REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

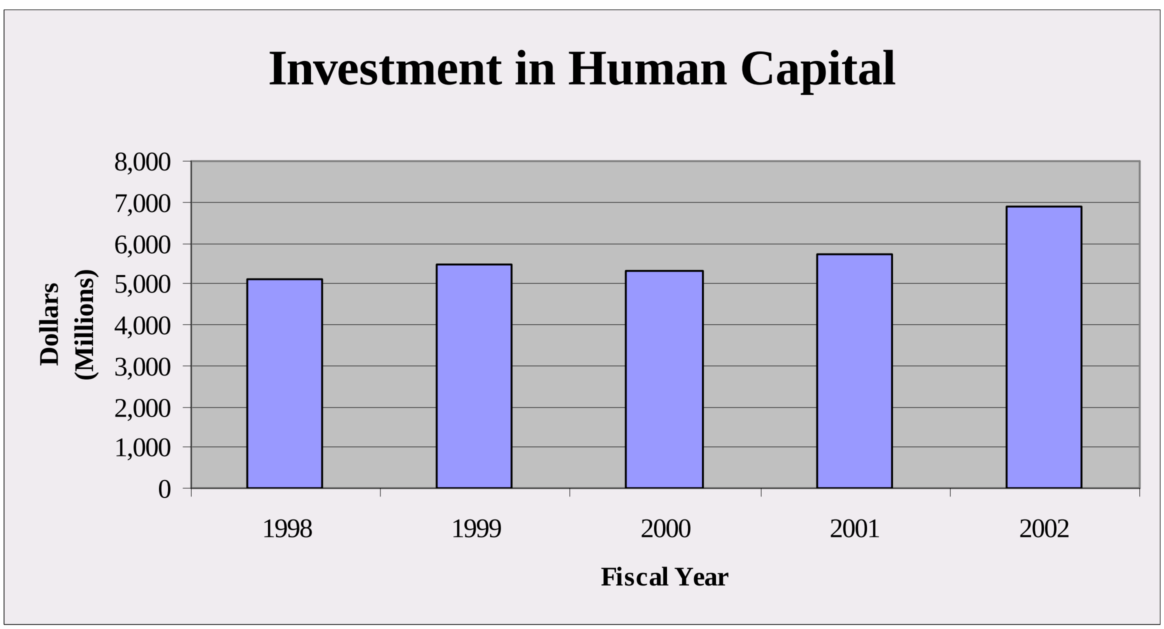
STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

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 and employment services enacted under the Workforce Investment Act of 1998 (WIA), the Job Training Partnership Act, as amended (JTPA), the Trade Act of 1974, as amended (Trade Act), the School-To-Work Opportunities Act of 1994, as amended (STW), and the 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. The ETA's investment in human capital for fiscal years 1998 to 2002, excluding the cost of internal Federal education and training is presented below.



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

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.
- **Adult and Dislocated Worker Employment and Training Actvities** - Grants to provide financial assistance to States and U.S. territories to design and operate training programs for low income adults and re-employment 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 Americans, Migrant and Seasonal Farmworkers, Veterans and Disadvantaged Youth.

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

- **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.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Veterans' Employment and Training Service

The mission of Veterans' Employment and Training Service (VETS) is to provide veterans 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 staff 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 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 SESAs, 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.

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)	2002	2001	2000
Program Expenses			
Career Counseling and Employment Services			
Disabled Veterans Outreach Program	$ 82,582	$ 84,681	$ 81,956
Local Veterans' Employment Representative	77,977	80,155	78,753
Transition and Reemployment Services	25,635	27,970	25,500
	$ 186,194	$ 192,806	$ 186,209

A summary of program outputs is presented below.

Program Outputs	2002	2001	2000
Disabled Veterans Outreach Program			
Participants employed	120,400	131,000	146,000
Disabled veterans	15,057	16,000	17,500
Special disabled veterans	7,107	8,000	8,600
Participants assisted	584,719	581,000	568,000
Local Veterans' Employment Representative			
Participants employed	128,450	138,700	156,700
Disabled veterans	13,533	14,000	14,800
Special disabled veterans	6,233	6,500	6,900
Participants assisted	639,694	733,600	632,600
Transition and Reemployment Services			
Participants served	104,000	112,000	121,384
Workshops	3,151	3,181	3,121
Uniformed Services Employment and Reemployment			
Briefings, presentations and technical assistance	5,436	3,200	4,981
Individuals briefed or assisted	54,050	-	-

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.

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.

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 are currently being paid under the Temporary Extended Unemployment Compensation Act. Emergency benefit payments in excess of $8 billion have been paid since March, 2002. The benefits under this program are 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, 2002, total assets within the UTF exceeded liabilities by $67.4 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, 2002 was $68.3 billion. These investments accrue interest, which is distributed to eligible State and Federal accounts within the UTF. Interest income from these investments during FY 2002 was $5.1 billion. Federal and State UI tax and reimbursable revenues of $27.6 billion and regular, extended and emergency benefit payment expense of $50.6 billion were recognized for the year ended September 30, 2002.

As discussed in Note 1.N.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, 2002 were $2.1 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.

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.

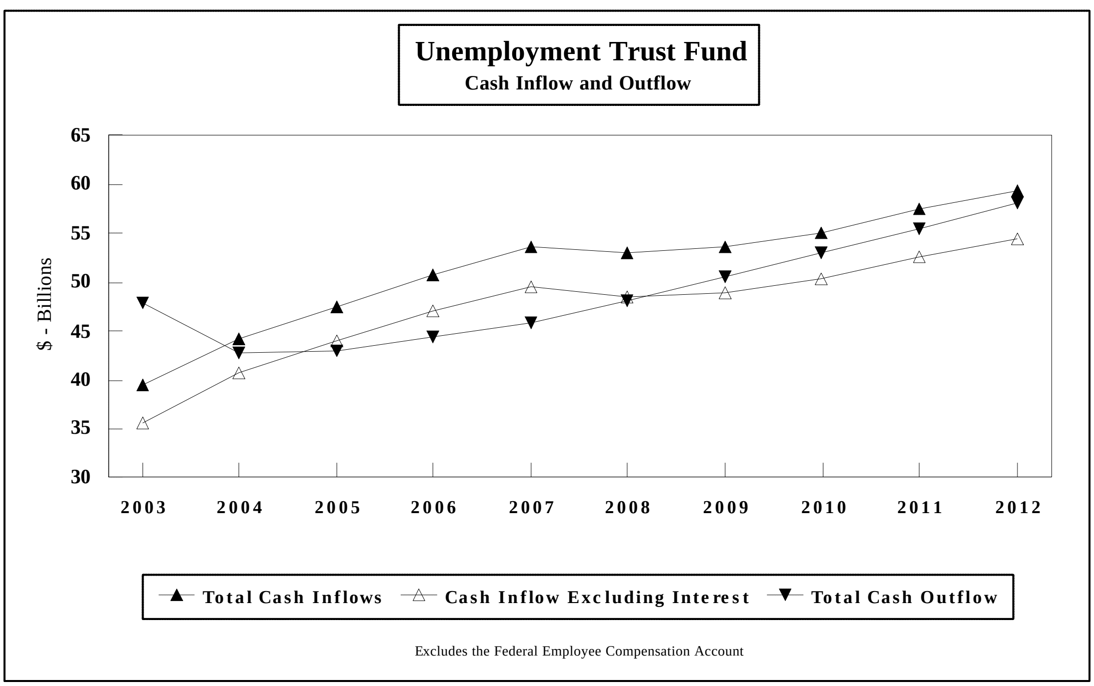
Charts I and II graphically depict the effect of expected economic conditions on the UTF over the next ten years.

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 5.68% during FY 2003, decreasing to 4.90% in FY 2008 and thereafter. Cash outflows exceed cash inflows combined with interest earnings for FY 2003. Positive cash flows resume in FY 2004, peaking at $7.9 billion in FY 2007 and decreasing to $1.3 billion in FY 2012, indicating that States have replenished their funds to desired levels.

These projections, excluding interest earnings, indicate net cash outflows in FY 2003 and FY 2004, then net cash inflows for the next four years. Due to projected transfers of excess Federal funds to the States starting in 2008, which tends to depress state tax collections, there is crossover back to net outflows in FY 2009. The result is that the fund must rely on interest earnings to keep growing.

Chart I



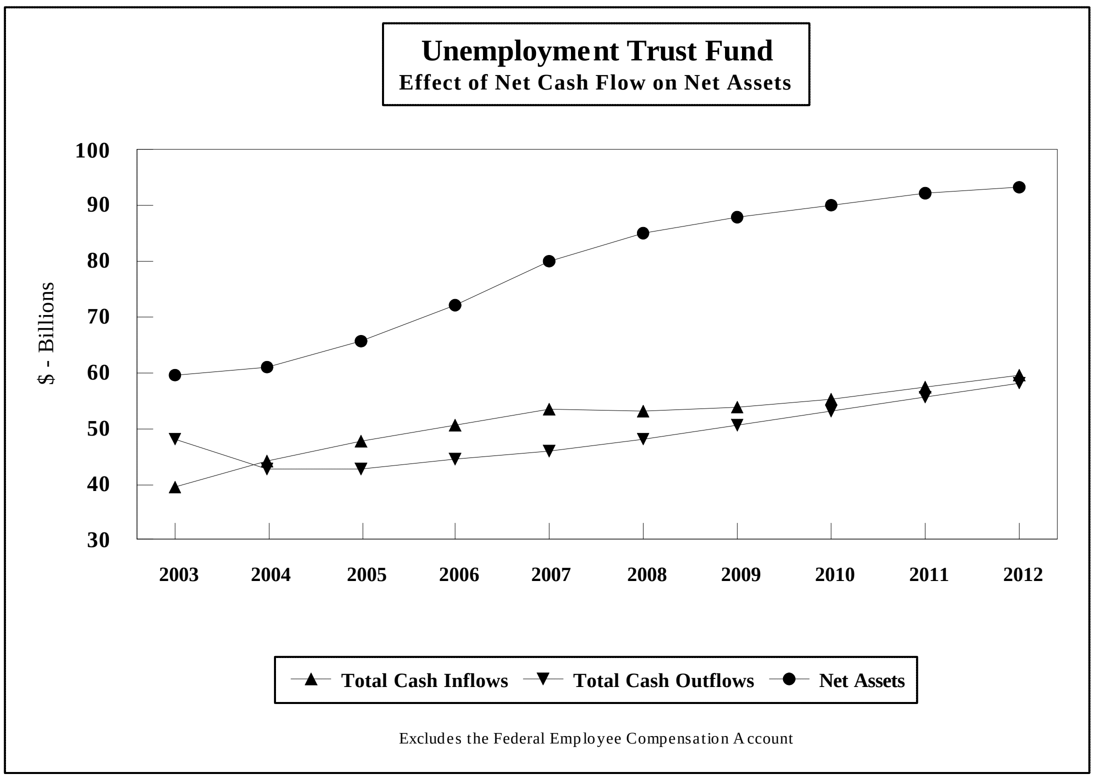
Effect of Projected Cash Inflows and Outflows on the Accumulated Net Assets of the UTF - Continued

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, 2012. 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 outflows exceed cash inflows during 2003. Total cash inflows exceed cash outflows in each of the next nine years projected, with this excess peaking in 2007 and decreasing every year thereafter. Net UTF assets decrease to $59.6 billion in FY 2003 but increase by 57% over the next nine years to $93.5 billion by the end of FY 2012.

Chart II



Recessionary Scenarios

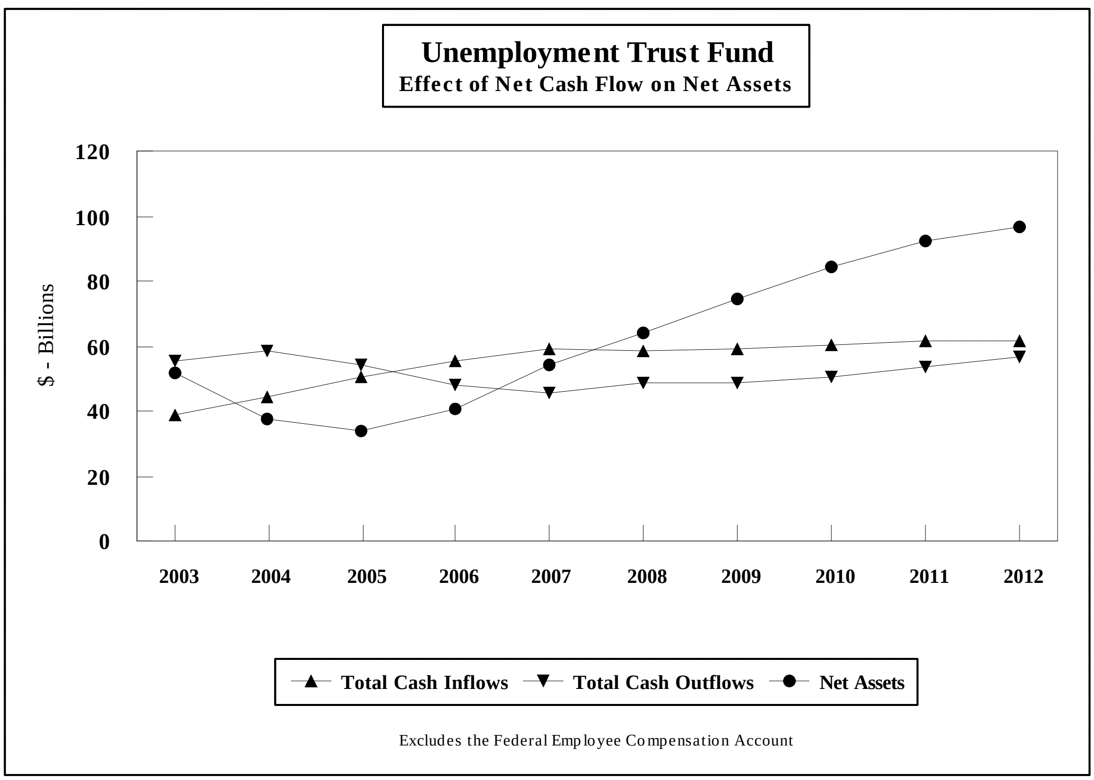
Charts III and IV demonstrate the effect on accumulated UTF assets of projected total cash inflows and cash outflows of the UTF over the ten year period ending September 30, 2012, under mild and severe recession scenarios. Each scenario uses an open group, which includes current and future participants in the UI program. Charts III and IV assume increased rates of unemployment during mild and deep periods of recession.

Effect on UTF Assets of Mild Recession

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 2004, net cash outflows are projected in FY 2003 through FY 2005. Net cash inflows are reestablished in FY 2006 and peak in FY 2007 with a drop in the unemployment rate to 5.63%.

The crossover pattern discussed above remains the same, even without including interest earnings, until the final year of the projections. At this point, when cash outflows are marginally less than total cash inflows and marginally exceeds cash inflows without interest, the states have replenished their funds to the desired level and growth of the fund slows.

Chart III

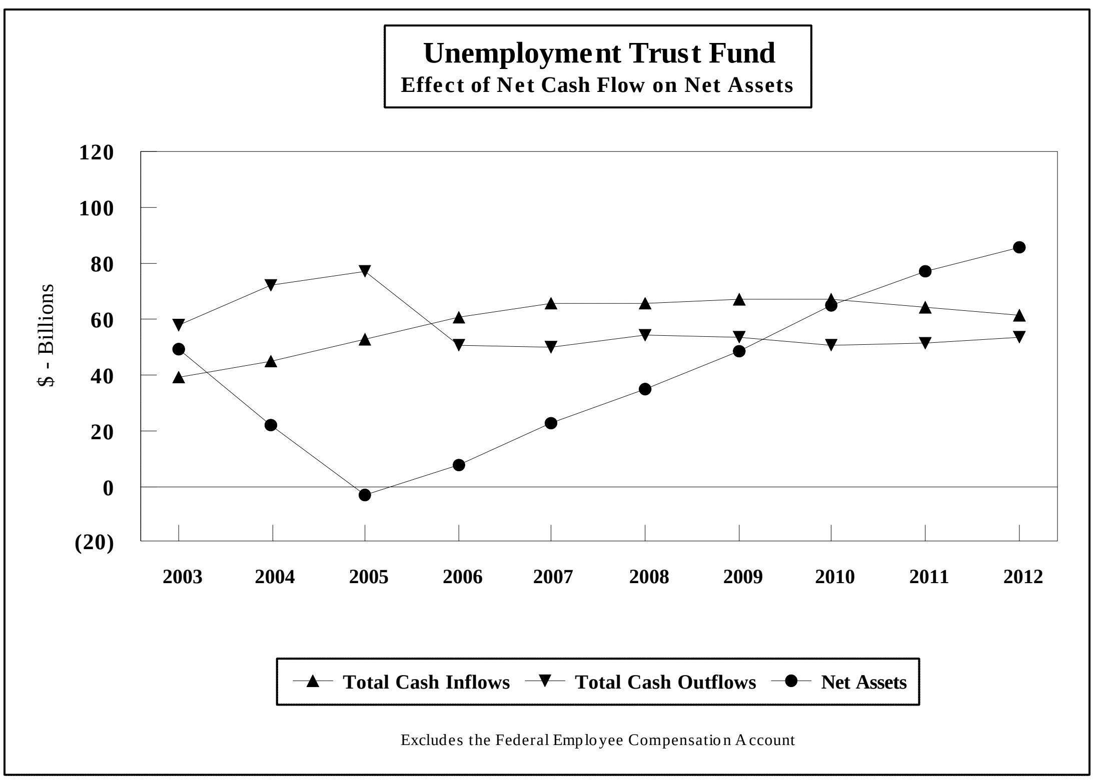


Effect on UTF Assets of Deep Recession

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 2005. Under this scenario, net cash outflows are projected in FY 2003 through FY 2005, with the fund in a deficit situation in 2005. During this three year period, the net assets of the UTF decrease from $68.1 billion to a negative $3.0 billion, a decline of $71.1 billion (104%). 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 2006, with a drop in the unemployment rate to 7.83%. By the end of FY 2012, this positive cash flow has replenished UTF account balances to $85.9 billion, higher than the beginning of 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.

Chart IV



Tables containing the total yearly cash inflow, interest earnings and cash outflow for each scenario are presented in the following pages.

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, 2012

(1) EXPECTED ECONOMIC CONDITIONS

(Dollars in thousands)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Balance, start of year	$ 68,121,425	$ 59,595,703	$ 61,035,749	$ 65,712,536	$ 72,079,836	$ 79,942,102	$ 84,946,740	$ 88,127,299	$ 90,289,139	$ 92,218,299
Cash inflow										
State unemployment taxes	28,239,000	33,400,000	36,532,000	38,996,000	41,055,000	41,968,000	42,654,000	43,520,000	45,684,000	46,842,000
Federal unemployment taxes	7,000,000	7,183,000	7,372,000	7,859,000	8,323,000	6,491,000	6,218,000	6,659,000	6,687,000	7,299,000
General revenue appropriation	152,000	1,700	900	800	500	600	700	700	700	700
Interest on loans	10,000	53,000	73,000	56,000	23,000	31,000	39,000	66,000	127,000	227,000
CMIA receipts	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Deposits by the Railroad Retirement Board	149,900	155,700	120,300	93,800	103,100	124,200	121,300	108,900	109,600	119,100
Total cash inflow excluding interest	35,552,900	40,795,400	44,100,200	47,007,600	49,506,600	48,616,800	49,035,000	50,356,600	52,610,300	54,489,800
Interest on Federal securities	3,894,677	3,466,271	3,491,212	3,738,911	4,159,348	4,493,733	4,686,945	4,796,696	4,862,265	4,979,269
Total cash inflow	39,447,577	44,261,671	47,591,412	50,746,511	53,665,948	53,110,533	53,721,945	55,153,296	57,472,565	59,469,069
Cash outflow										
State unemployment benefits	43,839,000	38,684,000	38,690,000	40,062,000	41,392,000	43,593,000	45,924,000	48,269,000	50,711,000	53,257,000
State administrative costs	3,842,188	3,841,093	3,925,875	4,017,588	4,111,281	4,209,205	4,309,466	4,412,019	4,517,008	4,624,497
Federal administrative costs	172,422	175,297	177,502	179,750	182,082	184,405	186,786	189,196	191,723	194,446
Interest on tax refunds	3,689	3,620	3,591	3,850	4,121	3,197	3,046	3,244	3,258	3,575
Railroad Retirement Board withdrawals	116,000	117,615	117,657	116,023	114,198	116,088	118,088	117,997	120,416	121,244
Total cash outflow	47,973,299	42,821,625	42,914,625	44,379,211	45,803,682	48,105,895	50,541,386	52,991,456	55,543,405	58,200,762
Total cash inflow excluding interest over (under) total cash outflow	(12,420,399)	(2,026,225)	1,185,575	2,628,389	3,702,918	510,905	(1,506,386)	(2,634,856)	(2,933,105)	(3,710,962)
Total cash inflow over (under) total cash outflow	(8,525,722)	1,440,046	4,676,787	6,367,300	7,862,266	5,004,638	3,180,559	2,161,840	1,929,160	1,268,307
Balance, end of year	$ 59,595,703	$ 61,035,749	$ 65,712,536	$ 72,079,836	$ 79,942,102	$ 84,946,740	$ 88,127,299	$ 90,289,139	$ 92,218,299	$ 93,486,606
Total unemployment rate	5.68%	5.38%	5.18%	5.05%	4.93%	4.90%	4.90%	4.90%	4.90%	4.90%

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, 2012

(2) MILD RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Balance, start of year	$ 68,121,425	$ 51,859,459	$ 37,695,734	$ 33,876,053	$ 41,120,240	$ 54,524,033	$ 64,102,384	$ 74,627,941	$ 84,815,710	$ 92,501,626
Cash inflow										
State unemployment taxes	28,319,000	34,565,000	40,872,000	45,040,000	46,771,000	46,073,000	46,580,000	46,832,000	46,653,000	46,917,000
Federal unemployment taxes	6,924,000	7,022,000	7,204,000	7,965,000	9,233,000	8,786,000	8,815,000	9,220,000	9,958,000	9,459,000
General revenue appropriation	152,000	1,700	900	800	500	600	700	700	700	700
Interest on loans	34,000	248,000	558,000	645,000	521,000	373,000	267,000	170,000	101,000	85,000
CMIA receipts	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Deposits by the Railroad Retirement Board	149,900	155,700	120,300	93,800	103,100	124,200	121,300	108,900	109,600	119,100
Total cash inflow excluding interest	35,580,900	41,994,400	48,757,200	53,746,600	56,630,600	55,358,800	55,786,000	56,333,600	56,824,300	56,582,800
Interest on Federal securities	3,666,294	2,558,182	1,915,576	2,007,506	2,567,174	3,223,802	3,758,516	4,328,222	4,835,184	5,160,139
Total cash inflow	39,247,194	44,552,582	50,672,776	55,754,106	59,197,774	58,582,602	59,544,516	60,661,822	61,659,484	61,742,939
Cash outflow										
State unemployment benefits	51,290,000	54,263,000	50,042,000	44,103,000	41,372,000	44,462,000	44,416,000	45,782,000	49,153,000	52,093,000
State administrative costs	3,927,089	4,156,856	4,151,788	4,107,244	4,121,129	4,237,431	4,293,767	4,380,368	4,503,578	4,618,769
Federal administrative costs	172,422	175,297	177,502	179,750	182,082	184,405	186,786	189,196	191,723	194,446
Interest on tax refunds	3,649	3,539	3,510	3,902	4,572	4,327	4,318	4,492	4,851	4,633
Railroad Retirement Board withdrawals	116,000	117,615	117,657	116,023	114,198	116,088	118,088	117,997	120,416	121,244
Total cash outflow	55,509,160	58,716,307	54,492,457	48,509,919	45,793,981	49,004,251	49,018,959	50,474,053	53,973,568	57,032,092
Total cash inflow excluding interest over (under) total cash outflow	(19,928,260)	(16,721,907)	(5,735,257)	5,236,681	10,836,619	6,354,549	6,767,041	5,859,547	2,850,732	(449,292)
Total cash inflow over (under) total cash outflow	(16,261,966)	(14,163,725)	(3,819,681)	7,244,187	13,403,793	9,578,351	10,525,557	10,187,769	7,685,916	4,710,847
Balance, end of year	$ 51,859,459	$ 37,695,734	$ 33,876,053	$ 41,120,240	$ 54,524,033	$ 64,102,384	$ 74,627,941	$ 84,815,710	$ 92,501,626	$ 97,212,473
Total unemployment rate	6.60%	7.43%	7.13%	6.35%	5.63%	5.48%	5.10%	4.90%	4.90%	4.90%

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, 2012

(3) DEEP RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Balance, start of year	$ 68,121,425	$ 49,632,607	$ 21,773,498	$ (2,970,460)	$ 7,398,863	$ 23,073,030	$ 35,051,407	$ 48,437,482	$ 65,004,042	$ 77,425,153
Cash inflow										
State unemployment taxes	28,324,000	35,293,000	42,887,000	49,229,000	51,627,000	51,501,000	50,859,000	50,177,000	48,577,000	47,948,000
Federal unemployment taxes	6,891,000	6,883,000	6,994,000	8,253,000	10,546,000	10,955,000	12,675,000	13,263,000	11,018,000	8,970,000
General revenue appropriation	152,000	1,700	900	800	500	600	700	700	700	700
Interest on loans	47,000	450,000	1,512,000	2,045,000	1,685,000	1,334,000	989,000	622,000	409,000	291,000
CMIA receipts	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Deposits by the Railroad Retirement Board	149,900	155,700	120,300	93,800	103,100	124,200	121,300	108,900	109,600	119,100
Total cash inflow excluding interest	35,565,900	42,785,400	51,516,200	59,623,600	63,963,600	63,916,800	64,647,000	64,173,600	60,116,300	57,330,800
Interest on Federal securities	3,584,862	1,943,590	1,277,233	1,300,513	1,667,933	2,036,450	2,358,120	3,130,311	3,893,199	4,449,976
Total cash inflow	39,150,762	44,728,990	52,793,433	60,924,113	65,631,533	65,953,250	67,005,120	67,303,911	64,009,499	61,780,776
Cash outflow										
State unemployment benefits	53,375,000	67,873,000	72,675,000	46,123,000	45,447,000	49,331,000	48,920,000	46,022,000	46,790,000	48,382,000
State administrative costs	3,972,526	4,418,718	4,563,825	4,131,974	4,208,864	4,337,985	4,387,962	4,401,697	4,480,881	4,575,671
Federal administrative costs	172,422	175,297	177,502	179,750	182,082	184,405	186,786	189,196	191,723	194,446
Interest on tax refunds	3,632	3,469	3,407	4,043	5,222	5,395	6,209	6,461	5,368	4,394
Railroad Retirement Board withdrawals	116,000	117,615	117,657	116,023	114,198	116,088	118,088	117,997	120,416	121,244
Total cash outflow	57,639,580	72,588,099	77,537,391	50,554,790	49,957,366	53,974,873	53,619,045	50,737,351	51,588,388	53,277,755
Total cash inflow excluding interest over (under) total cash outflow	(22,073,680)	(29,802,699)	(26,021,191)	9,068,810	14,006,234	9,941,927	11,027,955	13,436,249	8,527,912	4,053,045
Total cash inflow over (under) total cash outflow	(18,488,818)	(27,859,109)	(24,743,958)	10,369,323	15,674,167	11,978,377	13,386,075	16,566,560	12,421,111	8,503,021
Balance, end of year	$ 49,632,607	$ 21,773,498	$ (2,970,460)	$ 7,398,863	$ 23,073,030	$ 35,051,407	$ 48,437,482	$ 65,004,042	$ 77,425,153	$ 85,928,174
Total unemployment rate	6.93%	9.08%	10.15%	7.83%	7.28%	7.05%	6.43%	5.65%	5.18%	4.90%

States Minimally Solvent

Another measure of the sufficiency of accumulated UTF assets to meet future benefit payment requirements analyzes the adequacy of each State's accumulated net assets or reserve balance to provide a defined level of benefits over a defined period of time. To be considered minimally solvent, a State's reserve balance should provide for one year's projected benefit payment needs based on the highest level of benefit payments experienced by the State over the last twenty years. A ratio of 1.0 or greater indicates a state is minimally solvent. States below this level are the most 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. 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, 2002, in descending order, by ratio. As the table below illustrates, 30 states failed to maintain minimal solvency ratios at September 30, 2002.

Chart V

Minimally Solvent			Not Minimally Solvent	
State	Ratio		State	Ratio
New Mexico	2.80		Alaska	0.99
Virgin Islands	2.73		New Jersey	0.99
Vermont	2.41		Nevada	0.96
Delaware	2.13		Virginia	0.94
Mississippi	2.06		Nebraska	0.91
New Hampshire	1.92		Kansas	0.88
Maine	1.82		Wisconsin	0.86
Arizona	1.62		Maryland	0.84
Wyoming	1.55		Rhode Island	0.80
Montana	1.51		Washington	0.79
Indiana	1.47		Colorado	0.77
Hawaii	1.47		Tennessee	0.77
Oregon	1.36		Connecticut	0.73
Louisiana	1.33		Idaho	0.69
Georgia	1.33		Kentucky	0.69
Puerto Rico	1.32		Michigan	0.69
Utah	1.29		California	0.67
Florida	1.24		Alabama	0.62
Iowa	1.19		West Virginia	0.62
Oklahoma	1.19		Ohio	0.60
District of Columbia	1.19		Massachusetts	0.59
South Carolina	1.03		Pennsylvania	0.51
South Dakota	1.00		Arkansas	0.46
			North Dakota	0.36
			Missouri	0.30
			North Carolina	0.23
			Illinois	0.21
			Minnesota	0.18
			Texas	0.10
			New York	0.05

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 sustainabilility

At September 30, 2002, total liabilities of the Black Lung Disability Trust Fund exceeded assets by $7.7 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, 2002 were $7.7 billion, bearing interest rates ranging from 5.375 to 13.875 percent. Excise tax revenues of $566.6 million, benefit payment expense of $367.9 million and interest expense of $595.6 million were recognized for the year ended September 30, 2002.

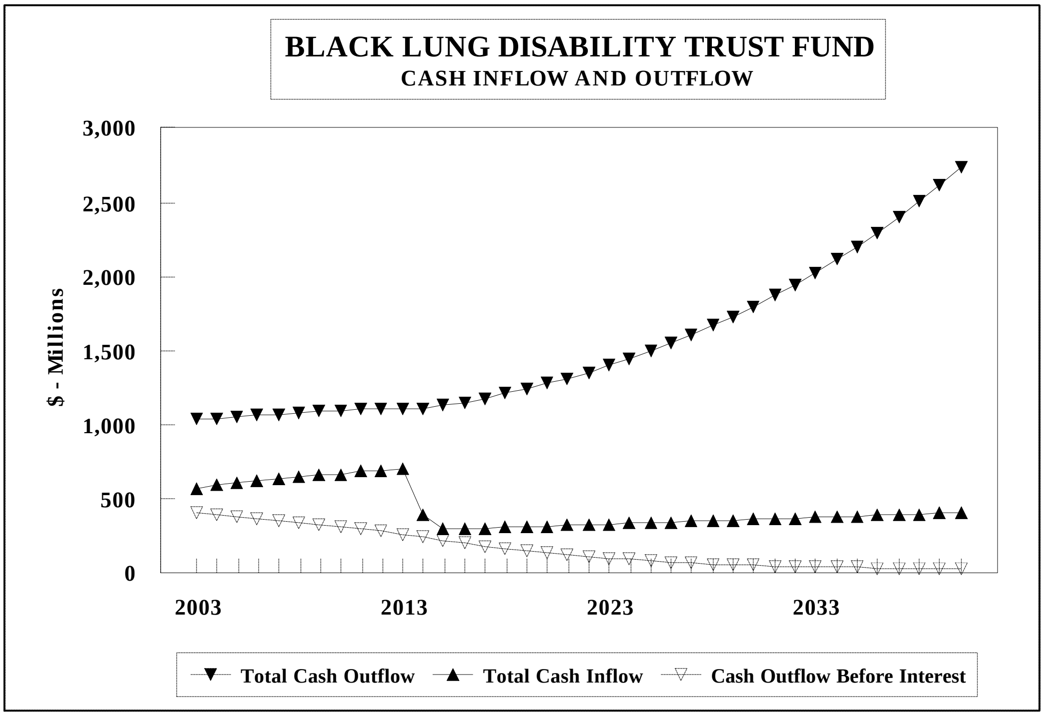
As discussed in Note 1.N.3, DOL recognized a liability for disability benefits to the extent of unpaid benefits applicable to the current period. Accrued disability benefits payable at September 30, 2002 were $29.5 million. Although no liability was recognized for future payments to be made to present 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-eight 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 $10.3 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-eight periods included in the projections. Net cash outflows after interest payments are projected to reach $58.3 billion by the end of the year 2040, increasing the BLDTF's deficit to $49.3 billion at September 30, 2040. (See Chart I on following page.)

The net present value of future benefit payments for the thirty-eight year period ending 2040 is $3.1 billion. The net present value of future excise taxes for the thirty-eight year period is $7.8 billion which results in a $4.7 billion excess of excise taxes over benefit payments. However, the net present value of total cash outflows, including interest payments and administrative costs, is $20.9 billion resulting in an excess of cash outflows over excise taxes of $13.1 billion. The interest rate used for net present value is 5.375 percent.

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-seven 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 $12.7 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-EIGHT YEAR PERIOD ENDING SEPTEMBER 30, 2040

(Dollars in thousands)	2003	2004	2005	2006	2007	2008 - 2040	Total
Cash inflow							
Excise taxes	$ 573,000	$ 597,000	$ 616,000	$ 628,000	$ 638,000	$ 13,695,019	$ 16,747,019
Interest	-	-	-	-	-	-	-
Total cash inflow	573,000	597,000	616,000	628,000	638,000	13,695,019	16,747,019
Cash outflow							
Disabled coal miners benefits	359,727	344,208	328,986	313,645	296,972	3,498,197	5,141,735
Administrative costs	56,717	58,472	60,310	62,236	64,230	967,446	1,269,411
Cash outflows before interest payments	416,444	402,680	389,296	375,881	361,202	4,465,643	6,411,146
Cash inflow over cash outflow before interest payments	156,556	194,320	226,704	252,119	276,798	9,229,376	10,335,873
Interest on advances	619,535	643,610	666,972	689,867	712,629	48,578,300	51,910,913
Total cash outflow	1,035,979	1,046,290	1,056,268	1,065,748	1,073,831	53,043,943	58,322,059
Total cash outflow over total cash inflow	(462,979)	(449,290)	(440,268)	(437,748)	(435,831)	(39,348,924)	(41,575,040)
Balance, start of year	(7,681,649)	(8,144,628)	(8,593,918)	(9,034,186)	(9,471,934)	(9,907,765)	(7,681,649)
Balance, end of year	$ (8,144,628)	$ (8,593,918)	$ (9,034,186)	$ (9,471,934)	$ (9,907,765)	$ (49,256,689)	$ (49,256,689)