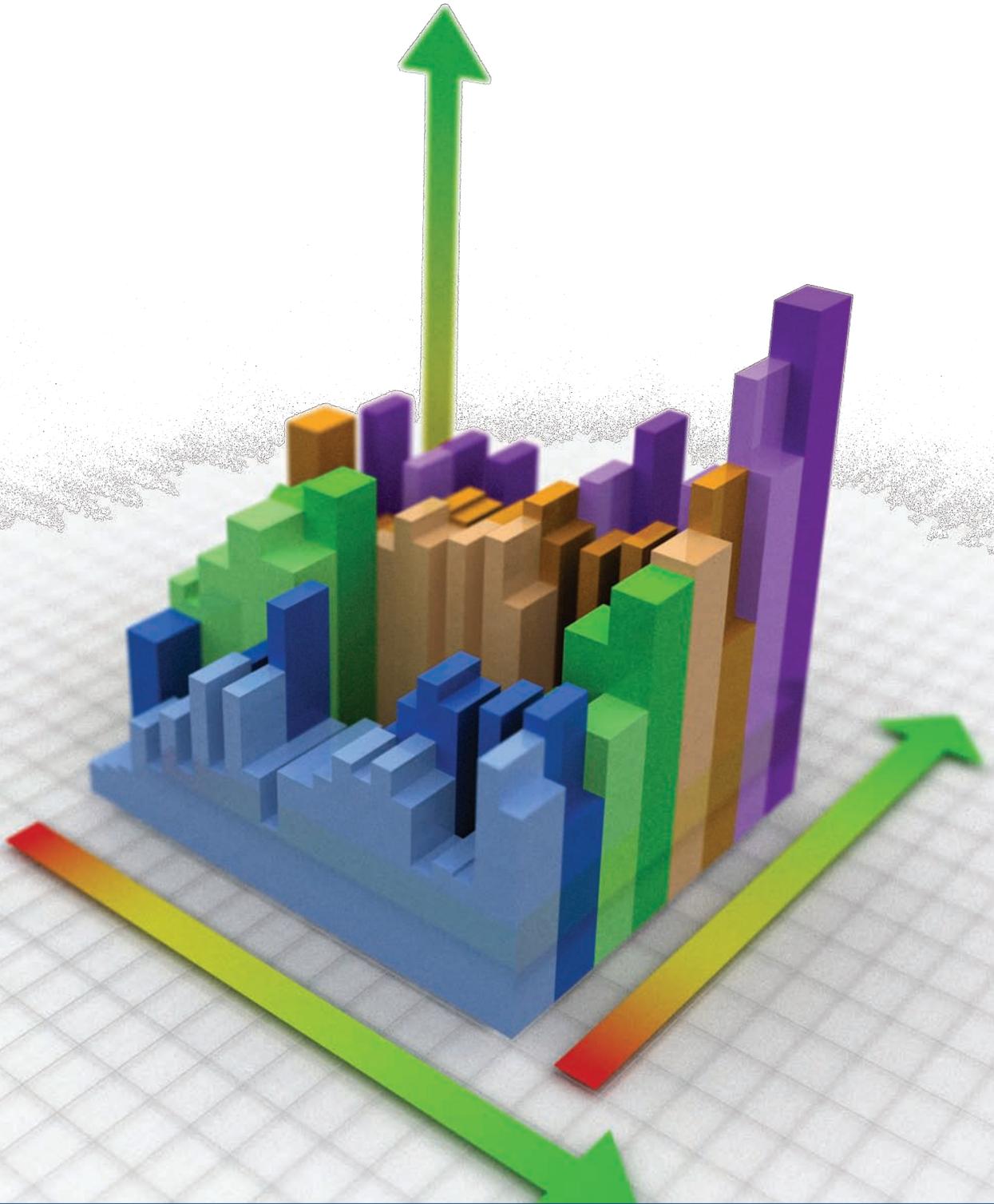


Actuarial Evaluation 2009

Financial Operations of the Pennsylvania Unemployment Compensation Program



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INTRODUCTION

The 2009 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 2009 Global Insight Baseline Forecast of economic activity.

The report provides analyses of Pennsylvania's unemployment compensation system regarding the Unemployment Compensation Trust Fund activity for 2009 and a forecast for 2010 through 2012. The analyses contained in this report reflect the severity of the current recession. In 2009, Pennsylvania's average unemployment rate reached a 24-year high and employment losses were the largest, as a percentage, in over 40 years. The recession pushed the Unemployment Compensation Trust Fund to insolvency in 2009, requiring federal loans for the first time since 1987. Moreover, the Trust Fund is projected to remain insolvent through 2012 and beyond.

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 analyses and an overview of the economic forecasts and methodologies used to estimate unemployment compensation activity are provided in the report.

Tables contained within this report provide detailed information and data on the December 2009 Global Insight Baseline Forecast used to project 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.

FINANCIAL ANALYSIS AND OUTLOOK HIGHLIGHTS

The current recession has produced economic losses on a scale not seen since the recession of the early 1980's. Pennsylvania's average unemployment rate for 2009 (8.1 percent) was the state's highest since 1985 and nearly double the rate in 2007 (4.3 percent). Employment fell 3.3 percent from 2008 to 2009, the largest year-over-year loss (as a percentage) since 1958.

Reflecting the severity of the recession, the reserves in the UC Trust Fund were insufficient to cover the increase in benefit payments and the Trust Fund became insolvent in 2009. In order to continue to pay benefits, the Trust Fund borrowed from the Federal Unemployment Account (FUA). The Trust Fund is projected to remain insolvent through 2012 and beyond.

In 2009, in addition to the regular UC program, qualified claimants could collect benefits through the Federal Emergency Unemployment Compensation (EUC), Extended Benefits (EB), and Federal Additional Compensation (FAC) programs. The benefit costs from these programs were 100 percent federally funded in 2009. Please see pages 34-35 for more details on these programs.

Trust Fund Insolvency

- At the end of 2009, the UC Trust Fund had borrowed \$1.9 billion from the Federal Unemployment Account. Additional loans of \$3.4 billion are projected for 2010, \$3.1 billion for 2011, and \$3 billion for 2012.
- At the end of 2009, the net loan balance stood at \$1.9 billion. The net loan balance is projected to reach \$3.7 billion, \$5.0 billion, and \$5.9 billion at the end of 2010, 2011, and 2012, respectively.
- The American Recovery and Reinvestment Act of 2009 (ARRA) waives the charging of interest on FUA loans from February 17, 2009 through December 31, 2010.
- A Federal Unemployment Tax Act (FUTA) loss-of-credit is forecast to begin at 0.3 percent in 2011, increase to 0.6 in 2012, and continue increasing by 0.3 percent each year through at least 2018.

Trust Fund Benefit Costs

- Annual UC benefit costs reached a record high of \$4.8 billion in 2009, compared to \$2.8 billion in 2008. Benefit costs for 2010 are projected to drop slightly to \$4.3 billion. For 2011 and 2012, benefit costs are forecast to slide to \$4.0 and \$3.9 billion, respectively.
- The maximum weekly benefit rate for 2010 is \$564 with forecasts of \$570 for 2011 and \$586 for 2012.

- A benefit reduction of 2.3 percent will be in effect for 2010 and is expected to continue through 2011 and 2012. The forecast amount of this reduction is \$109 million in 2010, \$102 million in 2011 and \$98 million in 2012.

Employer and Employee Contributions

- The estimated average UC tax rate for employers is forecast to rise from 4.6 percent in 2009 to 5.6 percent in 2010. It is projected to rise to 6.0 percent in 2011 and to 6.1 percent in 2012.
- UC employer contributions deposited into the Trust Fund are projected to rise from \$1.9 billion in 2009 to \$2.3 billion in 2010, \$2.5 billion in 2011, and \$2.6 billion in 2012.
- Employers will pay a 0.65 percent additional tax and a 5.8 percent surcharge for 2010 through 2012. These solvency measures will generate an estimated \$336 million for 2010, \$352 million for 2011, and \$365 million for 2012 in employer contributions due.
- An employee solvency tax of 0.08 percent will be in effect for 2010, 2011 and 2012. The amount of contributions due from employees is forecast to be \$193 million in 2010, \$202 million in 2011 and \$210 million in 2012.

FINANCIAL ANALYSIS

BASIS OF ANALYSIS

2010-2012 Economic Data

The Department of Labor & 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 total unemployment rate and nonagricultural wage and salary employment. Pennsylvania's nonagricultural wages and employment are used to forecast UC revenue activity.

The outlook for 2010-2012 contained in this report is based on the December 2009 Global Insight Baseline Forecast for the nation and Pennsylvania (referred to as the December 2009 Global Insight Forecast). The table on page 13 provides a comparison of the December 2009 Global Insight Forecast with the January 2009 Global Insight Forecast used for the 2008 Actuarial Evaluation of the Unemployment Compensation Trust Fund.

The December 2009 Global Insight Forecast states that the economic recession which began in the second half of 2008 has largely bottomed out in Pennsylvania. Job losses accelerated through 2009, but slowed considerably during the fall. From 2008 to 2009, Pennsylvania lost approximately 164,000 jobs (2.8 percent) which is less severe than the national loss of 3.7 percent. Employment is projected to dip below 5.6 million in 2010, before rising to 5.7 million in 2011 and 5.8 million in 2012, an increase of approximately 3.0 percent over 2009 levels. The unemployment rate mirrors this change; in 2010, the average unemployment

rate is projected to rise to 8.5 percent, decreasing steadily through 2012 to 6.9 percent, a decrease from the 2009 rate of 1.4 percentage points. The forecast of UC activity will reflect this economic outlook. A thorough analysis of the impact of the December 2009 Global Insight forecast on UC data appears in the Outlook for 2010-2012.

The December 2009 Global Insight forecast of average annual growth in real gross domestic product for 2010 is lower, at 2.2 percent, than the consensus of 2.6 percent from *BusinessWeek's* annual economic outlook survey for 2010. Also, the Global Insight forecast for the 2010 jobless rate for the nation of 10.2 percent was higher than the consensus of 10 percent from *BusinessWeek's* survey.

2009 IN REVIEW

Economic Performance

In 2009, Pennsylvania's economic decline largely stabilized. Average annual nonagricultural jobs in the state fell to 5.6 million, a year over year loss of 190,900. Year over year losses were widespread, with the Education & Health Services super sector being a standout, gaining a modest 18,900 jobs. Service-producing jobs fell by 91,200 in 2009, while goods-producing jobs fell by 99,500.

Total Unemployment Rate (TUR)

The U.S. Department of Labor's Current Population Survey (CPS) showed a marked rise in Pennsylvania's total unemployment rate (TUR) in 2009. The CPS provides monthly and annual estimates of the labor force for the nation and states. The TUR is the ratio of the

number of unemployed persons to the number of persons in the labor force. The number of unemployed reached 519,000 in 2009, an increase of 177,000 from 2008. As measured by the CPS, Pennsylvania's average TUR rose from 5.3 percent to 8.1 percent in 2009. The rise in the TUR in 2009 resulted from an increase in the number of unemployed. In addition, there was also a slight decrease in the civilian labor force, which fell by 27,000 to 6.41 million during the period 2008 to 2009.

Insured Unemployment Rate (IUR)

The 2009 annual average insured unemployment rate (IUR) rose to 6.1 percent compared to 3.5 percent in 2008. The IUR is an unemployment measure that reflects the percent ratio of regular UC claims to covered employment. In 2009, covered employment decreased from 5.6 million to 5.4 million. Weeks claimed for 2009 increased to 17.1 million (an average of 328,830 per week), compared to 10.1 million (an average of 194,274 per week) for 2008, which is an increase of 7 million weeks claimed, or 70 percent.

Unemployment Compensation Trust Fund Solvency Measures

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. In 2009, the following were noted:

- An employer surcharge was adjusted to 5.8 percent, which yielded \$90 million in revenue.

- A 0.25 percent employer additional tax, which yielded \$88 million in revenue, was implemented.
- An employee tax of 0.06 percent was also in effect during 2009, generating \$142 million in revenue.

The solvency percentage on July 1, 2009 was 8 percent, a decrease of 72 percentage points from 2008. The solvency percentage is the June 30, 2009 Trust Fund balance of \$243 million divided by the \$2,806 million three-year average benefit cost as of June 30, 2009. The decrease in the solvency percentage is attributed to a decrease in the Trust Fund balance as of June 30 of \$1,483 million and a rise in the average benefit cost of \$667 million. In 2010, the employer surcharge will remain at 5.8 percent, and the employer additional tax will rise to 0.65 percent. The employee tax will rise to 0.08 percent. A benefit reduction of 2.3 percent will be in effect in 2010 for the first time since 2006.

Benefit Costs

Regular UC benefit costs increased by 71 percent to \$4.8 billion in 2009 (from \$2.8 billion in 2008). There was no benefit reduction in 2008 or 2009. The total number of weeks paid to UC beneficiaries in regular UC increased by 6.3 million to 15.4 million for 2009. This reflects a 143 percent increase. There was an increase in the average regular UC payment from \$304 in 2008 to \$314 in 2009. The increase in weeks paid combined with the increase in the average payment amount contributed to the rise in benefit costs.

The number of individuals receiving regular UC benefits in 2009 was 926,315 or 267,686 more than the 658,629 who received benefits in 2008 (a 41

percent increase). First payments increased from 562,343 in 2008 to 778,078 in 2009. Claimants who received UC first payments in 2009 had an estimated average duration of 19.7 weeks of regular UC benefits, an increase from the 2008 average duration of 16.1 weeks.

Contributions

During 2009, deposits into the UC Trust Fund from employer contributions totaled \$1.9 billion. The distribution was as follows:

- Employee contributions deposited into the UC Trust Fund totaled \$159 million.
- Contributory employers, whose contributions are determined from an assigned tax rate based on their UC experience, remitted \$1.7 billion in taxes.
- Deposits to the UC Trust Fund from reimbursable employer contributions totaled \$230 million. Reimbursable employers are employers who reimburse the Trust Fund dollar-for-dollar for benefits paid to their employees.

The decreases of \$167 million in contributory deposits and \$7 million in the employee tax, offset by a \$90 million increase in reimbursable deposits, yielded a net decrease in deposits of \$84 million from 2008.

After taking into account the 5.8 percent positive employer surcharge and 0.25 percent employer additional tax rate that was in effect during the year, the

average tax rate for employers in 2009 was 4.6 percent. Taxable wages fell an estimated \$2.0 billion from \$39.3 billion in 2008 to \$37.3 billion in 2009.

Unemployment Compensation Trust Fund Loans

Starting in March 2009, Pennsylvania's UC Trust Fund has required loans from the Federal Unemployment Account (FUA) to meet benefit payment obligations. Prior to 2009, the last time the state received FUA advances to pay benefits was in 1987. At the end of 2009, Pennsylvania's loan balance stood at \$1.9 billion, the fourth highest among 25 states that had FUA loan balances at the end of 2009. The "American Recovery and Reinvestment Act of 2009", Public Law 111-5 (ARRA), waived interest payments and the accrual in interest on FUA loans issued from February 17, 2009, through December 31, 2010.

Unemployment Compensation Trust Fund Summary

The UC Trust Fund ended calendar year 2009 with a balance of \$2.8 million, including loans of \$1.9 billion, a decrease of \$977 million from the 2008 ending balance of \$980 million. The cash flow leading to the ending balance consisted of employer and employee contribution deposits of \$2.1 billion, interest earnings on the Trust Fund's cash reserves of \$7 million, loans of \$1.9 billion, Reed Act withdrawals of \$107 million and benefit disbursements of \$4.8 billion. The 2009 interest earnings of were \$62 million less than in 2008.

**January 2009 Forecast Compared to Actual Data
Calendar Year 2009
(Dollars in Millions)**

	Forecast	Actual	Difference
Beginning UC Trust Fund Balance	\$980	\$980	\$0
Ending UC Trust Fund Balance	\$1	\$3	\$2
UC Trust Fund Balance as of June 30	\$278	\$243	-\$35
Three Year Average Benefit Cost as of June 30	\$2,643	\$2,806	\$163
Solvency Percentage as of June 30 a/	10%	8%	-2%
Revenue	\$3,283	\$3,959	\$676
Employer Contributions	\$1,829	\$1,696	-\$133
Reimbursable Contributions	\$210	\$230	\$20
Employee Contributions	\$149	\$159	\$11
Interest	\$14	\$7	-\$7
Loans	\$1,081	\$1,867	\$786
Disbursements	\$4,262	\$4,936	\$674
Regular Benefits	\$3,848	\$4,829	\$981
Extended Benefits	\$0	\$0	\$0
Reed Act b/	\$38	\$107	\$69
Loan Repayment	\$376	\$0	-\$376
Weeks Paid for 2009	12,100,000	15,354,983	3,254,983
Average Weekly Payment	\$318	\$314	-\$4

a/ The solvency percentage is calculated by dividing the UC Trust Fund balance by the three year average benefit cost.

b/ Reflects Reed Act expenditures for administrative costs.

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

GLOBAL INSIGHT FORECAST COMPARISON
January 2009 and December 2009

December 2009 GLOBAL INSIGHT Forecast a/				
GLOBAL INSIGHT Variables				
Nation	2009	2010	2011	2012
Gross Domestic Product (Bil. 2000\$'s)	\$12,973.2	\$13,264.0	\$13,646.6	14,162.0
Percent Change	-2.5%	2.2%	2.9%	3.8%
National Total Unemployment Rate	9.3%	10.2%	9.6%	8.6%
Pennsylvania				
Industrial Production Index (2002=100)	94.4	98.2	102.5	106.8
Percent Change	-9.2%	4.0%	4.3%	4.2%
Nonag. Employment (Thousands)	5,638.3	5,599.8	5,693.2	5,813.3
Growth Rate	-2.8%	-0.7%	1.7%	2.1%
Wage and Salaries (Billions)	\$252.2	\$258.1	\$269.5	\$281.5
Annual Average Wage Growth Rate b/	-0.7%	3.0%	2.7%	2.3%
Total Unemployment Rate	8.3%	8.5%	7.7%	6.9%

January 2009 GLOBAL INSIGHT Forecast c/				
GLOBAL INSIGHT Variables				
Nation	2009	2010	2011	2012 d/
Gross Domestic Product (Bil. 2000\$'s)	\$11,364.4	\$11,616.8	11,985.6	
Percent Change	-2.5%	2.2%	3.2%	
National Total Unemployment Rate	8.5%	9.1%	8.5%	
Pennsylvania				
Industrial Production Index (2002=100)	96.6	97.1	99.5	
Percent Change	-6.7%	0.5%	2.5%	
Nonag. Employment (Thousands)	5,651.9	5,649.8	5,722.7	
Growth Rate	-2.4%	0.0%	1.3%	
Wage and Salaries (Billions)	\$265.4	\$271.4	\$282.0	
Annual Average Wage Growth Rate b/	2.8%	2.3%	2.6%	
Total Unemployment Rate	7.8%	8.2%	7.1%	

a/ Based on: GLOBAL INSIGHT U.S. Baseline Forecast of December 2009
GLOBAL INSIGHT Pennsylvania Short Term Forecast of December 2009

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 forecast. The December 2009 forecast growth rate for 2009 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 January 2009
GLOBAL INSIGHT Pennsylvania Short-Term Forecast for January 2009

d/ Projected data for calendar year 2012 were not included in the 2008 Actuarial Evaluation.

OUTLOOK FOR 2010-2012

The outlook for Pennsylvania's Unemployment Compensation (UC) program for 2010 through 2012 is based on Global Insight's December 2009 Baseline Forecast. According to the forecast, the economic recession which continued through 2009 has largely bottomed out. Starting in the second quarter of 2010, employment is projected to rise modestly. The economy is projected to grow modestly throughout 2010 and accelerate in 2011 and 2012. UC benefit costs are forecast to decline from a projected \$4.3 billion in 2010 to \$4.0 billion in 2011 and \$3.9 billion in 2012. Contributions from employers and employees deposited into the UC Trust Fund (UCTF) for 2010 are forecast to be \$2.5 billion, compared to \$2.1 billion in 2009. UCTF deposits will increase to \$2.7 billion in 2011 and \$2.9 billion in 2012. With costs far exceeding revenues, UCTF is projected to remain insolvent through 2012. It will be necessary to obtain federal loans in order

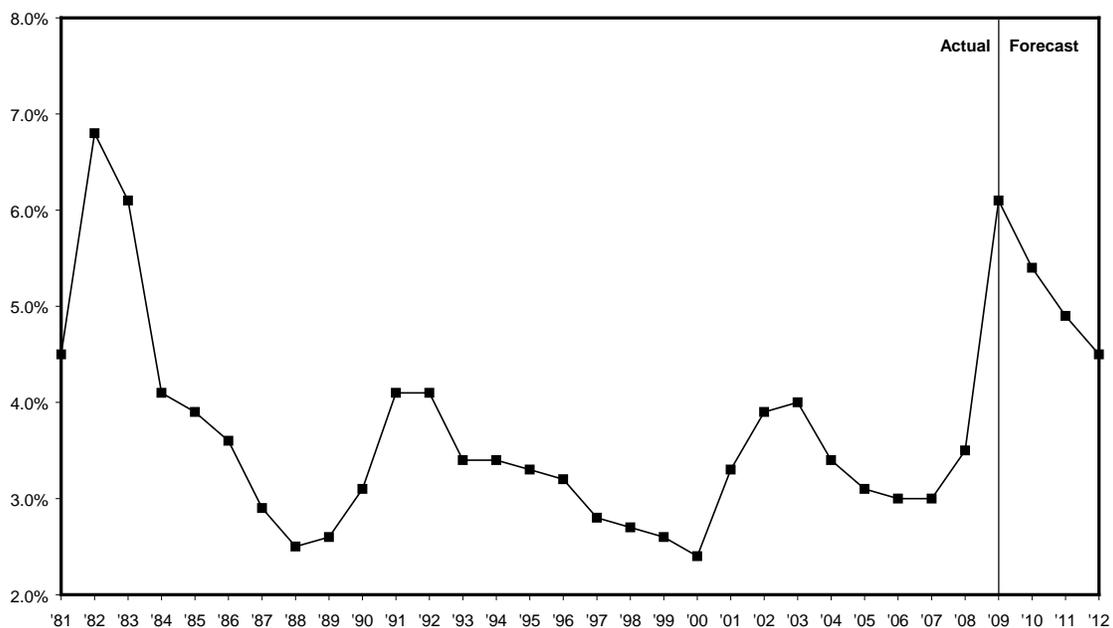
for the state to meet benefit obligations through this period.

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. The forecast projects a decrease in the IUR for 2010, from 6.1 percent in 2009 to 5.4 percent, followed by rates of 4.9 percent in 2011 and 4.5 percent in 2012.

The trend in the IUR reflects a decline in the level of weeks claimed coupled with the modest growth in UC covered employment forecast for 2010-2012. The number of weeks claimed forecast during the period will be well below 2009's total of 17.1 million at 15.2 million in 2010, 13.8 million in 2011 and 13.1 million in 2012. Covered employment is forecast to drop from an annual average of 5.40 million in 2009 to 5.36 million in 2010 before rebounding to 5.44 million and

PA INSURED UNEMPLOYMENT RATE



Note: Projections are based on the December 2009 GLOBAL INSIGHT Forecast

5.55 million in 2011 and 2012, respectively.

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 an almost three billion-dollar debt and accompanying interest charges that 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, requires 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 most recent 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 found on pages 26-27.

The solvency measures for 2010 are based on a solvency percentage of 8 percent calculated in 2009. The 2009 solvency percentage is down from 2008's 80 percent, putting the solvency percentage in the "less than 25%" trigger level. This results in the following:

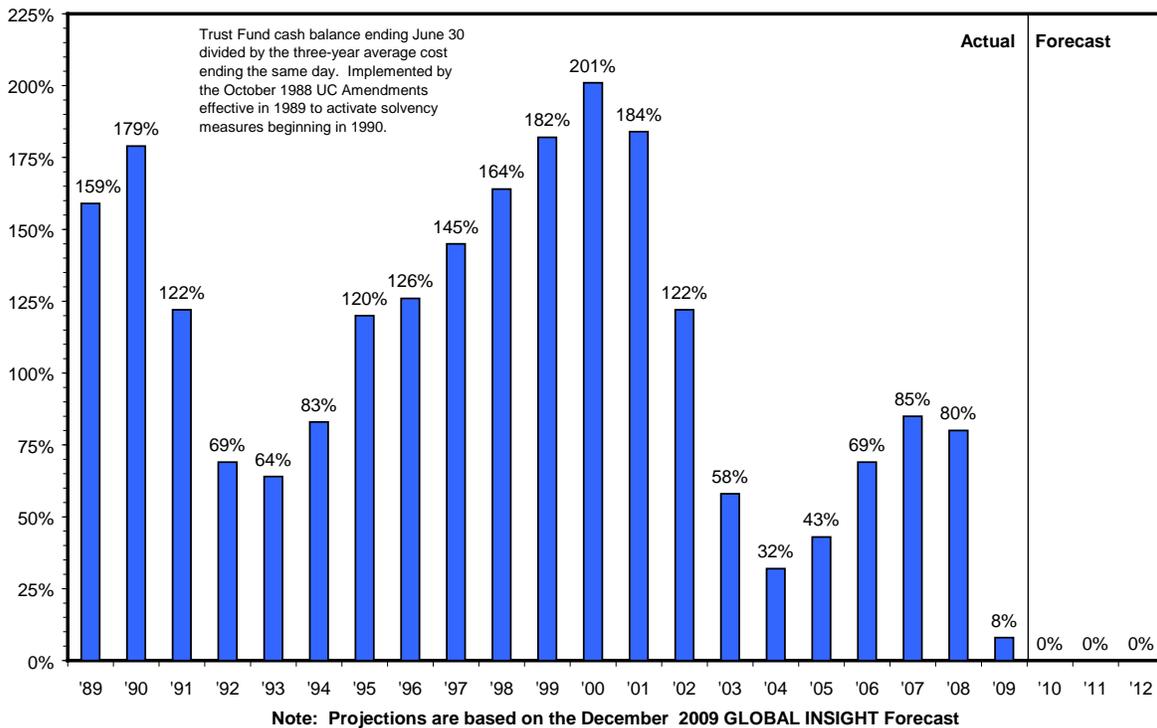
- A positive employer surcharge of 5.8 percent
- An employer additional contribution rate of 0.65 percent
- An employee tax of 0.08 percent
- A 2.3 percent benefit reduction

UC Trust Fund reserves shrank to insolvent levels as the result of a severe economic downturn. The solvency percentage is projected to be zero percent from 2010-2012. (See chart on the next page.) The employer additional tax rate and employee tax will remain at 0.65 percent and 0.08 percent, respectively. The employer surcharge will be unchanged at 5.8 percent. The benefit reduction will continue through 2012 with a 2.3 percent reduction. Each solvency measure and its effect on the Trust Fund are described below.

Employer contribution surcharge:

A 5.8 percent positive surcharge on employer contributions due will be in effect for the entire 2010-2012 period. This is the maximum that the surcharge can be after the recalculation of the solvency measures for 2008-2012. Employer contributions will be increased by \$103 million in 2010, \$114 million in 2011 and \$120 million in 2012 as a result of the surcharge. This will meet the requirement that employers' contributions be increased

**UNEMPLOYMENT COMPENSATION TRUST FUND
SOLVENCY PERCENTAGE**



by at least \$100 million at the applicable trigger level.

Employer additional contribution tax:

An additional contribution tax rate, which is applied to taxable wages, has been in effect since 2004 and is forecast to remain triggered on through 2012. The rate for 2009 is 0.25 percent, but it is forecast to increase to 0.65 percent in 2010-2012. The additional contribution tax rate will yield contributions due totaling \$233 million in 2010, \$238 million in 2011, and \$244 million in 2012. The revenue generated exceeds the trigger level's minimum requirement of \$225 million for 2010-2012.

Employee tax contributions:

For the eighth successive year, an employee tax will be levied in 2010 and is forecast to remain in effect through 2012. For 2010-2012, the employee tax rate is

forecasted to be 0.08 percent. Tax revenues due from this measure will total \$193 million in 2010, \$202 million in 2011 and \$210 million in 2012. This exceeds the minimum trigger level requirements for this measure of \$166 2/3 million for 2010-2012.

Benefit reduction:

Since the solvency trigger mechanism was introduced in 1989, the benefit reduction has only been in effect in 2005 and 2006. According to the forecast, the benefit reduction will once again be in effect for 2010-2012. A rate of 2.3 percent will yield benefit reductions totaling \$109 million in 2010, \$102 million in 2011 and \$98 million in 2012, which exceeds the target amount of \$52 million.

Benefit Costs

The sharp plunge in the economy is forecast to push UC benefit costs to \$4.3 billion in 2010, which while high is slightly

below 2009's record level of \$4.8 billion. A slow recovery will mean UC benefit costs will decline yet remain high with forecasts of \$4.0 billion in 2011 and \$3.9 billion in 2012. Benefit costs are a product of the number of UC claims that result in payments (weeks paid) and the average weekly UC benefit check.

The forecast for weeks paid, reflecting a modest recovery following the severe economic downturn, shows a decrease from 15.4 million in 2009 to 13.4 million in 2010. Weeks paid are forecast to fall to 12.2 million in 2011 and 11.6 million in 2012. The previous all-time high for weeks paid was 14.1 million in 1982.

The average weekly benefit check is forecast 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 forecast for 2010 is \$324, an increase of \$10 from 2009; for 2011, \$331, and for 2012, \$337. The average weekly payments for 2010 through 2012 reflect a benefit reduction of 2.3 percent. The maximum weekly benefit rate for 2010 is \$564 and the maximums forecast for 2011 and 2012 are \$570 and \$586, respectively.

Extended Benefits and Emergency Unemployment Compensation

Based on federal legislation passed in April 2010, the last payable week of EUC benefits will be the week ending November 6, 2010, and the last payable week of High Unemployment Period (HUP) EB benefits will be the week ending June 5, 2010. The basic non-HUP EB program is not projected to be in effect for the rest of the forecast period through 2012.

Contributions

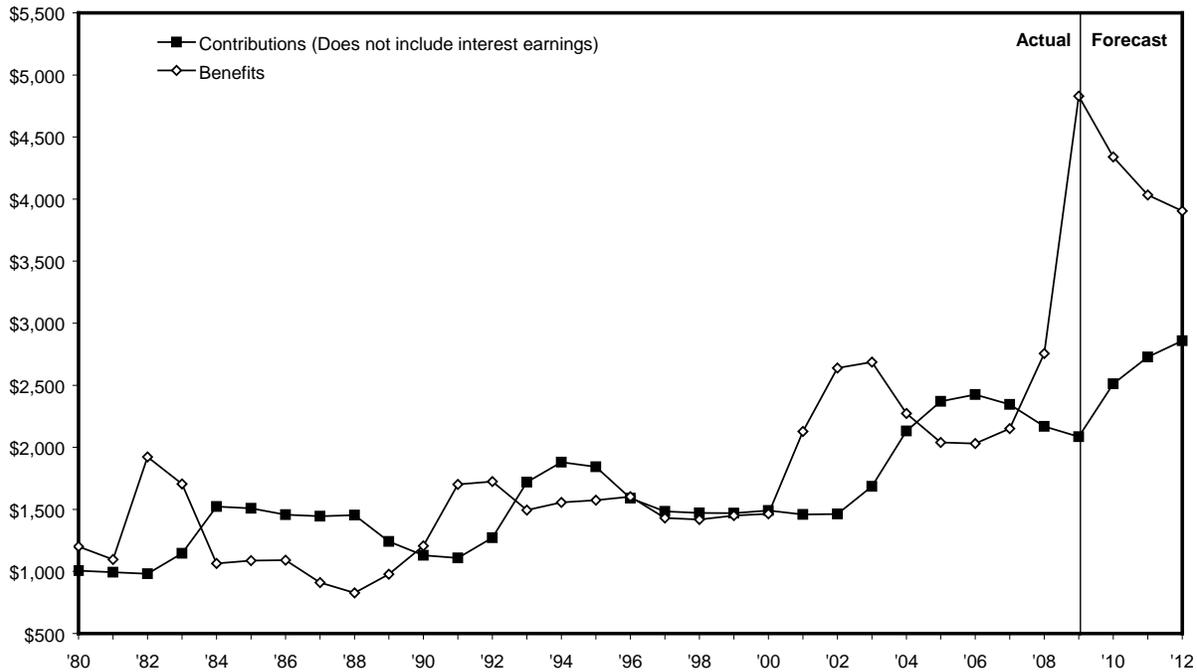
Unemployment Compensation (UC) contributions deposited in the Trust Fund during 2010 are forecast to total \$2.5 billion, a moderate increase of \$426 million from total UC deposits in 2009. The amount of total contributions deposited is projected to rise to \$2.7 billion in 2011 and \$2.9 billion in 2012.

Most employers are assigned a UC tax rate each year, which is based on the employer's UC experience (benefits charged versus taxes paid) and the employer solvency measures in effect. The assigned tax rate is applied to the employer's taxable wages to generate the amount of contributions due from that employer.

The average UC employer tax rate forecast for 2010 will be 5.6 percent, 1 percentage point higher than the 4.6 percent rate in 2009. The tax rate is forecasted to rise to 6.0 percent in 2011 and 6.1 percent in 2012. The higher tax rates in the 2010-2012 period reflect the solvency status of experience rated employers following an economic downturn, i.e., a sharp increase in benefits paid relative to taxes generated. Also, of the two solvency measures that impact the tax rate, the employer additional tax will rise from 0.25 percent in 2009 to 0.65 percent in 2010-2012. The employer surcharge will stay at 5.8 percent from 2010 to 2012.

Taxable wages, which are all wages up to \$8,000 earned by each employee, will be slightly higher than 2009's total of \$37.3 billion throughout the forecast period; totaling \$37.9 billion in 2010, \$38.7 billion in 2011 and \$39.8 billion in 2012. The underlying factors in the very modest increase in taxable wages are: the \$8,000 taxable wage base cap, a decline in

**UNEMPLOYMENT COMPENSATION TRUST FUND
BENEFIT AND CONTRIBUTION CASH FLOW
(In Millions)**



Note: Projections are based on the December 2009 GLOBAL INSIGHT Forecast

covered employment from the 2008 level and anemic growth in annual average covered wages. The \$8,000 taxable wage base has been unchanged since 1984, when it represented 45.1 percent of covered annual average wages, but by 2012 it will have fallen to only 16.9 percent of average wages. As discussed on pages 14 and 15, annual average UC covered employment is forecast to drop in 2010 and recover in 2011 and 2012. The covered annual average wage is forecast to grow by 2.7 percent per year from 2010 through 2012, compared to a 3.7 percent average annual increase for the five years from 2004 to 2008.

A few employers, designated reimbursable, repay the UC Trust Fund dollar-for-dollar for benefits paid to former employees. These employers consist of non-profits and government entities that have opted to be reimbursable. Contributions deposited

from reimbursable employers are projected to reach \$238 million in 2010, \$227 million in 2011 and \$221 million in 2012.

The final component of the total contributions deposited is the employee tax. Employee tax contributions are generated by applying the employee tax rate against all employee wages. Under the forecast, the employee tax will account for \$179 million of the contributions deposited in 2010, \$199 million in 2011 and \$208 million in 2012, based on a rate of 0.08 percent in 2010-2012.

Unemployment Compensation Trust Fund Summary

The forecast projects that the UCTF will remain insolvent through the 2010-2012 period, as expenditures far outpace revenues. In order to meet UC benefit obligations, the state will need to borrow

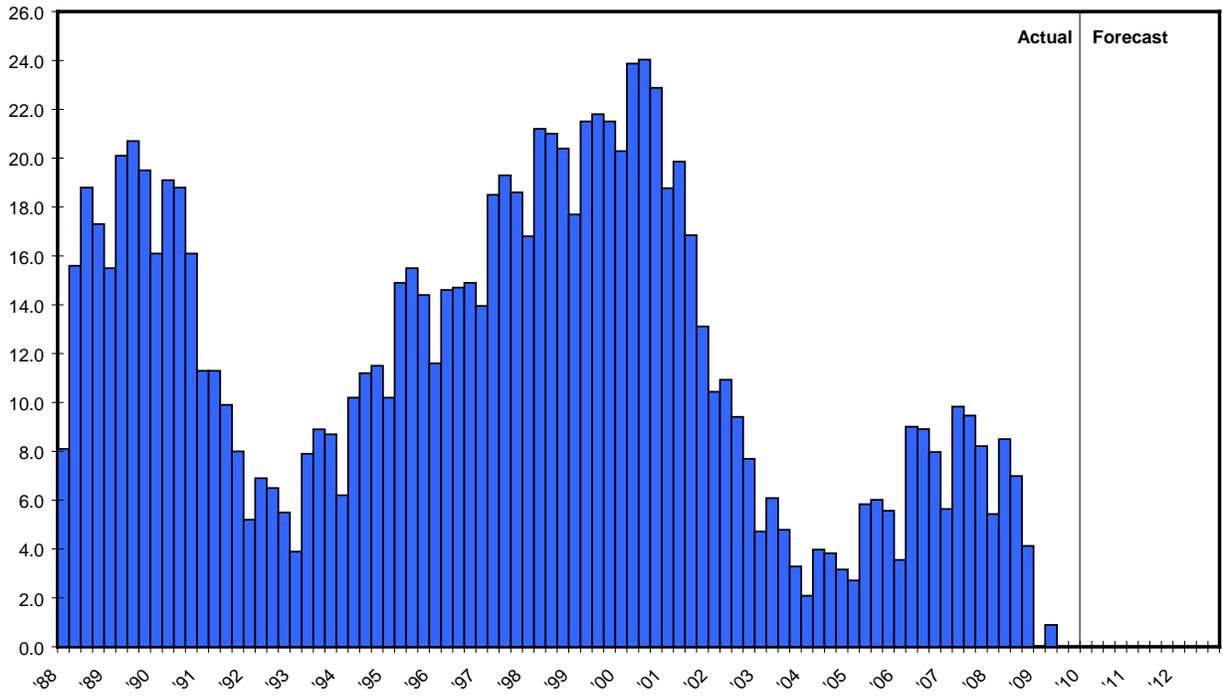
a total of \$9.6 billion from the federal government for the years 2010 to 2012. The first loans occurred in March 2009. The state will be able to make federal loan repayments of \$5.4 billion from the UCTF during the three-year period. In addition, FUTA loan repayments (see Page 24) will total \$103 million in 2012, leaving an outstanding loan balance of \$5.9 billion at the end of 2012.

The provision under the American Recovery and Reinvestment Act of 2009 (ARRA) temporarily waiving interest payments and the accrual in interest on loans received by state unemployment trust funds expires December 31, 2010. Consequently, since the state will be unable to repay the federal loans in a timely manner – i.e., there will be outstanding loans at the end of each year from 2010 to 2012 – the state will be charged interest for the loans. In order to pay the interest on the loans, employers will be assessed an interest factor. An employer's rate of contribution will be increased by the rate of the interest factor. All monies generated via the interest factor will be deposited in the Interest Fund which is separate from the UCTF. A total of \$446 million in interest will accumulate on the loans forecast for 2010 through 2012. The interest factor will be

implemented in 2011, at a rate of 0.48 percent, and 2012, at a rate of 0.66 percent. Interest tax revenues are projected to be \$163 million in 2011 and \$244 million in 2012. New employers are exempted from paying interest taxes.

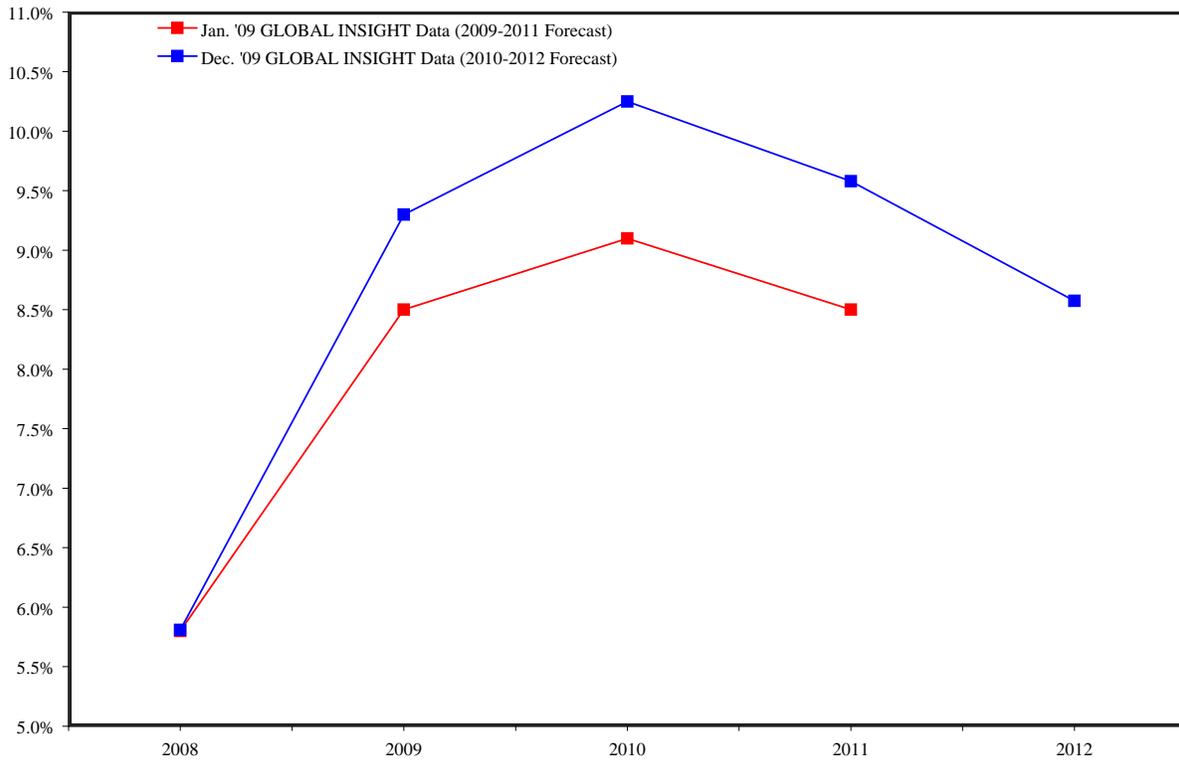
According to the Federal Unemployment Tax Act (FUTA), employers are taxed at a rate of 6.2 percent each year but are given a credit under certain conditions of 5.4 percent, which reduces the FUTA rate to 0.8 percent. FUTA revenues are used to pay for states' UC administrative costs, loans to states and UC extended benefits. However, if a state has an outstanding federal loan balance at the end of a third successive year, employers will have their credit reduced for that year. The FUTA loss-of-credit is increased by 0.3 percent each year until the federal loans are repaid. For Pennsylvania, the FUTA loss-of-credit is forecast to begin at 0.3 percent in 2011, increase to 0.6 in 2012, and continue increasing by 0.3 percent each year through at least 2018. The additional funds resulting from the loss-of-credit are used to repay the outstanding loans. The amount due is forecast to be \$103 million for 2011 (collected in 2012) and \$213 million for 2012 (collected in 2013) to repay loans.

**UNEMPLOYMENT COMPENSATION TRUST FUND
MONTHS OF BENEFITS IN RESERVE BY QUARTER**

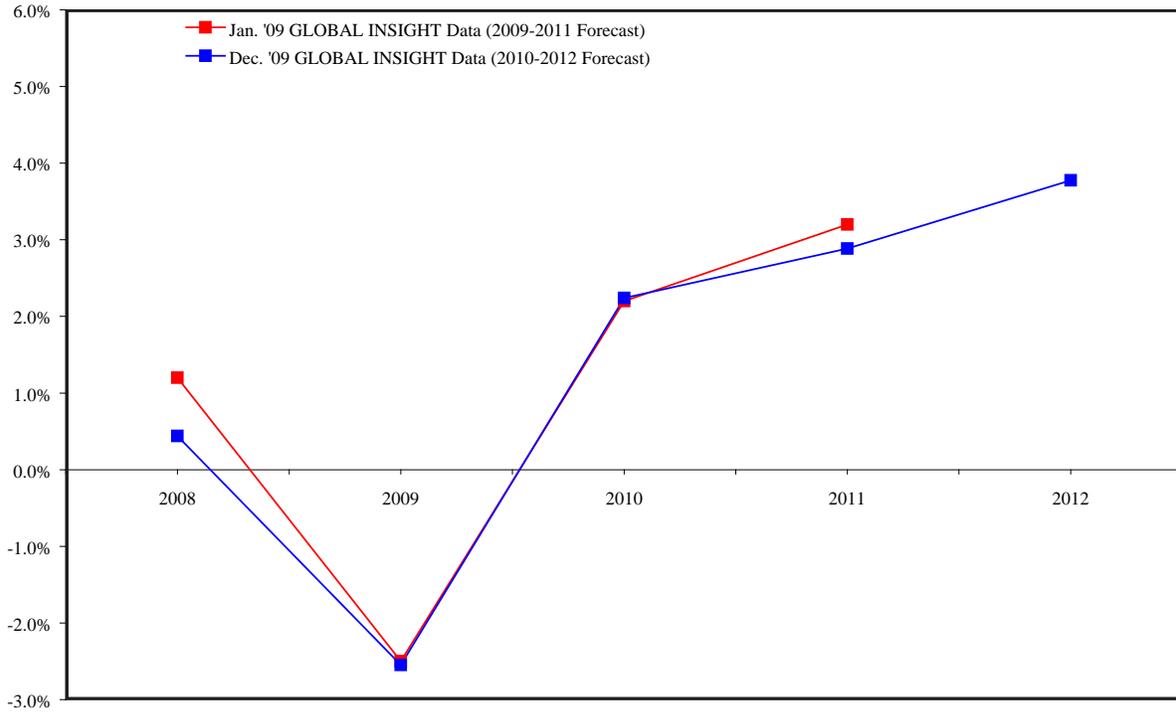


Note: Projections are based on the December 2009 GLOBAL INSIGHT Forecast

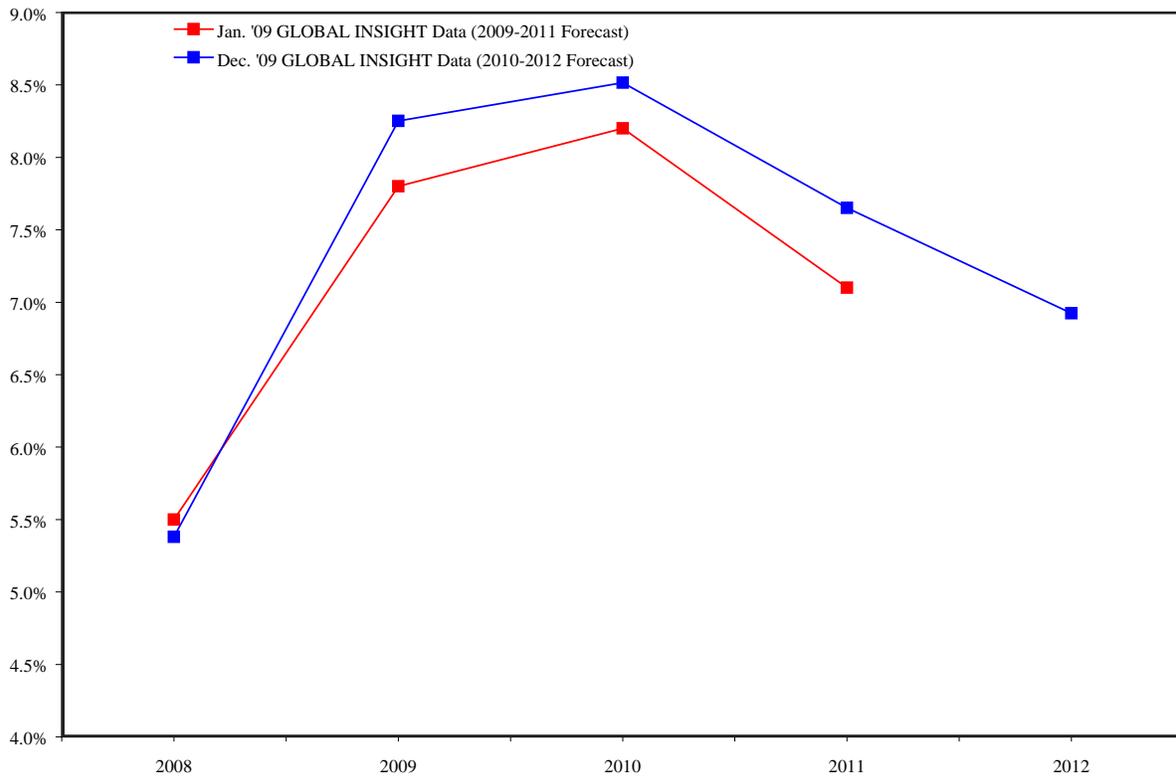
U.S. TOTAL UNEMPLOYMENT RATE



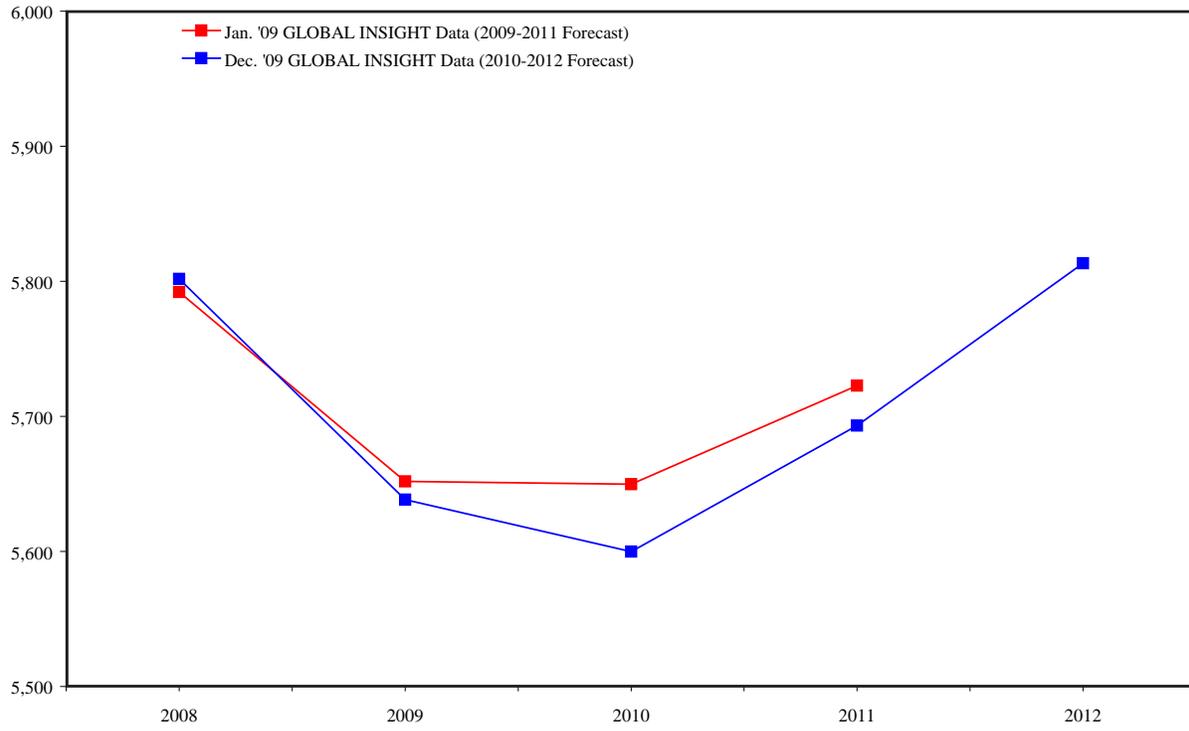
**U.S. GROSS DOMESTIC PRODUCT
(Percent Change)**



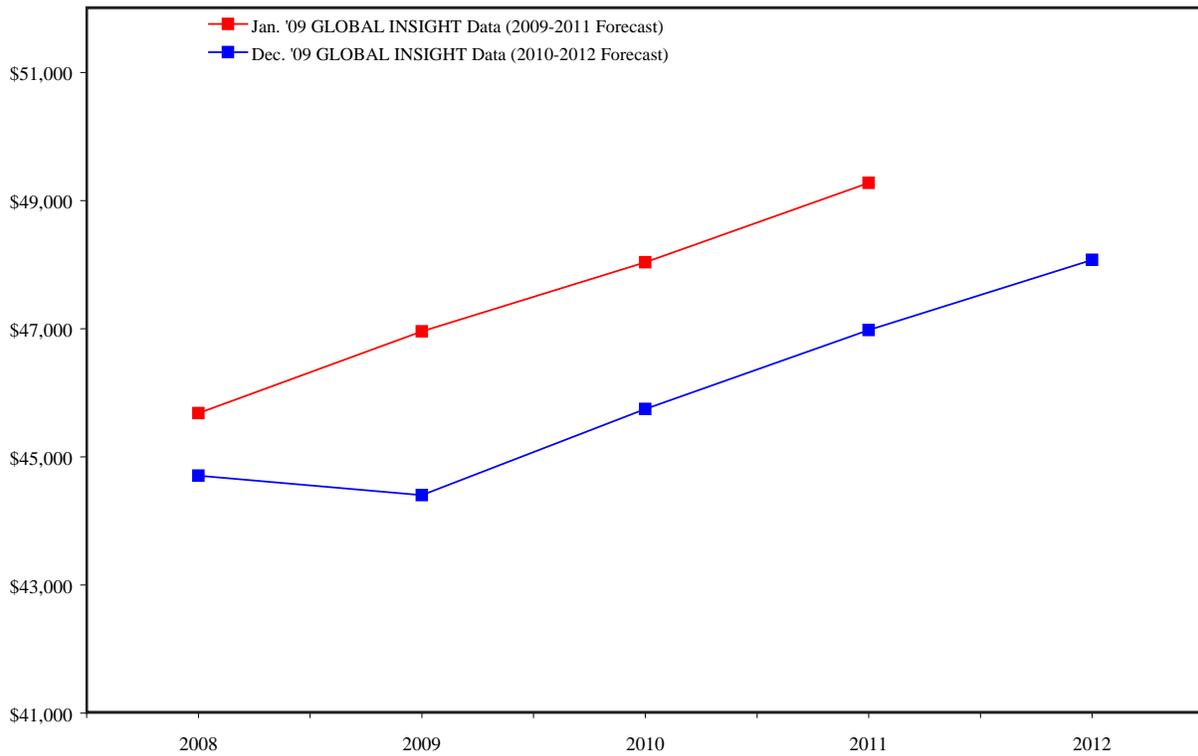
PA TOTAL UNEMPLOYMENT RATE



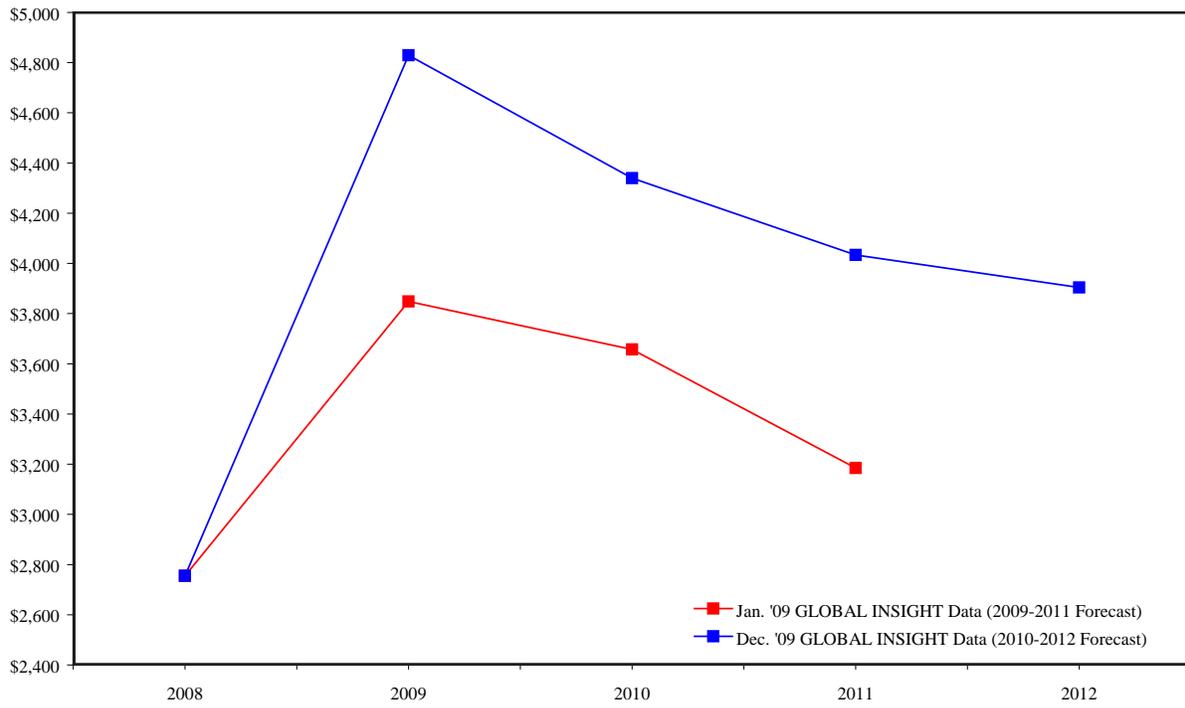
**PA NONAGRICULTURAL EMPLOYMENT
(In Thousands)**



PA AVERAGE ANNUAL WAGES



**NET REGULAR BENEFIT COST
(In Millions)**



**Unemployment Compensation Trust Fund
Cash Flow Statement 2009-2012
December 2009 Global Insight Forecast
(Dollars in Millions)**

	<u>Actual</u> <u>2009</u>	<u>2010</u>	<u>Forecast</u> <u>2011</u>	<u>2012</u>
Beginning Balance	\$980	\$3	\$0	\$0
Revenue	3,959	5,937	5,873	5,906
Employer and Employee a/	2,085	2,511	2,727	2,858
Other Income	1,874	3,426	3,146	3,048
UC Trust Fund Interest	7	3	2	1
Special Administration Fund	0	0	0	0
Reed Act	0	0	0	0
Loan Amount	1,867	3,423	3,144	3,047
Disbursements	4,936	5,938	5,872	5,906
Regular Benefits	4,829	4,340	4,034	3,904
Extended Benefits	0	0	0	0
Reed Act b/	107	0	0	0
Voluntary Loan Repayment	0	1,598	1,838	2,002
FUTA Loan Repayment c/	0	0	0	103
Ending Trust Fund Balance	\$3	\$0	\$0	\$0
Net Loan Balance	\$1,867	\$3,695	\$5,001	\$5,943
UC Trust Fund Solvency Percentage				
Trust Fund Balance as of June 30	\$243	\$0	\$0	\$0
Three Year Average Benefit Cost as of June 30	\$2,806	\$3,606	\$4,226	\$4,212
Trust Fund Solvency Percentage as of June 30 (Balance/Cost)	8%	0%	0%	0%

a/ Employee contributions were deposited in 2009 and are forecast to be deposited through 2012.

b/ Reflects Reed Act expenditures for administrative costs.

c/ After two consecutive January 1 dates pass (Jan 1, 2010 and Jan 1, 2011) with a loan balance and the loan balance is not repaid by November 10 of the second year (Nov 10, 2011), the employer FUTA tax is increased by 0.3 percent to repay federal loans. The tax is increased by 0.3 percent each year, with certain exceptions, until loans are repaid. The FUTA loss of credit is projected to begin in 2011 (the 0.3% increase will be applied to 2011 taxable wages and collected with tax returns in 2012).

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

**Unemployment Compensation Trust Fund
Solvency Trigger Mechanism
2009-2012
December 2009 Global Insight Forecast**

	<u>Actual</u> <u>2009</u>	<u>2010</u>	<u>Forecast</u> <u>2011</u>	<u>2012</u>
Solvency Percentage a/	8%	0%	0%	0%
Trigger Level a/	Less than 25%	Less than 25%	Less than 25%	Less than 25%
Solvency Measures Implemented b/				
Employer Additional Tax:				
<u>2008-2012</u>				
None				
0.25%	0.25%			
0.45%				
0.65%		0.65%	0.65%	0.65%
Contributions Due (in millions)	\$88	\$233	\$238	\$244
Employer Surcharge:				
<u>2008-2012</u>				
-1.10%				
None				
2.90%				
5.80%	5.8%	5.8%	5.8%	5.8%
Contributions Due (in millions)	\$90	\$103	\$114	\$120
Employee Tax:				
<u>2008-2012</u>				
None				
0.02%				
0.03%				
0.06%	0.06%			
0.08%		0.08%	0.08%	0.08%
Contributions Due (in millions)	\$142	\$193	\$202	\$210
Benefit Reduction:				
<u>2008-2012</u>				
None	None			
2.30%		2.3%	2.3%	2.3%
Benefit Reduction (in millions)	\$0	\$109	\$102	\$98
UC Trigger Reserve Account				
Transfer:				
No	No			
Yes		Yes	Yes	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 again in 2007 (for 2008-2012) as required by Unemployment Compensation Law. The solvency measure rates shown for 2008-2012 are based on actual data for 2006.

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 Additional Contributions b/	Employer Surcharge c/	Employee Tax d/	Benefit Reduction
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.			

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**

<u>Trigger Level</u>	<u>Employer Additional Contributions b/</u>	<u>Employer Surcharge c/</u>	<u>Employee Tax d/</u>	<u>Benefit Reduction</u>
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**

<u>Trigger Level</u>	<u>Employer Additional Contributions b/</u>	<u>Employer Surcharge c/</u>	<u>Employee Tax d/</u>	<u>Benefit Reduction</u>
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 are based on contribution and benefit activity for calendar year 2006.

STATUS OF UC PROGRAMS AND INITIATIVES

Unemployment Compensation Tax Services (UCTS) Accomplishments and Customer Focus

Below are some highlights of activity completed by UCTS during calendar year 2008:

- Completed 2,896 tax compliance audits on gross payroll of \$1,250,425,074.87.
- Collected \$62,162,352.16 in delinquent taxes.
- Established 1,082 payment plans.
- Completed 19,395 blocked benefit claim investigations. These are investigations that occur when a worker files a benefit claim and states that all or part of his wages are missing from the wage record file.
- Processed 7,169 UC tax rate appeals.

UCTS continues to participate in seminars and outreach programs to educate employers, accountants and payroll services on their rights and responsibilities under the Pennsylvania UC Law. Topics included are:

- Misclassified Workers
- Professional Employer Organizations (PEO)
- Contribution Rates
- Rate Appeal Deadlines
- Taxability of Corporate Officer Wages
- Coverage Issues
- UC Audits
- History of UC
- UC Modernization System (UCMS)

Upcoming Improvements for Employers: Employers will have a more efficient

means of filing quarterly UC reports and paying taxes online when the UCMS replaces those functions of the e-TIDES system. Employers and their representatives will continue to file and pay business taxes, other than UC, on e-TIDES. In addition, employers and employer representatives (aka Third Party Administrators, or TPAs) will be able to do the following:

- File quarterly wage report (UC-2A) information online. UCMS will use the wage information to calculate the employer's quarterly tax report (UC-2) information: gross and taxable wages and the amounts due for employee withholding, employer contributions, and interest and penalty if applicable.
- Upload a file containing quarterly wage report and tax report information. Acceptable file formats will be Interstate Conference of Employment Security Agencies, or ICESA, and Comma Delimited.
- Send a file containing quarterly wage report information via File Transfer Protocol, or FTP. FTP allows the transfer of files over the Internet. Acceptable file formats will be ICESA and Social Security Administration.
- Send a file containing quarterly tax report information via FTP using a tab delimited file format.
- Amend previously filed quarterly wage and tax reports. Through UCMS, this can be done online by uploading files or by sending files via FTP using the ICESA format.
- Pay all quarterly amounts due online by ACH debit and credit card (including a PIN-less debit card). Employers can also print a mailable payment voucher.

With the arrival of UCMS, TPAs representing more than one employer can file wage and tax report information for multiple clients by FTP. Filing quarterly wage reports via magnetic tapes, cartridges or diskettes will be discontinued.

e-Tides/UC-Tides

“e-TIDES” is an application jointly developed by L&I 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 L&I (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 2009, as indicated below:

	2007	2008	2009
UC-2 Tax Reports filed	190,491	192,611	274,770
UC-2A Wage Reports filed	151,519	221,786	241,373
Individual Wage Details	4,116,043	5,269,171	6,080,708
UC Payments (millions)	\$379.5	\$395.1	\$425.9

Electronic Filing Requirement Begins in 2011

All active Pennsylvania employers have been notified by a variety of means that, beginning with the quarter ending March 31, 2011, electronic filing of quarterly UC wage and tax reports will be required. Accordingly, no paper forms will be mailed to employers for the first quarter of 2011 and thereafter. This supports the efforts of the Unemployment Compensation Modernization System, or UCMS, to standardize the collection of wage data and employer contributions, increase employers’ self-service options, improve the accuracy of data, and make processing more efficient and less expensive to employers and the commonwealth.

Misclassified Workers

Studies have estimated that up to 25 percent of 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 the Office of Unemployment Compensation Tax Services (UCTS).

The federal government and other states have also encountered problems with the misclassification of employees as “independent contractors”, and the subsequent under-reporting of taxable wages. In order to address this issue, the UCTS is conducting audits of registered and unregistered employers in industries, where historically workers have been misclassified. During 2009 we discovered 8,985 misclassified workers and \$ 2,953,057.33 in underreported contributions. This effort will continue in 2010.

Currently, the Pennsylvania 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 has drafted proposed legislation to more clearly define the definition of an independent contractor. This will make it easier for employer’s to understand the law so that they can properly classify their workers.

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 benefits payments to former employees.

"SUTA Dumping" is the term applied to schemes by which employers artificially reduce state UC tax obligations by evading unfavorable experience records. When employers engage in SUTA Dumping and receive artificially low tax rates, any UC benefits that are not recovered by the lower rates must be underwritten by the general employer population, tending to raise the tax rates that must be paid by all employers in order to keep the UC Trust Fund solvent.

For several years, the department has been systematically targeting and investigating suspected cases of SUTA Dumping in the commonwealth. As of the end of 2009, the department has undertaken 251 investigations and has identified \$30 million in additional contributions payable to the Pennsylvania UC Trust Fund. This effort will continue in 2010.

Employer Contact Center

UCTS has opened a new Employer Contact Center in Harrisburg to respond to employer phone calls regarding unemployment compensation (UC) tax questions. Customers can now dial 1-866-403-6163 or, if in Harrisburg, 717-787-7679 for information on a variety of topics such as tax rates, coverage issues, employer status changes and registrations.

In 2010, the services provided by the Employer Contact Center will be expanded to include addressing customer UC Tax-related emails received by UC-

News and collecting small outstanding debts to UCTS.

Unemployment Compensation Service Centers (UCSC) Accomplishments and Customer Focus

In 2009, Pennsylvania's eight UCSCs completed over 5.7 million telephone calls. The UCSCs processed 1,063,823 new initial claims, 1,092,472 additional claims and more than 17.4 million continued claims (including over 8.5 million Internet UC continued claims). Additionally, the UCSC issued over 321,000 non-monetary determinations for UC eligibility.

During 2009, great strides were made with improving our technology to deal with the increased demands of serving unemployed individuals and Pennsylvania employers. The Harrisburg Overflow Center was created to assist other sites with an increased call volume that nearly doubled since 2008. A new Automated Call Distribution (ACD) system was installed at the nine call sites, which allows for 120 calls to be queued up at each site (compared to a maximum of 48 calls queued on the "old" ACD system). The new ACD also allows for greater flexibility with upfront queue selection capabilities, plus provides parallel queues for Spanish claimants. In December 2009, a Call Back feature was added to the new ACD, which provides claimants with the option of either waiting in the queue (on the phone) until serviced or having us call the claimants back without losing their place in the queue. A new call recorder system was also installed at each site, which allows for the continuing monitoring of business calls from/to our customers.

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's UCSCs provide translation services in 230 different languages through Language Services Associates InterpreTalk® 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 InterpreTalk® to assist in determining the customer's language need before providing further service. Additionally, there are 27 bilingual staff throughout the UCSCs.

In Pennsylvania, Spanish is the most requested language for interpretation/translation services (92 percent of all requests in 2009). Over 60,781 continued claims were filed via the Spanish Internet continued claims site during 2009 as compared to 17,037 in 2008. In addition, there is a paper claim form in Spanish 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.uc.pa.gov. There were 1,550 Spanish Internet initial claims in 2009 as compared to 1,496 in 2008.

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 67 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.

Office of Unemployment Compensation Benefits (OUCB) Workforce Development (WD) field staff continues to participate with PA CareerLink® partners in reemployment services for UC claimants. For example, in 2009, WD field staff assisted at 710 rapid response informational presentations and trade benefit rights interviews that impacted 44,725 workers. The field staff also participated in chairing 10 regional workforce development meetings. These meetings brought together workforce development partners for discussions regarding UC reemployment programs.

UC Program Reaches Out to Employers

The UC deputate sponsored 21 seminars for employers across the state in 2009. The purpose of these seminars was to educate employers about the provisions

of the UC Law and UC procedures. Topics included separation issues and appeal hearings. Feedback was very positive from employers who attended the seminars.

WD staff supported the UC Speaker's Bureau by educating employers with 25 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.

UC Participates in Here to Help Events

OUCB WD staff participated in 35 Here to Help Events throughout the state in 2009. These events provided unemployed persons one location where information could be found on social services available in their area. Some of the events were also held in conjunction with job fairs sponsored by PA CareerLinks®. WD staff answered questions from participants and made presentations regarding UC eligibility requirements and how to file applications for benefits.

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 helps eliminate benefit fraud and overpayments.

As of December 31, 2009, a total of 901,085 claimant identity verification requests were generated. Of these, 853,901, or 94.8 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 2009, a total of 575,565 claims (including new and additional) were processed over the Internet, accounting for 27 percent of new and additional claims filed. Also, Internet usage for filing biweekly claims continues to grow with current continued claims processed through the Internet accounting for about 49 percent of all continued claims, up from 44 percent in 2008.

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 from 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 2,421 overpayments in UC benefits, totaling \$2 million, during 2009. Almost \$2.3 million in overpayments was recovered in 2009.

Trade Adjustment Assistance

On February 17, 2009, the "Trade and Globalization Adjustment Assistance Act of 2009" was signed into federal law. This new law was part of the "American Recovery and Reinvestment Act of 2009"

(ARRA) (Public Law 111-5) and included changes to the eligibility requirements and benefits that are available under the Trade Adjustment Assistance (TAA) Program.

TAA is a federally funded program offering benefits to certain trade impacted workers, as determined by the US Department of Labor, at no cost to employers. These benefits include job training, income support, job search and relocation allowances, re-employment services, and a tax credit to help pay the costs of health insurance. The purpose of the TAA Program is to return workers to suitable employment. While many trade-affected workers will be able to find re-employment without assistance, the Trade Act program provides additional benefits to support the re-employment effort.

Some of the significant changes under the amended Trade Act include the expansion of the program to cover trade-impacted workers employed in the service sector and public agencies, training benefits for certain incumbent workers prior to separation, and industry wide certifications. The amounts of benefits available have increased. Most notably, eligible workers in training may now receive up to a maximum of 156 weeks of income support, up from 130 under the old Trade Act. The Health Coverage Tax Credit (HCTC), which pays a portion of health insurance premiums for eligible workers, has been increased from 65 percent to 80 percent.

In general, the new legislation will apply to Trade Act petitions filed on or after May 18, 2009. Workers certified under petitions filed prior to this date will be eligible for benefits under the Trade Act of 2002.

During 2009, 108 TAA petitions were

certified under the Trade Act of 2009, 15 of these were service sector related petitions.

In 2009, 25,000 workers were notified of their eligibility to apply for Trade Adjustment Assistance. During this period, there was less than one million dollars of TRA benefits issued due to claimants also qualifying to receive benefits under multiple state and federal extensions of unemployment insurance (UI) benefits. Under federal TAA Law, claimants must first have exhausted all rights to any other regular and extended state or federal UI benefits in order to qualify for TRA benefits.

HCTC is a tax credit that, because of changes made under ARRA, now covers 80 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, 2008, until September 30, 2009, the department transmitted a monthly average of 6,722 potentially eligible TRA recipients to the program administrator for the Internal Revenue Service (IRS). Of these individuals, an average of 1,822 were enrolled per month and received a payment for the tax credit.

As a supplemental wage demonstration project, the Reemployment Trade Adjustment Assistance (RTAA) for Older Workers (over 50 years old) Program permits workers to receive up to \$12,000 over a two-year period. Under the Trade Act of 2009, all certified petitions include RTAA. In 2009, 13 claimants were paid RTAA benefits totaling \$32,996. Alternative Trade Adjustment Assistance (ATAA) was extended and remains available to workers certified for ATAA

under petitions filed prior to May 18, 2009. In 2009, 340 claimants were paid ATAA benefits totaling \$970,440.

Federal Emergency Unemployment Compensation (EUC) and Pennsylvania Extended Benefits (EB) Programs

Emergency Unemployment Compensation (EUC) benefits began in July 2008 with the first tier of 13 weeks of EUC benefits. Legislation was enacted in November 2008 to increase the up to 13-week maximum entitlement of the first tier of EUC to up to 20 weeks of EUC benefits in all states. This federal law applied retroactively as if included in original EUC Law. The first payable week of the extended EUC benefits was the week ending November 29, 2008. This legislation also provided for a second tier of up to 13 more weeks of EUC benefits that became available to unemployed Pennsylvanians who had exhausted their entire first tier of EUC entitlement if a period of very high unemployment, as defined in EUC Law, “triggered on” in Pennsylvania. During the week ending January 3, 2009, Pennsylvania reached that level of unemployment, and, during the week ending January 24, 2009, Pennsylvania began to pay Tier 2 EUC benefits.

On February 17, 2009, the “*American Recovery and Reinvestment Act of 2009*” (ARRA, Public Law 111-5, a.k.a. “Stimulus Law”) was signed into federal law. Under a provision of this law, states were permitted to opt to pay EUC benefits to claimants before Extended Benefits (EB) if the state was in an extended benefits period. During the week ending January 31, 2009, Pennsylvania reached the level of unemployment specified in the Pennsylvania UC Law to permit

the payment of up to 13 weeks of Pennsylvania EB benefits. The first EB week payable was February 21, 2009. The EB Program is a joint federal-state undertaking pursuant to the Federal-State Extended Unemployment Compensation Act of 1970 (EUCA).

Because Pennsylvania was in an EB period, as permitted under ARRA, the state opted to pay EUC benefits to qualified claimants prior to paying their EB benefits. When EUC claimants exhausted the maximum amount of EUC they qualified to receive, they could then begin to claim EB if they remained eligible for unemployment compensation and Pennsylvania remained in an EB period. Also under ARRA, the cost allocation for EB temporarily changed so that the federal government paid for 100 percent, rather than the usual 50 percent, of the cost of EB for weeks of unemployment through January 2, 2010. However, state and local government employers remained liable to reimburse the full costs of EB benefits paid to their former workers.

On July 29, 2009, Governor Rendell signed into law HR 1770. This amended Pennsylvania UC Law by adding a temporary, alternative trigger mechanism based on PA’s total unemployment rate (TUR) that allowed PA to provide up to 7 additional weeks of EB available to regular EB exhaustees during a “High Unemployment Period” (HUP). Under this amended law, the new TUR trigger for High Unemployment Period Extended Benefits (HUP EB) remains in effect only as long as 100 percent federal funding of EB benefits is available under ARRA. During the week ending July 18, 2009, Pennsylvania reached the level of unemployment specified in the Pennsylvania UC Law, to permit the

payment of up to 7 weeks of HUP EB, beginning with the week ending August 8, 2009.

On November 6, 2009, the “*Worker, Homeownership, and Business Assistance Act of 2009*” (Public Law 111-92) was enacted into federal law. This law expanded benefits currently available under the EUC, effective with the week ending November 14, 2009. Although the maximum amount of Tier 1 EUC benefits available to claimants remained unchanged, the maximum Tier 2 EUC benefits for all EUC claimants increased by up to one more week. This law also provided for two new tiers of EUC benefits. EUC Tier 3 provides for up to 13 more weeks of EUC benefits under certain conditions, and EUC Tier 4, provides for up to 6 more weeks of EUC benefits under certain conditions.

On December 19, 2009, the “*2010 Defense Appropriations Act*” (Public Law 111-118), was signed into federal law. This new legislation continued the EUC program through the end of February 2010. In addition, this legislation allowed HUP EB to continue.

From the EUC Program’s inception through the week ending December 26, 2009, 592,296 initial EUC claims have been filed and 9,156,984 EUC payments have been issued for all of the tiers of

EUC, totaling \$3,028,003,483, making the average weekly payment amount approximately \$330.

From the EB Program’s inception through the week ending December 26, 2009, 164,002 initial EB claims have been filed and 1,286,270 EB payments have been issued for EB and HUP EB, totaling \$416,072,596, making the average weekly payment amount approximately \$323.

Federal Additional Compensation (FAC) Program

The American Recovery and Reinvestment Act of 2009, Public Law 111-5, provided funding to allow states to pay an additional \$25 each week to individuals collecting unemployment. The FAC payments are provided to all claimants filing under any UC program, including regular UC, Emergency Unemployment Compensation, State Extended Benefits, Trade Readjustment Assistance, Disaster Unemployment Assistance and Self Employment Assistance, who are eligible to receive at least \$1 in unemployment benefits for that week. These additional payments and the administrative cost of the program are funded by the federal government. The first payable week of FAC was February 28, 2009. Unless extended further, the last payable week of FAC is September 4, 2010.

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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

		Minimum		Maximum		
		Earning Requirement			Earning Requirement	
Year	Weekly Benefit Rate a/	High Quarter	Base Year	Weekly Benefit Rate a/	High Quarter	Base Year
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 b/	11,888	19,040
2006	35	800-812	1,320	497 b/	12,363	19,800
2007	35	800-812	1,320	520	12,938	20,720
2008	35	800-812	1,320	539	13,413	21,480
2009	35	800-812	1,320	558	13,888	22,240

a/ Does not include \$5 for first dependent and \$3 for second dependent which became effective October 1, 1971.

b/ 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 to the fact 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
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	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	1,250,506	621,639	8,535,079	590,835
2008	3.5	1,445,344	747,708	10,102,236	702,410
2009	6.1 a/	2,026,055	962,106	17,099,144	963,009

a/ Preliminary rate based on actual 2009 claims activity and a 2009 covered employment estimate based on the first six months of the year due to a six-month lag in reporting covered employment.

DEFINITIONS FOR UC PAYMENT ACTIVITIES

First Payment	- First benefit payment 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 Payment	- 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 Payment	Average Duration In Weeks
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 a/	461,257	139,872	7,671,548	2,039,147,620	265.81	16.6
2006 a/	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
2008	562,343	166,330	9,035,608	2,754,579,009	304.86	16.1
2009	778,078	348,776	15,354,983	4,828,714,505	314.47	19.7

a/ The net benefit amount and average payment include the benefit reduction that was in effect that year.

DEFINITIONS FOR UC 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
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
2008	280,859	115,229	165,630
2009	321,513	131,324	190,189

a/ Includes additional categories of nonmonetary determinations pertaining primarily to the establishment of overpayments and penalty weeks not counted in other years. The majority of these determinations are 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 associations 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 associations 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/	
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
2008	2,169,441,194	1,862,750,090	140,665,138	166,025,966	979,744,079
2009	2,085,131,909	1,695,631,908	230,354,152	159,145,850	-1,864,197,685

a/ Liability for employee contributions occurred from January 1984 through 1988, January 1992 through 1996 and January 2003 through 2009. 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 times 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)		Employer Surcharge		Employer Additional Tax		Employee Tax		Benefit Reduction	
Year a/	Solvency Percentage b/	Rate	Amount Due c/	Rate	Amount Due c/	Rate	Amount Due c/	Rate	Reduction
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	46	None	0	0.0005	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	0.4	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	149	0.09	214	None	0
2008	80	5.8	96	0.25	93	0.06	147	None	0
2009	8	5.8	90	0.25	88	0.06	142	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
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	5,363,633	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	5,549,120	237,997,366,760	39,556,490,436
2008	287,417	5,554,566	244,561,264,585	39,345,958,986
2009	285,010	5,376,548 b/	117,135,521,190 b/	30,192,167,801 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
1990	8,000	3.42% a/	58	42
1991	8,000	3.35 a/	57	43
1992	8,000	3.81 b/	57	43
1993	8,000	4.83 c/	51	49
1994	8,000	4.99 c/	52	48
1995	8,000	4.78 c/	55	45
1996	8,000	4.16 d/	59	41
1997	8,000	3.95	62	38
1998	8,000	3.84	61	39
1999	8,000	3.78 e/	62	38
2000	8,000	3.72 e/	61	39
2001	8,000	3.66 e/	60	40
2002	8,000	3.70 e/	61	39
2003	8,000	4.22 f/	61	39
2004	8,000	5.07 g/	57	43
2005	8,000	5.43 h/	56	44
2006	8,000	5.39 h/	56	44
2007	8,000	5.01 g/	56	44
2008	8,000	4.67 i/	58	42
2009	8,000	4.64 j/	57	43

- a/ Tax rates for 1990 and 1991 include a negative 1.5 percent surcharge.
- b/ Tax rate for 1992 includes a positive 4.0 percent surcharge.
- c/ 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.
- d/ Tax rate for 1996 includes a positive 4.7 percent surcharge.
- e/ The tax rate for 1999, 2000, 2001 and 2002 includes a negative 1.4 percent surcharge.
- f/ The tax rate for 2003 includes a positive 3.6 percent surcharge.
- g/ The tax rate for 2004 and 2007 includes a positive 7.2 percent surcharge and 0.4 additional tax.
- h/ The tax rate for 2005 and 2006 includes a positive 7.2 percent surcharge and 0.6 additional tax.
- i/ The tax rate for 2008 includes a positive 5.8 percent surcharge and 0.25 additional tax.
- j/ The tax rate for 2009 includes a positive 5.8 percent surcharge and 0.25 additional tax. The 2009 tax rate is based on estimated 2009 taxable payrolls.

DEFINITIONS FOR SUMMARY OF TAX RATES BY INDUSTRY

- | | |
|----------------------------------|---|
| Major Sector | - Primary activity of covered employers based on the grouping according to the 2002 edition of the “North American Industry Classification System”. |
| 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 2009

Major 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	2,591	4.41%	\$2,936	\$434	\$7
Construction	30,317	7.68	13,163	2,870	-2,218
Manufacturing	14,556	5.21	35,480	6,238	1,316
Trade	49,769	4.15	31,097	7,972	2,459
Transportation and Warehousing	7,137	5.54	10,324	1,932	442
Information	3,146	5.36	5,985	938	331
Financial Activities	18,695	4.43	21,315	3,022	1,006
Professional and Business Services	47,191	5.09	36,007	6,275	1,146
Education and Health Services	39,202	4.04	17,455	4,080	973
Leisure and Hospitality	25,645	4.13	8,205	3,936	819
Other Services	27,375	3.91	4,494	1,320	364
Local Government	961	3.34	248	70	23
TOTAL	280,252	4.83%	\$187,387	\$39,231	\$6,699

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 2007 (July 2007-June 2008) taxable payroll. The assigned tax rate is higher than the net end of year tax rate shown on page 51.

c/ Data for the fiscal year ending June 30, 2008 used to compute 2009 tax rates.

NOTE: Industry details may not add to totals due to rounding. In addition, information regarding the industry classification of some employers was not available.

**DEFINITIONS FOR
EXTENDED BENEFITS, TEMPORARY EXTENDED AND
EMERGENCY 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 to the fact 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
2009	157,345	153,705	1,241,202	3,551	2,346	1,205

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

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.

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/
2008	152,265	151,911	1,793,587	11,928	5,722	6,206
2009	416,053	344,490	5,603,326	20,045	9,039	11,006

a/ Emergency unemployment compensation period began during week of November 23, 1991. Another period began during the week of July 12, 2008. Data include UC, UCFE and UCX claims and determinations.

b/ Estimated

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

d/ Effective for 1997 these data are no longer collected for the first emergency unemployment compensation period.

**DEFINITIONS FOR
EXTENDED BENEFITS, TEMPORARY EXTENDED AND
EMERGENCY 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 payments. |
| Average Payment | - 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 Payment	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
1984-08 a/	192	218	1,315	-2,476,462	n/a	n/a
2009	83,718	74,202	1,301,027	393,017,739	302.08	15.5

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.

Temporary Extended Unemployment Compensation Payment Activities

Year a/	First Payments	Final Payments	Weeks Paid	Net Benefit Amount	Average Payment	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
2008	0	0	0	(\$43,493)	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 payments.

Emergency Unemployment Compensation Payment Activities

Year a/	First Payments	Final Payments	Weeks Paid	Net Benefit Amount	Average Payment	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
2008	143,551	0	1,683,196	531,265,717	315.63	11.7
2009	593,062	346,007	7,687,253	2,569,897,569	334.31	13.0

2009						
Tier I	326,777	231,099	5,399,002	1,790,773,822	331.69	16.5
Tier II	213,634	114,906	2,010,752	650,086,608	323.31	9.4
Tier III	52,651	2	277,499	90,096,537	324.67	5.3

a/ Emergency unemployment compensation period began during the week of November 23, 1991. Another period began during the week of July 12, 2008. Data include payments for UC, UCFE and UCX.

b/ Data for 1995-2007 represent residual activity from the emergency unemployment compensation period which ended during 1994. 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/
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	5,831	255	4.2
2001	12,296	6,168	5,874	293	4.8
2002	12,322	6,218	5,869	349	5.6
2003	12,351	6,145	5,796	349	5.7
2004	12,377	6,197	5,860	337	5.4
2005	12,405	6,270	5,958	312	5.0
2006	12,441	6,309	6,022	286	4.5
2007	12,433	6,330	6,055	275	4.3
2008	12,448	6,441	6,099	342	5.3
2009	12,605	6,414	5,895	519	8.1

2009					
JAN	N/A	6,412	5,925	487	7.6
FEB	N/A	6,394	5,882	512	8.0
MAR	N/A	6,376	5,866	509	8.0
APR	N/A	6,366	5,899	468	7.3
MAY	N/A	6,418	5,911	507	7.9
JUN	N/A	6,474	5,936	538	8.3
JUL	N/A	6,510	5,963	547	8.4
AUG	N/A	6,466	5,922	545	8.4
SEP	N/A	6,383	5,862	521	8.2
OCT	N/A	6,384	5,856	528	8.3
NOV	N/A	6,407	5,879	528	8.2
DEC	N/A	6,378	5,835	543	8.5

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 March 1, 2010 revision.



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