

PUBLISHED JULY 15, 2016

# UNEMPLOYMENT INSURANCE OUTLOOK



**OFFICE OF UNEMPLOYMENT  
INSURANCE**  
DIVISION OF FISCAL  
AND ACTUARIAL SERVICES

## MIDSESSION REVIEW **FY 2017**



## KEY DATA -- FY 2016/FY 2017

		FY 16	FY 17
Total Unemployment Rate (Civilian)		4.9 /	4.7 %
Insured Unemployment Rate		1.6 /	1.6 %
 <b>OUTGO</b>			
♦ Benefits Paid (All Programs)	\$	33.3 /	33.4 billion
Number of First Payments (State UI+UCFE+UCX)		6.4 /	6.4 million
Average Duration of Benefits (All Programs)		15.8 /	15.6 weeks
Average Weekly Benefit Amount (All Programs)	\$	331.70 /	334.90
♦ Administrative Costs	\$	4.2 /	4.3 billion
 <b>INCOME</b>			
♦ Payroll Taxes			
FUTA	\$	5.8 /	6.0 billion
State	\$	40.9 /	41.5 billion
♦ Interest on State Loans	\$	0.13 /	0.06 billion
Interest Rate (Calendar Year)		2.22% /	2.25%
 <b>NET TRUST FUND BALANCES (END OF FISCAL YEAR)</b>			
♦ State Trust Fund Accounts (Excluding Loans)	\$	43.8 /	56.1 billion
♦ Employment Security Administration Account (ESAA)	\$	2.1 /	2.3 billion
♦ Extended Benefit Account (EUCA) (Excluding General Fund Advances)	\$	-11.0 /	-9.4 billion
♦ Loan Account (FUA) (Excluding General Fund Advances)	\$	8.1 /	8.3 billion

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## OVERVIEW

Twice each year, when the Office of Management and Budget issues economic assumptions for the federal budget, the Division of Fiscal and Actuarial Services (DFAS) of the Office of Unemployment Insurance (OUI) uses those assumptions to develop financial projections for the Unemployment Insurance system.

Using the economic assumptions, the paths of key program variables are projected for the following five years. It should be noted that the economic assumptions are based on short and long-term trends, deviations from the assumed economic path could have a significant effect on the accuracy of the estimates shown here.

Highlights of the analysis for the FY 2017 President's Budget Midsession Review are detailed below. The total unemployment rate (TUR) is assumed to average 4.9% in FY 2016 and 4.7% in FY 2017, which is slightly up from 4.8% and 4.5% respectively in the FY 2017 President's Budget.

Under these assumptions:

- The insured unemployment rate (IUR) is projected to average 1.6% in both FY 2016 and FY 2017 which is roughly the same as the President's Budget.
- State UI regular benefit outlays are estimated to be \$32.3 billion in FY 2016 and \$32.4 billion in FY 2017, up slightly from the President's Budget.
- Revenues and interest income for state trust fund accounts are projected to exceed benefit outlays by \$9.5 billion in FY 2016 and by \$10.2 billion in FY 2017 due largely to lower projected state tax rates.
- State trust fund account balances, net of FUA loans, are projected to continue to increase during the projection period. The net state trust fund account balance is projected to reach \$56.1 billion by the end of FY 2017 which is higher than it has been over the past 20 years. The next highest end of year balance was \$54.8 billion in FY 2000, however borrowing by some states is projected to continue through FY 2018. Additionally, these estimates do not include significant debt remaining in bonds issued by a handful of states in order to repay or avoid federal UI loans.
- State borrowing from the Federal Unemployment Account (FUA) is expected to effectively end in FY 2018. At the end of June 2016 there was \$3.5 billion outstanding in Federal loans from three states, down from \$7.4 billion from 4 states at the end of CY 2015. At the end of CY 2015 there was an unofficial estimate of approximately \$8.3 billion in outstanding private debt instruments from six states.
- FUA completed repaying its general fund advance balance in June of 2015. EUCA is projected to finish repaying its general fund advance balance in FY 2019 before then beginning to repay the noninterest bearing advances made from FUA.

### Proposed Legislation

The tables in this publication are based on current law. The FY 2017 President's Budget included a solvency proposal which would return the net FUTA tax rate to 0.8% in 2017, then reduce it to 0.167% in 2018. The FUTA taxable wage base (which effectively provides a floor for state taxable wage bases) would be increased to \$40,000 in 2018, then indexed to wage growth in each year thereafter. Also, states would be required to have a minimum tax equivalent to 0.175% of the FUTA wage base beginning in 2018, (in 2018 that equates to \$70). Further, the proposal includes a change to the FUTA credit reduction rules, so that beginning in 2018, the FUTA credit reduction statutes will apply to states with an Average High Cost Multiple (AHCM) of less than 0.5 on two or more consecutive January firsts. (An AHCM of 1.0 indicates that a state has sufficient funds in its trust fund account to pay benefits for one year of an average recession). These changes would improve state solvency while increasing state loan repayments as well as speed up repayment of outstanding EUCA general fund advances.

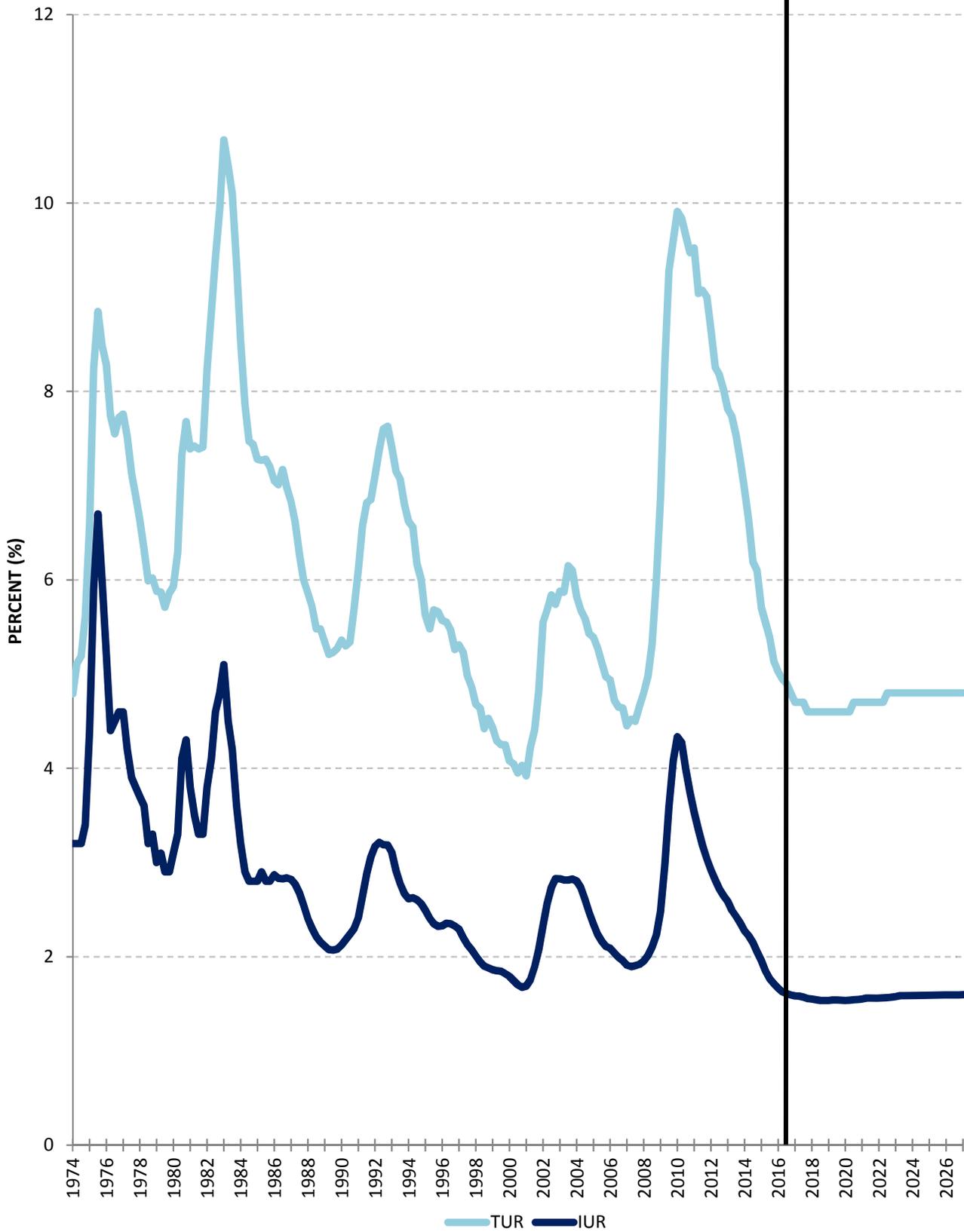
Questions and/or comments regarding this document are welcomed. Please contact Kevin Stapleton at [stapleton.kevin@dol.gov](mailto:stapleton.kevin@dol.gov) or (202) 693-3009 or Robert Pavosevich at [pavosevich.robert@dol.gov](mailto:pavosevich.robert@dol.gov) or (202) 693-2935 or write to:

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**ECONOMIC ASSUMPTIONS**  
**FY 2017 Midsession Review**

<b>Fiscal Year</b>	<b>Civilian TUR (%)</b>	<b>IUR (%)</b>	<b>Change in GDP Price Index (%)</b>	<b>Real GDP Growth (%)</b>
2015	5.4	1.7	1.1	2.6
2016	4.9	1.6	1.1	1.9
2017	4.7	1.6	1.4	2.5
2018	4.6	1.6	2.0	2.4
2019	4.6	1.6	1.8	2.3
2020	4.7	1.6	2.1	2.2
2021	4.7	1.6	2.0	2.2

# U.S. UNEMPLOYMENT RATES



**UI PROGRAM ESTIMATES**  
**FY 2017 Midsession Review**  
**(Billions of Dollars)**

<b>FISCAL YEAR</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Civilian TUR (%)	4.9	4.7	4.6	4.6	4.7	4.7
IUR(%)	1.6	1.6	1.6	1.6	1.6	1.6
Coverage (millions)	138.4	140.7	142.2	143.2	144.0	144.7
AWBA (Regular)	328.53	331.84	338.99	347.81	357.61	368.02
Benefit Outlays (All Programs)	33.33	33.41	34.23	35.53	37.01	38.84
<b><u>STATE UI</u></b>						
First Payments (millions)	6.3	6.3	6.6	6.7	6.8	6.9
Regular Benefit Exhaustions (millions)	2.4	2.3	2.3	2.3	2.3	2.4
Regular Benefits Paid	32.29	32.40	33.12	34.34	35.72	37.31
EB (State Share)	0.00	0.00	0.00	0.00	0.00	0.00
State Collections	40.87	41.49	40.56	40.08	40.16	40.89
Interest Earned	0.92	1.14	1.39	1.66	1.94	2.28
<b><u>FEDERAL ACCOUNTS</u></b>						
FUTA Collections (1)	5.84	6.00	6.09	6.17	6.25	6.33
-To EUCA	1.17	1.20	1.22	1.23	1.25	1.27
-To ESAA	4.67	4.80	4.87	4.94	5.00	5.06
Outlays						
-Federal EB Share	0.00	0.00	0.00	0.00	0.00	0.00
-EUC08	0.00	0.00	0.00	0.00	0.00	0.00
-Administrative Costs	4.21	4.28	4.35	4.43	4.52	4.61
FECA Outlays	0.80	0.74	0.75	0.76	0.81	1.04
-UCFE	0.32	0.31	0.32	0.33	0.37	0.59
-UCX	0.48	0.43	0.43	0.43	0.44	0.46
Trade Benefits	0.25	0.27	0.36	0.43	0.47	0.49
Federal Additional Compensation	0.00	0.00	0.00	0.00	0.00	0.00
<b>(1) Excluding Reduced Credits</b>						

Note: Administrative costs for years beyond 2017 are based on growth factors applied to all programs in the Federal budget.

**COMPARISON OF PROJECTIONS**  
**(Billions of Dollars)**

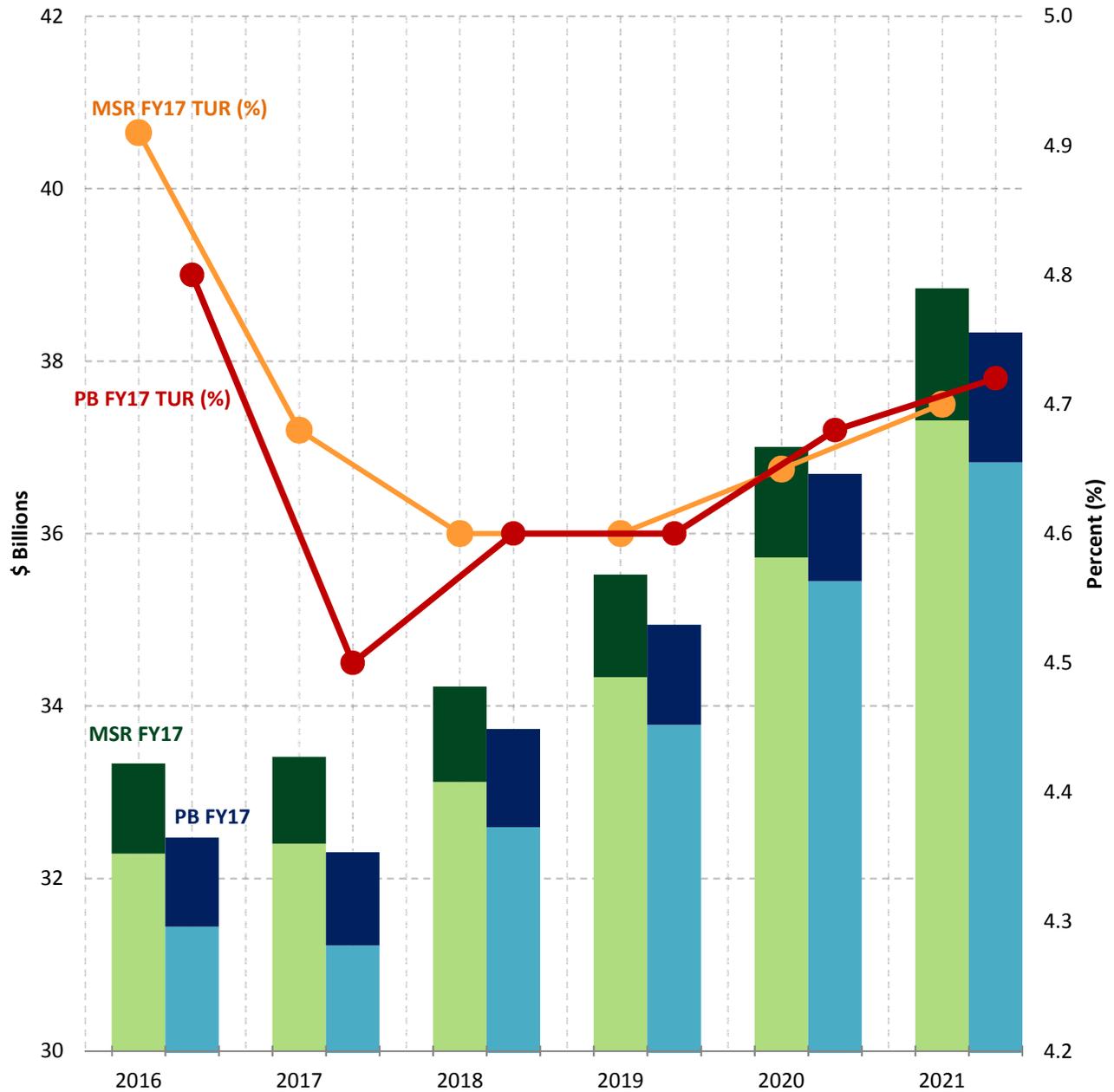
	FY 2017 Midsession Review		FY 2017 President's Budget	
	FY 2016	FY 2017	FY 2016	FY 2017
Civilian TUR (%)	4.9	4.7	4.8	4.5
IUR (%)	1.6	1.6	1.7	1.6
AWBA	328.53	331.84	313.70	318.03
Benefits				
-Regular	32.29	32.40	31.44	31.22
-EB	0.00	0.00	0.00	0.00
-EUC08	0.00	0.00	0.00	0.00
Revenues				
-State	40.87	41.49	41.35	40.57
-FUTA (1)	5.84	6.00	5.83	5.93
State Loans				
-Loans	6.19	1.81	2.85	1.24
-Repayments (2)	8.93	5.03	6.77	4.50
-Interest	0.13	0.06	0.11	0.04
-Balance	4.51	1.29	3.32	0.06
Balances				
-State Accounts (3)	43.79	56.11	45.08	57.59
-EUCA (3)	-10.97	-9.42	-14.61	-13.05
-FUA (3)	8.15	8.27	12.36	12.47

(1) Excluding reduced credits

(2) Including reduced credits

(3) Net balances excluding loans/advances

# UI Program Estimates



## Midsession Review(MSR) FY 2017:

■ MSR Regular State UI Benefits    
 ■ MSR Trade + FECA    
 ■ MSR Extended Benefits Programs

## President's Budget (PB) FY 2017:

■ PB Regular State UI Benefits    
 ■ PB Trade + FECA    
 ■ PB Extended Benefits Programs

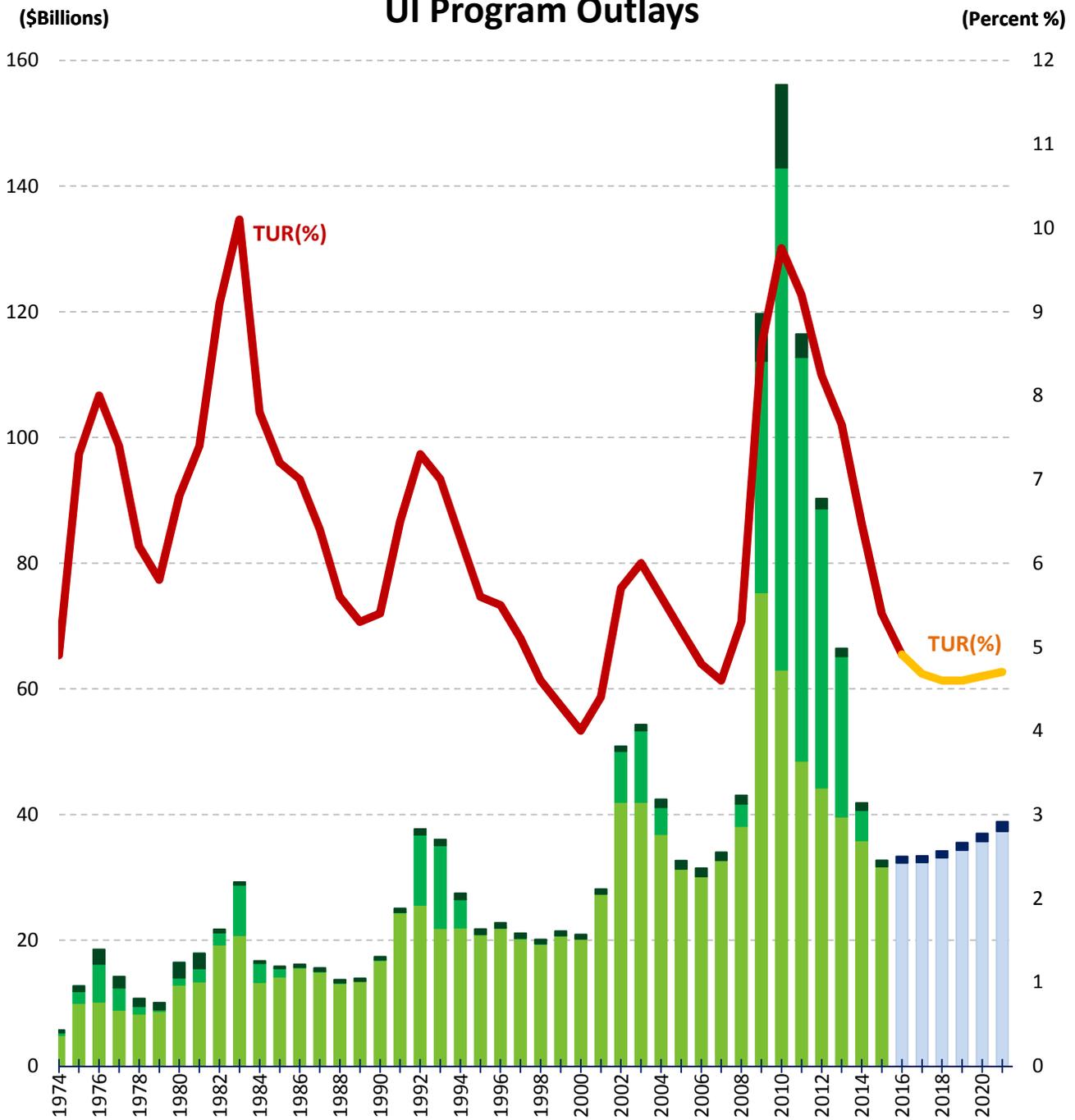
## Total Unemployment Rate (%):

—●— MSR TUR    
 —●— PB TUR

**HISTORICAL UI PROGRAM STATISTICS**  
**(Billions of Dollars)**

<b>FISCAL YEAR</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Civilian TUR (%)	8.6	9.8	9.2	8.2	7.6	6.5	5.4
IUR (%)	4.1	3.7	3.1	2.7	2.4	2.1	1.7
Coverage (millions)	128.3	125.6	126.2	128.3	130.6	133.1	135.9
AWBA (Regular)	298.96	291.38	295.3	289.8	296.47	301.25	314.11
Benefit Outlays (All Programs)	119.69	156.37	113.45	90.43	66.50	41.90	32.46
<b><u>STATE UI</u></b>							
First Payments (millions)	14.4	11.3	9.7	8.7	8.1	7.2	6.6
Regular Benefit Exhaustions (millions)	6.4	7.0	5.1	4.4	3.8	3.2	2.6
Regular Benefits Paid	75.34	63.04	48.52	44.26	39.64	35.88	31.72
EB (State Share)	0.00	0.24	0.36	0.11	0.03	0.00	0.00
State Collections	31.14	38.28	49.27	59.38	48.95	46.89	42.18
<b><u>FEDERAL ACCOUNTS</u></b>							
FUTA Collections	6.66	6.38	6.56	5.35	5.47	5.45	5.77
-To EUCA	1.32	1.32	1.31	1.13	1.24	1.24	1.30
-To ESAA	5.34	5.06	5.26	4.21	4.24	4.21	4.47
Outlays							
-Federal EB Share	4.12	7.76	11.56	4.83	0.08	-0.01	-0.03
-Administrative Costs	4.32	5.50	5.01	4.89	4.82	4.35	3.97
-TEUC	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-EUC08	32.66	72.09	52.66	39.58	25.43	4.84	-0.23
FUBA/FECA Outlays	1.09	1.52	1.78	1.65	1.32	1.19	1.01
-UCFE-UCX	0.96	1.32	1.58	1.41	1.13	0.92	0.77
-Trade	0.13	0.20	0.20	0.24	0.19	0.28	0.24
Federal Additional Compensation	6.48	11.71	1.92	0.00	0.00	0.00	0.00

# UI Program Outlays



**Historical:**

- Reg Benefits
- Extended Benefit Programs
- FUBA + FECA + FAC

**Projected:**

- Reg Benefits (Proj.)
- Extended Benefit Programs(Proj.)
- FUBA + FECA (Proj.)

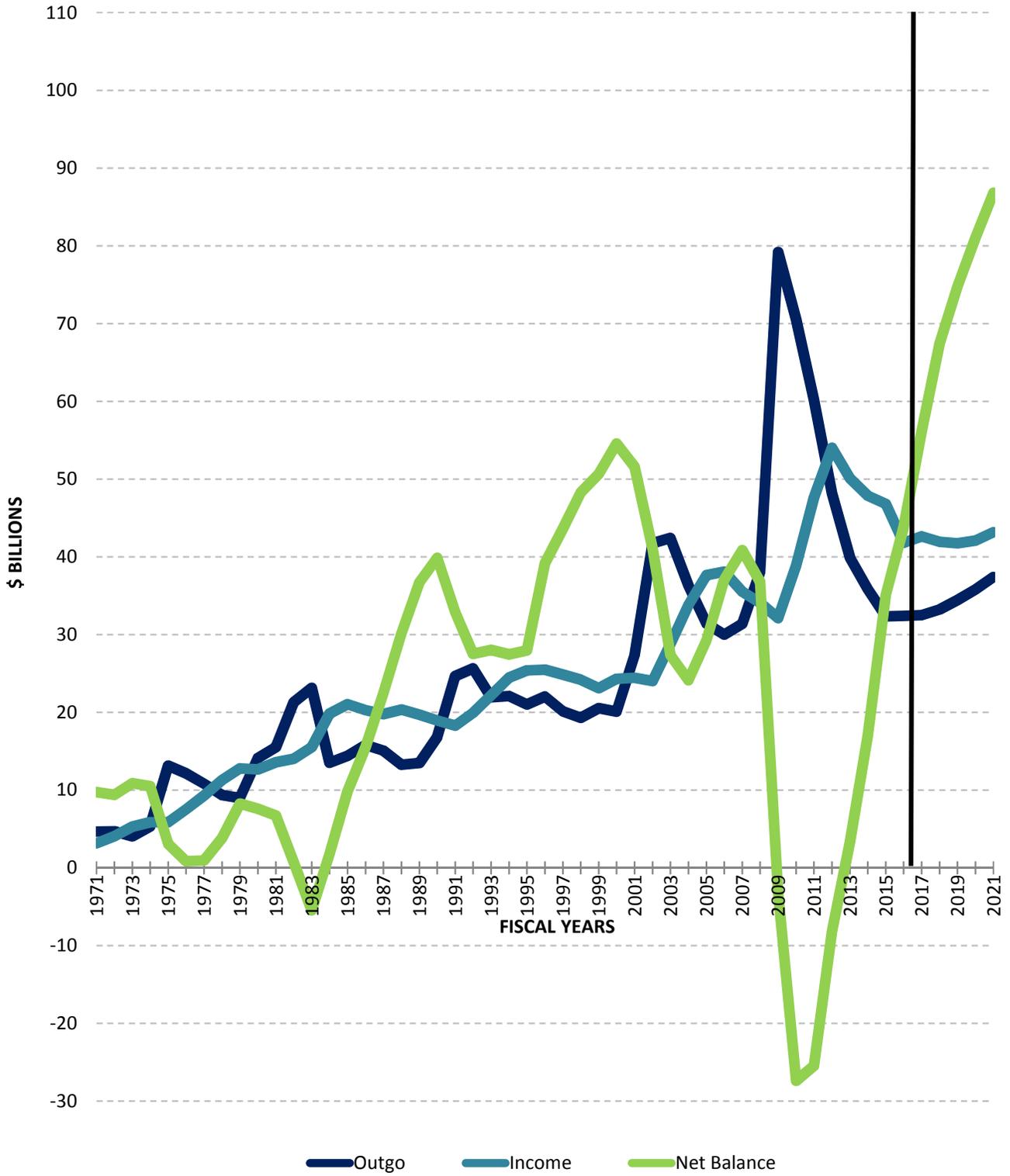
**Total Unemployment Rate:**

- TUR
- TUR (Proj.)

**STATUS OF STATE ACCOUNTS**  
**FY 2017 Midsession Review**  
**(Billions of Dollars)**

FISCAL YEAR	2015	2016	2017	2018	2019	2020	2021
<b><u>Income</u></b>	--	48.13	44.45	43.67	41.75	42.10	43.18
Collections	--	40.87	41.49	40.56	40.08	40.16	40.89
Interest Earnings	--	0.92	1.14	1.39	1.66	1.94	2.28
Loans	--	6.19	1.81	0.56	0.00	0.00	0.01
Excess Reduced Credits	--	0.14	0.00	1.16	0.00	0.00	0.00
Reed Act/UI Modernization Transfers		0.00	0.00	0.00	0.00	0.00	0.00
<b><u>Outgo</u></b>	--	38.90	35.35	33.56	34.44	35.82	37.41
Benefits	--	32.29	32.40	33.12	34.34	35.72	37.31
Loan Repayments	--	6.49	2.83	0.33	0.00	0.00	0.00
Administration	--	0.13	0.12	0.11	0.10	0.10	0.09
<b>Balance</b> (End of Year)	39.08	48.31	57.40	67.51	74.81	81.10	86.87
Outstanding Loans	7.25	4.51	1.29	0.06	0.06	0.06	0.06
<b>Net Balance</b> (Excluding Loans)	31.83	43.79	56.11	67.44	74.75	81.04	86.81

# AGGREGATE STATE TRUST FUND STATUS



**STATUS OF ADMINISTRATION ACCOUNT (ESAA)**  
**FY 2017 Midsession Review**  
**(Billions of Dollars)**

<b>FISCAL YEAR</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b><u>Income</u></b>	--	4.76	4.90	4.97	5.03	5.10	5.18
FUTA Income	--	4.67	4.80	4.87	4.94	5.00	5.06
General Revenues	--	0.00	0.00	0.00	0.00	0.00	0.00
Interest Earnings	--	0.09	0.10	0.10	0.09	0.10	0.11
Transfers from FUA/EUCA		0.00	0.00	0.00	0.00	0.00	0.00
<b><u>Outgo</u></b>	--	4.21	4.28	4.35	4.43	4.52	4.61
State Administration	--	4.05	4.11	4.18	4.26	4.34	4.42
-UI	--	3.04	3.08	3.13	3.19	3.25	3.31
-ES,BLS,VETS	--	1.01	1.03	1.05	1.07	1.09	1.11
Federal Administration	--	0.16	0.17	0.17	0.18	0.18	0.18
Transfers to FUA/EUCA		0.00	0.00	0.00	0.00	0.00	0.00
<b>Preliminary Balance</b> (End of Year)	3.88	3.99	4.19	4.20	4.20	4.22	4.24
FUA/EUCA Overflow	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Balance</b>	3.88	3.99	4.19	4.20	4.20	4.22	4.24
Owed to FUA EUCA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Owed from FUA EUCA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ESAA Payable (2)	1.90	1.90	1.90	1.90	1.90	1.90	1.90
Net Balance	1.98	2.09	2.29	2.30	2.30	2.32	2.34
-Ceiling (1)	1.55	1.68	1.69	1.72	1.75	1.79	1.82
-Excess	0.43	0.41	0.60	0.58	0.55	0.53	0.52
To EUCA	0.43	0.41	0.60	0.58	0.55	0.53	0.52
To FUA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
To States (Reed Act)	0.00	0.00	0.00	0.00	0.00	0.00	0.00

(1) Statutory ceiling is 40% of the current year's appropriations.

(2) ESAA Payable is the amount of unliquidated obligations for administration and is deducted from the net balance.

Note: Administrative costs for years beyond 2017 are based on growth factors applied to all programs in the Federal budget.

**STATUS OF EXTENDED BENEFIT ACCOUNT (EUCA)**  
**FY 2017 Midsession Review**  
**(Billions of Dollars)**

<b>FISCAL YEAR</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b><u>Income</u></b>	--	5.16	4.69	2.87	1.85	1.84	1.84
FUTA Income	--	1.17	1.20	1.22	1.23	1.25	1.27
Interest Earnings	--	0.06	0.08	0.05	0.04	0.04	0.04
General Revenue for EUC08	--	0.00	0.00	0.00	0.00	0.00	0.00
Overflow from ESAA	--	0.43	0.41	0.60	0.58	0.55	0.53
Transfers from FUA/ESAA	--	3.50	3.00	1.00	0.00	0.00	0.00
General Fund Advances	--	0.00	0.00	0.00	0.00	0.00	0.00
<b><u>Outgo</u></b>	--	4.23	5.14	3.05	1.89	2.00	2.00
EB Outlays -- Fed Share	--	0.00	0.00	0.00	0.00	0.00	0.00
EUC08	--	0.00	0.00	0.00	0.00	0.00	0.00
Transfers to FUA/ESAA	--	0.00	0.00	0.00	1.20	2.00	2.00
Repayment to General Fund	--	4.00	5.00	3.00	0.68	0.00	0.00
Interest on General Fund Advances		0.23	0.14	0.05	0.01	0.00	0.00
<b><u>Balance</u></b>							
(End of Year)	0.28	1.21	0.76	0.58	0.55	0.39	0.23
Owed to General Fund	12.68	8.68	3.68	0.68	0.00	0.00	0.00
Owed to FUA/ESAA	0.00	3.50	6.50	7.50	6.30	4.30	2.30
Owed from FUA/ESAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Balance	-12.40	-10.97	-9.42	-7.60	-5.75	-3.91	-2.07
-Ceiling (1)	27.67	28.80	30.29	31.49	32.77	34.14	35.64
-Excess	0.00	0.00	0.00	0.00	0.00	0.00	0.00

(1) Statutory ceiling is 0.5% of covered wages

**STATUS OF LOAN ACCOUNT (FUA)**  
**FY 2017 Midsession Review**  
**(Billions of Dollars)**

<b>FISCAL YEAR</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b><u>Income</u></b>	--	9.11	5.15	1.83	1.23	2.06	2.12
Interest Earnings	--	0.05	0.06	0.03	0.02	0.05	0.11
State Repayments	--	6.49	2.83	0.33	0.00	0.00	0.00
Reduced Credits	--	2.44	2.20	1.46	0.01	0.01	0.01
State Interest Payments	--	0.13	0.06	0.01	0.00	0.00	0.00
Overflow from ESAA	--	0.00	0.00	0.00	0.00	0.00	0.00
Transfers from EUCA/ESAA	--	0.00	0.00	0.00	1.20	2.00	2.00
General Fund Advances	--	0.00	0.00	0.00	0.00	0.00	0.00
<b><u>Outgo</u></b>	--	9.69	4.81	1.56	0.00	0.00	0.01
State Loans	--	6.19	1.81	0.56	0.00	0.00	0.01
Transfers to EUCA/ESAA	--	3.50	3.00	1.00	0.00	0.00	0.00
Repayment to General Fund	--	0.00	0.00	0.00	0.00	0.00	0.00
Interest on General Fund Advances		0.00	0.00	0.00	0.00	0.00	0.00
UI Modernization Incentive Payments		0.00	0.00	0.00	0.00	0.00	0.00
<b><u>Balance</u></b>							
(End of Year)	0.72	0.14	0.48	0.75	1.97	4.02	6.14
Owed to General Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Owed from States	7.25	4.51	1.29	0.06	0.06	0.06	0.06
Owed to ESAA/EUCA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Owed from ESAA/EUCA	0.00	3.50	6.50	7.50	6.30	4.30	2.30
Net Balance	7.97	8.15	8.27	8.31	8.33	8.38	8.49
-Ceiling (1)	27.67	28.80	30.29	31.49	32.77	34.14	35.64
-Excess to ESAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

(1) Statutory ceiling is 0.5% of covered wages.

## DEFINITIONS

<b>EB</b>	Extended Benefits -- Permanent triggered program
<b>ES</b>	Employment Service
<b>ESAA</b>	Employment Security Administration Account Provides grants to states for UI and ES
<b>EUC08</b>	Emergency Unemployment Compensation, 2008 Temporary extended benefit program enacted July 2008
<b>EUCA</b>	Extended Unemployment Compensation Account Pays Federal share of EB and EUC08
<b>FAC</b>	Federal Additional Compensation Temporary \$25 supplement to all UI payments
<b>FECA</b>	Federal Employees Compensation Account Pays benefits to UCFE and UCX claimants
<b>FUA</b>	Federal Unemployment Account Makes repayable advances to state trust funds
<b>FUBA</b>	Federal Unemployment Benefits and Allowances Benefit payments to Trade Act claimants
<b>FUTA</b>	Federal Unemployment Tax Act
<b>FY</b>	Fiscal Year
<b>GDP</b>	Gross Domestic Product
<b>IUR</b>	Insured Unemployment Rate
<b>OUTYEARS</b>	Years beyond the budget year
<b>TEUC</b>	Temporary Extended Unemployment Compensation Temporary extended benefit program, March 2002 – January 2005
<b>TUR</b>	Total Unemployment Rate
<b>UCFE</b>	Unemployment Compensation for former Federal Employees
<b>UCX</b>	Unemployment Compensation for ex-Servicemen
<b>UI</b>	Unemployment Insurance
<b>UTF</b>	Unemployment Trust Fund