

PUBLISHED MAY 23, 2017

# UNEMPLOYMENT INSURANCE OUTLOOK



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

**PRESIDENT'S BUDGET FY 2018**



## KEY DATA -- FY 2017/FY 2018

	<b>FY 17</b>		<b>FY 18</b>
Total Unemployment Rate (Civilian)	4.7 /		4.5 %
Insured Unemployment Rate	1.6 /		1.5 %
 <b>OUTGO</b>			
◆ Benefits Paid (All Programs)	\$	33.0 /	33.3 billion
Number of First Payments (State UI+UCFE+UCX)		6.4 /	6.5 million
Average Duration of Benefits (All Programs)		15.3 /	14.8 weeks
Average Weekly Benefit Amount (All Programs)	\$	338.60 /	347.70
◆ Administrative Costs	\$	3.9 /	3.8 billion
 <b>INCOME</b>			
◆ Payroll Taxes			
FUTA	\$	6.1 /	6.2 billion
State	\$	41.4 /	41.7 billion
◆ Interest on State Loans	\$	0.05 /	0.01 billion
Interest Rate (Calendar Year)		2.212% /	2.28%
 <b>NET TRUST FUND BALANCES (END OF FISCAL YEAR)</b>			
◆ State Trust Fund Accounts (Excluding Loans)	\$	56.0 /	68.7 billion
◆ Employment Security Administration Account (ESAA)	\$	2.5 /	2.8 billion
◆ Extended Benefit Account (EUCA) (Excluding General Fund Advances)	\$	-15.8 /	-13.5 billion
◆ Loan Account (FUA) (Excluding General Fund Advances)	\$	15.2 /	15.3 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 2018 President's Budget are detailed below. The total unemployment rate (TUR) is assumed to average 4.7% in FY 2017 and 4.5% in FY 2018, which is down slightly from the FY 2017 President's Budget Midsession Review.

Under these assumptions:

- The insured unemployment rate (IUR) is projected to average 1.6% in both FY 2017 dropping to 1.5% in FY 2018 which is slightly down from the FY 2017 President's Budget Midsession Review.
- State UI regular benefit outlays are estimated to be \$32.1 billion in FY 2017 and \$32.2 billion in FY 2018, slightly down from the President's Budget.
- Revenues and interest income for state trust fund accounts are projected to exceed benefit outlays by \$10.4 billion in FY 2017 and by \$10.8 billion in FY 2018 as benefit outlays continue to drop and state's continue to rebuild their trust funds following the recession that began roughly 10 years ago.
- 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 \$68.7 billion by the end of FY 2018 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). 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.
- As of January 1, 2017, only 21 of 53 states and territories had trust fund reserves large enough to meet the recommended minimum adequate solvency level (Advisory Council of Unemployment Compensation, 1996) of maintaining a reserve balance that would pay for one full year of benefits under an average recessionary level. At the same time, 14 states and territories maintained trust fund balances that were below one half of the recommended minimum adequate solvency level.
- Most state borrowing from the Federal Unemployment Account (FUA) is expected to end in FY 2018 with small amounts of borrowing continuing into 2021. At the end of April 2017 there was \$2.7 billion outstanding in Federal loans from two states, down from \$5.9 billion from 5 states at the end of April 2016. At the end of CY 2016 there was an unofficial estimate of approximately \$7.1 billion in outstanding private debt instruments from six states.
- FUA completed repaying its general fund advance balance in June of 2015 and FUA funds have since been used to assist in repaying the remaining general fund advances to EUCA. EUCA is projected to finish repaying its general fund advance balance in FY 2018 before beginning to repay the noninterest bearing advances from FUA.

### Proposed Legislation

The tables in this publication are based on current law. The FY 2018 President's Budget included proposals for four additional items:

- A proposal to establish a Federal-state paid parental leave benefit program within the unemployment insurance (UI) program that provides six weeks of benefits for mothers, fathers, and adoptive parents to help families recover from childbirth and to bond with their new children.
- A minimum solvency standard which would apply the Federal Unemployment Tax Act (FUTA) credit reduction rules to states that have an Average High Cost Multiple (AHCM) of less than 0.5 on two or more consecutive January firsts (rather than zero trust fund balance currently). This proposal would strengthen States' ability to adequately fund their UI systems.
- A proposal to reduce improper payments in the UI program with a package of reforms that will allow States to target more tools and resources toward the problem.
- An expansion of the Reemployment and Eligibility Assessment initiative (RESEA). This proposal would provide mandatory funding for States to provide RESEAs to one-half of eligible UI claimants, as well as all ex-military service members.

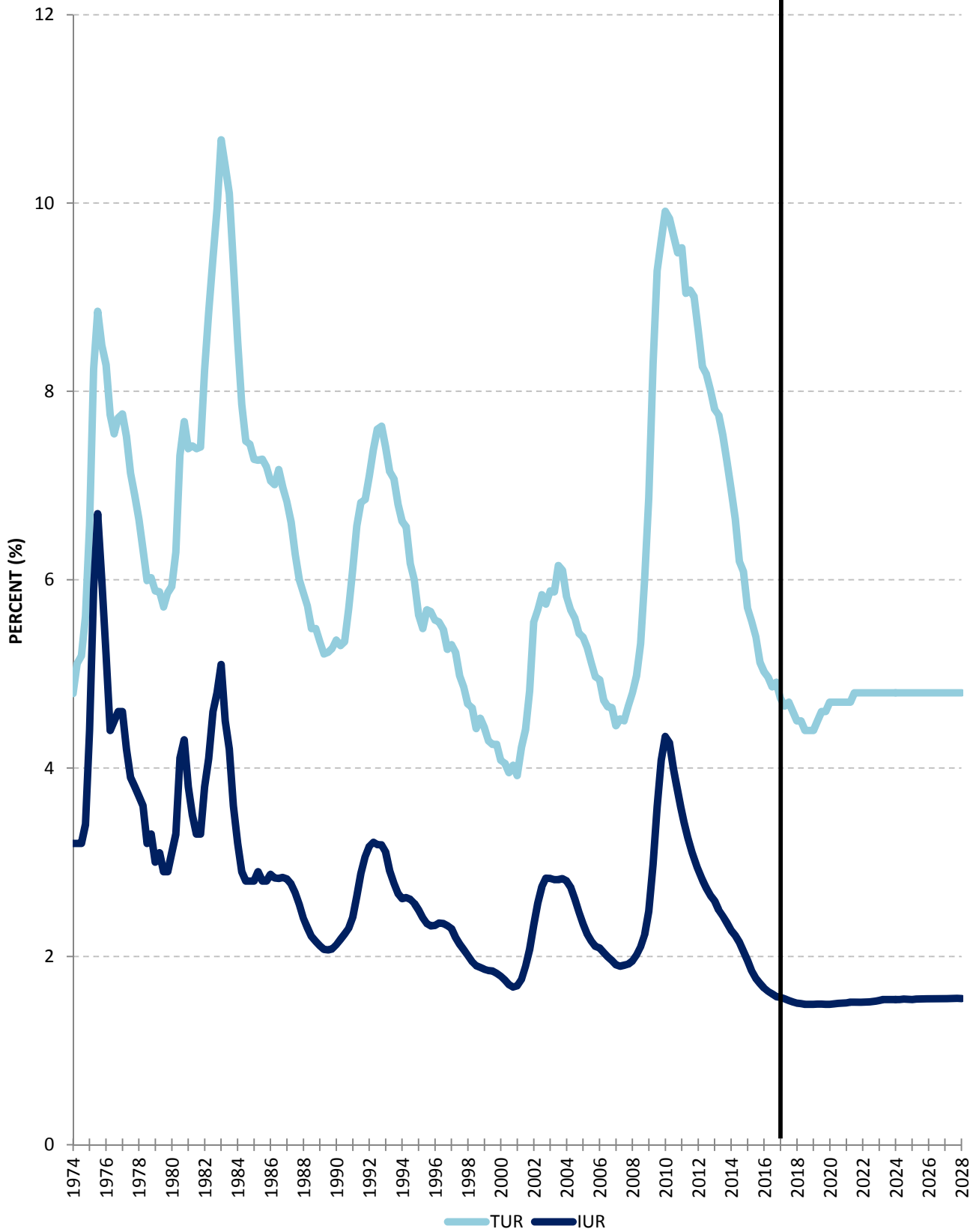
Questions and/or comments regarding this document are welcomed. Please contact Kevin Stapleton at [stapleton.kevin@dol.gov](mailto:stapleton.kevin@dol.gov) or (202) 693-3009 or Robert Pavosevich at [pavosevich.robert@dol.gov](mailto:pavosevich.robert@dol.gov) or (202) 693-2935 or write to:

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Washington, DC 20210*

**ECONOMIC ASSUMPTIONS**  
**FY 2018 President's Budget**

<b>Fiscal Year</b>	<b>Civilian TUR (%)</b>	<b>IUR (%)</b>	<b>Change in GDP Price Index (%)</b>	<b>Real GDP Growth (%)</b>
2016	4.9	1.6	1.2	1.6
2017	4.7	1.6	1.8	2.2
2018	4.5	1.5	2.0	2.4
2019	4.5	1.5	2.0	2.6
2020	4.7	1.5	2.0	2.9
2021	4.8	1.5	2.0	3.0
2022	4.8	1.6	2.0	3.0

# U.S. UNEMPLOYMENT RATES



**UI PROGRAM ESTIMATES**  
**FY 2018 President's Budget**  
**(Billions of Dollars)**

<b>FISCAL YEAR</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Civilian TUR (%)	4.7	4.5	4.5	4.7	4.8	4.8
IUR(%)	1.6	1.5	1.5	1.5	1.5	1.6
Coverage (millions)	140.6	142.2	143.7	144.6	145.6	146.6
AWBA (Regular)	336.26	345.15	354.94	366.04	378.75	392.33
Benefit Outlays (All Programs)	33.04	33.25	34.68	36.96	38.89	40.76
<b><u>STATE UI</u></b>						
First Payments (millions)	6.3	6.4	6.6	6.7	6.8	6.9
Regular Benefit Exhaustions (millions)	2.3	2.2	2.2	2.3	2.3	2.3
Regular Benefits Paid	32.09	32.24	33.60	35.77	37.44	39.45
EB (State Share)	0.00	0.00	0.00	0.00	0.00	0.00
State Collections	41.42	41.66	42.02	42.46	43.11	44.09
Interest Earned	1.10	1.34	1.62	1.90	2.26	2.69
<b><u>FEDERAL ACCOUNTS</u></b>						
FUTA Collections (1)	6.10	6.21	6.32	6.43	6.54	6.66
-To EUCA	1.22	1.24	1.26	1.29	1.31	1.33
-To ESAA	4.88	4.97	5.05	5.14	5.23	5.33
Outlays						
-Federal EB Share	0.00	0.00	0.00	0.00	0.00	0.00
-Administrative Costs	3.89	3.81	3.86	3.93	4.01	4.08
FECA Outlays	0.71	0.72	0.72	0.78	1.00	0.85
-UCFE	0.30	0.31	0.32	0.36	0.57	0.41
-UCX	0.40	0.41	0.40	0.41	0.43	0.44
Trade Benefits	0.24	0.30	0.36	0.42	0.46	0.46

(1) Excluding Reduced Credits

Note: Administrative costs for years beyond 2018 are based on growth factors applied to all programs in the Federal budget.

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

	FY 2018 President's Budget		FY 2017 Midession Review	
	FY 2017	FY 2018	FY 2017	FY 2018
Civilian TUR (%)	4.7	4.5	4.7	4.6
IUR (%)	1.6	1.5	1.6	1.6
AWBA	336.26	345.15	331.84	338.99
Benefits				
-Regular	32.09	32.24	32.40	33.12
-EB	0.00	0.00	0.00	0.00
Revenues				
-State	41.42	41.66	41.49	40.56
-FUTA (1)	6.10	6.21	6.00	6.09
State Loans				
-Loans	1.86	1.68	1.81	0.56
-Repayments (2)	4.50	2.46	5.03	1.79
-Interest	0.05	0.01	0.06	0.01
-Balance	0.84	0.06	1.29	0.06
Balances				
-State Accounts (3)	56.05	68.65	56.11	67.44
-EUCA (3)	-15.78	-13.51	-9.42	-7.60
-FUA (3)	15.24	15.27	8.27	8.31

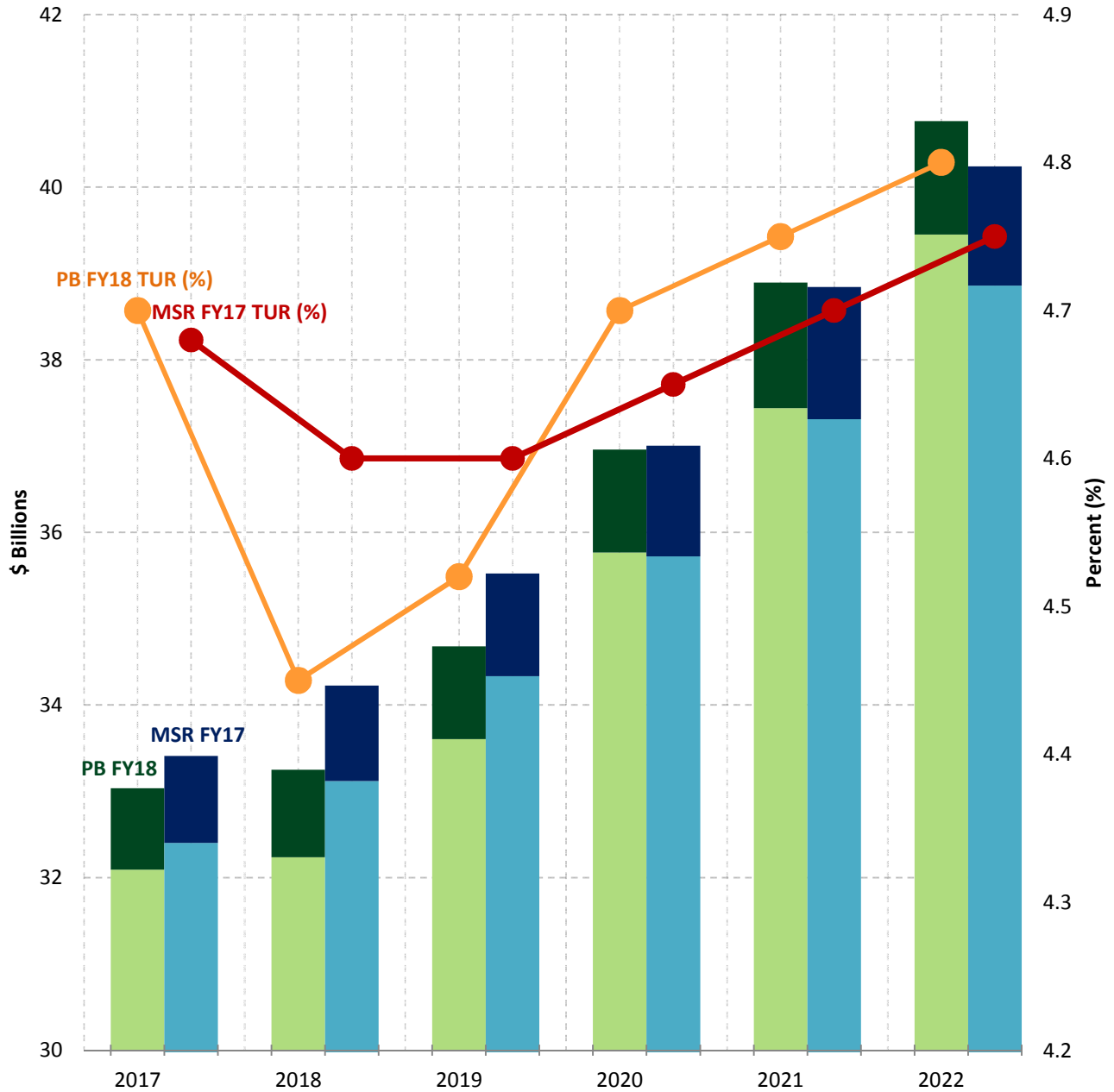
(1) Excluding reduced credits

(2) Including reduced credits

(3) Net balances excluding loans/advances



# UI Program Estimates



**President's Budget (PB) FY 2018:**

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

**Midsession Review (MSR) FY 2017:**

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

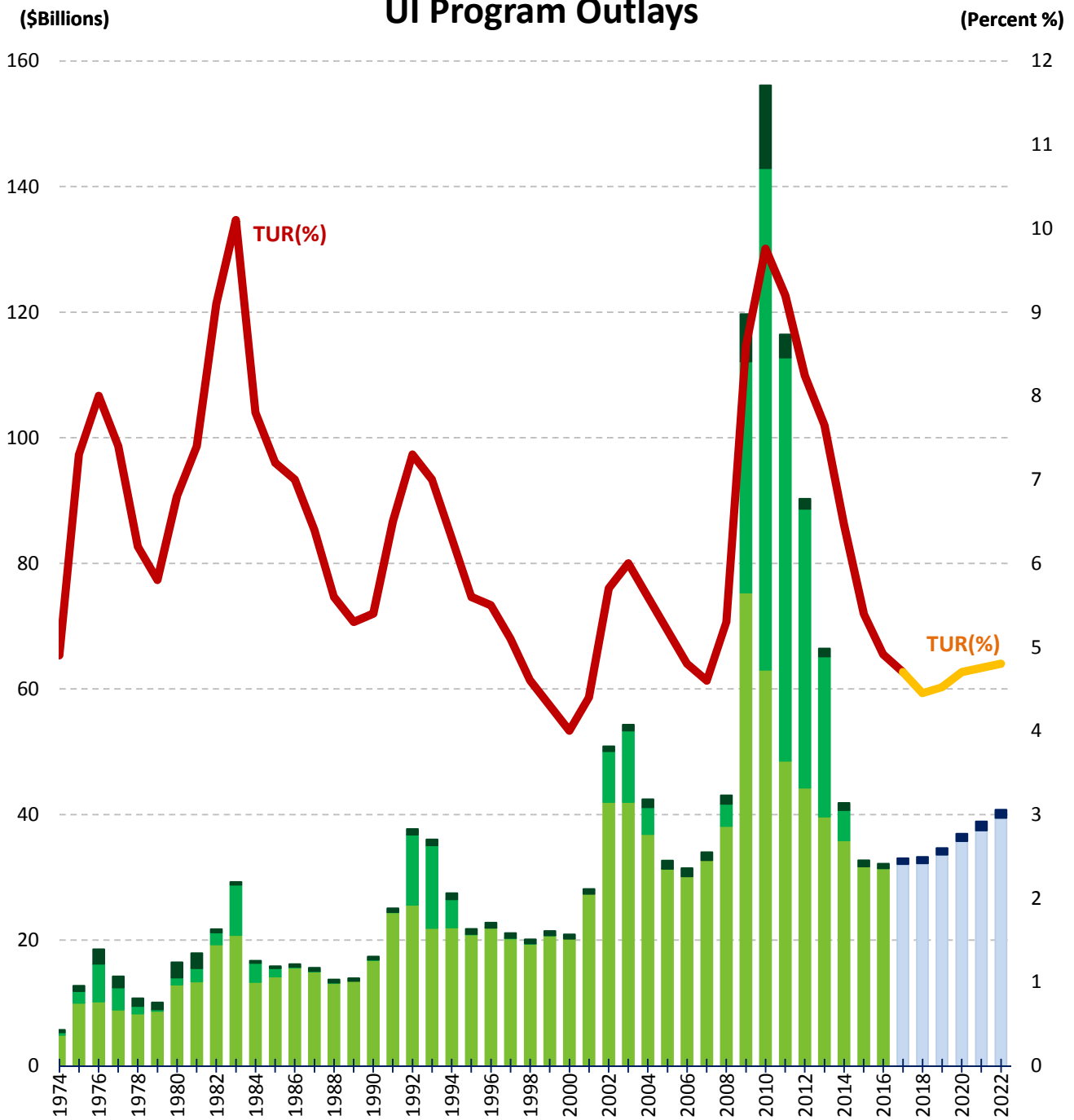
**Total Unemployment Rate (%):**

- PB TUR
- MSR TUR

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

<b>FISCAL YEAR</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Civilian TUR (%)	9.8	9.2	8.2	7.6	6.5	5.4	4.9
IUR (%)	3.7	3.1	2.7	2.4	2.1	1.7	1.6
Coverage (millions)	125.6	126.2	128.3	130.6	133.1	135.9	138.6
AWBA (Regular)	291.38	295.25	289.8	296.5	301.25	314.11	330.60
Benefit Outlays (All Programs)	156.37	113.45	90.43	66.50	41.90	32.46	32.24
<b><u>STATE UI</u></b>							
First Payments (millions)	11.3	9.7	8.7	8.1	7.2	6.6	6.3
Regular Benefit							
Exhaustions (millions)	7.0	5.1	4.4	3.8	3.2	2.6	2.4
Regular Benefits Paid	63.04	48.52	44.26	39.64	35.88	31.72	31.42
EB (State Share)	0.24	0.36	0.11	0.03	0.00	0.00	0.04
State Collections	38.28	49.27	59.38	48.95	46.89	42.18	41.46
<b><u>FEDERAL ACCOUNTS</u></b>							
FUTA Collections	6.38	6.56	5.35	5.47	5.45	5.77	5.98
-To EUCA	1.32	1.31	1.13	1.24	1.24	1.30	1.25
-To ESAA	5.06	5.26	4.21	4.24	4.21	4.47	4.73
Outlays							
-Federal EB Share	7.76	11.56	4.83	0.08	-0.01	-0.03	0.00
-Administrative Costs	5.50	5.01	4.89	4.82	4.35	3.97	3.92
-EUC08	72.09	52.66	39.58	25.43	4.84	-0.23	0.01
FUBA/FECA Outlays	1.52	1.78	1.65	1.32	1.19	1.01	0.76
-UCFE-UCX	1.32	1.58	1.41	1.13	0.92	0.77	0.55
-Trade	0.20	0.20	0.24	0.19	0.28	0.24	0.21
Federal Additional Compensation	11.71	1.92	0.00	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.)

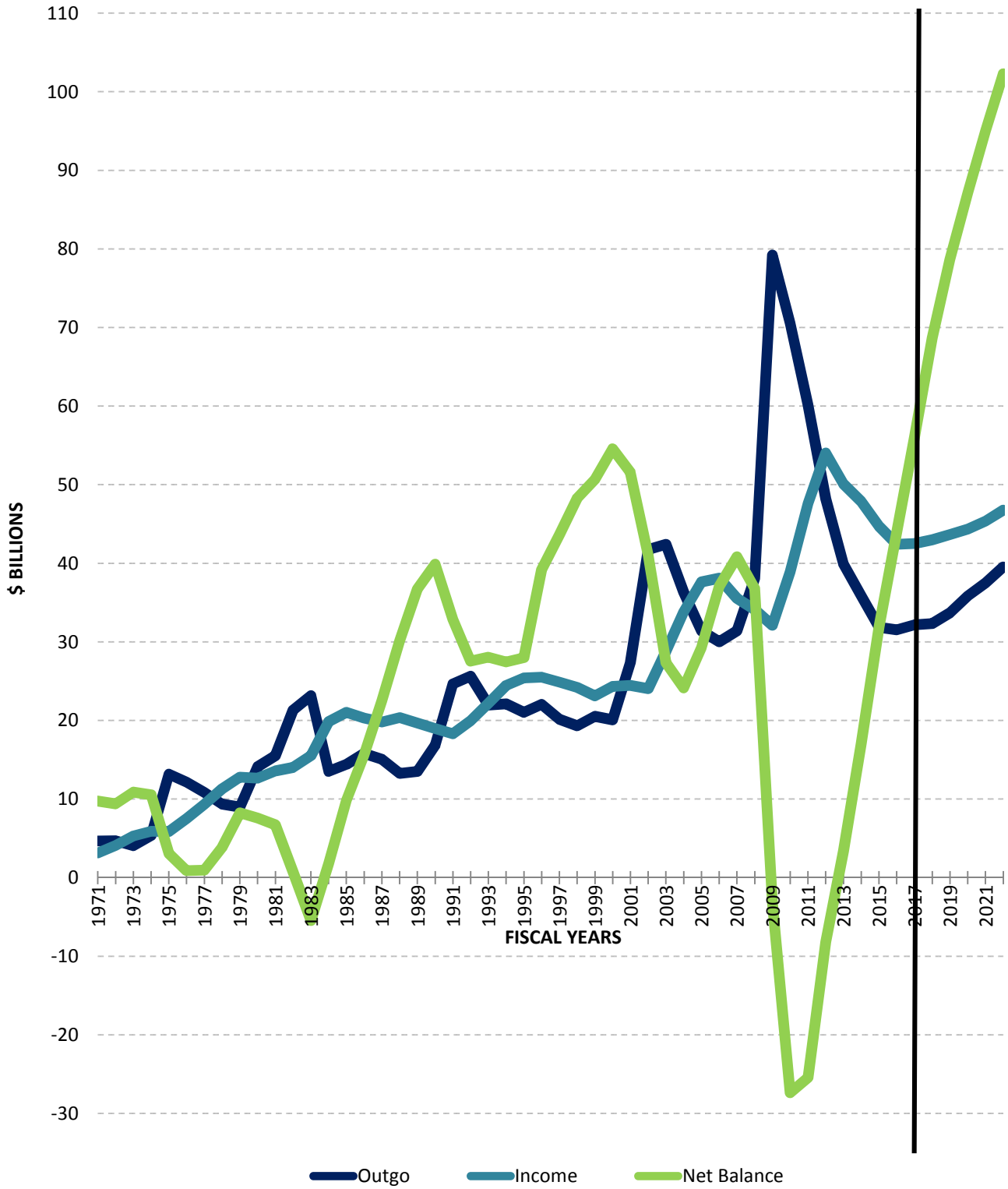
**Total Unemployment Rate:**

- TUR
- TUR (Proj.)

**STATUS OF STATE ACCOUNTS**  
**FY 2018 President's Budget**  
**(Billions of Dollars)**

FISCAL YEAR	2016	2017	2018	2019	2020	2021	2022
<b><u>Income</u></b>	--	44.45	45.58	43.79	44.56	45.38	46.78
Collections	--	41.42	41.66	42.02	42.46	43.11	44.09
Interest Earnings	--	1.10	1.34	1.62	1.90	2.26	2.69
Loans	--	1.86	1.68	0.16	0.20	0.02	0.00
Excess Reduced Credits	--	0.07	0.91	0.00	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>	--	35.04	33.75	33.84	36.03	37.52	39.51
Benefits	--	32.09	32.24	33.60	35.77	37.44	39.45
Loan Repayments	--	2.87	1.44	0.16	0.20	0.02	0.00
Administration	--	0.08	0.08	0.07	0.07	0.06	0.06
		10.43	10.76				
<b>Balance</b> (End of Year)	47.48	56.89	68.71	78.67	87.20	95.07	102.33
Outstanding Loans	3.49	0.84	0.06	0.05	0.04	0.04	0.03
<b>Net Balance</b> (Excluding Loans)	43.99	56.05	68.65	78.62	87.16	95.03	102.30

# AGGREGATE STATE TRUST FUND STATUS



**STATUS OF ADMINISTRATION ACCOUNT (ESAA)**  
**FY 2018 President's Budget**  
**(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>	<b>2022</b>
<b><u>Income</u></b>	--	4.97	5.07	5.15	5.24	5.34	5.44
FUTA Income	--	4.88	4.97	5.05	5.14	5.23	5.33
General Revenues	--	0.00	0.00	0.00	0.00	0.00	0.00
Interest Earnings	--	0.09	0.10	0.09	0.10	0.10	0.12
Transfers from FUA/EUCA		0.00	0.00	0.00	0.00	0.00	0.00
<b><u>Outgo</u></b>	--	3.89	3.81	3.86	3.93	4.01	4.08
State Administration	--	3.72	3.64	3.68	3.75	3.83	3.90
-UI	--	2.74	2.66	2.68	2.73	2.79	2.84
-ES,BLS,VETS	--	0.98	0.98	1.00	1.02	1.04	1.06
Federal Administration	--	0.17	0.17	0.18	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)	4.63	4.32	4.57	4.57	4.62	4.67	4.73
FUA/EUCA Overflow	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Balance</b>	4.63	4.32	4.57	4.57	4.62	4.67	4.73
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)	1.70	1.79	1.79	1.79	1.79	1.79	1.79
Net Balance	2.93	2.53	2.78	2.78	2.83	2.88	2.94
-Ceiling (1)	1.54	1.53	1.49	1.53	1.55	1.58	1.62
-Excess	1.39	1.00	1.29	1.26	1.28	1.30	1.32
To EUCA	1.39	1.00	1.29	1.26	1.28	1.30	1.32
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 2018 are based on growth factors applied to all programs in the Federal budget.

**STATUS OF EXTENDED BENEFIT ACCOUNT (EUCA)**  
**FY 2018 President's Budget**  
**(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>	<b>2022</b>
<b><u>Income</u></b>	--	5.90	2.95	2.61	2.60	2.65	2.72
FUTA Income	--	1.22	1.24	1.26	1.29	1.31	1.33
Interest Earnings	--	0.09	0.06	0.06	0.06	0.07	0.09
Overflow from ESAA	--	1.39	1.00	1.29	1.26	1.28	1.30
Transfers from FUA/ESAA	--	3.20	0.65	0.00	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>	--	5.73	2.97	2.50	2.50	2.25	2.25
EB Outlays -- Fed Share	--	0.00	0.00	0.00	0.00	0.00	0.00
Transfers to FUA/ESAA	--	0.00	0.00	2.50	2.50	2.25	2.25
Repayment to General Fund	--	5.60	2.94	0.00	0.00	0.00	0.00
Interest on General Fund Advances		0.13	0.03	0.00	0.00	0.00	0.00
<b>Balance</b>							
(End of Year)	0.54	0.71	0.69	0.80	0.91	1.31	1.78
Owed to General Fund	8.54	2.94	0.00	0.00	0.00	0.00	0.00
Owed to FUA/ESAA	10.35	13.55	14.20	11.70	9.20	6.95	4.70
Owed from FUA/ESAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Balance	-18.35	-15.78	-13.51	-10.90	-8.29	-5.64	-2.92
-Ceiling (1)	29.14	30.00	31.52	32.98	34.58	36.41	38.28
-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 2018 President's Budget**  
**(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>	<b>2022</b>
<b><u>Income</u></b>	--	4.63	2.49	2.69	2.79	2.43	2.50
Interest Earnings	--	0.08	0.03	0.02	0.08	0.16	0.24
State Repayments	--	2.87	1.44	0.16	0.20	0.02	0.00
Reduced Credits	--	1.63	1.01	0.01	0.01	0.01	0.01
State Interest Payments	--	0.05	0.01	0.00	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	2.50	2.50	2.25	2.25
General Fund Advances	--	0.00	0.00	0.00	0.00	0.00	0.00
<b><u>Outgo</u></b>	--	5.06	2.33	0.16	0.20	0.02	0.00
State Loans	--	1.86	1.68	0.16	0.20	0.02	0.00
Transfers to EUCA/ESAA	--	3.20	0.65	0.00	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
<b>Balance</b>							
(End of Year)	1.27	0.84	1.01	3.54	6.13	8.55	11.04
Owed to General Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Owed from States	3.49	0.84	0.06	0.05	0.04	0.04	0.03
Owed to ESAA/EUCA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Owed from ESAA/EUCA	10.35	13.55	14.20	11.70	9.20	6.95	4.70
Net Balance	15.11	15.24	15.27	15.29	15.38	15.53	15.78
-Ceiling (1)	29.14	30.00	31.52	32.98	34.58	36.41	38.28
-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