updates have further enhanced functionality and service.

System activity by our stakeholders since the “go-live” date can be seen in the following numbers:

- Number of participants created by self-service 172,223
- Number of employers created / updated 5,624
- Number of providers created / updated 22,091

The following activity was reported for calendar year 2007:

- 7,045 solvency fee notices were mailed
- 1,836 employers were approved for participation
- \$6.6 million in solvency fees were collected

- \$8.8 million in benefit charges were relieved
- \$34.5 million in benefit charges were available for relief from charges

e-Tides/UC-Tides

“e-TIDES” is an application jointly developed by the Department of Labor & Industry and the Department of Revenue that allows employers to file and pay Pennsylvania business taxes via the Internet. The part of the application administered by the Department (called “UC-Tides”) allows for electronic filing and payment of quarterly UC tax and wage reports.

The usage of UC-Tides continued to grow in 2007, as indicated below:

	<u>2006</u>	<u>2007</u>
UC-2 Tax Reports filed	145,820	190,491
UC-2A Wage Reports filed	121,588	151,519
Individual Wage Details	3,655,068	4,116,043
UC Payments (millions)	\$295.4	\$379.5

In 2004, the Office of Unemployment Compensation Tax Services (UCTS) had received an Unemployment Insurance Remote Systems (UIRS) Grant for Internet employer tax and wage reports (UC-2 and UC-2A) in the amount of \$421,000. The grant funded the replacement of the existing, outdated hardware that was no longer adequate to develop, test, and maintain the application.

Misclassified Workers as Independent Contractors

The Department estimated that up to 9 percent of PA workers are misclassified as independent contractors when in fact an employer/employee relationship exists. Misclassified workers have become an important education and auditing initiative for UCTS.

The Federal government and other states have also encountered problems with employers misclassifying employees as independent contractors, and the subsequent under-reporting of taxable wages. In order to

address this issue, UCTS is conducting audits of registered and unregistered employers in industries that historically have misclassified workers. During 2007, UCTS discovered 8,010 misclassified workers and \$ 2,801,584 in underreported contributions.

Currently, the PA Unemployment Compensation Law, Section 4(l)(2)(B) has a two-part test to determine whether or not an individual is an independent contractor. The Department plans to introduce legislation to more clearly define the definition of an independent contractor. This will make it easier for employers to understand the law so that they can properly classify their workers.

State Unemployment Tax Act (SUTA) Dumping Update

Like all states, Pennsylvania uses an “experience rating” system to compute the yearly Unemployment Compensation (UC) tax rates that are assigned to covered employers. The experience rating system bases the yearly tax rate assigned to an employer on the employer’s history of taxable wages, contributions paid into the UC Trust fund, and benefit payments to former employees.

“SUTA Dumping” is the term applied to schemes in which employers artificially reduce state UC tax obligations by evading unfavorable experience records. When employers engage in SUTA Dumping, they are assigned artificially low tax rates. Hence, the amount of UC taxes paid by these employers may not be based on the full amount of UC benefits paid to their employees. Any amount of UC benefits that is not appropriately assigned to an employer due to SUTA Dumping is then distributed across all employers in the form of higher UC taxes in order to maintain UC Trust Fund solvency.

For several years, the Department has been systematically targeting and investigating suspected cases of SUTA Dumping in the commonwealth. As of the

end of 2007, the Department has undertaken 213 investigations and has identified \$23 million in additional contributions payable to the PA UC Trust Fund. This effort will continue in 2008.

Unemployment Compensation Service Centers (UCSC) Accomplishments and Customer Focus

In 2007, Pennsylvania's eight UCSC completed over 2.7 million telephone calls. The UCSC processed 621,639 new initial claims, 628,867 additional claims and more than 8.5 million continued claims (including over 3.2 million Internet UC claims). Additionally, the UCSC issued over 300,000 non-monetary determinations for UC eligibility.

The UCSC continue to use technology tools to enhance the quality of service provided to unemployed individuals and to employers. The UCSC provide a more consistent level of service to its customers by using Blue Pumpkin staff scheduling software. This software is used to daily schedule staff to various assignments in order to provide optimal service in time increments as projected based upon historical data and trend analyses. In addition, supervisors can monitor scheduled and variant time periods, revise schedules in response to increased customer calls and plan any needed corrective actions.

A critical key to quality evaluation of calls is a call monitoring system, which records all customer calls for later review. Pennsylvania has successfully installed and implemented such a system in seven of the UCSC: Philadelphia, Duquesne, Indiana, Altoona, Scranton, Allentown and Erie. Lancaster will have a call monitoring system installed during 2008. This application has proven to be beneficial in enabling Pennsylvania to better identify staff training issues and successfully address them.

Debit Cards

In October 2007, Pennsylvania began issuing UC payments via debit cards. A debit card was offered to new claimants who did not opt for direct deposit. As of February 2008, all existing claimants are required to choose between direct deposit or debit cards as their preferred means of payment. Paper checks are no longer an option for UC benefit payments.

Issuing UC payments through debit cards, instead of paper checks, will improve the speed, security, and convenience of benefit payments to claimants, while saving the commonwealth approximately 2 million dollars a year in administrative costs.

Services for Limited English Proficiency (LEP) Customers

The UC Program recognizes the importance of providing services based on the individual needs of the customers. Pennsylvania UCSC provide translation services in 150 different languages through Language Line Services® for customers who are limited English or non-English speaking. When a claimant or other individual contacts a UCSC by telephone, and the individual has difficulty communicating in English, UCSC representatives utilize Language Line Services® to assist in determining the customer's language need before providing further service. Additionally, there are 18 bilingual staff throughout the eight UCSC.

In Pennsylvania, Spanish is the most requested language for interpretation/translation services (92 percent of all requests in 2007) as documented by Language Line Services® statistics. Over 9,100 continued claims were filed via the Spanish Internet continued claims site during 2007 as compared to 6,400 in 2006. In addition, there is a Spanish language paper claim form for individuals who have difficulty using the

Internet or telephone systems. As the need is determined, paper claim forms will be provided in other languages.

In addition to UCSC telephone services, a claimant can file both initial and continued claims via the Internet at *www.state.pa.us*, PA Keyword: unemployment. There were 509 Spanish Internet initial claims in 2007 as compared to 426 in 2006.

Important claims information is provided in Spanish on posters and pamphlets distributed through Pennsylvania CareerLink and other workforce development agencies. Labor & Industry continues to expand the number of publications and marketing tools available in Spanish and other languages.

Workforce Development Initiatives

UC-funded personal computers (PC) are installed in all 68 PA CareerLink centers to facilitate UC claimant access to automated UC application and PA CareerLink enrollment processes. Also, Spanish centers, Nueva Esperanza and Calle Americana in Philadelphia, each have a UC-funded PC to allow access to UC services in Spanish over the Internet. This initiative was designed to allow direct access to both UC and reemployment services in a single location, thereby returning customers to gainful employment as soon as possible. It also means more claimants can take advantage of the wide variety of Internet UC services available.

UCSC Workforce Development (WD) field staff continues to participate with PA CareerLink partners in reemployment services for UC claimants. For example, in 2007, WD field staff assisted Rapid Response Coordination Services and other workforce development agencies within UCSC areas at 491 rapid response informational presentations attended by 16,905 dislocated workers. They also conducted 256 Trade Benefit Rights Interviews at which 7,413

Trade Act impacted workers were given information regarding services under the program. WD field staff participated in 116 Self Employment Assistance (SEA) orientations, as well as organizing and chairing 12 regional workforce development meetings. These meetings bring together workforce development partners for discussions regarding UC reemployment programs.

UC Program Reaches Out to Employers

The UC deputate sponsored 23 employer seminars across the state during the third and fourth quarters of 2007. The purpose of these seminars was to educate employers about the provisions of the Unemployment Compensation Law and UC procedures. Topics included separation issues and UC appeal hearings. Feedback was very positive from employers who attended the seminars.

WD field staff also supported UC's Speaker's Bureau by educating employers with eight speaking engagements at the Employers Advisory Council, Chamber of Commerce, Workforce Investment Board and other employer group meetings regarding UC Program benefit changes and initiatives. The Office of UC Tax Services also conducted 17 employer presentations in 2007.

Claimant Identity Verification

On July 31, 2006, Labor & Industry implemented a new computer cross match to confirm claimant information provided on an application for UC benefits. Specifically, the cross match verifies the name, date of birth, and social security number. This cross match will help eliminate benefit fraud and overpayments.

As of December 31, 2007, a total of 657,749 claimant identity verification requests were generated. Of these, 635,810, or 96.7 percent, were either immediately

verified through the cross match or verified through manual procedures such as telephone interviews. The UCSC staff investigates any unverified claims in order to bring them to a resolution.

Internet Claims

In 2007, a total of 245,860 new claims were processed over the Internet, accounting for 39 percent of new claims filed, up from 191,350 (33 percent) a year ago. Currently, 29 percent of Internet filed initial applications require no staff intervention, saving both telephone toll charges in filing and staff costs in interviewing claimants.

Claimants began filing their biweekly claims for UC online in 2001. Internet usage continues to grow with current continued claims processed through the Internet accounting for about 38 percent of all continued claims, up from 37 percent in 2006.

Self-Employment Assistance

For 2007, the Self Employment Assistance (SEA) program had 318 participants with 167 business start-ups (53 percent). These businesses reported income totaling \$1,827,873 and employed 73 workers earning \$411,805 in wages.

For 2006, the Self Employment Assistance program had 405 participants with 228 business start-ups (57 percent). These businesses reported an income totaling \$1,453,600 and employed 49 workers earning \$274,739 in wages.

Trade Adjustment Assistance

The Trade Adjustment Assistance Reform Act of 2002 (TAA Reform Act) reauthorized the Trade Adjustment Assistance (TAA) program for workers, amending and adding two additional provisions: Health Coverage Tax Credit (HCTC) and Alternative Trade Adjustment

Assistance (ATAA) for Older Workers Program. Although TAA was scheduled to end on September 30, 2007, Public Law 110-89, enacted on September 28, 2007, amended Sections 245 (relating to authorization of appropriations) and 285 (relating to termination/phase-out) of the Trade Act of 1974 to provide for a sunset date for the federal TAA for Workers program of midnight on December 31, 2007. The Consolidated Appropriations Act of 2008 (H.R. 2764), signed into federal law by the President on December 26, 2007, contains appropriations for the TAA for Workers and ATAA programs including HCTC for all of Federal Fiscal Year (FFY) 2008 (through September 30, 2008). Other federal legislation to substantively amend and further extend the TAA for Workers and ATAA programs is currently pending before the U.S. Congress.

In 2007, 169 TAA petitions were certified covering 21,021 workers who were notified of their eligibility to apply for Trade Adjustment Assistance. There were 6,253 Trade Readjustment Allowance (TRA) initial claims established for calendar year 2007. In addition, more than \$24.8 million of TRA benefits were processed.

The Health Coverage Tax Credit (HCTC) is a tax credit that covers 65 percent of the premium amount paid by eligible individuals who are receiving TAA and individuals receiving benefits from the Pension Benefit Guaranty Corporation for qualified health insurance coverage. From October 1, 2006 until September 30, 2007, the Department transmitted a monthly average of 3,559 potentially eligible TRA recipients to the program administrator for the IRS. Of these individuals, an average of 2,037 per month were enrolled and received a payment for the tax credit.

As a supplemental wage demonstration

project, the Alternative Trade Adjustment Assistance (ATAA) for Older Workers (over 50 years old) Program permits workers to receive up to \$10,000 over a two-year period in addition to earnings from a full-time job instead of enrolling in training. In 2007, 162 Trade Act petitions were approved for ATAA and 378 claimants were paid benefits totaling \$913,907.

Disaster Unemployment Assistance

Disaster Unemployment Assistance (DUA) provides federal unemployment assistance to individuals, including self-employed business owners, whose employment has been lost or interrupted as a direct result of a major disaster. During CY 2007, DUA totaling \$13,653 was paid on 21 DUA claims still in effect that were established as a result of widespread flooding that had occurred in June 2006 in Eastern and Northern Pennsylvania.

Pennsylvania New Hires Program

Under the New Hires program, employers must report, within 20 days, any new employees and employees who return to work after a leave of absence of 30 days or more to the State Directory of New Hires. Reports from the New Hires Directory are cross matched with records of the departments of Public Welfare and Labor & Industry to identify and locate people owing child support, as well as individuals who may have been overpaid public assistance, unemployment and/or worker's compensation. Through the Department of Labor & Industry's cross-matching with both the State Directory of New Hires and the National Directory of New Hires, the Department detected 4,325 overpayments in UC benefits, totaling \$3.2 million, during 2007. Almost \$2.3 million in overpayments was recovered in 2007.

Unemployment Compensation Appeals

At the beginning of 2003, the Unemployment Compensation Board of

Review (UCBR) had a backlog of 19,249 cases. UCBR implemented a plan of action, which included hiring additional permanent referees and support staff, along with making improvements in infrastructure and work processes. The Board also utilized temporary staff to assist in reducing the backlog.

In 2004 and 2005, there was a slight decrease in the number of appeals received. A total of 79,471 appeals were received in 2004 and 68,100 in 2005. As a result of the improvements made by UCBR, along with the slight decrease in appeals, the pending inventory of cases at the end of December 2005 was 5,436. During calendar year 2006, UCBR received 68,035 first level appeals. The pending inventory of cases at the end of December 2006 was 5,406. During calendar year 2007, UCBR received 63,209 first level appeals. The pending inventory of cases at the end of December 2007 was 4,737. It is anticipated that UCBR will continue to keep the pending appeals at a timely level in 2008.

Economic Performance

In 2007, Pennsylvania's economy experienced a slower rate of growth compared to 2005 and 2006. Average annual nonagricultural jobs in the state increased for the fourth consecutive year, but the gain of 49,000 jobs was the lowest in the last three years. Job growth, in 2007, was due to the increase of jobs in the service sector even though the number of jobs in the goods producing sector decreased. Job growth nationally surpassed the rate of growth in Pennsylvania.

The average number of nonagricultural wage and salary jobs in the state rose by 0.9 percent from 2006 to 5,802,200 in 2007. Service-producing jobs rose by 57,900, or 1.2 percent in 2007, while goods-producing jobs fell by 8,900, or 0.9 percent, making this the seventh consecutive year the goods-

producing industries have seen cutbacks. There was a slight increase from 2006 in the average manufacturing hours worked of 0.2 hours, which rose to 41.0. Pennsylvania's manufacturing average weekly wage of \$633.76 was \$76.69 less than the national weekly wage of \$710.45. Pennsylvania's average hourly wage in manufacturing increased by 0.6 percent, raising it to \$15.46, whereas the national average hourly wage in manufacturing increased by 2.6 percent, raising it to \$17.23.

The U.S. Department of Labor's Current Population Survey (CPS) showed a marked decline in Pennsylvania's unemployment rate in 2007. The CPS provides monthly and annual estimates of the labor force for the nation and states. As measured by the CPS, Pennsylvania's average total unemployment rate (TUR) fell from 4.6 percent in 2006 to 4.4 percent in 2007. The drop in the TUR in 2007 resulted from a decrease in the unemployment rolls, which fell by 13,000 to 274,000. A considerable portion of this decline is attributed to unemployed individuals dropping out of the labor force as evidenced by a decrease in the civilian labor force of 3,000 to 6,287,000. Employment increased by only 10,000 in 2007.

The number of individuals receiving state and/or federal UC payments in 2007 increased to 579,557, up 1.5 percent from 571,229 in 2006. The amount of UC benefits paid in 2007 increased to \$2,229 million from \$2,121 million in 2006. There was no benefit reduction for 2007 as it had triggered off after 2006. The state's regular benefit cost of \$2,150 million in 2007 was up by \$119 million from \$2,031 million in 2006.

Since deposits from employer and employee contributions of \$2,346 million exceeded benefit costs, Pennsylvania's UC Trust Fund balance rose in 2007, ending the year at \$1,555 million. A steep decline in UC Trust Fund reserves following the 2001

recession ended in 2005, and the Trust Fund balance has grown by 160 percent over the past three years, from \$597 million at the end of 2004. Based on UC benefit costs for 1982 (the year with the highest number of UC weeks paid) adjusted to 2007 dollars, the 2007 balance reflects reserves equal to 4.5 months of benefits.

Unemployment Compensation Trust Fund Solvency Percentage

The solvency percentage calculated each July 1 determines the solvency status of the UC Trust Fund in relation to the average benefit cost for the three-year period ending June 30 of the same year. Decreases or increases in Trust Fund contributions and benefit payments for the subsequent calendar year may be activated depending on the solvency percentage. A solvency percentage of 69 percent was calculated on July 1, 2006. In 2007, an employer surcharge of 7.2 percent was activated, which yielded \$123 million in revenue, as well as a 0.4 percent employer additional tax, which yielded \$148 million in revenue. An employee tax of 0.09 percent was also in effect during 2007, generating \$213 million in revenue.

The solvency percentage on July 1, 2007 rose to 85 percent. The solvency percentage is the June 30, 2007 Trust Fund balance of \$1,782 million divided by the \$2,075 million three-year average benefit cost as of June 30, 2007. The increase in the solvency percentage is attributed to a rise in the Trust Fund balance of \$245 million and a decrease in the average benefit cost of \$140 million.

UC Benefit Costs

Benefit costs increased to \$2,150 million in 2007 from \$2,031 million in 2006. The rise in benefits is due to an increase in weeks paid and the average UC payment. The number of weeks paid increased by 112,803 to 7,458,854 for 2007, and the average payment rose from \$276.43 in 2006 to \$288.22 in 2007. The benefit reduction that was in effect in 2005

and 2006 was deactivated for 2007, giving a boost to the rise in the average payment.

The number of individuals receiving regular UC benefits in 2007 was 570,091, or 9,578 more than the 560,513 who received benefits in 2006. First payments increased from 447,066 in 2006 to 461,807 in 2007. Claimants who received UC first payments in 2007 had an estimated average duration of 16.2 weeks, a decrease from the 2006 average duration of 16.4 weeks.

Insured Unemployment Rate (IUR)

The 2007 annual average IUR stayed constant at 3.0 percent. This was the first time in the last four years that the IUR has not decreased. The IUR is an unemployment measure that reflects the percent ratio of regular UC claims to covered employment. In 2007, weeks claimed and covered employment both experienced an increase. Weeks claimed for 2007 were 8,535,079 (an average of 164,136 per week), compared to 8,496,746 (an average of 163,399 per week) for 2006, which is an increase of 38,333. Covered employment is estimated at 5,545,000 for 2007, an increase of 42,400 from 2006.

Contributions

During 2007, deposits into the UC Trust Fund from employer contributions totaled \$2.1 billion, and employee contributions were \$212 million. Contributory employers, whose contributions are determined from an assigned tax rate based on their UC experience, remitted \$2.0 billion in taxes. Deposits to the UC Trust Fund from reimbursable employer contributions totaled \$141 million. (Reimbursable employers are employers who reimburse the Trust Fund dollar-for-dollar for benefits paid to their employees.) A decrease of \$105 million in contributory deposits combined with an

increase of \$11 million in the employee tax and \$14 million in reimbursable deposits yielded a net decrease in deposits of \$79 million from 2006.

After taking into account the 7.2 percent positive employer surcharge and 0.4 percent employer additional tax rate that was in effect during the year, the average tax rate for employers in 2007 was 5.0 percent, down from 5.4 percent in 2006. The decrease in the tax rate was due to a drop in the employers' experience portion of the rate and a reduction in the additional tax rate from 0.6 percent to 0.4 percent. Taxable wages rose an estimated \$0.7 billion from \$38.8 billion in 2006 to \$39.5 billion in 2007. Contributory employer contributions due fell by \$113 million from 2006 to \$2.0 billion in 2007.

Unemployment Compensation Trust Fund Summary

The UC Trust Fund ended calendar year 2007 with a balance of \$1.6 billion, an increase of \$184 million from the 2006 ending balance of \$1.4 billion. The cash flow ending balance consisted of employer and employee contribution deposits of \$2.3 billion, interest earnings on the Trust Fund's cash reserves of \$76 million, Reed Act withdrawals of \$89 million, and benefit disbursements of \$2.1 billion. As of the end of the third quarter 2007, Pennsylvania's Trust Fund balance of \$1.7 billion ranked seventh highest among all states in the nation.

The 2007 interest earnings of \$76 million were \$15 million more than in 2006. The average daily cash balance in 2007 on which interest was received was \$1.6 billion. The interest earnings rate averaged 4.82 percent for the period.

Comparison with December 2006 Forecast

The forecast of 2007 UC program activity was based on the December 2006 Global Insight Baseline Forecast. Based on the forecast, Pennsylvania was to be in a period of moderate growth in 2007, with contributions coming in higher than benefit costs during the year. Trust Fund cash reserves were expected to grow by \$71 million in 2007 putting the year end Trust Fund balance at \$1,442 million. The solvency percentage was forecasted to rise to 82 percent in 2007 from 69 percent in 2006. The solvency percentage calculated in 2007 of 85 percent is three percentage points higher than forecasted.

The economic recovery that began in Pennsylvania in 2002 slowed in 2007; however, the impact on the UC system was cushioned by the lower than forecasted benefit costs. Results mainly fell in line with the forecast, with some numbers coming in lower than forecasted. Regular benefit costs of \$2,150 million in 2007 were \$107 million lower than the forecasted amount of \$2,257 million. Some of the difference in the amount of regular benefit costs can be attributed to the number of weeks paid for the year (7,458,854), which came in below the forecasted amount of 7.6 million by 141,146 weeks paid. Also, the average weekly payment of \$288 was considerably lower than the projected amount of \$297. Lastly, Reed Act expenditures were \$89 million, which was \$1 million less than expected.

The UC Trust Fund revenue for 2007 of \$2,422 million was \$5 million higher than forecasted. Contributory employer contributions of \$1,993 million were \$14 million less than expected, and reimbursable contributions of \$141 million were \$14 million more than expected. The \$212 million in employee contributions collected were \$1 million more than projected. Interest income came in at \$76 million, which was \$3 million more than projected. The UC

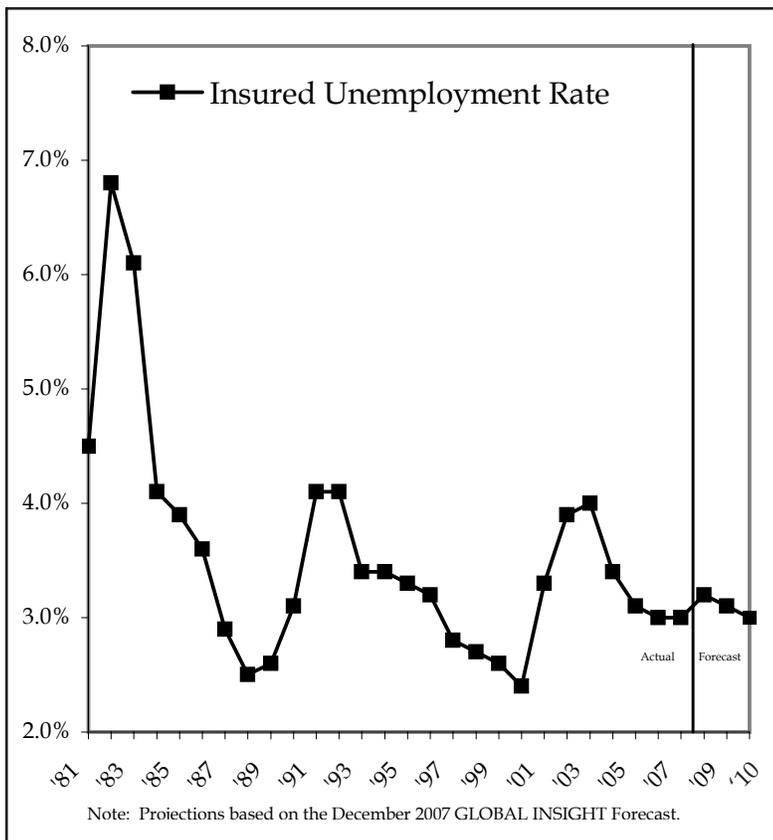
Trust Fund ending balance for 2007 was \$1,555 million, which was \$113 million higher than projected in the December 2006 forecast.

OUTLOOK FOR 2008-2010

The outlook for Pennsylvania's Unemployment Compensation (UC) program for 2008 through 2010 is based on Global Insight's December 2007 Baseline Forecast. According to the forecast, the economy will continue to expand following the 2000-2001 recession, although at a sluggish pace. In 2008 economic growth will slow significantly, particularly in the first half of the year, before a modest acceleration in growth occurs in 2009 and 2010 (see Technical Appendix). In response, UC benefit costs are forecasted to rise from \$2.1 billion in 2007 to \$2.4 billion in 2008 and 2009 and \$2.5 billion in 2010. By contrast, the forecast of \$2.2 billion in deposits to the UC Trust Fund (UCTF) for 2008 and 2009 is down from \$2.3 billion in 2007. Deposits will increase to \$2.3 billion in 2010. As a result, UCTF reserves are forecasted to shrink as disbursements from the UCTF will exceed income by \$624 million over the 3-year period from 2008 to 2010. The year-ending UCTF balances will drop from \$1.6 billion in 2007 to \$1.3 billion in 2008, \$1.1 billion in 2009 and \$0.9 billion in 2010. These levels are well below the high year-ending mark of \$2.8 billion in 2000, but remain above the post-recession low of \$0.6 billion posted in 2004.

Insured Unemployment Rate (IUR)

The IUR is a percentage ratio of a 12-month average number of claimants requesting UC benefits (weeks claimed) to a 12-month average level of employment covered under the state's UC law. Coming out of the 2000-2001 recession the IUR peaked at 4.0 percent in 2003. Since then, the IUR has dropped to 3.0 percent in 2006 and 2007. However, the forecast projects an upturn in 2008 to 3.2 percent. The IUR



will subside to 3.1 percent in 2009 and 3.0 percent in 2010.

The trend in the IUR reflects a significant increase in the level of weeks claimed coupled with moderate growth in UC covered employment forecasted for 2008-2010. The number of weeks claimed is forecasted to rise from 8.5 million in 2007 to 9.2 million in 2008, then decrease to 8.9 million in 2009 and 8.8 million in 2010. By comparison, in 2000, just prior to the recession, there were 6.9 million weeks claimed, which later peaked at 11.2 million in 2003. From 2005 to 2007, the average annual growth rate for UC covered employment was 0.9 percent, but is forecasted to dip to 0.5 percent in 2008 and rebound to 0.7 percent in 2009 and 2010.

Unemployment Compensation Trust Fund Solvency Trigger Mechanism

The solvency trigger mechanism was made a part of the state’s UC Law in order to prevent a recurrence of the more than

two billion-dollar debt and accompanying interest charges the Trust Fund incurred during the 1970’s and 1980’s. The mechanism is designed to keep Trust Fund reserves from building more than necessary or becoming depleted through a series of solvency measures activated by a solvency percentage.

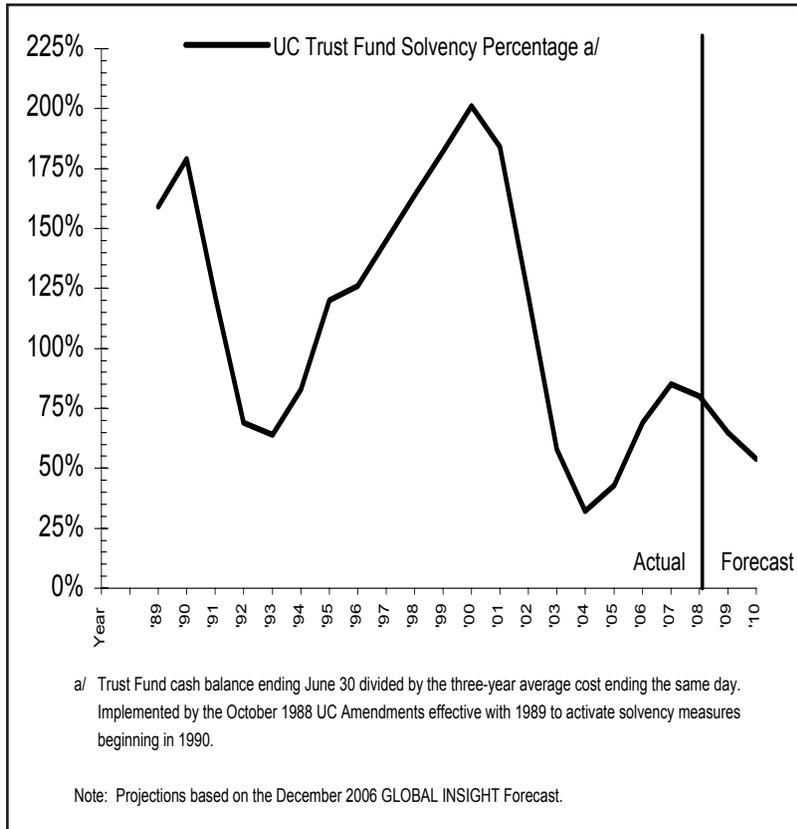
The level of the solvency percentage determines what solvency measures are activated. The solvency percentage is defined as the June 30 Trust Fund balance divided by the average three-year benefit cost as of that day. The calculated solvency percentage establishes the solvency measures for the following calendar year.

The 1988 UC Amendments, which provided for the solvency mechanism, require that the rates applicable to each solvency measure be recalculated every five years. The rate recalculations are intended to maintain the monetary impact of each solvency measure at a level comparable to what would be derived by the original rates at the time of the solvency mechanism’s adoption. The latest recalculation occurred in 2007 based on UC activity for calendar year 2006, and the resulting rates are used during the period from 2008 through 2012. A detailed explanation of the solvency trigger mechanism and the recalculated solvency measures is given in the Technical Appendix of this report (p.35-36).

The solvency measures for 2008 are based on a solvency percentage of 85 percent calculated in 2007. The 2007 solvency percentage exceeds 2006’s 69 percent and is the highest since the percentage was calculated at 122 percent in 2002. The following solvency measures are in effect during 2008: a positive employer

surcharge of 5.8 percent, an employer additional contribution tax rate of 0.25 percent, and an employee tax of 0.06 percent. The benefit reduction will not be activated.

Mirroring the trend in UC Trust Fund reserves, the solvency percentage



calculation is forecasted to descend to 80 percent in 2008, 65 percent in 2009 and 54 percent in 2010. Since the calculated solvency percentage forecast for 2008 is at the same trigger level (75% but less than 95%) as in 2007, the solvency measures in effect during 2009 will be unchanged from 2008. As forecasted, the solvency percentage calculated in 2009 for 2010 falls to the next lower level, "50% but less than 75%", which means that the employers additional tax rate will increase from 0.25 percent to 0.45 percent and the employee tax from 0.06 percent to 0.08 percent. The other solvency measures will remain the same in 2010 as for 2008 and 2009. Each solvency measure

and its effect on the Trust Fund is described below:

Employer contribution surcharge:

A 5.8 percent positive surcharge on employer contributions due will be in effect for the entire 2008-2010 period. This is the maximum that the surcharge can be after the

recalculation of the solvency measures for 2008-2012. As a result of the surcharge, employer contributions due will increase by \$97 million in 2008, \$97 million in 2009 and \$98 million in 2010. These forecasts of the employers' contributions due are close to the trigger level's target amount of \$100 million per year.

Employer additional contribution tax:

An additional contribution tax rate, which is applied to taxable wages, has been in effect since 2004 and is forecasted to remain triggered on through 2010. The rate for 2008 and 2009 will be 0.25 percent, but it will increase to 0.45 percent in 2010. The additional contribution tax rate will yield contributions

due totaling \$93 million in 2008, \$94 million in 2009 and \$172 million in 2010. The revenue generated exceeds the trigger level's minimum requirement of \$75 million for 2008 and 2009 and \$150 million for 2010.

Employee tax contributions:

For the sixth successive year, an employee tax will be levied in 2008 and is forecasted to remain in effect through 2010. For 2008 and 2009, the employee tax rate will be 0.06 percent, which is below the 0.09 percent rate that was in effect since 2004. In 2010, the rate will increase to 0.08 percent. Tax revenues due from this measure will total \$148 million in 2008, \$154 million in

2009 and \$213 million in 2010. This exceeds the minimum trigger level requirements for this measure of \$116 2/3 million for 2008 and 2009 and \$166 2/3 million for 2010.

Benefit reduction:

The benefit reduction, which was in effect in 2005 and 2006 for the first time since the solvency trigger mechanism was introduced in 1989 and was deactivated in 2007, is forecasted to remain deactivated through 2010.

Benefit Costs

UC benefit costs, which account for the bulk of UCTF expenditures, are forecasted to reach \$2.4 billion in 2008 and 2009 and 2.5 billion in 2010, close to the record level of \$2.7 billion set in 2003. Benefit costs are forecasted to increase due to rises in the number of UC claims that result in payments (weeks paid) and the average weekly UC benefit payment.

The forecast for the number of weeks paid, reflecting a slowdown in economic growth, shows an increase from 7.5 million in 2007 to 8.0 million in 2008. Weeks paid are forecasted to ease slightly to 7.8 million in 2009 and 7.7 million in 2010. Although well below the ten million weeks paid recorded during 2003 in the aftermath of the recent recession, weeks paid totals for the forecasted years still far exceed the pre-recession low of six million in 2000.

The average weekly benefit payment is forecasted to increase each year in response to rising wages and the UC Law's provision for annually computing the maximum weekly benefit rate as two-thirds of the average weekly wage in covered employment. The average weekly payment forecasted for 2008 is \$302, an increase of \$14 from 2007. Smaller increases are forecasted for the subsequent years, as the average weekly payment will reach \$310 in 2009 and \$321 in 2010. The maximum weekly benefit rate for 2008 is \$539 and the maximums forecasted for 2009 and 2010 are \$556 and \$577, respectively.

Extended Benefits

The federal/state Extended Benefits program is not projected to "trigger on" during the forecast period. The program, if activated, would provide an additional 13 weeks of benefits beyond the state's entitlement period of 26 full weeks. The Extended Benefits program is "triggered on" if a 13 week moving average IUR equals a minimum of 5.0 percent and the calculated IUR is 120 percent of the prior two year average IUR during the same 13 week period.

Contributions

Unemployment Compensation (UC) contributions deposited in the Trust Fund during 2008 are forecasted to total \$2.2 billion, down from total deposits of \$2.4 billion in 2006 and \$2.3 billion in 2007. As forecasted, the amount of contributions deposited will hold at \$2.2 billion in 2009 and increase to \$2.3 billion in 2010. Contributions for most employers are determined by applying the employer's assigned tax rate, which is based on the employer's experience relative to UC benefits charged and UC taxes paid, to the employer's taxable wages.

The average UC employer tax rate will fall significantly for the second consecutive year in 2008. Following six years of increase or no change, the tax rate dropped from 5.4 percent in 2006 to 5.0 percent in 2007 and is forecasted to continue this decline in 2008, falling to 4.7 percent. After staying at 4.7 percent in 2009, the tax rate will inch up to 4.8 percent in 2010. The lower tax rates reflect an improvement in the solvency status of experience rated employers during a period of economic recovery, i.e., a decline in benefits paid relative to taxes generated. Also, the solvency measures that impact the tax rate, the employer additional tax and employer surcharge, have fallen to lower levels. Movements in the tax rate lag changes in the amount of UC benefits paid out; thus the impact of

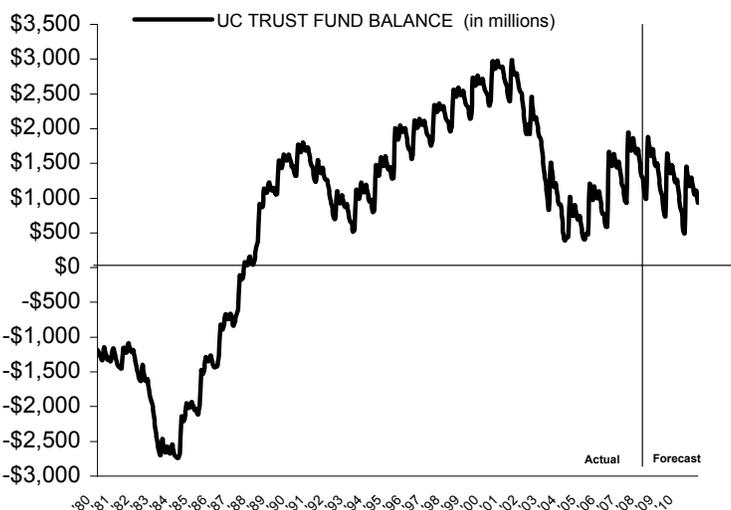
the increase in UC benefits forecasted for 2008-2010 will become increasingly evident via higher tax rates after 2010.

The other components of the contributions deposited total are the employee tax and contributions from reimbursable employers. Employee tax contributions are generated by applying the employee tax rate against all employee total wages. Under the forecast, the employee tax will account for \$164 million of the contributions deposited in 2008, \$152 million in 2009 and \$197 million in 2010, reflecting an increase in the tax rate from 0.06 percent in 2008 and 2009 to 0.08 percent in 2010. Contributions deposited from reimbursable employers are projected to reach \$143 million in 2008, \$137 million in 2009 and \$134 million in 2010.

An underlying factor in the rise in UC contributions is the growth in wages. Following increases of 4.2 percent in 2006 and 4.0 percent in 2007, annual average UC covered wages are forecasted to grow by an average of 3.4 percent per year for 2008 through 2010.

Unemployment Compensation Trust Fund Summary

The amount of reserves in the state's Unemployment Compensation Trust Fund

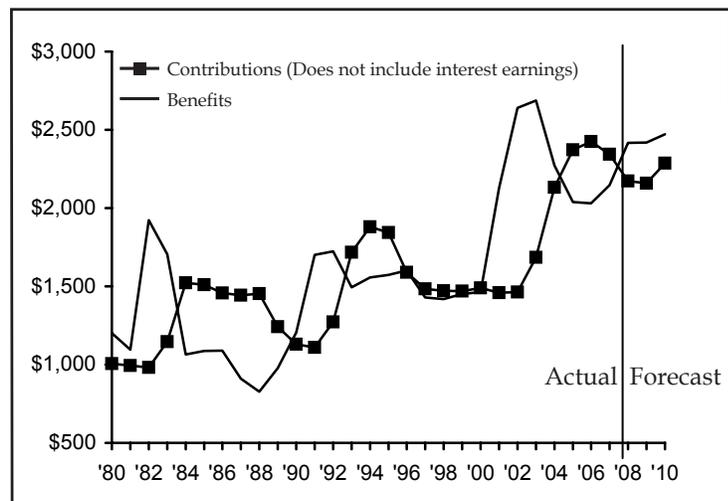


Note: Projections based on December 2007 GLOBAL INSIGHT Forecast.

(UCTF) is forecast to plummet from \$1.6 billion at the close of 2007 to \$0.9 billion by year-ending 2010. This \$624 million three-year decline follows a three-year period whereby UCTF reserves grew by \$958 million. Despite the sharp drop in reserves, no loans will be necessary to keep the UCTF solvent during the forecast period.

Interest earned on cash reserves in the UCTF is projected to be \$76 million in 2008, \$61 million in 2009 and \$51 million in 2010. The annual interest earnings rate projected for the forecast period is 5.0 percent.

A significant portion of the UC Trust Fund reserves is attributable to Pennsylvania's share of a Reed Act distribution in 2002, of which \$167 million of the original \$338 million remained in the Trust Fund at the end of 2007. Almost all of the Reed Act monies are being used for critical program improvements. The Reed Act withdrawals from the UCTF for both UC and Workforce Development administrative program operations are forecasted to total \$59 million in 2008, \$37 million in 2009 and \$29 million in 2010, leaving only \$42 million remaining in the UCTF after 2010.



UNEMPLOYMENT COMPENSATION TRUST FUND
 CASH FLOW STATEMENT 2007-2010
 DECEMBER 2007 GLOBAL INSIGHT FORECAST
 (DOLLARS IN MILLIONS)

	Actual 2007	2008	Forecast 2009	2010
Beginning Balance	\$1,371	\$1,555	\$1,329	\$1,094
Revenue	2,422	2,249	2,220	2,338
Employer and Employee a/	2,346	2,173	2,159	2,287
Other Income	76	76	61	51
UC Trust Fund Interest	76	76	61	51
Special Administration Fund	0	0	0	0
Reed Act	0	0	0	0
Net Loan Amount	0	0	0	0
Disbursements	2,238	2,475	2,455	2,501
Regular Benefits	2,150	2,416	2,418	2,472
Extended Benefits	0	0	0	0
Reed Act b/	89	59	37	29
Loan Repayment	0	0	0	0
Ending Balance	\$1,555	\$1,329	\$1,094	\$931
UC Trust Fund Solvency Percentage				
Trust Fund Balance as of June 30	\$1,782	\$1,729	\$1,485	\$1,296
Three Year Average Benefit Cost as of June 30	\$2,075	\$2,135	\$2,273	\$2,391
Trust Fund Solvency Percentage	85%	80%	65%	54%

a/ Employee contributions were in effect in 2006 and are forecast to be in effect through 2010.

b/ Reflects Reed Act expenditures for administrative costs.

Note: Detail may not add to totals due to rounding.

UNEMPLOYMENT COMPENSATION TRUST FUND
 SOLVENCY TRIGGER MECHANISM 2007-2010
 DECEMBER 2007 GLOBAL INSIGHT FORECAST

	Actual		Forecast	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Solvency Percentage a/	85%	80%	65%	54%
Trigger Level a/	75% but less than 95%	75% but less than 95%	50% but less than 75%	50% but less than 75%
Solvency Measures Implemented b/				
Employer Additional Tax:				
	<u>2003-2007</u>	<u>2008-2012</u>		
	None	None		
	.20%	.25%	0.25%	0.25%
	.40%	.45%	.40%	.45%
	.60%	.65%		
Contributions Due (in millions)	\$148	\$93	\$94	\$172
Employer Surcharge:				
	<u>2003-2007</u>	<u>2008-2012</u>		
	-1.3%	-1.1%		
	None	None		
	3.6%	2.9%		
	7.2%	5.8%	7.2%	5.8%
Contributions Due (in millions)	\$123	\$97	\$97	\$98
Employee Tax:				
	<u>2003-2007</u>	<u>2008-2012</u>		
	None	None		
	.02%	.02%		
	.04%	.03%		
	.07%	.06%	0.06%	0.06%
	.09%	.08%	.09%	0.08%
Contributions Due (in millions)	\$213	\$148	\$154	\$213
Benefit Reduction:				
	<u>2003-2007</u>	<u>2008-2012</u>		
	None	None	None	None
	2.3%	2.3%		
Benefit Reduction (in millions)	\$0	\$0	\$0	\$0
UC Trigger Reserve Account				
Transfer:				
No	No	No	No	No
Yes				

- a/ Solvency percentages are calculated as of June 30 and determine the trigger levels which yield the solvency measures for the following calendar year.
- b/ Solvency measures are applicable to year shown but are activated by the prior year solvency percentage. Solvency measure rates were recalculated in 2002 (for 2003-2007) and in 2007 (for 2008-2012) as required by Unemployment Compensation Law. The solvency measure rates shown for 2008-2012 are estimated based on actual data for 2006.

Pessimistic Alternative Forecast Scenario

With mounting evidence that the economic expansion is coming to a halt and the economy is slipping into a recession, Global Insight produced an alternative forecast in December 2007 that includes a mild recession for 2008. This forecast, known as the pessimistic scenario, assumes that the housing slump deepens even further than in the baseline forecast and oil prices spike. As a result, consumer and capital spending is weaker compared to the baseline forecast. These events send the economy into a recession in 2008. Over the forecast period, GDP growth is slower than the baseline posting average annual rate increases of a mere 0.3 percent in 2008, 1.7 percent in 2009 and 2.6 percent in 2010. This December 2007 Pessimistic Forecast has a 40 percent probability of occurrence, just below the 50 percent probability for the December 2007 Baseline Forecast.

Reacting to the onset of a recession in early 2008, Pennsylvania's total unemployment rate (TUR) is forecasted to jump from 4.4 percent in 2007 to an estimated 5.2 percent in 2008. The TUR will increase to an estimated 5.7 percent in 2009 and remain high at 5.5 percent in 2010. Pennsylvania's nonagricultural wage and salary employment is forecasted to decline by an estimated 0.3 percent in 2008, which will be the first annual decline since 2003. Employment will grow by a minimal 0.2 percent in 2009 and 0.7 percent in 2010. The recessionary conditions will push the forecast of UC weeks paid up by almost two million over 2007 to 9.3 million in 2008. In 2009, UC weeks paid will total 9.5 million and drop to 8.9 million in 2010. UC tax rates are forecasted to initially fall to 4.7 percent in 2008 and, in response to the deteriorating economic conditions, rise to 4.9 percent in 2009 and 5.2 percent in 2010. The solvency percentage calculated in 2009 will fall below

50 percent activating all solvency measures, including the benefit reduction, at their maximum level in 2010.

As a result of the economic downturn, total disbursements from the UC Trust Fund (UCTF), less loan repayments, are forecasted to soar from \$2.2 billion in 2007 to \$2.9 billion in 2008, \$3.0 billion in 2009 and \$2.8 billion in 2010. The forecast of income to the UCTF, less loans, shows a drop from \$2.4 billion in 2007 to \$2.3 billion in 2008 and 2009, followed by an upturn to \$2.4 billion in 2010. Because disbursements far exceed income, loans will be necessary to keep the UCTF solvent in 2009 and 2010 under the pessimistic forecast. Without loans, the UCTF will have a shortfall of \$187 million by the end of 2010, and the largest deficit will be \$568 million in April 2010. Including loans to the UCTF, the amount of reserves in the fund will shrink by \$1.5 billion during the 2008-2010 period. The UCTF balance is forecasted to be just \$43 million by the end of 2010.

The net loan balance at the end of 2010 is \$227 million with loans totaling \$1.1 billion and loan repayments of \$0.9 billion in 2009 and 2010. The loans must be secured from state sources, since federal law precludes the use of Reed Act funds to repay loans.

Action by the Fed in lowering the prime rate and/or an economic stimulus initiative by Congress may serve to blunt the full impact of the pessimistic scenario. However, the insolvency of the UCTF under the pessimistic forecast indicates that the level of current reserves is not sufficient to withstand a significant economic downturn. The following table summarizes the UC pessimistic forecast for 2008 through 2010.

GLOBAL INSIGHT PESSIMISTIC FORECAST
UNEMPLOYMENT COMPENSATION (UC) DATA 2007 - 2010

Base Data	2007	2008	2009	2010
Covered Employment	5,545,007	5,524,000	5,532,000	5,570,000
Weeks Claimed	8,535,079	10,662,000	10,880,000	10,206,000
Insured Unemployment Rate (IUR)	3.0%	3.7%	3.8%	3.5%
Weeks Paid	7,458,854	9,300,000	9,500,000	8,900,000
Avg. Annual Wage Growth	4.0%	3.9%	3.4%	3.7%
Maximum Weekly Benefit Amount	\$520	\$539	\$557	\$578
Avg. Payment ¹	\$288	\$307	\$314	\$314
Average Tax Rate	5.0%	4.7%	4.9%	5.2%
Disbursements From UC Trust Fund				
Net Regular UC Cost (Mil)	\$2,150	\$2,855	\$2,983	\$2,795
Reed Act Withdrawals (Mil)	\$89	\$59	\$37	\$29
Loan Repayment (Mil) ²	\$0	\$0	\$64	\$830
Total (Mil)	\$2,238	\$2,914	\$3,084	\$3,654
Income To UC Trust Fund				
Contributory Deposits (Mil)	\$1,993	\$1,859	\$1,944	\$2,066
Employe Tax (Mil)	\$212	\$164	\$188	\$209
Reimbursable Deposits (Mil)	\$141	\$168	\$169	\$153
Trust Fund Interest (Mil)	\$76	\$64	\$27	\$8
Net Loan Amount (Mil) ²	\$0	\$0	\$64	\$1,057
Total (Mil)	\$2,422	\$2,254	\$2,391	\$3,494
UC Trust Fund Balance (Mil)	\$1,555	\$896	\$203	\$43
Trust Fund Solvency Ratio-June 30				
Trust Fund Balance-(Mil)	\$1,782	\$1,490	\$806	\$310
Average Three-year Benefits (Mil)	\$2,075	\$2,216	\$2,522	\$2,785
Solvency Percentage	85%	67%	31%	11%

¹Reflects a 2.3% benefit reduction in 2010.

²Loans are non-federal in order to shelter Reed Act monies for administrative use.

TECHNICAL APPENDIX

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Global Insight Forecast Analysis

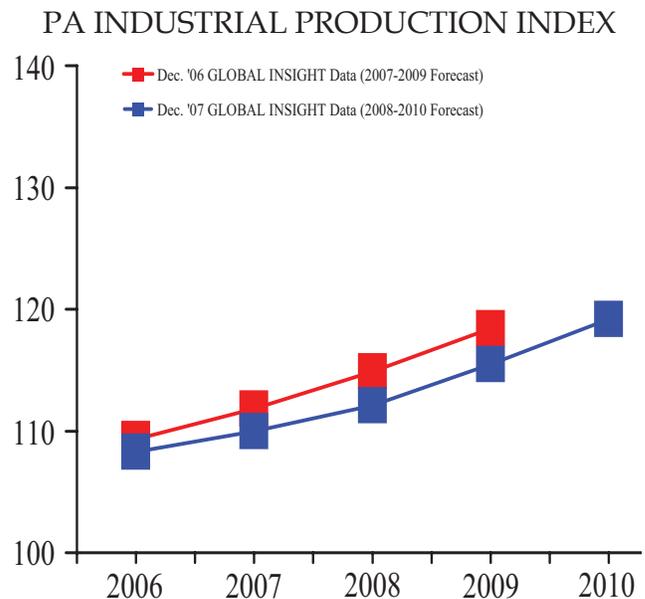
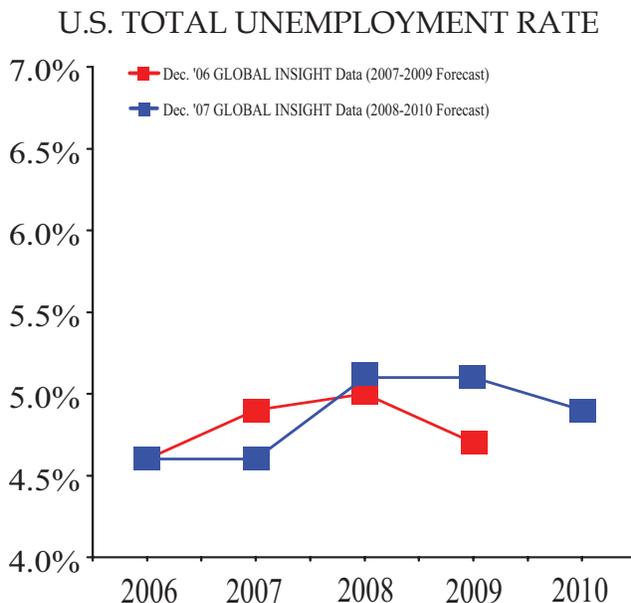
The Department of Labor & Industry uses the economic forecast provided by Global Insight as the basis of the forecast for the UC Trust Fund. The UC forecast is the product of an econometric model maintained by the Department. The UC Trust Fund outlook for 2008 through 2010 is based on the Global Insight United States Baseline Forecast of December 2007 and Pennsylvania Short-Term Forecast for December 2007, which is referred to as the December 2007 forecast.

Global Insight's December 2007 Forecast depicts an economy heading toward an initial period of declining growth, approaching zero, through 2008, followed by an increase in growth from 2009 through 2010. This trend is discernable when viewing the movements from 2007 through 2010 in the key variables used in the Department's forecasts, which include: the gross domestic product (GDP), the

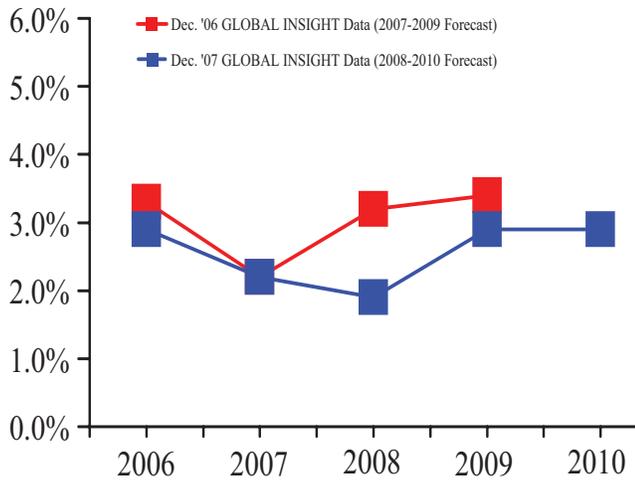
national total unemployment rate (NTUR), the Pennsylvania total unemployment rate (PATUR), the Pennsylvania total industrial production index (PAIPI), and Pennsylvania nonagricultural employment of wage and salary workers and their total wages and salaries.

The December 2006 forecast for 2007 projected continued, yet slowing, growth in the economy. Actual economic growth in 2007 generally fell in line with this projection. For example, the estimated change in the GDP was 2.2 percent, matching the forecast for the year; the PATUR for 2007 was 4.4 percent compared to a forecast of 4.7 percent. The increase in the PAIPI for 2007, currently estimated at 1.6 percent, fell short of the forecast of 2.3 percent.

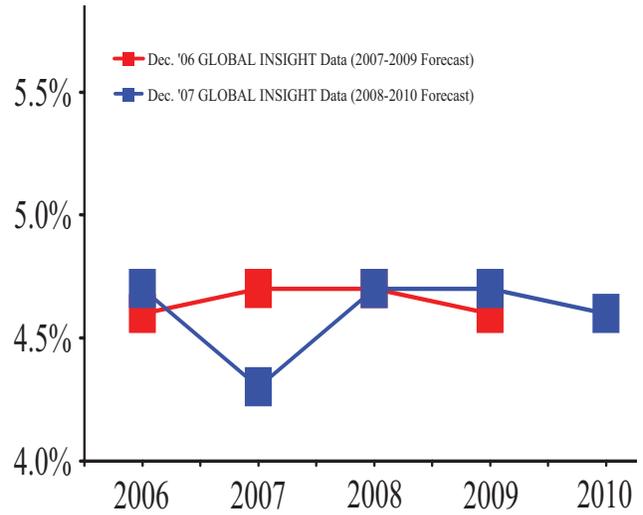
Graphs and a table comparing the December 2006 and December 2007 forecasts follow.



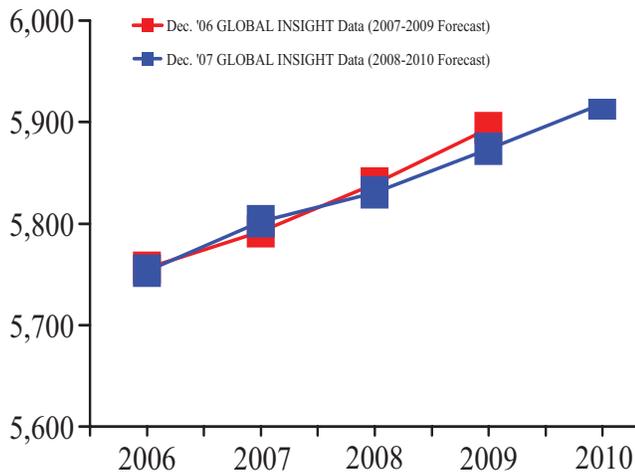
U.S. GROSS DOMESTIC PRODUCT
(Percent Change)



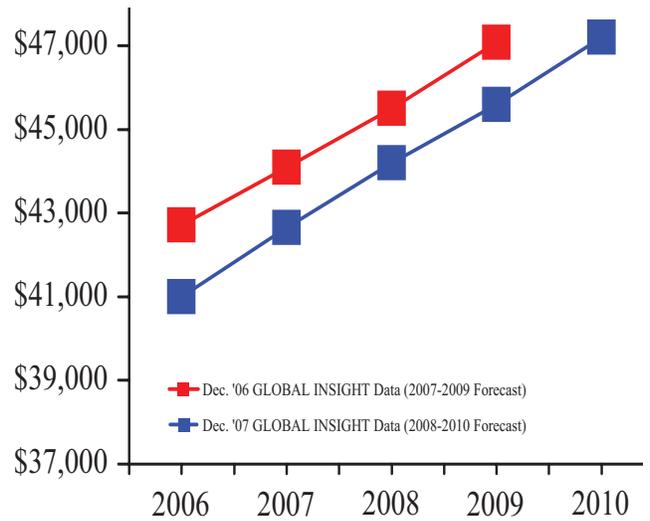
PA TOTAL UNEMPLOYMENT RATE



PA NONAGRICULTURAL EMPLOYMENT
(In Thousands)



PA AVERAGE ANNUAL WAGES



GLOBAL INSIGHT FORECAST COMPARISON
DECEMBER 2006 AND DECEMBER 2007

DECEMBER 2007 GLOBAL INSIGHT FORECAST a/				
GLOBAL INSIGHT VARIABLES				
NATION	2007	2008	2009	2010
GROSS DOMESTIC PRODUCT (BIL. 2000\$'s)	\$11,563.1	\$11,778.7	\$12,118.5	\$12,468.6
ANNUAL PERCENT CHANGE	2.2%	1.9%	2.9%	2.9%
NATIONAL TOTAL UNEMPLOYMENT RATE	4.6%	5.1%	5.1%	4.9%
PENNSYLVANIA				
INDUSTRIAL PRODUCTION INDEX (2002=100)	110.0	112.1	115.5	119.2
ANNUAL PERCENT CHANGE	1.6%	1.9%	3.1%	3.2%
NONAG. EMPLOYMENT (THOUSANDS)	5,801.8	5,830.7	5,873.4	5,918.0
GROWTH RATE	0.8%	0.5%	0.7%	0.8%
WAGE AND SALARIES (BILLIONS)	\$257.9	\$268.5	\$279.3	\$291.3
ANNUAL AVERAGE WAGE GROWTH RATE b/	4.0%	3.6%	3.2%	3.5%
TOTAL UNEMPLOYMENT RATE	4.4%	4.7%	4.7%	4.6%

DECEMBER 2006 GLOBAL INSIGHT FORECAST c/				
GLOBAL INSIGHT VARIABLES				
NATION	2007	2008	2009	2010 d/
GROSS DOMESTIC PRODUCT (BIL. 2000\$'s)	\$11,658.9	\$12,028.5	\$12,440.9	
ANNUAL PERCENT CHANGE	2.2%	3.2%	3.4%	
NATIONAL TOTAL UNEMPLOYMENT RATE	4.9%	5.0%	4.7%	
PENNSYLVANIA				
INDUSTRIAL PRODUCTION INDEX (2002=100)	111.8	114.9	118.4	
ANNUAL PERCENT CHANGE	2.3%	2.8%	3.1%	
NONAG. EMPLOYMENT (THOUSANDS)	5,792.0	5,839.3	5,893.7	
GROWTH RATE	0.6%	0.8%	0.9%	
WAGE AND SALARIES (BILLIONS)	\$255.4	\$265.7	\$277.5	
ANNUAL AVERAGE WAGE GROWTH RATE b/	3.2%	3.2%	3.5%	
TOTAL UNEMPLOYMENT RATE	4.7%	4.7%	4.6%	

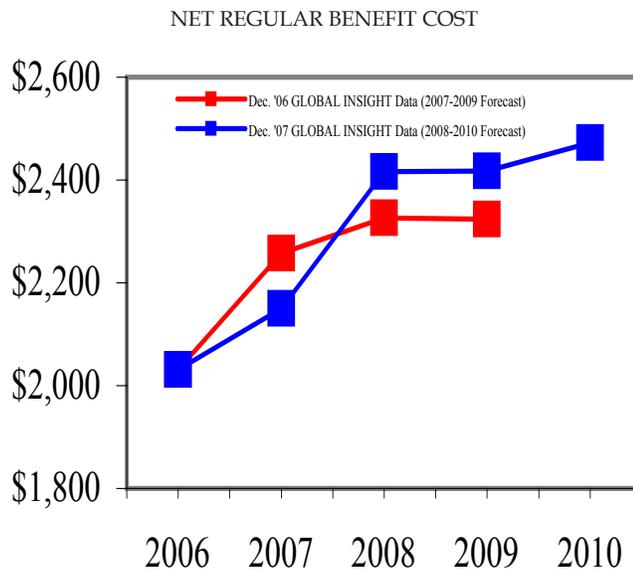
- a/ Based on: GLOBAL INSIGHT U.S. Baseline Forecast of December 2007
GLOBAL INSIGHT Pennsylvania Short Term Forecast for December 2007
- b/ Reflects the wage growth for UC covered employment, which is based on a forecast model using Pennsylvania total nonagriculture employment and wages from the Global Insight Pennsylvania. The December 2007 forecast growth rate for 2007 is based on actual state covered employment data for the first six months of the year.
- c/ Based on: GLOBAL INSIGHT U.S. Baseline Forecast of December 2006
GLOBAL INSIGHT Pennsylvania Short-Term Forecast for December 2006
- d/ Projected data for calendar year 2010 were not included in the 2006 Actuarial Evaluation.

2008-2010 Unemployment Compensation Trust Fund Data Analysis

Benefit Obligation: Based on the December 2007 Global Insight Forecast for 2008-2010, growth in the economy will slow to near zero through 2008, followed by an increase in 2009 and 2010, which the key economic indicators demonstrate. The PATUR at 4.4 percent in 2007, will rise to 4.7 percent in 2008 and 2009, followed by a decline to 4.6 percent in 2010. Following an increase of 1.6 percent in 2007, the IPI is forecasted to rise by 1.9 percent in 2008, 3.1 percent in 2009, and then 3.2 percent in 2010. Growth in the USGDP, which was a tepid 2.2 percent in 2007, is forecasted to slide to 1.9 percent in 2008, before rising to 2.9 percent in 2009 and 2010.

Reflecting the Global Insight economic forecast data, the number of UC payments will rise in 2008 to 8,000,000 from 7,458,854 in 2007. The number of UC payments is forecasted to fall to 7,800,000 in 2009 and 7,700,000 in 2010.

The average weekly UC benefit payment forecast reflects trends in wages for Pennsylvania’s UC covered workers and the



composition of the claimant population according to various characteristics, such as industry attachment and job tenure.

The forecast shows steady growth in annual average wages for Pennsylvania’s UC covered workers. Following increases of 4.2 percent in 2006 and 4.0 percent in 2007, wages will rise by 3.6 percent in 2008, 3.2 percent in 2009 and 3.5 percent in 2010. As a result, the average UC benefit payment will increase from \$288 in 2007 to a forecast of \$302 in 2008, \$310 in 2009 and \$321 in 2010. Reflecting increases in both the number of benefits and the average payment, the total UC benefit amount is forecasted to rise to \$2.4 billion in 2008 and 2009 and \$2.5 billion in 2010. Increases in the average payment will offset the slight fall in the number of payments in 2009 and 2010.

Tax Revenues: Tax revenues are largely the product of wages and employer and employee tax rates. According to data based on Global Insight’s December 2007 Forecast, annual average UC covered wages are projected to grow by an average of 3.4 percent over the 2008-2010 period, which falls below the average of 3.8 percent growth for 2004 through 2007. In response to this wage growth, employer taxable wages, which represent all wages up to \$8,000 earned by each employee, are projected to post steady gains during the forecast period. Taxable wages are forecasted to increase from \$39.5 billion in 2007 to \$39.8 billion in 2008, \$40.1 billion in 2009 and \$40.6 billion in 2010.

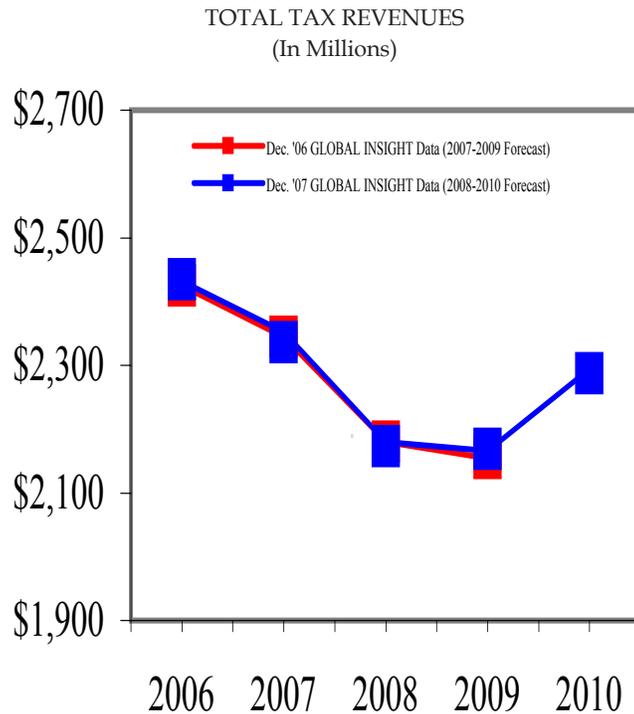
A contributory employer is assigned a tax rate, which is based on the employer’s UC experience, and it is applied to the employer’s taxable wages to generate the UC contributions due for that employer. The forecast for 2008-2010 has the tax rate subsiding to 4.7 percent in 2008 and 2009 then increasing slightly to 4.8 percent in 2010. The movement in the tax rate reflects the employer’s UC experience – taxes paid

versus benefits charged. The other factors affecting the tax rate are the solvency measures, specifically the employer surcharge and employer additional contribution rate, initiated through the solvency trigger mechanism. The employer surcharge will drop to 5.8 percent in 2008 because of the recalculation of the solvency measures that is mandated every five years and is forecasted to remain at 5.8 percent in 2009 and 2010. The employer additional contribution rate will drop to 0.25 percent in 2008 and is forecasted to remain at 0.25 percent in 2009 and rise to 0.45 percent in 2010. As a product of the tax rate and taxable wages, contributions due from

contributory employers are forecasted to be \$1.9 billion in 2008 and 2009, then rise slightly to \$2.0 billion in 2010.

Another component of the tax revenues is the employee tax, which is a rate that is applied to all employee total wages. The employee tax rate is forecasted to be 0.06 percent through 2009 and 0.08 percent in 2010. These rates will generate employee taxes due of \$148 million in 2008, \$154 million in 2009, and \$213 million in 2010.

The table on the next page provides a comparison of the estimated UC Trust Fund data based on the December 2006 and December 2007 forecasts.



UNEMPLOYMENT COMPENSATION TRUST FUND DATA

	Actual 2007	December 2007 Forecast a/			December 2006 Forecast e/ f/		
		2008	2009	2010	2007	2008	2009
Covered Employment (Thousands) b/	5,545	5,570	5,610	5,650	5,540	5,580	5,630
Insured Unemployment Rate b/	3.0%	3.2%	3.1%	3.0%	3.0%	3.0%	2.9%
Total Wages (Billions) b/	\$236.5	\$246.2	\$255.8	\$266.7	\$236.6	\$246.1	\$256.7
Taxable Wages (Billions) b/	\$39.5	\$39.8	\$40.1	\$40.6	\$39.6	\$40.0	\$40.6
Average Tax Rate b/	5.0 c/	4.7 c/	4.7 c/	4.8 c/	5.0 c/	4.7 c/	4.6 c/
First Payments (Thousands)	462	488	468	466	465	462	452
Final Payments (Thousands)	132	142	140	138	138	140	136
Weeks Claimed (Thousands)	8,535	9,176	8,930	8,831	8,668	8,654	8,437
Weeks Paid (Thousands)	7,459	8,000	7,800	7,700	7,600	7,600	7,400
Average Duration (Weeks)	16.2	16.4	16.7	16.5	16.3	16.5	16.4
Maximum Weekly Benefit Rate	\$520	\$539	\$556	\$577	\$520	\$538	\$557
Average Check	\$288	\$302	\$310	\$321	\$297	\$306	\$314
Regular Benefits (Millions)	\$2,150	\$2,416	\$2,418	\$2,472	\$2,257	\$2,326	\$2,324
Loans (Millions)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan Repayment (Millions)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue (Millions) d/	\$2,422	\$2,249	\$2,220	\$2,338	\$2,417	\$2,247	\$2,213
UC Fund Interest (Millions)	\$76	\$76	\$61	\$51	\$73	\$67	\$60
UC Fund Balance (Millions)	\$1,555	\$1,329	\$1,094	\$931	\$1,442	\$1,301	\$1,154

a/ Forecast for 2008-2010 based on:

Global Insight U.S. Baseline Forecast of December 2007

Global Insight Pennsylvania Short-Term Forecast for December 2007

b/ Data in the actual 2007 column are projected based on preliminary data through June 2007. All other data in this column not footnoted are actual.

c/ Net rate which includes adjustment for employer surcharge and employer additional contributions if applicable.

d/ Includes contributions from contributory employers, reimbursable employers, employees (if any), a transfer from the Special Administration Fund (if any), the Unemployment Compensation Trust Fund interest earnings and cash flow loans.

e/ Forecast for 2007-2009 based on:

Global Insight U.S. Standard Forecast of December 2006

Global Insight Pennsylvania Short-term Forecast for December 2006

f/ Data for calendar year 2010 were not included in the 2006 Actuarial Evaluation.

**UNEMPLOYMENT COMPENSATION TRUST FUND
SOLVENCY TRIGGER MECHANISM**

The Unemployment Compensation Law was amended in October 1988 to include an unemployment compensation (UC) trigger mechanism. The amendment provided that a solvency measurement, in the form of a solvency percentage, be taken each July 1, starting in 1989. The solvency percentage determines the trigger level, which in turn activates in the subsequent calendar year specified tax measures for both employers and employees and triggers “on” or “off” a reduction to UC benefits. The mechanism includes an Unemployment Compensation Trigger Reserve Account. Deposits into the account, if any, would be transferred to the Unemployment Compensation Trust Fund if the solvency percentage fell below 25 percent.

The solvency percentage is calculated on July 1 according to the following formula:

$$\text{Solvency Percentage} = \frac{\text{Unemployment Compensation Trust Fund balance (June 30)}}{\text{Average of benefit costs for last three fiscal years (June 30)}} \times 100$$

Effective in 1992 and each fifth year thereafter, the UC Law requires the solvency measure rates to be redetermined to derive a targeted annual monetary impact for each solvency measure as listed in the following table. The rates are to be redetermined based on the prior calendar year’s benefit and contribution activity and are effective in the following calendar year. The rate redeterminations are intended to maintain the monetary impact of each solvency measure at a level comparable to what would be derived by the original rates at the time of the solvency trigger’s adoption.

*Solvency Measures Targeted Dollar Amounts
(Dollars in Millions)*

Trigger Level	Employer				Benefit Reduction
	Additional Contributions b/	Employer Surcharge c/	Employee Tax d/		
150% or more	\$0	-\$18	\$0	\$0	
125% but less than 150%	0	0	0	0	
110% but less than 125%	0	50	33 1/3	0	
95% but less than 110%	0	100	66 2/3	0	
75% but less than 95%	75	100	116 2/3	0	
50% but less than 75%	150	100	166 2/3	0	
Less than 50%	225	100	166 2/3	52	
Less than 25%	Prior trigger level solvency measures and transfer (if any) from Unemployment Compensation Trigger Reserve Account.				

All footnotes for the table are located on page 36.

In 1992, 1997, 2002, and 2007 the rates were recalculated to meet the targeted dollar amounts based on the previous calendar year contribution and benefit activity. The following tables show the solvency measure rates that were recalculated for use in 2003 through 2007 and 2008 through 2012.

*Solvency Measures a/
2003-2007*

Trigger Level	Employer			
	Additional Contributions b/	Employer Surcharge c/	Employee Tax d/	Benefit Reduction
150% or more	None	-1.3%	None	None
125% but less than 150%	None	None	None	None
110% but less than 125%	None	3.6%	.02%	None
95% but less than 110%	None	7.2	.04	None
75% but less than 95%	.20%	7.2	.07	None
50% but less than 75%	.40	7.2	.09	None
Less than 50%	.60	7.2	.09	2.3%
Less than 25%	Prior trigger level solvency measures and transfer (if any) from Unemployment Compensation Trigger Reserve Account.			

*Solvency Measures e/
2008-2012*

Trigger Level	Employer			
	Additional Contributions b/	Employer Surcharge c/	Employee Tax d/	Benefit Reduction
150% or more	None	-1.1%	None	None
125% but less than 150%	None	None	None	None
110% but less than 125%	None	2.9%	.02%	None
95% but less than 110%	None	5.8	.03	None
75% but less than 95%	.25%	5.8	.06	None
50% but less than 75%	.45	5.8	.08	None
Less than 50%	.65	5.8	.08	2.3%
Less than 25%	Prior trigger level solvency measures and transfer (if any) from Unemployment Compensation Trigger Reserve Account.			

- a/ Solvency measures for 2003-2007 were redetermined based on contribution and benefit activity for calendar year 2001.
- b/ Added on to an employer's assigned rate and excludes new and reimbursable employers. The measure is not subject to the solvency surcharge on contributions due.
- c/ Assessed on employer contributions due and excludes reimbursable employers. The surcharge is not assessed on solvency additional contributions.
- d/ Assessed on all employee gross wages for a calendar year.
- e/ Solvency measures for 2008-2012 were redetermined based on contribution and benefit activity for calendar year 2006.

STATISTICAL APPENDIX

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DEFINITIONS FOR
WEEKLY BENEFIT RATES
AND EARNING REQUIREMENTS

Minimum Weekly Benefit Rate	- Lowest amount of weekly unemployment compensation (UC) benefits available under Pennsylvania's UC Law before deductions (e.g., for pensions).
Maximum Weekly Benefit Rate	- Highest amount of weekly UC benefits established by Pennsylvania's UC Law before deductions (e.g., for pensions) or supplements (e.g., for dependent allowance).
Earning Requirement, High Quarter	- Amount of an individual's highest quarterly wages needed to qualify for a particular weekly benefit rate - used in combination with the base year earning requirement to determine benefit eligibility
Earning Requirement, Base Year	- Amount of wages during a four quarter period needed to qualify for benefits - used in conjunction with the high quarter earning requirement to determine the weekly benefit rate

WEEKLY BENEFIT RATES AND EARNING REQUIREMENTS

Year	Minimum			Maximum		
	Weekly Benefit Rate a/	Earning Requirement		Weekly Benefit Rate a/	Earning Requirement	
		High Quarter	Base Year		High Quarter	Base Year
1981	\$35	\$800-812	\$1,320	\$175	\$4,313	\$6,920
1982	35	800-812	1,320	190	4,688	7,520
1983	35	800-812	1,320	205 b/	5,063	8,120
1984	35	800-812	1,320	214 b/	5,288	8,480
1985	35	800-812	1,320	224 b/	5,538	8,880
1986	35	800-812	1,320	232 b/	5,738	9,200
1987	35	800-812	1,320	241 b/	5,963	9,560
1988	35	800-812	1,320	252 b/	6,238	10,000
1989	35	800-812	1,320	266	6,588	10,560
1990	35	800-812	1,320	280	6,938	11,120
1991	35	800-812	1,320	291	7,213	11,560
1992	35	800-812	1,320	304	7,538	12,080
1993	35	800-812	1,320	317	7,863	12,600
1994	35	800-812	1,320	329	8,163	13,080
1995	35	800-812	1,320	340	8,438	13,520
1996	35	800-812	1,320	352	8,738	14,000
1997	35	800-812	1,320	362	8,988	14,400
1998	35	800-812	1,320	375	9,313	14,920
1999	35	800-812	1,320	393	9,763	15,640
2000	35	800-812	1,320	408	10,138	16,240
2001	35	800-812	1,320	430	10,688	17,120
2002	35	800-812	1,320	442	10,988	17,600
2003	35	800-812	1,320	451	11,213	17,960
2004	35	800-812	1,320	461	11,463	18,360
2005	35	800-812	1,320	478 c/	11,888	19,040
2006	35	800-812	1,320	497 c/	12,363	19,800
2007	35	800-812	1,320	520	12,938	20,720

- a/ Does not include \$5 for first dependent and \$3 for second dependent which became effective October 1, 1971.
- b/ Beginning August 13, 1983 through 1988, weekly benefit rates of \$75 or more were subject to a five percent reduction. For example, a \$252 weekly benefit rate was reduced to \$239.
- c/ Beginning January 1, 2005 and continuing in 2006, all weekly benefit checks were subject to a 2.3 percent reduction. For example, a \$252 weekly benefit rate was reduced to \$246.

DEFINITIONS FOR UC CLAIM ACTIVITIES

Insured Unemployment Rate (IUR)	- Ratio of the average annual weekly number of persons claiming UC benefits to average annual covered employment- calculated by dividing average annual weekly continued weeks claimed by average annual covered employment
Initial Claims	- Notices of unemployment filed to request a determination of entitlement to and eligibility for compensation in a new benefit year (period of eligibility) following a period of employment or to begin a second or subsequent period of eligibility within the benefit year following interim employment- included are transitional claims which provide another period of eligibility (benefit year) based on a second determination of entitlement without a period of employment separating the end of the first benefit year from the beginning of the second
New Claims	- Type of initial claim representing an individual's first separation from employment for which a determination of benefit eligibility is requested
Weeks Claimed	- Requests for benefits filed by claimants which certify the fact that the claimants experienced total, partial, or part-total unemployment for given weeks (includes waiting weeks claimed and requests subsequently denied)
Waiting Weeks Claimed	- First week of unemployment in a benefit year for which individuals do not receive benefits but must meet UC eligibility requirements in order to qualify for benefits for subsequent weeks of unemployment

UNEMPLOYMENT COMPENSATION CLAIM ACTIVITIES

Year	IUR	Initial Claims	New Claims	Weeks Claimed	Waiting Weeks Claimed
1980	5.3	1,944,192	883,966	12,352,099	266,137
1981	4.5	1,704,185	824,907	10,345,901	696,967
1982	6.8	2,274,773	998,859	15,197,821	878,318
1983	6.1	1,875,363	846,208	13,467,434	663,096
1984	4.1	1,501,295	721,126	9,420,994	588,914
1985	3.9	1,509,018	707,345	9,140,587	576,160
1986	3.6	1,330,758	635,765	8,554,532	501,073
1987	2.9	1,109,240	552,698	6,893,100	379,879
1988	2.5	998,920	505,422	6,163,000	431,574
1989	2.6	1,090,828	542,331	6,598,609	469,494
1990	3.1	1,237,759	618,790	7,805,567	537,185
1991	4.1	1,428,291	721,327	10,360,347	628,668
1992	4.1	1,309,961	678,298	10,167,050	577,118
1993	3.4	1,072,969	595,600	8,525,718	492,604
1994	3.4	1,136,370	619,189	8,807,115	538,926
1995	3.3	1,229,122	628,771	8,617,578	549,288
1996	3.2	1,218,496	618,255	8,711,731	497,917
1997	2.8	1,101,409	569,514	7,615,908	502,559
1998	2.7	1,138,641	567,585	7,312,502	493,259
1999	2.6	1,036,558	535,309	7,099,459	494,849
2000	2.4	983,951	538,767	6,882,190	495,799
2001	3.3	1,309,511	707,974	9,269,080	664,459
2002	3.9	1,314,267	716,947	10,843,412	709,960
2003	4.0	1,341,118	726,556	11,205,336	697,212
2004	3.4	1,177,499	640,967	9,515,424	605,155
2005	3.1	1,148,256	614,444	8,728,555	570,225
2006	3.0	1,176,669	596,054	8,496,746	574,111
2007	3.0 a/	1,250,506	621,639	8,535,079	590,835

a/ Preliminary rate based on actual 2007 claims activity and a 2007 covered employment estimate based on the first six months of the year due to a six month lag in reporting covered equipment.

DEFINITIONS FOR
UC PAYMENT ACTIVITIES

First Payment	- First benefit check a claimant receives for a week of unemployment in a benefit year
Final Payment	- The last benefit check received for a week of unemployment which exhausts a claimant's benefit entitlement in a benefit year
Weeks Paid	- Weeks claimed which were paid to eligible claimants upon certification that UC qualifying unemployment was experienced during given weeks
Net Benefit Amount	- Amount of regular UC benefits paid to claimant after adjusting for returned and redeposited benefit payments
Average Check	- Average amount of regular UC benefits paid for a week of unemployment - calculated by dividing the net benefit amount by the number of weeks paid
Average Duration	- Average number of regular UC weeks paid per claimant for a given time period - calculated by dividing the number of weeks paid by the number of first payments

UNEMPLOYMENT COMPENSATION PAYMENT ACTIVITIES

Year	First Payments	Final Payments	Weeks Paid	Net Benefit Amount	Average Check	Average Duration In Weeks
1981 a/	576,527	144,896	9,567,396	\$1,096,117,623	\$114.57	16.6
1982	764,904	209,945	14,130,429	1,922,379,048	136.05	18.5
1983 b/	590,411	256,445	12,250,390	1,705,413,089	139.21	20.7
1984 b/	497,587	144,166	8,173,318	1,064,293,887	130.22	16.4
1985 b/	521,289	137,556	8,110,945	1,088,238,826	134.17	15.6
1986 b/	487,033	128,911	7,693,827	1,090,084,524	141.68	15.8
1987 b/	418,392	106,334	6,297,972	910,246,424	144.53	15.1
1988 b/	378,573	83,259	5,500,735	827,307,291	150.40	14.5
1989	406,243	88,757	5,844,611	977,506,937	167.25	14.4
1990	472,039	108,398	6,977,668	1,205,707,889	172.80	14.8
1991	559,992	169,162	9,351,835	1,700,501,551	181.84	16.7
1992	517,810	194,509	9,329,271	1,723,937,512	184.79	18.0
1993	434,761	166,111	7,751,530	1,493,692,501	192.70	17.8
1994	470,271	154,824	8,008,853	1,556,279,567	194.32	17.0
1995	479,269	133,540	7,832,627	1,573,785,055	200.93	16.3
1996	467,434	135,550	7,830,542	1,602,333,137	204.63	16.8
1997	429,874	111,217	6,881,145	1,429,863,613	207.79	16.0
1998	418,539	104,690	6,516,313	1,417,967,995	217.60	15.6
1999	402,078	102,613	6,328,215	1,450,835,558	229.26	15.7
2000	396,227	96,622	6,019,988	1,463,845,836	243.16	15.2
2001	545,596	128,679	8,178,922	2,128,214,504	260.21	15.0
2002	560,623	197,968	9,788,237	2,639,702,689	269.68	17.5
2003	566,022	212,711	9,987,914	2,686,940,192	269.02	17.6
2004	486,975	165,590	8,429,492	2,272,460,045	269.58	17.3
2005 b/	461,257	139,872	7,671,548	2,039,147,620	265.81	16.6
2006 b/	447,066	133,827	7,346,051	2,030,680,946	276.43	16.4
2007	461,807	131,934	7,458,854	2,149,766,257	288.22	16.2

- a/ Includes weeks paid and benefit amounts resulting from the federally reimbursed Transitional Benefits Program. Transitional benefits were paid to individuals who became eligible for benefits and were newly covered under Pennsylvania's Unemployment Compensation Law as of January 1, 1978 (e.g., elementary and secondary school employees, certain domestic and agricultural workers). The federal reimbursement continued until these newly covered workers earned sufficient wages on or after January 1, 1978 to qualify for benefits under the state's Unemployment Compensation Law.
- b/ The net benefit amount and average check include the benefit reduction that was in effect that year.

DEFINITIONS FOR
NONMONETARY DETERMINATIONS

Nonmonetary
Determinations

- Decisions relative to a claimant's nonfinancial eligibility for UC benefits - includes such issues as voluntary quit, fired for misconduct, and able and available for work. Employers or claimants may appeal adverse determinations.

UNEMPLOYMENT COMPENSATION NONMONETARY DETERMINATIONS

Year	Total	Ineligible	Eligible
1980	567,653	161,670	405,983
1981	478,012	127,516	350,496
1982	593,744	129,262	464,482
1983	556,582	112,726	443,857
1984	458,690	102,616	356,074
1985	456,740	102,822	353,918
1986	418,369	99,630	318,739
1987	359,848	92,823	267,025
1988	311,993	88,255	223,738
1989	325,884	91,940	233,944
1990	360,406	100,469	259,937
1991	421,256	110,367	310,889
1992	402,679	105,534	297,145
1993	362,225	95,459	266,766
1994	388,006	104,127	283,879
1995	396,162	109,715	286,447
1996 a/	507,641	179,673	327,968
1997 a/	624,074	281,634	342,440
1998 a/	546,432	249,510	296,922
1999 a/	470,807	219,703	251,104
2000 a/	389,187	194,454	194,733
2001	375,761	167,541	208,220
2002	382,176	214,937	167,239
2003	410,574	232,727	177,847
2004	436,097	251,112	184,985
2005	331,430	155,630	175,800
2006	319,658	134,318	185,340
2007	308,011	124,349	183,662

a/ Includes additional categories of nonmonetary determinations pertaining primarily to the establishment of overpayments and penalty weeks not counted in previous years. The majority of these determinations were ineligible.

DEFINITIONS FOR
CONTRIBUTION AND TRUST FUND DATA

Contributions Deposited	- Payments made to the state's UC Trust Fund by employers and employees subject to Pennsylvania's UC Law
Contributory Employers	- Employers who submit quarterly contributions to the UC Trust Fund based on their tax rate and taxable wages - included are all businesses for profit, and all nonprofit organizations or local governments who do not elect to be reimbursable employers
Reimbursable Employers	- Employers who repay the UC Trust Fund dollar-for-dollar for benefits paid to former employees- included are state government agencies, nonprofit organizations and local governments who elect this method of financing their UC costs
Employees	- Employees who meet the definition of employment as provided in the UC Law - included are employees of contributory and reimbursable employers
Unemployment Compensation Trust Fund Balance	- Net cash balance in the UC Trust Fund at the end of the day on December 31- balance includes disbursements and deposits that may not have cleared the Federal UC Trust Fund account as of December 31

CONTRIBUTION AND TRUST FUND DATA

Year	Contributions Deposited				Unemployment Compensation Trust Fund Balance b/
	Total	By Contributory Employers	By Reimbursable Employers	By Employees a/	
1980	\$1,006,412,994	\$974,611,037	\$31,801,957	NA	-\$1,247,076,032
1981	994,071,876	909,992,668	34,079,208	NA	-1,294,509,929
1982	982,054,727	928,812,920	53,241,807	NA	-2,146,001,764
1983	1,145,711,223	1,094,222,136	51,489,087	NA	-2,623,197,335
1984	1,523,275,784	1,420,556,873	45,127,437	\$57,591,474	-1,978,384,086
1985	1,509,321,747	1,388,604,872	39,630,444	81,086,431	-1,347,267,545
1986	1,457,554,440	1,338,519,398	32,892,692	86,142,350	-750,227,824
1987	1,444,097,567	1,302,599,023	49,589,443	91,909,101	93,527,041
1988	1,454,046,247	1,319,565,779	33,105,129	101,375,339	1,163,902,363
1989	1,240,927,686	1,176,967,446	35,502,025	28,458,215	1,550,006,772
1990	1,130,121,574	1,089,637,710	40,547,995	-64,131	1,620,917,309
1991	1,109,475,631	1,052,388,256	57,116,713	-29,338	1,148,379,564
1992	1,271,401,947	1,158,540,022	68,585,214	44,276,711	783,474,066
1993	1,718,388,314	1,484,639,991	79,082,925	154,665,398	1,071,403,817
1994	1,879,617,857	1,588,417,169	93,688,056	197,512,632	1,491,260,789
1995	1,842,668,659	1,582,310,644	93,707,351	166,650,664	1,879,920,482
1996	1,589,414,015	1,416,545,546	98,881,634	73,986,836	2,002,263,313
1997	1,483,977,344	1,381,560,863	90,606,855	11,809,626	2,199,307,745
1998	1,471,415,809	1,381,393,678	90,274,965	-252,834	2,410,054,922
1999	1,469,814,120	1,393,713,774	76,083,109	17,237	2,596,411,846
2000	1,490,359,478	1,403,267,537	87,403,396	-311,455	2,802,479,410
2001	1,458,548,267	1,373,067,624	85,503,748	-23,105	2,314,312,551
2002	1,463,303,615	1,350,822,273	112,463,637	17,705	1,649,871,832
2003	1,685,366,186	1,515,649,323	140,643,143	29,073,720	710,294,047
2004	2,132,139,797	1,850,251,335	136,257,090	145,631,372	596,829,329
2005	2,371,040,690	2,053,781,504	124,715,871	192,543,315	963,775,487
2006	2,424,898,998	2,097,051,656	126,806,564	201,040,778	1,371,398,827
2007	2,345,830,766	1,992,543,159	141,143,163	212,144,444	1,554,915,869

a/ Liability for employee contributions occurred from January 1984 through 1988, January 1992 through 1996 and January 2003 through 2007. Revenue received from 1989-1991 and from 1997-2002 pertains to residual activity from prior years in which liability was effective.

b/ As of December 31, and includes Trust Fund debt.

DEFINITIONS FOR
UC SOLVENCY TRIGGER MEASURES

- | | |
|--------------------------------------|---|
| Solvency Percentage | - The solvency percentage is calculated on July 1 of each year and is defined as the UC Trust Fund balance ending June 30 divided by the average benefit cost for the three fiscal years ending the same date multiplied by one-hundred. The solvency percentage determines the trigger level that in turn establishes the solvency measures to be used in the following calendar year. |
| Employer Surcharge | - Assessed on an employer's contributions due for a calendar year at a rate established by the solvency trigger level- the surcharge is not assessed on employer reimbursable contributions due and employer solvency additional contributions |
| Employer Additional Contribution Tax | - Added on to an employer's assigned calendar year tax rate at a rate established by the solvency trigger level- the additional tax is not assigned to new contributory employers and reimbursable employers - the tax is not subject to the employer surcharge solvency measure. |
| Employee Tax | - Assessed on the calendar year gross wages of all employees covered under the state's Unemployment Compensation Law at a rate established by the solvency trigger level |
| Benefit Reduction | - All weekly benefit rates during a calendar year are reduced at a rate established by the solvency trigger level |

UC SOLVENCY TRIGGER MEASURES
(Dollars in Millions)

Year a/	Solvency Percentage b/	Employer Surcharge		Employer Additional Tax		Employee Tax		Benefit Reduction	
		Rate	Amount Due c/	Rate	Amount Due c/	Rate	Amount Due c/	Rate	Reduction
1989	159%	None	\$0	None	\$0	None	\$0	None	\$0
1990	179	-1.5%	-17	None	0	None	0	None	0
1991	122	-1.5	-16	None	0	None	0	None	0
1992	69	4.0	46	None	0	0.05%	62	None	0
1993	64	9.3	116	0.50%	156	0.15	190	None	0
1994	83	9.3	124	0.50	160	0.15	197	None	0
1995	120	9.3	127	0.25	81	0.11	152	None	0
1996	126	4.7	63	None	0	0.03	43	None	0
1997	145	None	0	None	0	None	0	None	0
1998	164	None	0	None	0	None	0	None	0
1999	182	-1.4	-20	None	0	None	0	None	0
2000	201	-1.4	-20	None	0	None	0	None	0
2001	184	-1.4	-20	None	0	None	0	None	0
2002	122	-1.4	-20	None	0	None	0	None	0
2003	58	3.6	55	None	0	0.02	39	None	0
2004	32	7.2	119	0.40	142	0.09	186	None	0
2005	43	7.2	125	0.60	215	0.09	193	2.3	51
2006	69	7.2	126	0.60	219	0.09	203	2.3	52
2007	85	7.2	123	0.40	148	0.09	213	None	0

- a/ The Unemployment Compensation (UC) Law was amended in 1988 to include an UC solvency trigger mechanism. The first solvency percentage calculation occurred in 1989.
- b/ Solvency percentage activates solvency measures for the following calendar year. The 1989 solvency measures were fixed by the Unemployment Compensation Law.
- c/ Amount of contributions due for the calendar year. Actual receipts during the year may differ as a result of contributions due for a quarter being received in the subsequent quarter.

DEFINITIONS FOR
COVERED EMPLOYMENT AND WAGES

Active Employers	- Employers who either are subject to or voluntarily elect to be covered under the provisions of the Pennsylvania UC Law
Average Covered Employment	- Twelve-month average number of employees working for employers covered under the Pennsylvania UC Law
Total Wages	- Amount of annual wages paid to all employees in covered employment
Taxable Wages	- Amount of wages subject to UC taxes - these are wages paid by contributory employers, up to the taxable wage base for each employee. Since 1984, the taxable wage base has been \$8,000

COVERED EMPLOYMENT AND WAGES

Year	Active Employers a/	Average Covered Employment	Total Wages	Taxable Wages
1980	207,196	4,486,561	\$63,855,673,455	\$22,919,996,151
1981	202,960	4,449,579	68,666,713,060	22,970,744,122
1982	201,996	4,307,043	70,053,929,702	22,897,631,190
1983	205,748	4,264,510	72,316,777,500	23,535,348,931
1984	208,544	4,399,408	77,984,552,844	26,998,270,153
1985	213,615	4,471,281	82,424,929,323	27,584,990,157
1986	219,156	4,531,524	87,088,766,188	28,297,109,533
1987	221,263	4,650,427	94,082,048,196	29,406,461,303
1988	222,845	4,772,856	101,779,435,543	30,780,094,453
1989	230,947	4,875,400	108,000,446,952	31,644,561,431
1990	233,679	4,906,044	114,126,673,936	31,888,155,792
1991	234,321	4,820,473	116,536,044,622	31,239,431,933
1992	234,355	4,819,071	123,163,218,565	31,285,680,530
1993	233,948	4,858,713	126,453,677,063	31,574,695,981
1994	234,182	4,923,717	131,501,351,196	32,326,625,150
1995	236,746	4,986,418	137,994,113,987	32,839,723,690
1996	236,726	5,046,174	144,910,231,319	33,664,898,315
1997	238,308	5,158,118	154,383,264,744	34,854,248,991
1998	246,154	5,253,652	164,800,517,598	36,290,518,613
1999	250,367	5,345,921	173,807,881,592	37,343,375,939
2000	259,492	5,443,618	184,042,135,560	38,648,909,731
2001	265,451	5,442,944	189,076,552,680	38,418,404,791
2002	268,723	5,396,047	191,748,701,071	37,612,959,443
2003	271,459	5,353,633	196,855,782,892	37,239,888,704
2004	275,853	5,390,750	206,119,193,715	37,766,495,406
2005	280,394	5,446,514	214,210,346,697	38,291,369,630
2006	284,770	5,502,645	225,612,061,577	38,839,810,726
2007	289,289	5,520,015 b/	117,480,127,139 b/	31,494,335,657 b/

a/ As of December 31 of each year.

b/ Reflect only the actual numbers from January through June.

DEFINITIONS FOR
EMPLOYER CONTRIBUTION FACTORS

Taxable Wage Base	- Maximum amount of an employee's annual wages subject to employer state UC taxes- the wage base must be no less than the federal minimum tax base (FUTA) of \$7,000 effective with 1983
Average Tax Rate	- Average rate at which UC taxes are payable. Calculated by dividing total UC contributions due by taxable wages - excludes contributions from employees and reimbursable employers
Portion Experience Rated	- Portion of employer taxes that is based on the employer's experience with unemployment. Calculated as the ratio of the average tax rate minus any flat tax to the average tax rate
Portion Not Experience Rated	- Portion of employer taxes that is not based on the employer's experience with unemployment. Calculated as the ratio of any flat tax to the average tax rate

EMPLOYER CONTRIBUTION FACTORS

Year	Taxable Wage Base	Average Tax Rate	Breakdown of Average Tax Rate	
			Portion Experience Rated	Portion Not Experience Rated
1985	\$8,000	5.00 % a/	58	42
1986	8,000	4.76 a/	58	42
1987	8,000	4.47 a/	55	45
1988	8,000	4.30 a/	53	47
1989	8,000	3.67	59	41
1990	8,000	3.42 b/	58	42
1991	8,000	3.35 b/	57	43
1992	8,000	3.81 c/	57	43
1993	8,000	4.83 d/	51	49
1994	8,000	4.99 d/	52	48
1995	8,000	4.78 d/	55	45
1996	8,000	4.16 e/	59	41
1997	8,000	3.95	62	38
1998	8,000	3.84	61	39
1999	8,000	3.78 f/	62	38
2000	8,000	3.72 f/	61	39
2001	8,000	3.66 f/	60	40
2002	8,000	3.70 f/	61	39
2003	8,000	4.22 g/	61	39
2004	8,000	5.07 h/	57	43
2005	8,000	5.43 i/	56	44
2006	8,000	5.39 i/	56	44
2007	8,000	5.01 h/	56	44

- a/ Does not reflect the Interest Fund Tax of 0.5 percent in 1985 and 0.3 percent in 1986, but does include a 0.5 percent additional tax.
- b/ Tax rates for 1990 and 1991 include a negative 1.5 percent surcharge.
- c/ Tax rate for 1992 includes a positive 4.0 percent surcharge.
- d/ Tax rates for 1993, 1994, and 1995 include a positive 9.3 percent surcharge. The additional tax for 1993 and 1994 is 0.5 percent and for 1995 is 0.25 percent.
- e/ Tax rate for 1996 includes a positive 4.7 percent surcharge.
- f/ The tax rate for 1999, 2000, 2001 and 2002 includes a negative 1.4 percent surcharge.
- g/ The tax rate for 2003 includes a positive 3.6 percent surcharge.
- h/ The tax rate for 2004 and 2007 includes a positive 7.2 percent surcharge and 0.4 percent additional tax. The 2007 tax rate is based on estimated 2007 taxable payrolls.
- i/ The tax rate for 2005 and 2006 includes a positive 7.2 percent surcharge and 0.6 percent additional tax.

DEFINITIONS FOR
SUMMARY OF TAX RATES BY INDUSTRY

Major Industry Sector	- Primary activity of covered employers based on the grouping according to the 2002 "North American Industry Classification System" (NAICS)
Number of Contributory Employers	- Contributory employers subject to the Pennsylvania UC Law at the beginning of each year - not included are contributory employers who become liable later in the year
Average Tax Rate	- Average of all UC contribution rates assigned at the beginning of the year, based on prior fiscal year taxable payrolls
Total Payroll	- Amount of wages paid by all contributory employers who are subject to the Pennsylvania UC Law at the beginning of the year
Taxable Payroll	- Amount of wages subject to UC taxes paid by contributory employers who are subject to the Pennsylvania UC Law at the beginning of the year
Reserve Balance	- Sum of reserve account balances of all contributory employers who are subject to the Pennsylvania UC Law at the beginning of the year - the reserve balance reflects the difference between the amount of lifetime contributions each employer pays into the UC Trust Fund and the amount of lifetime benefits paid to the employer's former employees that are charged to the employer's account - not included are the reserve account balances of employers who have gone out of business in prior years

SUMMARY OF TAX RATES BY INDUSTRY
2007

Major Industry Sector	Number Contributory Employers a/	Average Tax Rate b/	(Dollars in Millions)		
			Total Payroll c/	Taxable Payroll c/	Reserve Balance c/
Natural Resources and Mining	21,281	5.59%	\$3,713	\$836	\$2
Construction	30,304	7.71%	\$11,846	\$2,853	-\$1,901
Manufacturing	14,719	5.73%	\$33,806	\$6,377	\$1,289
Trade	49,640	4.42%	\$30,390	\$7,817	\$2,248
Transportation and Warehousing	6,962	5.72%	\$9,664	\$1,890	\$419
Information	3,106	5.69%	\$5,178	\$873	\$307
Financial Activities	18,765	4.88%	\$19,943	\$3,003	\$914
Professional and Business Services	44,836	5.50%	\$29,883	\$5,854	\$926
Education and Health Services	35,452	4.26%	\$15,915	\$3,876	\$855
Leisure and Hospitality	24,952	4.45%	\$7,292	\$3,580	\$723
Other Services	27,184	4.22%	\$4,018	\$1,278	\$333
Local Government	953	3.96%	\$238	\$71	\$21
TOTAL	278,263	5.18%	\$171,891	\$38,309	\$6,135

- a/ Contributory employers who were covered by the Pennsylvania Unemployment Compensation Law at the beginning of the year.
- b/ Reflects the tax rate assigned at the beginning of the year to employers based on fiscal year 2005 (July 2005-June 2006) taxable payroll. The assigned tax rate is higher than the net end of year tax rate shown on page 53.
- c/ Data for the fiscal year ending June 30, 2006 used to compute 2007 tax rates. Fiscal year 2006 (July 2006-June 2007) payroll data and the June 30, 2006 reserve balance will not be available until 2008.

NOTE: Industry details may not add to totals due to rounding. "Other Services" is a compilation of any remaining industry sectors.

DEFINITIONS FOR
EXTENDED BENEFITS, EMERGENCY, AND TEMPORARY EXTENDED
UNEMPLOYMENT COMPENSATION CLAIM ACTIVITIES
AND NONMONETARY DETERMINATIONS

- | | |
|----------------------------|--|
| Initial Claims | - Notices of continued unemployment or separation from employment filed in the state's local offices by individuals who have received their maximum benefit entitlement for UC |
| New Claims | - Type of initial claim representing an individual's first request for extended benefits, EUC, or TEUC from which a determination of eligibility results |
| Weeks Claimed | - Requests for benefits filed by claimants which certify the fact that the claimants experienced total, partial, or part-total unemployment for given weeks (includes waiting weeks claimed and requests subsequently denied) |
| Nonmonetary Determinations | - Decisions relative to a claimant's non-financial eligibility for UC benefits - includes such issues as voluntary quit, fired for misconduct, and able and available for work- employers or claimants may appeal adverse determinations |

EXTENDED BENEFITS CLAIM ACTIVITIES AND NONMONETARY DETERMINATIONS

Year	Initial Claims	New Claims	Weeks Claimed	Nonmonetary Determinations:		
				Total	Ineligible	Eligible
1976	180,907	164,411	1,643,925	20,523	8,462	12,061
1977	152,788	141,704	1,307,267	20,681	8,765	11,916
1978	64,572	60,431	534,031	10,062	4,034	6,028
1979	47,247	43,534	263,430	2,825	1,244	1,581
1980	151,439	135,583	1,050,569	10,452	4,217	6,235
1981	77,043	69,550	618,792	7,134	2,360	4,774
1982	246,409	220,588	1,587,375	20,691	8,263	12,428
1983	189,961	163,242	1,514,247	21,068	5,107	15,961
1984-07 a/	124	110	1,922	1,417	294	1,123

a/ Data for 1984-2007 represent residual activity from the extended benefits period which ended July 16, 1983.

EMERGENCY UNEMPLOYMENT COMPENSATION CLAIM
ACTIVITIES AND NONMONETARY DETERMINATIONS

Year a/	Initial Claims b/	New Claims b/	Weeks Claimed	Nonmonetary Determinations:		
				Total	Ineligible	Eligible
1991	76,930	76,930	330,630 b/	1,351	432	919
1992	412,192	322,314	5,192,764	64,156	15,637	48,519
1993	541,866	337,311	5,152,268	106,238	24,326	81,912
1994	85,273	28,769	680,658	33,951	6,725	27,226
1995-07 c/	690	461	822	784 d/	317 d/	467 d/

a/ Emergency UC period began during week of November 23, 1991. Data include UC, UCFE, and UCX claims and determinations.

b/ Estimated

c/ Data for 1995-2007 represent residual activity from the emergency UC period, which ended during 1994.

d/ Effective for 1997 these data are no longer collected.

TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION CLAIM
ACTIVITIES AND NONMONETARY DETERMINATIONS

Year a/	Initial Claims	New Claims	Weeks Claimed	Nonmonetary Determinations:		
				Total	Ineligible	Eligible
2002	314,921	278,559	2,784,923	20,375	9,477	10,898
2003	329,190	286,850	3,031,335	44,709	30,414	14,014
2004	11,621	5,277	338,969	23,428	16,579	6,849
2005	2,101	2,005	141	498	354	144
2006	42	0	1	79	51	28
2007	57	0	0	29	20	9

a/ Temporary Extended Unemployment Compensation period began during week of March 17, 2002 and ended April 3, 2004. TEUC for displaced airline and related industry workers ended January 1, 2005. Data include UC, UCFE, and UCX claims and determinations.

DEFINITIONS FOR
EXTENDED BENEFIT, EMERGENCY, AND TEMPORARY EXTENDED
UNEMPLOYMENT COMPENSATION PAYMENT ACTIVITIES

First Payment	- First extended benefit, EUC, or TEUC check claimants receive for a week of unemployment
Final Payment	- Last extended benefit, EUC, or TEUC check claimants receive for a week of unemployment, which exhausts their extended benefit or EUC entitlement
Weeks Paid	- Extended benefit, EUC, or TEUC weeks claimed which were paid to eligible claimants upon certification that UC qualifying unemployment was experienced during given weeks
Net Benefit Amount	- Amount of extended benefits, EUC, or TEUC paid to claimants, after adjusting for returned and redeposited benefit checks
Average Check	- Average amount of extended benefits, EUC, or TEUC paid for a week of unemployment - calculated by dividing the net benefit amount by the number of weeks paid
Average Duration	- Average number of weeks of extended benefits, EUC, or TEUC paid per claimant - calculated by dividing the number of weeks paid by the number of first payments

EXTENDED BENEFIT PAYMENT ACTIVITIES

Year	First Payments	Final Payments	Weeks Paid	Net Benefit Amount	Average Check	Average Duration In Weeks
1975	211,508	136,876	1,619,403	\$123,084,739	\$76.01	7.7
1976	181,822	149,119	1,514,624	123,030,374	81.23	8.3
1977	148,374	112,373	1,215,962	103,330,656	84.98	8.2
1978	67,342	48,347	546,049	49,160,010	90.03	8.1
1979	43,513	19,018	282,534	23,464,540	83.05	6.5
1980	151,703	84,134	1,087,327	107,944,703	99.28	7.2
1981	85,022	62,108	685,250	73,993,522	107.98	8.1
1982	209,086	112,218	1,520,268	203,795,251	134.05	7.3
1983	182,509	136,164	1,466,376	214,790,880	146.48	8.0
1984-07 a/	192	218	1,315	(2,476,462)	n/a	n/a

a/ Data for 1984-2007 include residual activity from the extended benefits period which ended July 16, 1983 (payments ended August 6, 1983). Net benefit amount is negative due to refunds and redeposits of previously issued checks.

EMERGENCY UNEMPLOYMENT COMPENSATION PAYMENT ACTIVITIES

Year a/	First Payments	Final Payments	Weeks Paid	Net Benefit Amount	Average Check	Average Duration In Weeks
1991	75,371	0	271,949	\$52,049,733	\$191.40	3.6
1992	232,412	72,307	5,167,281	986,242,398	190.86	22.2
1993	259,655	169,533	5,250,899	1,014,625,298	193.23	20.2
1994	27,465	62,362	719,399	129,990,652	180.69	26.2
1995-07 b/	48	159	866	(5,025,420)	n/a	n/a

a/ Emergency UC period began during week of November 23, 1991. Data include payments for UC, UCFE, and UCX.

b/ Data for 1995-2007 represent residual activity from the emergency UC period which ended during 1994. Net benefit amount is negative due to refunds and redeposits of previously issued checks.

TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION PAYMENT ACTIVITIES

Year a/	First Payments	Final Payments	Weeks Paid	Net Benefit Amount	Average Check	Average Duration In Weeks
2002	214,001	110,219	2,755,681	\$779,026,456	\$282.70	12.9
2003	200,904	171,819	3,015,761	\$845,002,582	\$280.20	15.0
2004	6,380	36,866	348,266	\$95,512,355	\$274.25	n/a
2005 b/	6	125	902	(\$672,422)	n/a	n/a
2006 b/	0	82	500	(\$376,582)	n/a	n/a
2007 b/	0	31	180	(\$28,911)	n/a	n/a

a/ Temporary Extended Unemployment Compensation period began during week of March 17, 2002 and ended April 3, 2004. TEUC for displaced airline and related industry workers ended January 1, 2005. Data include UC, UCFE, and UCX claims and determinations.

b/ Net benefit amount is negative due to refunds and redeposits of previously issued checks.

DEFINITIONS FOR
POPULATION AND LABOR FORCE DATA

- Total Population - Total number of Pennsylvania residents
- Civilian Labor Force - Twelve-month average number of Pennsylvania residents who are classified by the U.S. Bureau of the Census as either employed or unemployed
- Total Resident Employment - Twelve-month average number of civilian Pennsylvania residents, 16 years old and older, who are either working or on a paid absence from work - resident employment is derived from a monthly survey of a sample of Pennsylvania households by the U.S. Bureau of the Census
- Total Unemployment - Twelve-month average number of Pennsylvania residents, 16 years old and older, who are not working but are looking for work or are waiting to report to a new job within 30 days - total unemployment is derived from a monthly survey of a sample of Pennsylvania households by the U.S. Bureau of the Census
- Total Unemployment Rate (TUR) - The percentage of individuals unemployed in the civilian labor force defined as the number of individuals 16 years of age or older who do not have a job but are available for work and actively seeking work including individuals on layoff and waiting to report to a new job within 30 days, divided by the number of persons in the civilian labor force - the civilian labor force is the sum of the number of individuals who are either employed or unemployed

POPULATION AND LABOR FORCE DATA
(IN THOUSANDS)

Year	Total Population a/	Labor Force b/	Resident Employment b/	Resident Unemployment b/	Unemployment Rate b/
1981	11,859	5,484	5,022	462	8.4
1982	11,845	5,497	4,878	619	11.3
1983	11,838	5,505	4,865	641	11.6
1984	11,815	5,504	5,001	503	9.1
1985	11,771	5,554	5,107	447	8.1
1986	11,783	5,618	5,229	389	6.9
1987	11,811	5,657	5,336	320	5.7
1988	11,846	5,735	5,447	288	5.0
1989	11,866	5,807	5,534	273	4.7
1990	11,883	5,827	5,510	317	5.4
1991	11,982	5,842	5,437	405	6.9
1992	12,049	5,910	5,455	454	7.7
1993	12,120	5,923	5,504	419	7.1
1994	12,166	5,903	5,530	373	6.3
1995	12,198	5,900	5,554	346	5.9
1996	12,220	5,988	5,662	326	5.4
1997	12,228	6,086	5,775	311	5.1
1998	12,246	6,068	5,788	281	4.6
1999	12,264	6,078	5,810	268	4.4
2000	12,287	6,086	5,832	254	4.2
2001	12,296	6,163	5,870	293	4.7
2002	12,322	6,247	5,897	350	5.6
2003	12,351	6,186	5,835	351	5.7
2004	12,377	6,249	5,909	341	5.4
2005	12,405	6,257	5,946	311	5.0
2006	12,441	6,290	6,003	287	4.6
2007	12,433	6,287	6,013	274	4.4

2007					
JAN	n/a	6,258	5,946	312	5.0
FEB	n/a	6,228	5,928	300	4.8
MAR	n/a	6,245	5,965	280	4.5
APR	n/a	6,210	5,967	243	3.9
MAY	n/a	6,255	5,995	260	4.2
JUN	n/a	6,347	6,065	282	4.4
JUL	n/a	6,386	6,095	291	4.6
AUG	n/a	6,330	6,055	275	4.3
SEP	n/a	6,282	6,027	255	4.1
OCT	n/a	6,290	6,035	255	4.1
NOV	n/a	6,318	6,060	258	4.1
DEC	n/a	6,297	6,023	274	4.3

Footnotes for Population and Labor Force Data table are on following page.

- a/ The 1980, 1990 and 2000 data reflect actual U.S. Bureau of the Census counts. For all other years, data reflect mid-year statistics provided by the U.S. Bureau of the Census.
- b/ Monthly data are not seasonally adjusted. Annual data are twelve-month averages while monthly data are mid-month estimates. Data may not add to totals due to rounding. Pennsylvania labor force statistics reflect the February 12, 2008 revision.

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