REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

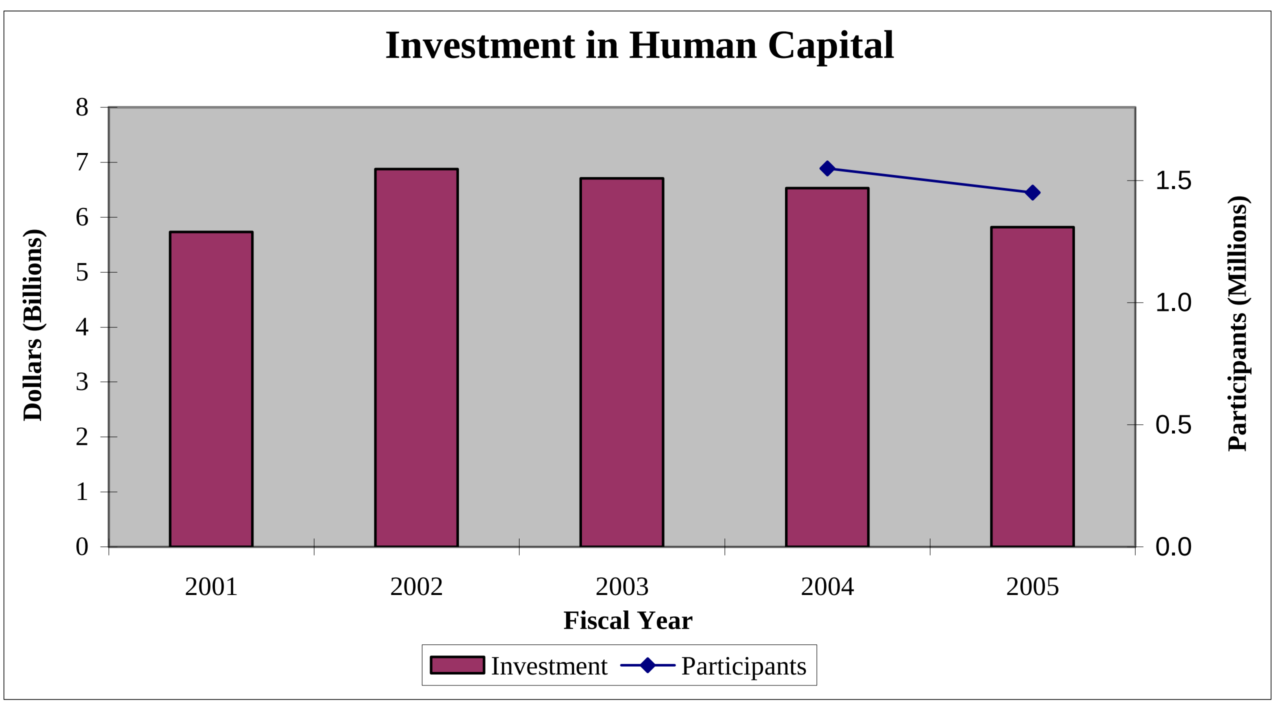
Stewardship investments are made by the DOL for the nation's benefit. For accounting purposes, these investments are expensed as incurred, and reflected in the net cost of the DOL's operations. Stewardship investments provide long-term benefits which cannot be measured in traditional financial reports.

The DOL's stewardship investments are in human capital, reported as expenses in the net cost of the DOL's employment and training programs. These investments are intended to maintain or increase national economic productive capacity, as demonstrated by program outputs and outcomes. Within the DOL, the Employment and Training Administration and the Veterans' Employment and Training Service administer programs which invest in human capital, as discussed below.

Employment and Training Administration

The U.S. Department of Labor, Employment and Training Administration's (ETA) Federal investment in human capital comprises expenses incurred for training programs enacted under the Workforce Investment Act of 1998 (WIA); Job Training Partnership Act, as amended (JTPA); the Trade Act of 1974, as amended (Trade Act); School-To-Work Opportunities Act of 1994, as amended (STW), and Balanced Budget Act of 1997, as amended. This investment is made for the general public and the expenses incurred are intended to increase or maintain national economic productive capacity. Investment in human capital specifically excludes expenditures for employment services, apprenticeship program administration and unemployment and other benefit payments which make up the bulk of ETA's services to the public at $36.1 billion and 22.6 million people served.

The ETA's investment in human capital for fiscal years 2001 to 2005, excluding the cost of internal Federal education and training, is presented below, along with the number of participants exiting the programs, an output measure for these programs for fiscal years 2004 and 2005 (participant data is not available for the earlier years).



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

This output measure is the latest data available for the currently operating programs, was collected for periods ending in March or June of the fiscal year, and includes some estimates, depending on the program involved. Participants could have exited from, and therefore been counted in, more than one program during the measurement periods. This participant information specifically excludes participants for employment services, apprenticeship and unemployment and other benefit recipients who receive ETA services to the public.

A brief description of the programs under each Act is as follows:

Workforce Investment Act (Successor Legislation to the JTPA)

- **Youth Activities -** Grants to provide financial assistance to States and U.S. territories to design and operate workforce investment activities for eligible youth.

- **Youth Opportunity Grants -** Grants to increase the long-term employment of youth who live in empowerment zones, enterprise communities, and high-poverty areas.

- **Adult and Dislocated Worker Employment and Training Activities -** Grants to provide financial assistance to States and U.S. territories to design and operate training programs for low income adults and reemployment services and retraining assistance to individuals dislocated from their employment.

- **Job Corps -** Nationwide program carried out in partnership with States and communities to assist eligible youth to become more responsible, employable, and productive citizens.

- **National Programs -** Grants to provide financial assistance in support of employment and training activities and opportunities for Native American, Migrant and Seasonal Farmworkers, Veterans and Disadvantaged Youth.

- **National Emergency Grants -** National Emergency Grants are discretionary awards by the Secretary of Labor that are intended to temporarily expand service capacity at the state and local levels by providing time-limited funding assistance in response to significant dislocation events.

Job Training Partnership Act (Antecedent legislation to the WIA)

- **Adult Employment and Training -** Grants to provide financial assistance to States and U.S. territories to design and operate training programs for low-income adults.

- **Dislocated Worker Employment and Training -** Grants to provide re-employment services and retraining assistance to individuals dislocated from their employment.

- **H-1B Technical Skills Training Grants -** Financed by fees paid by employers who bring skilled foreign workers into the U.S. under H-1B nonimmigrant visas, these grants help address the high skill technology shortages of American businesses by developing and operating high skill training programs for unemployed and employed American workers.

- **Youth Training -** Grants to provide financial assistance to States and U.S. territories to design and operate training programs for economically disadvantaged youth.

- **Summer Youth Employment and Training -** Grants to operate programs of employment and opportunities, as well as academic enrichment for economically disadvantaged youth during the summer months.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

- **Indian and Native Americans -** Grants to Indian tribes and other Native American groups to provide training, work experience, and other employment-related services to Native Americans.

- **National Farmworker Jobs Program (NFJP) -** Grants to public agencies and nonprofit groups to provide training and other employability development services to economically disadvantaged families whose principal livelihood is gained in migratory and other forms of seasonal farm work.

- **Veterans Employment -** Grants or contracts to provide disabled, Vietnam era, and recently separated veterans with programs to meet their unique employment and training needs.

- **National Activities -** Provides program support for JTPA activities and nationally administered programs for segments of the population that have special disadvantages in the labor market.

Trade Act of 1974 As Amended

- **Trade Adjustment Assistance -** Adjustment assistance, including cash weekly benefits, training, job search, and relocation allowances provided to workers as authorized by the Trade Act of 1974, as amended.

- **North American Free Trade Agreement (NAFTA) -** Transition adjustment assistance, including weekly cash benefits, training, job search, and relocation allowances provided to workers determined to be adversely affected as a result of the NAFTA as authorized by the Trade Act of 1974, as amended.

School-To-Work Opportunities Act

- School-To-Work Opportunities **-** Grants to States and localities, jointly administered by the DOL and U.S. Department of Education to build systems that provide youth with the knowledge and skills necessary to make an effective transition from school to careers through work-based learning, school-based education, and connecting activities.

Balanced Budget Act of 1997

- Welfare-To-Work Opportunities - Grants to States and localities, jointly administered by the DOL and U.S. Department of Health and Human Services to build programs to provide recipients receiving assistance under State funded programs with the knowledge and skills necessary to make an effective transition to unsubsidized employment opportunities.

The National Apprenticeship Act

- **Apprenticeship -** A combination of learning on the job and related technical instruction in which workers learn practical and theoretical aspects of a skilled occupation. Apprenticeship costs and participants are not included in the costs and participant numbers in the chart above because Apprenticeship funding does not generally pay for the actual training, but supports administrating the National Apprenticeship Act, including registration, certification, and monitoring of apprenticeship programs. In 2005 there were approximately 391,000 participants in these non-federal apprenticeship training programs.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Veterans' Employment and Training Service

The mission of Veterans' Employment and Training Service (VETS) is to provide veterans and transitioning service members with the resources and services to succeed in the 21st Century workforce, by maximizing their employment opportunities, protecting their employment rights, and meeting labor market demands with qualified veterans. The Agency's vision is embodied in this statement: Veterans Succeeding in the 21st Century Workforce.

VETS can be classified into two main areas, Career Counseling and Employment Services, and Transition and Reemployment Services. Brief descriptions follow:

Career Counseling and Employment Services

Disabled Veterans Outreach Program Specialist (DVOP) - This program is codified at 38 U.S.C. 4103A. DVOP grants are made to State Workforce Agencies (SWAs) according to a distribution formula prescribed by law. DVOP staff provide counseling, assessment, lifelong learning skills and/or referral to training for veterans, particularly those with disabilities or recently separated from the military.

Local Veterans' Employment Representative (LVER) - This program is codified at 38 U.S.C. 4104. The program provides grants to SWAs for the appointment of LVER staff positions identified in Job Service local offices and One-Stop Career Centers to enhance the services provided to veterans through oversight, technical support, and direct provision of services. LVER staffs help veterans into productive employment through lifelong learning services.

Homeless Veterans' Reintegration Project (HVRP) - The HVRP, codified at 38 U.S.C. 2021, provides employment assistance to homeless veterans through grants to both urban and other areas.

Veterans' Workforce Investment Program (VWIP) - The VWIP, codified at 29 U.S.C. 2913, provides targeted veterans training and/or employment opportunities. The program targets service connected disabled veterans, recently separated, campaign badge veterans and veterans with significant employment barriers.

Transition and Reemployment Services

Transition Assistance Program (TAP) - Authority for TAP is provided in 38 U.S.C. 4215 and 10 U.S.C. 1144. TAP operates as a partnership between the Departments of Labor, Defense, and Veterans Affairs. This partnership also exists at the local level, where memoranda of understanding spell out the responsibilities of SWAs, military installations, VETS staff and VA facilities. The program provides separating service members and their spouses or individuals retiring from military service with career counseling and training on becoming productive members of society through employment. TAP workshops are provided throughout the Nation and overseas.

Uniformed Services Employment and Reemployment Rights and Veteran's Preference Rights (USERRA) - is codified at 38 U.S.C. Chapter 43. The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) succeeded Veterans' Reemployment Rights statutes. USERRA continues to protect civilian job rights and benefits for veterans, members of the National Guard and Reserves. Veteran's Preference for Federal employment is codified in 5 U.S.C. 2108. VETS educates both employee and employer so they better understand the rights of the individuals and promotes a more productive relationship between employer and employee.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

The full cost of VETS major programs is presented below. Full costs include all direct program costs and those indirect costs which can reasonably be assigned or allocated to the program.

(Dollars in thousands)	2005	2004	2003	2002	2001
Program Expenses					
Career Counseling and Employment Services					
Disabled Veterans Outreach Program	$ 82,913	$ 84,063	$ 87,013	$ 82,582	$ 84,681
Local Veterans' Employment Representative	77,703	78,320	82,148	77,977	80,155
Transition and Reemployment Services	30,419	28,500	25,957	25,635	27,970
	$ 191,035	$ 190,883	$ 195,118	$ 186,194	$ 192,806

A summary of program outputs is presented below.

Program Outputs	2005	2004	2003	2002	2001
Disabled Veterans Outreach Program					
Participants employed	294,252	281,591	na	120,400	131,000
Disabled veterans	34,008	32,993	na	15,057	16,000
Special disabled veterans	14,568	13,929	na	7,107	8,000
Participants assisted	342,828	507,190	na	584,719	581,000
Local Veterans' Employment Representative					
Participants employed	289,624	286,720	na	128,450	138,700
Disabled veterans	28,855	29,391	na	13,533	14,000
Special disabled veterans	11,563	12,015	na	6,233	6,500
Participants assisted	330,041	529,911	na	639,694	733,600
Transition and Reemployment Services					
Participants served	134,288	130,000	110,055	104,000	112,000
Workshops	4,185	3,200	3,142	3,151	3,181
Uniformed Services Employment and Reemployment					
Briefings, presentations, and technical assistance	10,538	9,300	10,081	5,436	3,200
Individuals briefed or assisted	99,208	59,300	66,545	54,050	-

na - Data not available.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

SOCIAL INSURANCE PROGRAMS

The Federal Accounting Standards Advisory Board (FASAB) has classified certain government income transfer programs as social insurance programs. Recognizing that these programs have complex characteristics that do not fit traditional accounting models, the FASAB has developed accounting standards for social insurance programs which require the presentation of supplementary information to facilitate the assessment of the program's long term sustainability.

The U.S. Department of Labor operates two programs classified under Federal accounting standards as social insurance programs, the Unemployment Insurance Program and the Black Lung Disability Benefits Program. Presented below is the supplementary information for the two programs.

Unemployment Insurance Program

The Unemployment Insurance (UI) Program was created in 1935 to provide income assistance to unemployed workers who lose their jobs through no fault of their own. The program protects workers during temporary periods of unemployment through the provision of unemployment compensation benefits. These benefits replace part of the unemployed worker's lost wages and, in so doing, stabilize the economy during recessionary periods by increasing the unemployed's purchasing power. The UI program operates counter cyclically, with benefits exceeding tax collections during recessionary periods and UI tax revenues exceeding benefit payments during periods of recovery.

Program Administration and Funding

The UI program is administered through a unique system of Federal-State partnerships, established in Federal law but executed through conforming State laws by State officials. The Federal government provides broad policy guidance and program direction through the oversight of the U.S. Department of Labor, while program details are established through individual State UI statutes, administered through State UI agencies.

Federal and State Unemployment Taxes

The UI program is financed through the collection of Federal and State unemployment taxes levied on subject employers and deposited in the Unemployment Trust Fund (UTF). The UTF was established to account for the receipt, investment and disbursement of unemployment taxes. Federal unemployment taxes are used to pay for the administrative costs of the UI program, including grants to each State to cover the costs of State UI operations and the Federal share of extended UI benefits. Federal unemployment taxes are also used to maintain a loan account within the UTF, from which insolvent States may borrow funds to pay UI benefits. State UI taxes are used exclusively for the payment of regular UI benefits, as well as the State's share of extended benefits.

Federal Unemployment Taxes

Under the provisions of the Federal Unemployment Tax Act (FUTA), a Federal tax is levied on covered employers, at a current rate of 6.2% of the first $7,000 in annual wages paid to each employee. This Federal tax rate is reduced by a credit of up to 5.4%, granted to employers paying State UI taxes under conforming State UI statutes. Accordingly, in conforming States, employers pay an effective Federal tax of 0.8%. Federal unemployment taxes are collected by the Internal Revenue Service.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

State Unemployment Taxes

In addition to the Federal tax, individual States finance their UI programs through State tax contributions from subject employers based on the wages of covered employees. (Three States also collect contributions from employees). Within Federal confines, State tax rates are assigned in accordance with an employer's experience with unemployment. Actual tax rates vary greatly among the States and among individual employers within a State. At a minimum, these rates must be applied to the Federal tax base of $7,000; however, States may adopt a higher wage base than the minimum established by FUTA. State UI agencies are responsible for the collection of State unemployment taxes.

Unemployment Trust Fund

Federal and State UI taxes are deposited into designated accounts within the Unemployment Trust Fund. The UTF was established under the authority of Title IX, Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, loan and disburse Federal and State UI taxes. The U.S. Department of the Treasury acts as custodian over monies deposited into the UTF, investing amounts in excess of disbursing requirements in Treasury securities. The UTF is comprised of the following accounts:

Federal Accounts

The Employment Security Administration Account (ESAA) was established pursuant to Section 901 of the Act. All tax receipts collected under the Federal Unemployment Tax Act (FUTA) are appropriated to the ESAA and used to pay the costs of Federal and State administration of the unemployment insurance program and veterans' employment services, as well as 97 percent of the costs of the State employment services. Excess balances in ESAA, as defined under the Act, are transferred to other Federal accounts within the Fund, as described below.

The Federal Unemployment Account (FUA) was established pursuant to Section 904 of the Act. FUA is funded by any excesses from the ESAA as determined in accordance with Section 902 of the Act. Title XII, Section 1201 of the Act authorizes the FUA to loan Federal monies to State accounts that are unable to make benefit payments because the State UI account balance has been exhausted. Title XII loans must be repaid with interest. The FUA may borrow from the ESAA or EUCA, without interest, or may also receive repayable advances, with interest, from the general fund of the U.S. Treasury, when the FUA has a balance insufficient to make advances to the States.

The Extended Unemployment Compensation Account (EUCA) was established pursuant to Section 905 of the Act. EUCA provides for the payment of extended unemployment benefits authorized under the Federal-State Extended Unemployment Compensation Act of 1970, as amended. Under the extended benefits program, extended unemployment benefits are paid to individuals who have exhausted their regular unemployment benefits. These extended benefits are financed one-half by State unemployment taxes and one-half by FUTA taxes from the EUCA. The EUCA is funded by a percentage of the FUTA tax transferred from the ESAA in accordance with Section 905(b)(1) and (2) of the Act. The EUCA may borrow from the ESAA or the FUA, without interest, or may also receive repayable advances from the general fund of the Treasury when the EUCA has a balance insufficient to pay the Federal share of extended benefits. During periods of sustained high unemployment, the EUCA may also receive payments and non-repayable advances from the general fund of the Treasury to finance emergency unemployment compensation benefits. Emergency unemployment benefits require Congressional authorization.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

The Federal Employees Compensation Account (FECA) was established pursuant to Section 909 of the Act. The FEC account provides funds to States for unemployment compensation benefits paid to eligible former Federal civilian personnel and ex-service members. Generally, benefits paid are reimbursed to the Federal Employees Compensation Account by the various Federal agencies. Any additional resources necessary to assure that the account can make the required payments to States, due to the timing of the benefit payments and subsequent reimbursements, will be provided by non-repayable advances from the general fund of the Treasury.

State Accounts

Separate State Accounts were established for each State and territory depositing monies into the Fund, in accordance with Section 904 of the Act. State unemployment taxes are deposited into these individual accounts and may be used only to pay State unemployment benefits. States may receive repayable advances from the FUA when their balances in the Fund are insufficient to pay benefits.

Railroad Retirement Accounts

The Railroad UI Account and Railroad UI Administrative Account were established under Section 904 of the Act to provide for a separate unemployment insurance program for railroad employees. This separate unemployment insurance program is administered by the Railroad Retirement Board, an agency independent of DOL. DOL is not responsible for the administrative oversight or solvency of the railroad unemployment insurance system. Receipts from taxes on railroad payrolls are deposited in the Railroad UI Account and the Railroad UI Administrative Account to meet benefit payment and related administrative expenses.

UI Program Benefits

The UI program provides regular and extended benefit payments to eligible unemployed workers. Regular UI program benefits are established under State law, payable for a period not to exceed a maximum duration. In 1970, Federal law began to require States to extend this maximum period of benefit duration by fifty percent during periods of high unemployment. These extended benefit payments are paid equally from Federal and State accounts.

Regular UI Benefits

There are no Federal standards regarding eligibility, amount or duration of regular UI benefits. Eligibility requirements, as well as benefit amounts and benefit duration are determined under State law. Under State laws, worker eligibility for benefits depends on experience in covered employment during a past base period, which attempts to measure the workers' recent attachment to the labor force. Three factors are common to State eligibility requirements: (1) a minimum duration of recent employment and earnings during a base period prior to unemployment, (2) unemployment not the fault of the unemployed, and (3) availability of the unemployed for work.

Benefit payment amounts under all State laws vary with the worker's base period wage history. Generally, States compute the amount of weekly UI benefits as a percentage of an individual's average weekly base period earnings, within certain minimum and maximum limits. Most States set the duration of UI benefits by the amount of earnings an individual has received during the base period. Currently, almost all States have established the maximum duration for regular UI benefits at 26 weeks. Regular UI benefits are paid by the State UI agencies from monies drawn down from the State's account within the Unemployment Trust Fund.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Extended UI Benefits

The Federal/State Extended Unemployment Compensation Act of 1970 provides for the extension of the duration of UI benefits during periods of high unemployment. When the insured unemployment level within a State, or in some cases total unemployment, reaches certain specified levels, the State must extend benefit duration by fifty percent, up to a combined maximum of 39 weeks. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account within the UTF, and fifty percent by the State, from the State's UTF account.

Emergency UI Benefits

During prolonged periods of high unemployment, Congress may authorize the payment of emergency unemployment benefits to supplement extended UI benefit payments. Emergency benefits totaling $4.2 billion were paid under the Temporary Extended Unemployment Compensation Act during FY 2004. The program is effectively over. No new claimants were allowed to enter the program after January 2004, and no benefits were paid after January 2005. Payments in excess of $23 billion were paid since inception of the program in March 2002. The benefits under this program were paid from Federal unemployment taxes and general fund appropriations in EUCA.

Federal UI Benefits

Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency and are not considered to be social insurance benefits. Federal unemployment compensation benefits are not included in this discussion of social insurance programs.

Program Finances and Sustainability

At September 30, 2005, total assets within the UTF exceeded liabilities by $54.5 billion. This fund balance approximates the accumulated surplus of tax revenues and earnings on these revenues over benefit payment expenses and is available to finance benefit payments in future periods when tax revenues may be insufficient. Treasury invests this accumulated surplus in Federal securities. The net value of these securities at September 30, 2005 was $54.8 billion. These investments accrue interest, which is distributed to eligible State and Federal accounts within the UTF. Interest income from these investments during FY 2005 was $2.5 billion. Federal and State UI tax and reimbursable revenues of $41.8 billion and regular, extended and emergency benefit payment expense of $31.2 billion were recognized for the year ended September 30, 2005.

As discussed in Note 1.L.1 to the consolidated financial statements, DOL recognized a liability for regular, extended and temporary extended unemployment benefits to the extent of unpaid benefits applicable to the current period. Accrued unemployment benefits payable at September 30, 2005 were $0.9 billion.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Effect of Projected Cash Inflows and Outflows on the Accumulated Net Assets of the UTF

The ability of the UI program to meet a participant's future benefit payment needs depends on the availability of accumulated taxes and earnings within the UTF. The Department measures the effect of projected benefit payments on the accumulated net assets of the UTF, under an open group scenario, which includes current and future participants in the UI program. Future estimated cash inflows and outflows of the UTF are tracked by the Department for budgetary purposes. These projections allow the Department to monitor the sensitivity of the UI program to differing economic conditions, and to predict the program's sustainability under varying economic assumptions. The significant assumptions used in the projections include total unemployment rates, civilian labor force levels, percent of unemployed receiving benefits, total wages, distribution of benefit payments by state, state tax rate structures, state taxable wage bases and interest rates on UTF investments.

Presented on the following pages is the effect of projected economic conditions on the net assets of the UTF, excluding the Federal Employees Compensation Account.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Expected Economic Conditions

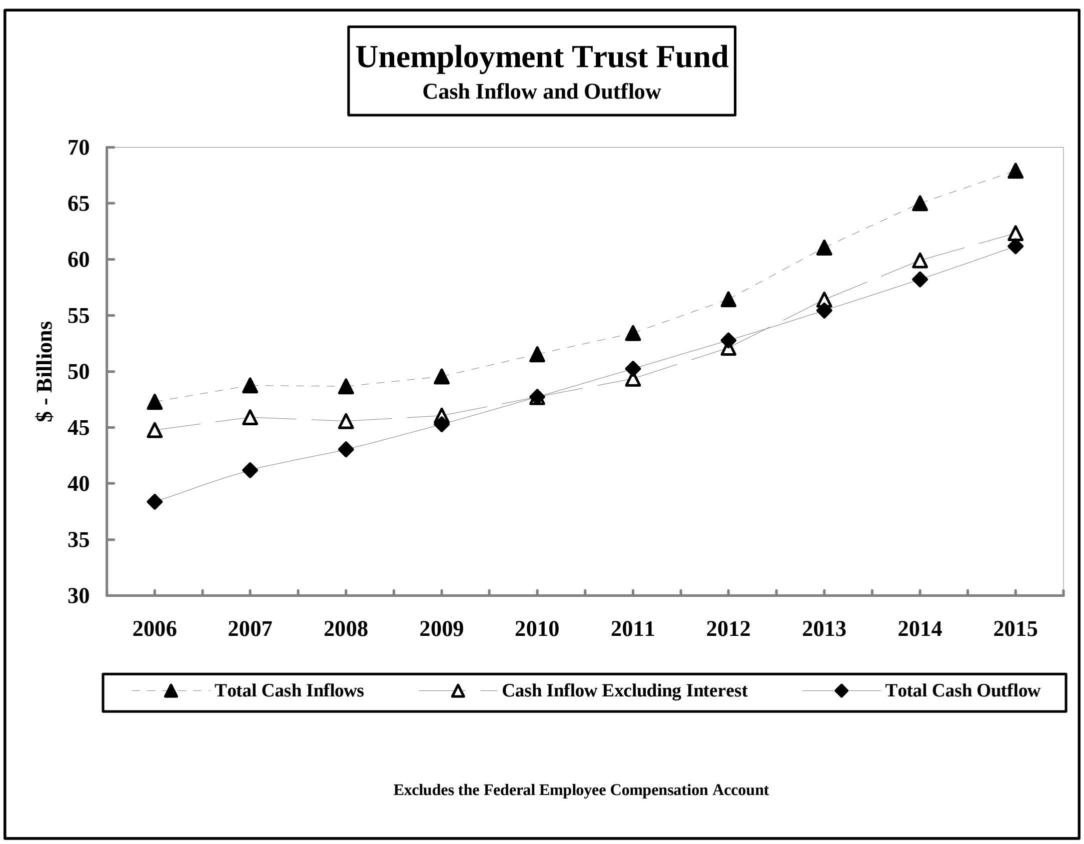
Charts I and II graphically depict the effect of expected economic conditions on the UTF over the next ten years.

Projected Cash Inflows and Outflows Under Expected Economic Conditions

Chart I depicts projected cash inflows and outflows of the UTF over the next ten years under expected economic conditions. Both cash inflows and cash inflows excluding interest earnings are displayed. Current estimates by the Department are based on an expected unemployment rate of 5.12% during FY 2006, decreasing to 5.00% in FY 2009 and thereafter. Total cash inflows exceed total cash outflows for all years projected. The net inflow peaks at $8.9 billion in FY 2006 and decreases to $3.2 billion in FY 2011, indicating that States have replenished their funds to desired levels.

These projections, excluding interest earnings, indicate decreasing net cash inflows from FY 2006 to FY 2009, then net cash outflows for the next three years. This crossover back to net outflows implies that the fund must rely on interest earnings to keep growing.

Chart I



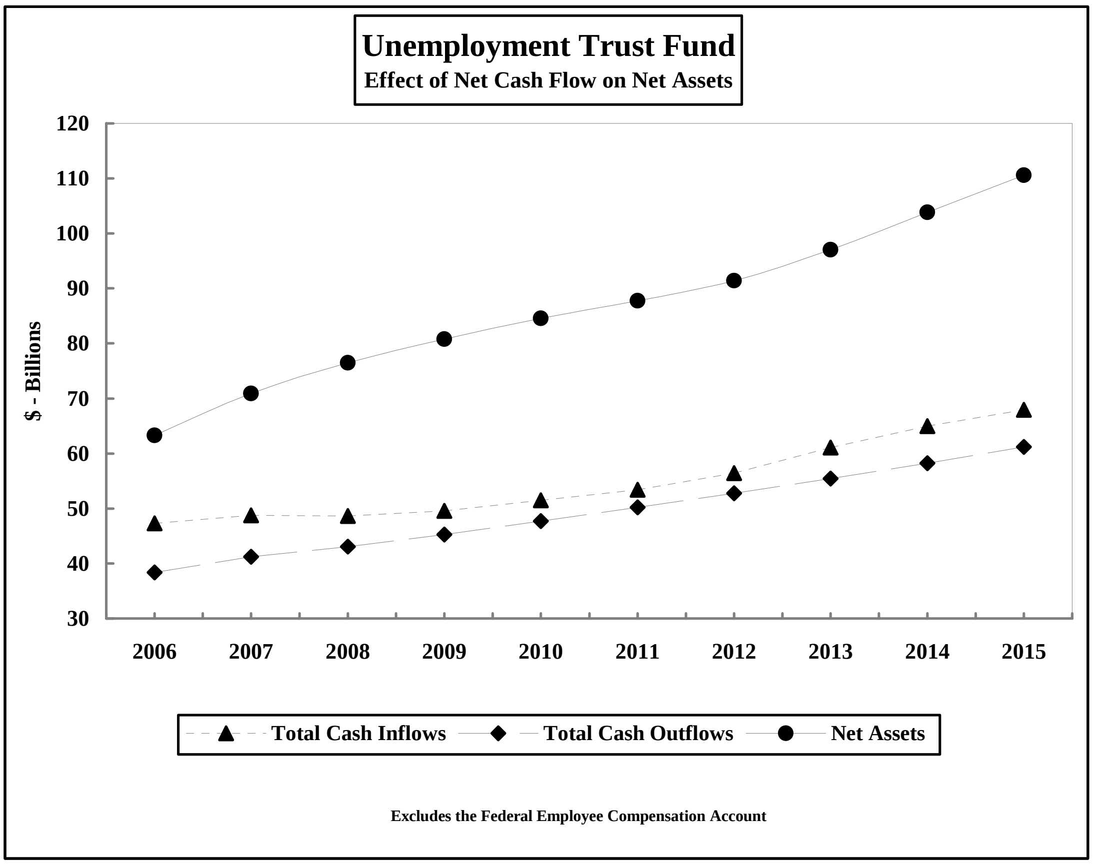
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Effect of Expected Cash Flows on UTF Assets

Chart II demonstrates the effect of these expected cash inflows and outflows on the net assets of the UTF over the ten year period ended September 30, 2015. Yearly projected total cash inflows, including interest earnings, and cash outflows are depicted, as well as the net effect of this cash flow on UTF assets.

Total cash inflows exceed cash outflows for all years projected, with this excess peaking in 2006. Starting at $63.3 billion in FY 2006, net UTF assets increase by 75% over the next nine years to $110.6 billion by the end of FY 2015.

Chart II



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

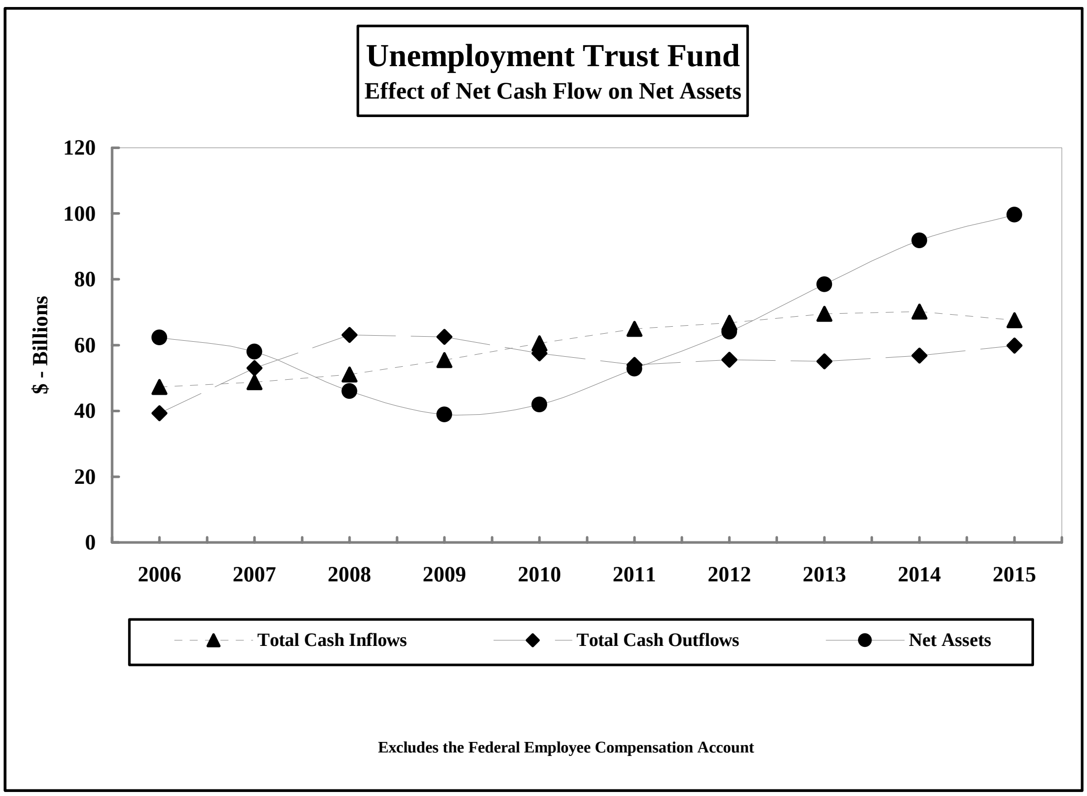
Recessionary Scenarios

Charts III and IV demonstrate the effect on accumulated UTF assets of projected total cash inflows and cash outflows of the UTF over the ten year period ending September 30, 2015, under mild and severe recession scenarios. Each scenario uses an open group, which includes current and future participants in the UI program. Charts III and IV assume increased rates of unemployment during mild and deep periods of recession.

<u>Effect on UTF Assets of Mild Recession</u>

The Department projects the effect of moderate recession on the cash inflows and outflows of the UTF. Under this scenario, which utilizes an unemployment rate peaking at 7.43% in FY 2008, net cash outflows are projected in FY 2007 through FY 2009. Net cash inflows are reestablished in FY 2010 and peak in FY 2013 with a drop in the unemployment rate to 5.13%. Net assets never fall below $38.9 billion and are within $11 billion of the balance under expected economic conditions by 2015. The crossover pattern remains the same when interest earnings are excluded.

Chart III



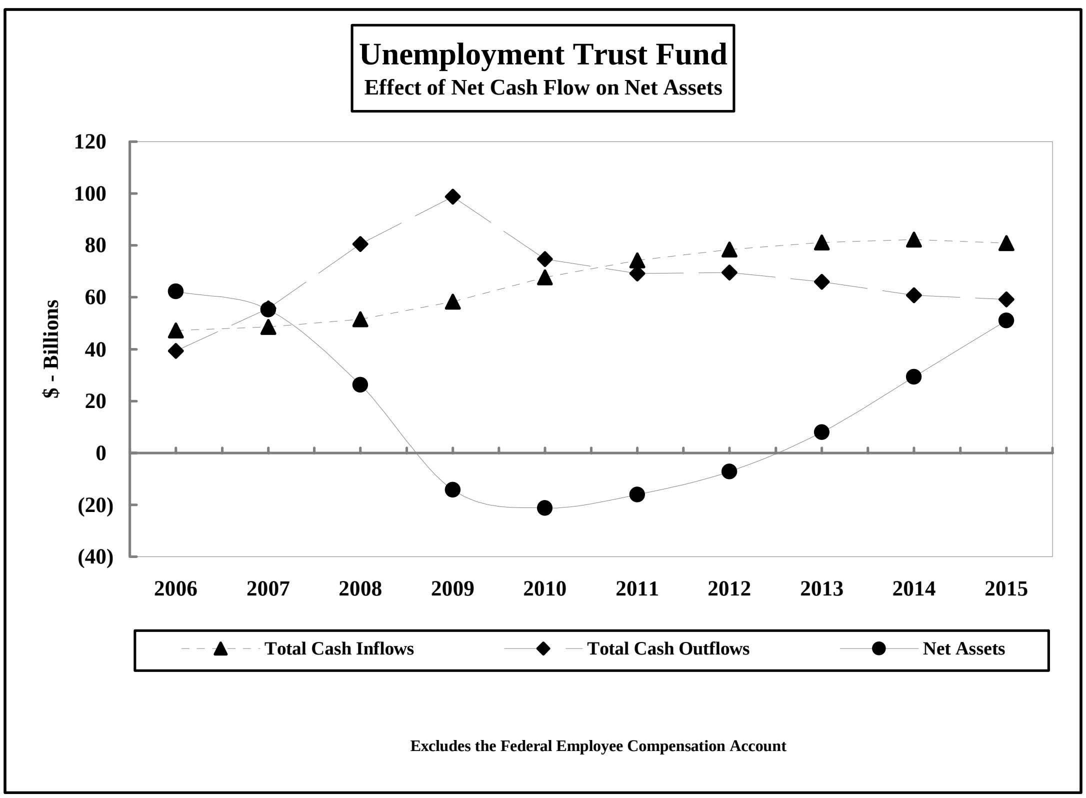
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Effect on UTF Assets of Deep Recession

The Department also estimates the effect of severe recession on the cash inflows and outflows of the UTF. This scenario assumes a rising unemployment rate peaking at 10.15% in FY 2009. Under this scenario, net cash outflows are projected in FY 2007 through FY 2010, with the fund in a deficit situation from 2009 to 2012. The net assets of the UTF decrease from $62.3 billion in FY 2006 to negative $21.2 billion in 2010, a decline of $83.5 billion. State accounts without sufficient reserve balances to absorb negative cash flows would be forced to borrow funds from the FUA to meet benefit payment requirements. State borrowing demands could also deplete the FUA, which borrows from the ESAA and the EUCA until they are depleted. The FUA would then require advances from the general fund of the U.S. Treasury to provide for State borrowings. (See discussion of State solvency measures following.)

Net cash inflows are reestablished in FY 2011, with a drop in the unemployment rate to 7.28%. By the end of FY 2015, this positive cash flow has replenished UTF account balances to $51.0 billion at a growth rate higher than prior to the recession. This example demonstrates the counter cyclical nature of the UI program, which experiences net cash outflows during periods of recession, to be replenished through net cash inflows during periods of recovery. However, at the end of the projection period, net assets are still $59.6 billion less than under expected economic conditions.

Chart IV



U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2015

(1) EXPECTED ECONOMIC CONDITIONS

(Dollars in thousands)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Balance, start of year	$ 54,395,832	$ 63,307,202	$ 70,879,793	$ 76,505,233	$ 80,778,555	$ 84,576,483	$ 87,756,843	$ 91,438,630	$ 97,072,758	$103,853,791
Cash inflow										
State unemployment taxes	37,183,000	38,405,000	39,368,000	40,200,000	41,700,000	43,134,000	45,517,000	49,035,000	51,635,000	52,796,000
Federal unemployment taxes	7,464,000	7,393,000	6,080,000	5,753,000	5,895,000	6,041,000	6,312,000	7,028,000	7,882,000	9,148,000
General revenue appropriation	100	100	100	100	100	200	200	200	200	200
Interest on loans	7,000	-	-	6,000	28,000	75,000	153,000	219,000	262,000	283,000
Deposits by the Railroad Retirement Board	109,100	125,200	126,100	111,000	100,000	107,900	121,700	125,000	119,700	119,700
Total cash inflow excluding interest	44,763,200	45,923,300	45,574,200	46,070,100	47,723,100	49,358,100	52,103,900	56,407,200	59,898,900	62,346,900
Interest on Federal securities	2,531,365	2,837,136	3,099,534	3,490,986	3,798,423	4,062,432	4,338,360	4,657,361	5,104,630	5,572,264
Total cash inflow	47,294,565	48,760,436	48,673,734	49,561,086	51,521,523	53,420,532	56,442,260	61,064,561	65,003,530	67,919,164
Cash outflow										
State unemployment benefits	34,403,000	37,334,000	39,235,000	41,508,000	43,986,000	46,401,000	48,807,000	51,370,000	54,054,000	56,901,000
State administrative costs	3,696,763	3,572,458	3,528,472	3,491,573	3,446,790	3,538,853	3,645,578	3,743,888	3,844,238	3,948,386
Federal administrative costs	169,158	168,432	171,027	173,119	173,620	181,255	187,148	193,161	199,220	202,941
Interest on tax refunds	2,674	2,595	2,115	2,112	2,245	2,364	2,547	2,904	3,339	3,957
Railroad Retirement Board withdrawals	111,600	110,360	111,680	112,960	114,940	116,700	118,200	120,480	121,700	121,700
Total cash outflow	38,383,195	41,187,845	43,048,294	45,287,764	47,723,595	50,240,172	52,760,473	55,430,433	58,222,497	61,177,984
Excess of total cash inflow excluding interest over total cash outflow	6,380,005	4,735,455	2,525,906	782,336	(495)	(882,072)	(656,573)	976,767	1,676,403	1,168,916
Excess of total cash inflow over total cash outflow	8,911,370	7,572,591	5,625,440	4,273,322	3,797,928	3,180,360	3,681,787	5,634,128	6,781,033	6,741,180
Balance, end of year	$ 63,307,202	$ 70,879,793	$ 76,505,233	$ 80,778,555	$ 84,576,483	$ 87,756,843	$ 91,438,630	$ 97,072,758	$103,853,791	$110,594,971
Total unemployment rate	5.12%	5.10%	5.03%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2015

(2) MILD RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Balance, start of year	$ 54,395,832	$ 62,318,901	$ 58,016,908	$ 46,022,764	$ 38,930,587	$ 41,889,104	$ 52,806,892	$ 64,023,528	$ 78,462,207	$ 91,842,631
Cash inflow										
State unemployment taxes	37,171,000	38,747,000	42,703,000	47,325,000	51,098,000	53,621,000	54,084,000	54,867,000	54,365,000	53,195,000
Federal unemployment taxes	7,443,000	7,277,000	5,915,000	5,598,000	6,570,000	8,142,000	9,142,000	10,576,000	11,153,000	9,133,000
General revenue appropriation	200	11,500	33,000	24,600	4,500	500	800	400	400	600
Interest on loans	8,000	12,000	194,000	574,000	822,000	808,000	691,000	482,000	235,000	161,000
Deposits by the Railroad Retirement Board	109,100	125,200	126,100	111,000	100,000	107,900	121,700	125,000	119,700	119,700
Total cash inflow excluding interest	44,731,300	46,172,700	48,971,100	53,632,600	58,594,500	62,679,400	64,039,500	66,050,400	65,873,100	62,609,300
Interest on Federal securities	2,500,057	2,545,903	2,125,638	1,796,190	1,897,540	2,228,411	2,760,848	3,486,355	4,335,337	4,987,302
Total cash inflow	47,231,357	48,718,603	51,096,738	55,428,790	60,492,040	64,907,811	66,800,348	69,536,755	70,208,437	67,596,602
Cash outflow										
State unemployment benefits	35,328,000	48,949,000	58,885,000	58,385,000	53,577,000	50,049,000	51,559,000	51,015,000	52,656,000	55,561,000
State administrative costs	3,696,863	3,790,250	3,921,118	3,847,833	3,665,461	3,639,882	3,715,676	3,765,066	3,846,368	3,948,786
Federal administrative costs	169,158	168,432	171,027	173,119	173,620	181,255	187,148	193,161	199,220	202,941
Interest on tax refunds	2,667	2,554	2,057	2,055	2,502	3,186	3,688	4,369	4,725	3,950
Railroad Retirement Board withdrawals	111,600	110,360	111,680	112,960	114,940	116,700	118,200	120,480	121,700	121,700
Total cash outflow	39,308,288	53,020,596	63,090,882	62,520,967	57,533,523	53,990,023	55,583,712	55,098,076	56,828,013	59,838,377
Excess of total cash inflow excluding interest over total cash outflow	5,423,012	(6,847,896)	(14,119,782)	(8,888,367)	1,060,977	8,689,377	8,455,788	10,952,324	9,045,087	2,770,923
Excess of total cash inflow over total cash outflow	7,923,069	(4,301,993)	(11,994,144)	(7,092,177)	2,958,517	10,917,788	11,216,636	14,438,679	13,380,424	7,758,225
Balance, end of year	$ 62,318,901	$ 58,016,908	$ 46,022,764	$ 38,930,587	$ 41,889,104	$ 52,806,892	$ 64,023,528	$ 78,462,207	$ 91,842,631	$ 99,600,856
Total unemployment rate	5.24%	6.60%	7.43%	7.13%	6.35%	5.63%	5.48%	5.13%	5.00%	5.00%

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2015

(3) DEEP RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Balance, start of year	$ 54,395,832	$ 62,319,859	$ 55,207,656	$ 26,233,373	$ (14,202,712)	$ (21,228,539)	$ (16,069,050)	$ (7,165,371)	$ 7,966,192	$ 29,330,013
Cash inflow										
State unemployment taxes	37,172,000	38,714,000	43,617,000	50,026,000	57,327,000	61,474,000	63,137,000	63,550,000	63,020,000	61,846,000
Federal unemployment taxes	7,443,000	7,239,000	5,794,000	5,417,000	6,632,000	8,734,000	11,008,000	13,062,000	14,716,000	14,564,000
General revenue appropriation	200	16,000	65,400	88,600	60,400	11,100	9,900	6,100	900	500
Interest on loans	8,000	22,000	437,000	1,556,000	2,623,000	2,900,000	2,902,000	2,744,000	2,302,000	1,830,000
Deposits by the Railroad Retirement Board	109,100	125,200	126,100	111,000	100,000	107,900	121,700	125,000	119,700	119,700
Total cash inflow excluding interest	44,732,300	46,116,200	50,039,500	57,198,600	66,742,400	73,227,000	77,178,600	79,487,100	80,158,600	78,360,200
Interest on Federal securities	2,500,015	2,459,167	1,545,983	1,096,083	913,683	1,051,181	1,297,407	1,617,613	2,051,406	2,579,443
Total cash inflow	47,232,315	48,575,367	51,585,483	58,294,683	67,656,083	74,278,181	78,476,007	81,104,713	82,210,006	80,939,643
Cash outflow										
State unemployment benefits	35,328,000	51,567,000	76,038,000	93,535,000	69,349,000	63,701,000	64,289,000	61,079,000	56,467,000	54,935,000
State administrative costs	3,696,863	3,839,237	4,237,044	4,507,700	4,041,824	3,916,319	3,973,539	3,975,113	3,952,031	3,977,343
Federal administrative costs	169,158	168,432	171,027	173,119	173,620	181,255	187,148	193,161	199,220	202,941
Interest on tax refunds	2,667	2,541	2,015	1,989	2,526	3,418	4,441	5,396	6,234	6,299
Interest on General Fund advances	-	-	-	400,000	1,000,000	1,200,000	1,000,000	600,000	100,000	-
Railroad Retirement Board withdrawals	111,600	110,360	111,680	112,960	114,940	116,700	118,200	120,480	121,700	121,700
Total cash outflow	39,308,288	55,687,570	80,559,766	98,730,768	74,681,910	69,118,692	69,572,328	65,973,150	60,846,185	59,243,283
Excess of total cash inflow excluding interest over total cash outflow	5,424,012	(9,571,370)	(30,520,266)	(41,532,168)	(7,939,510)	4,108,308	7,606,272	13,513,950	19,312,415	19,116,917
Excess of total cash inflow over total cash outflow	7,924,027	(7,112,203)	(28,974,283)	(40,436,085)	(7,025,827)	5,159,489	8,903,679	15,131,563	21,363,821	21,696,360
Balance, end of year	$ 62,319,859	$ 55,207,656	$ 26,233,373	$ (14,202,712)	$ (21,228,539)	$ (16,069,050)	$ (7,165,371)	$ 7,966,192	$ 29,330,013	$ 51,026,373
Total unemployment rate	5.24%	6.93%	9.08%	10.15%	7.83%	7.28%	7.05%	6.43%	5.65%	5.18%

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

States Minimally Solvent

Each State's accumulated UTF net assets or reserve balance should provide a defined level of benefit payments over a defined period. To be minimally solvent, a State's reserve balance should provide for one year's projected benefit payment needs based on the highest levels of benefit payments experienced by the State over the last twenty years. A ratio of 1.0 or greater prior to a recession indicates a state is minimally solvent. States below this level are vulnerable to exhausting their funds in a recession. States exhausting their reserve balance must borrow funds from the Federal Unemployment Account (FUA) to make benefit payments. The Missouri and New York state accounts had loans payable to FUA at the end of FY 2005. In addition, Texas, Illinois and North Carolina had outstanding debts to other sources. During periods of high-sustained unemployment, balances in the FUA may be depleted. In these circumstances, FUA is authorized to borrow from the Treasury general fund.

Chart V presents the State by State results of this analysis at September 30, 2005, in descending order, by ratio. As the table below illustrates, 27 state funds were below minimal solvency ratio at September 30, 2005.

Chart V

Minimally Solvent			Not Minimally Solvent	
State	Ratio		State	Ratio
Mississippi	2.82		Indiana	0.94
New Mexico	2.82		West Virginia	0.85
Vermont	1.89		Alaska	0.83
Montana	1.75		Alabama	0.81
Maine	1.73		Wisconsin	0.76
New Hampshire	1.70		North Dakota	0.75
Hawaii	1.69		South Carolina	0.69
Utah	1.59		Virginia	0.68
Wyoming	1.56		Connecticut	0.61
Oklahoma	1.55		Kentucky	0.56
District of Columbia	1.54		Idaho	0.49
Iowa	1.52		South Dakota	0.49
Arizona	1.47		Rhode Island	0.48
Oregon	1.44		Arkansas	0.42
Delaware	1.39		Colorado	0.42
Louisiana	1.39		New Jersey	0.40
Virgin Islands	1.34		Pennsylvania	0.38
Puerto Rico	1.30		Ohio	0.37
Washington	1.28		Michigan	0.28
Georgia	1.27		California	0.25
Kansas	1.22		Massachusetts	0.23
Nevada	1.21		Minnesota	0.08
Florida	1.04		Illinois	0.00
Maryland	1.01		Missouri	0.00
Tennessee	1.01		North Carolina	0.00
Nebraska	1.00		New York	0.00
			Texas	0.00

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Black Lung Disability Benefit Program

The Black Lung Disability Benefit Program provides for compensation, medical and survivor benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment. The U.S. Department of Labor operates the Black Lung Disability Benefit Program. The Black Lung Disability Trust Fund (BLDTF) provides benefit payments to eligible coal miners disabled by pneumoconiosis when no responsible mine operator can be assigned the liability.

Program Administration and Funding

Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the sale of coal, as are the fund's administrative costs. These taxes are collected by the Internal Revenue Service and transferred to the BLDTF, which was established under the authority of the Black Lung Benefits Revenue Act, and administered by the U.S. Department of the Treasury. The Black Lung Benefits Revenue Act provides for repayable advances to the BLDTF from the general fund of the Treasury, in the event that BLDTF resources are not adequate to meet program obligations.

Program Finances and Sustainability

At September 30, 2005, total liabilities of the Black Lung Disability Trust Fund exceeded assets by $9.2 billion. This deficit fund balance represented the accumulated shortfall of excise taxes necessary to meet benefit payment and interest expenses. This shortfall was funded by repayable advances to the BLDTF, which are repayable with interest. Outstanding advances at September 30, 2005 were $9.2 billion, bearing interest rates ranging from 4.500 to 13.875 percent. Excise tax revenues of $610.4 million, benefit payment expense of $327.9 million and interest expense of $674.9 million were recognized for the year ended September 30, 2005.

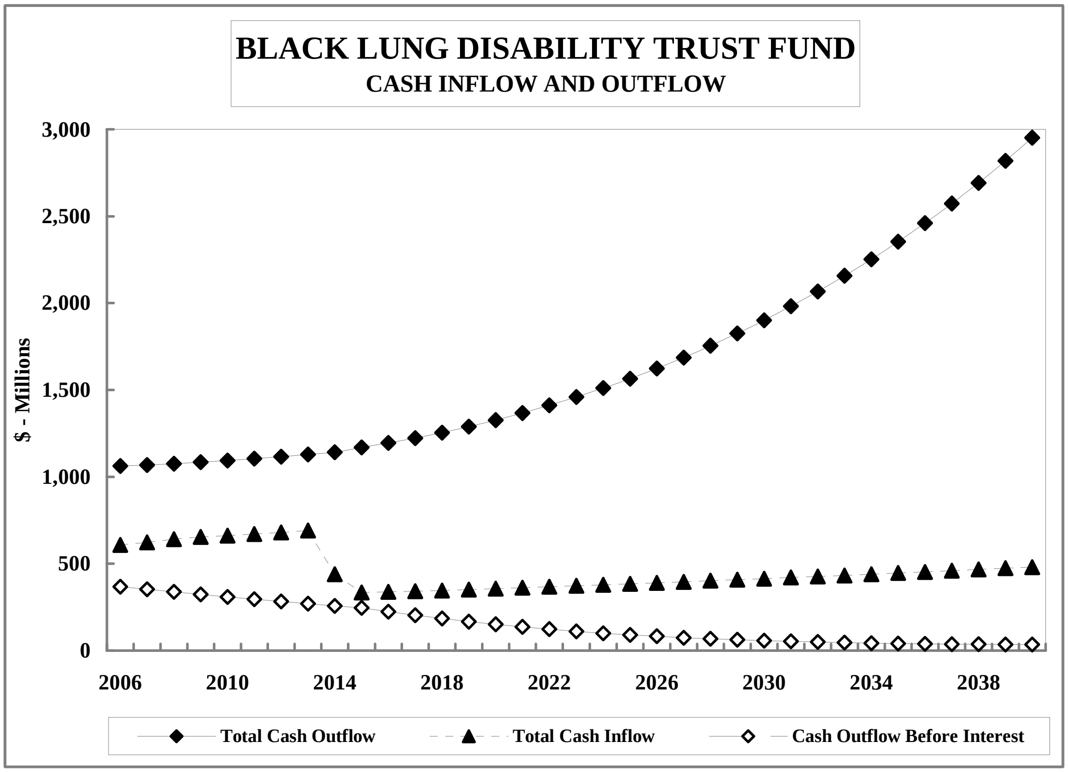
As discussed in Note 1.L.3, DOL recognized a liability for disability benefits to the extent of unpaid benefits applicable to the current period. Accrued disability benefits payable at September 30, 2005 were $24.4 million. Although no liability was recognized for future payments to be made to present and future program participants beyond the due and payable amounts accrued at year end, future estimated cash inflows and outflows of the BLDTF are tracked by the Department for budgetary purposes. The significant assumptions used in the projections are coal production estimates, the tax rate structure, number of beneficiaries, life expectancy, medical costs and the interest rate on new repayable advances from Treasury. These projections are sensitive to changes in the tax rate and changes in interest rates on repayable advances from Treasury.

These projections, made over the thirty-five year period ending September 30, 2040, indicate that cash inflows from excise taxes will exceed cash outflows for benefit payments and administrative expenses for each period projected. Cumulative net cash inflows are projected to reach $16.1 billion by the year 2040. However, when interest payments required to finance the BLDTF's repayable advances are applied against this surplus cash inflow, the BLDTF's cash flow turns negative during each of the thirty-five periods included in the projections. Net cash outflows after interest payments are projected to reach $41.6 billion by the end of the year 2040, increasing the BLDTF's deficit to $50.8 billion at September 30, 2040. (See Chart I on following page)

The net present value of future benefit payments for the thirty-five year period ending 2040 is $2.6 billion. The net present value of future excise taxes for the thirty-five year period is $8.5 billion which results in a $5.9 billion excess of excise taxes over benefit payments. However, the net present value of total cash outflows, including interest payments and administrative costs, is $25.1 billion resulting in an excess of cash outflows over excise taxes of $16.6 billion. The interest rate used for net present value is 4.5 percent. The net present value of future benefit payments was $2.9 billion, $3.0 billion, $3.1 billion, and $3.5 billion for FY 2004, 2003, 2002 and 2001, respectively. The net present value of future excise taxes was $7.7 billion, $7.3 billion, $7.8 billion, and $7.9 billion for FY 2004, 2003, 2002 and 2001, respectively. The fund deficit was $8.7 billion, $8.2 billion, $7.7 billion and $7.2 billion at the end of FY 2004, 2003, 2002, and 2001, respectively.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Chart I



The projected decrease in cash inflows in the year 2014 and thereafter is the result of a scheduled reduction in the tax rate on the sale of coal. This rate reduction is projected to result in a fifty-two percent decrease in the amount of excise taxes collected between the years 2013 and 2015. The cumulative effect of this change is estimated to be in excess of $12.2 billion by the year 2040.

Yearly cash inflows and outflows are presented in the table on the following page.

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE BLACK LUNG DISABILITY TRUST FUND
FOR THE THIRTY-FIVE YEAR PERIOD ENDING SEPTEMBER 30, 2040

(Dollars in thousands)	2006	2007	2008	2009	2010	2011 - 2040	Total
Cash inflow							
Excise taxes	$ 608,000	$ 623,000	$ 641,000	$ 654,000	$ 662,000	$ 12,921,547	$ 16,109,547
Total cash inflow	608,000	623,000	641,000	654,000	662,000	12,921,547	16,109,547
Cash outflow							
Disabled coal miners benefits	309,806	292,449	275,007	258,031	241,274	2,570,757	3,947,324
Administrative costs	57,989	60,199	62,505	64,909	67,417	1,027,722	1,340,741
Cash outflows before interest payments	367,795	352,648	337,512	322,940	308,691	3,598,479	5,288,065
Cash inflow over cash outflow before interest payments	240,205	270,352	303,488	331,060	353,309	9,323,068	10,821,482
Interest on advances	694,455	715,714	738,427	761,696	785,381	48,763,833	52,459,506
Total cash outflow	1,062,250	1,068,362	1,075,939	1,084,636	1,094,072	52,362,312	57,747,571
Total cash outflow over total cash inflow	(454,250)	(445,362)	(434,939)	(430,636)	(432,072)	(39,440,765)	(41,638,024)
Balance, start of year	(9,160,009)	(9,614,259)	(10,059,621)	(10,494,560)	(10,925,196)	(11,357,268)	(9,160,009)
Balance, end of year	$ (9,614,259)	$ (10,059,621)	$ (10,494,560)	$ (10,925,196)	$ (11,357,268)	$ (50,798,033)	$ (50,798,033)