

**REQUIRED SUPPLEMENTARY STEWARDSHIP
INFORMATION**

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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 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); 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. For the fiscal years ended September 30, 2001, 2000, and 1999, the ETA incurred expenses in nominal dollars totaling \$5,725, \$5,326, and \$5,490 million, respectively. These fiscal years exclude the cost of internal Federal education and training.

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

Workforce Investment Act

- C **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 Activities** - 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)

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

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- C **Youth Training** - Grants to provide financial assistance to States and U.S. territories to design and operate training programs for economically disadvantaged youth.
- C **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.
- C **Native Americans** - Grants to Indian tribes and other Native American groups to provide training, work experience, and other employment-related services to Native Americans.
- C **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.
- C **Veterans Employment** - Grants or contracts to provide disabled, Vietnam era, and recently separated veterans with programs to meet their unique employment and training needs.
- C **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

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

- C **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

- C **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.

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Veterans' Employment and Training Service

The mission of Veterans' Employment and Training Service (VETS) is to help veterans, Reservists, and National Guard members secure employment and the rights and benefits associated with those programs. Services provided are consistent with the changing needs of employers and the eligible veterans' population, with priority given to disabled veterans and other veterans with significant disadvantages in the labor market.

VETS can be broken down 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 Employment Security Agencies (SESAs) according to the distribution formula prescribed by law and administrative regulations. DVOP staff provided 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 SESAs 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 helped veterans into productive employment through lifelong learning services.

Homeless Veterans' Reintegration Project (HVRP) - The HVRP, codified at 38 U.S.C. 4111, 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 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 - 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.

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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.

<u>(Dollars in Thousands)</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Program Expenses			
Career Counseling and Employment Services			
Disabled Veterans Outreach Program	\$ 84,681	\$ 81,956	\$ 80,202
Local Veterans' Employment Representative	80,155	78,753	77,234
Transition and Reemployment Services	<u>27,970</u>	<u>25,500</u>	<u>23,648</u>
	<u>\$ 192,806</u>	<u>\$ 186,209</u>	<u>\$ 181,084</u>

A summary of program outputs is presented below.

Program Outputs	<u>2001</u>	<u>2000</u>	<u>1999</u>
Disabled Veterans Outreach Program			
Participants employed	131,000	146,000	136,705
Disabled veterans	16,000	17,500	15,319
Special disabled veterans	8,000	8,600	7,266
Participants assisted	581,000	568,000	607,194
Local Veterans' Employment Representative			
Participants employed	138,000	156,700	147,163
Disabled veterans	14,000	14,800	13,292
Special disabled veterans	6,500	6,900	5,987
Participants assisted	733,600	632,600	658,218
Transition and Reemployment Services			
Participants served	112,000	121,384	124,136
Workshops	3,181	3,121	3,342
Uniformed Services Employment and Reemployment			
Briefings, presentations and technical assistance	3,200	4,981	4,732

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

DEFERRED MAINTENANCE

The U.S. Department of Labor, Employment and Training Administration (ETA) maintains ninety-six (96) Job Corps centers located throughout the United States. While the ETA does fund safety, health, and environmental projects in the year those deficiencies are identified, funding constraints limit the extent of maintenance that the ETA can undertake each fiscal year. Consequently, maintenance projects are not always performed as scheduled and, therefore, must be deferred to a future period.

Information on deferred maintenance is based on condition assessment surveys that are conducted every three years at each Job Corps center to determine the current condition of facilities and the estimated cost to correct deficiencies. The surveys are based on methods and standards that are applied on a consistent basis, including:

- C condition descriptions of facilities,
- C recommended maintenance schedules,
- C estimated costs for maintenance actions, and
- C standardized condition codes.

These surveys evaluate the facilities at each Job Corps center to identify:

- C rehabilitation projects that are required to provide for health and safety, or upgrade to an acceptable state of repair,
- C present utilization,
- C health and safety programs,
- C barrier-free access,
- C maintenance, operations, and security programs,
- C energy usage,
- C natural hazards, and
- C conformance to U.S. Environmental Protection Agency and applicable air and water quality standards.

The estimated cost of deferred maintenance at September 30, 2001 is summarized as follows:

<u>(Dollars in Thousands)</u>	<u>Buildings</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Site Utilities	\$ 9,711	\$ 1,771	\$ 11,482
Structural and mechanical	40,775	21,057	61,832
New construction and space utilization	15,399	11,725	27,124
Other	349	90	439
	<u>\$ 66,234</u>	<u>\$ 34,643</u>	<u>\$ 100,877</u>

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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.

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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.

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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, 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.

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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 were last authorized in 1991 under the Emergency Unemployment Compensation Act. Emergency benefit payments in excess of \$28 billion were paid over the three year period ending in 1994. Emergency benefits were paid from the surplus of Federal unemployment taxes in EUCA, and, once EUCA balances were exhausted, from general revenues of the U.S. Treasury.

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, 2001, total assets within the UTF exceeded liabilities by \$89.0 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, 2001 was \$88.6 billion. These investments accrue interest, which is distributed to eligible State and Federal accounts within the UTF. Interest income from these investments during FY 2001 was \$5.8 billion. Federal and State UI tax and reimbursable revenues of \$27.8 billion and regular and extended benefit payment expense of \$28.0 billion were recognized for the year ended September 30, 2001.

As discussed in Note 1.L.1 to the consolidated financial statements, DOL recognized a liability for regular and extended unemployment benefits to the extent of unpaid benefits applicable to the current period. Accrued unemployment benefits payable at September 30, 2001 were \$1.4 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.

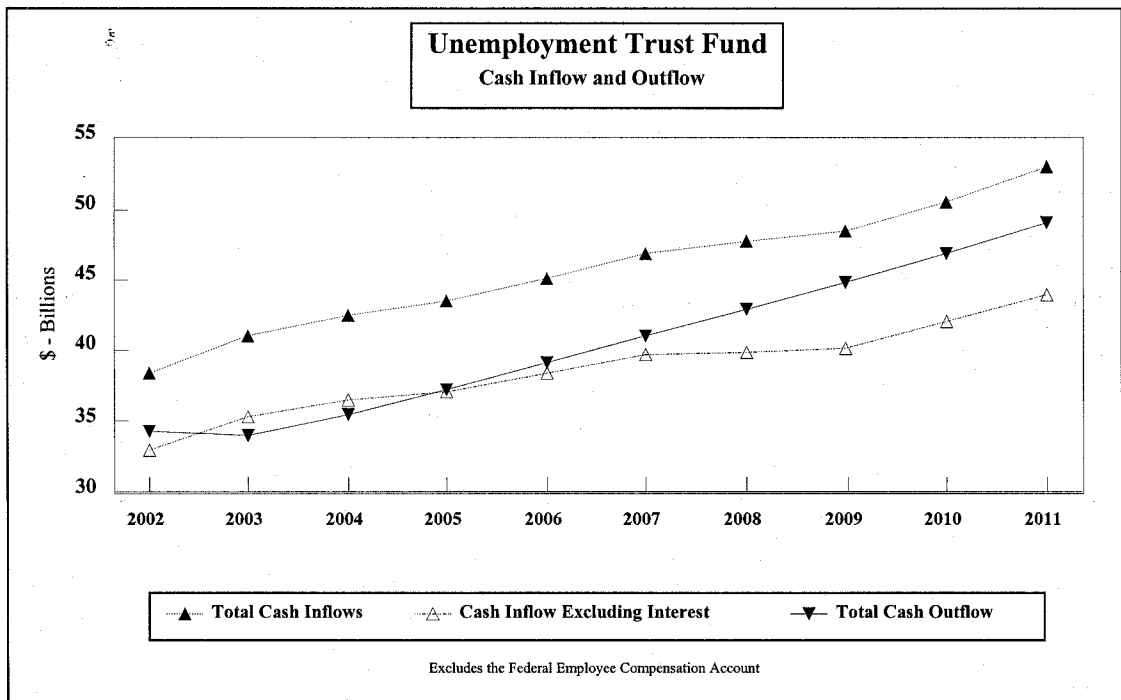
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

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 4.78% during FY 2002, decreasing to 4.60% in FY 2005 and thereafter. These projections, excluding interest earnings, indicate net cash outflows in FY 2002, net cash inflows for the next two years with a crossover back to net outflows in FY 2005. Cash inflows combined with interest earnings exceed cash outflows for each of the ten years presented, although this net excess decreases from \$4.2 billion at the end of FY 2002 to \$3.9 billion at the end of FY 2011.

Chart I



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

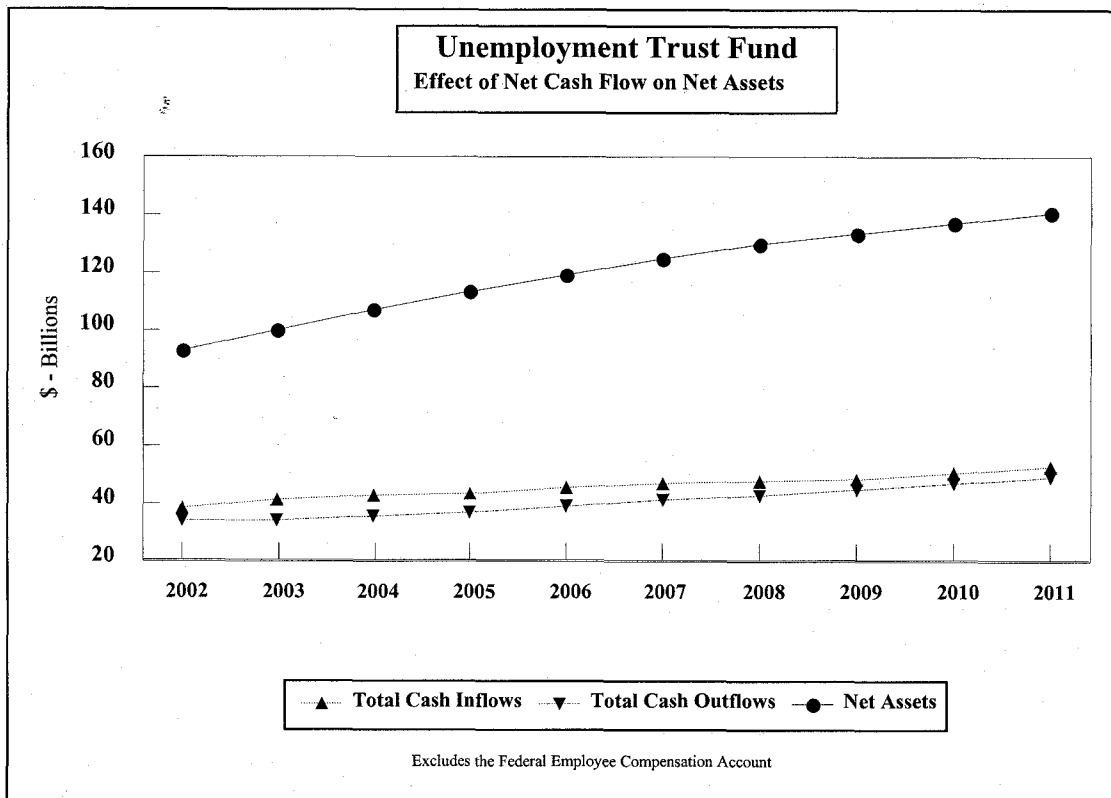
Effect of Projected Cash Inflows and Outflows on the Accumulated Net Assets of the UTF - Continued

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, 2011. 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 in each of the ten years projected, although the margin of excess decreases by 7% from FY 2002 to FY 2011. Net UTF assets increase by 59% over the ten year period, from \$88.8 billion at the beginning of FY 2002 to \$141.3 billion in FY 2011.

Chart II



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

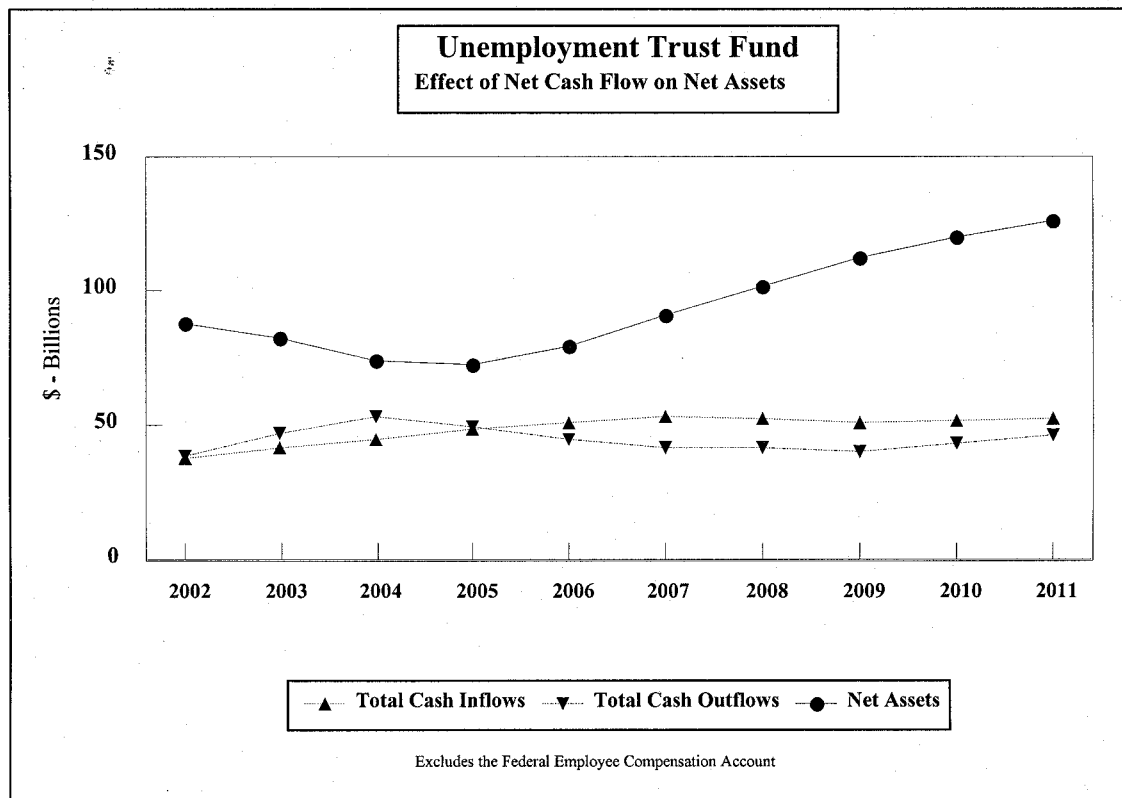
Recessionary Scenarios

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, 2011, under moderate 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 a rising unemployment rate peaking at 7.43% in FY 2004, net cash outflows are projected to begin in FY 2002, increasing to a maximum of \$8.6 billion in FY 2004. Net cash inflows are reestablished in FY 2006 with a drop in the unemployment rate to 6.35%.

Chart III



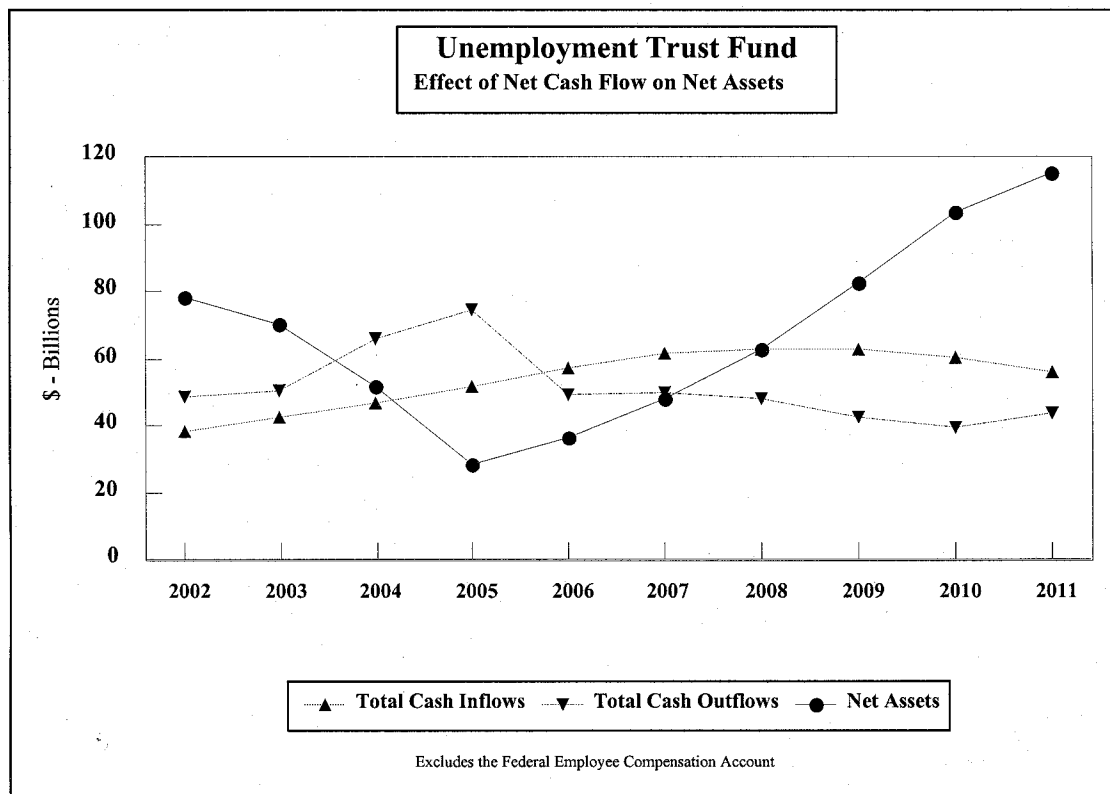
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

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 2005. Under this scenario, net cash outflows are projected to begin in FY 2002, increasing to \$25.2 billion in FY 2005. During this four year period the net assets of the UTF decrease from \$88.8 billion to \$28.8 billion, a decline of \$60.0 billion (68%). While aggregate UTF balances remain positive, 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 7.82%. By the end of FY 2011, this positive cash flow has replenished UTF account balances to \$115.5 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 ENDED SEPTEMBER 30, 2011

(2) MILD RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Balance, start of year	\$ 88,828,797	\$ 88,211,979	\$ 82,792,049	\$ 74,187,942	\$ 73,018,336	\$ 79,395,449	\$ 91,027,839	\$ 101,562,767	\$ 112,799,010	\$ 120,734,774
Cash inflow										
State unemployment taxes	25,707,000	29,778,000	32,978,000	36,711,000	38,827,000	40,042,000	39,936,000	38,442,000	37,675,000	37,761,000
Federal unemployment taxes	7,179,000	7,241,000	7,319,000	7,479,000	7,706,000	8,496,000	6,701,000	6,276,000	6,425,000	6,569,000
General revenue appropriation	2,739	8,289	24,030	23,326	9,279	1,353	539	33	66	44
Interest on loans	-	2,000	33,000	141,000	150,000	40,000	1,000	-	-	-
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	97,000	126,800	128,300	99,300	78,800	90,500	111,800	114,700	102,200	102,200
Total cash inflow excluding interest	32,987,739	37,158,089	40,484,330	44,455,626	46,773,079	48,671,853	46,752,339	44,834,733	44,204,266	44,484,244
Interest on Federal securities	5,316,363	5,047,522	4,566,235	4,194,296	4,350,815	4,932,215	5,768,455	6,646,690	7,360,791	7,946,487
Total cash inflow	38,304,102	42,205,611	45,050,565	48,649,922	51,123,894	53,604,068	52,520,794	51,481,423	51,565,057	52,380,731
Cash outflow										
State unemployment benefits	34,926,000	43,454,636	49,290,567	45,498,850	40,496,983	37,733,125	37,696,937	35,939,579	39,199,908	41,666,583
State administrative costs	3,696,906	3,867,701	4,057,483	4,010,375	3,936,192	3,921,010	3,968,493	3,981,825	4,101,984	4,204,357
Federal administrative costs	170,378	172,632	174,722	176,849	179,016	181,108	183,249	185,438	187,677	189,964
Interest on tax refunds	2,956	3,032	3,160	3,254	3,330	3,515	3,107	2,938	3,024	3,127
Railroad Retirement Board withdrawals	124,680	127,540	128,740	130,200	131,260	132,920	134,080	135,400	136,700	136,700
Total cash outflow	38,920,920	47,625,541	53,654,672	49,819,528	44,746,781	41,971,678	41,985,866	40,245,180	43,629,293	46,200,731
Excess of total cash inflow excluding interest over total cash outflow	(5,933,181)	(10,467,452)	(13,170,342)	(5,363,902)	(2,026,298)	(6,700,175)	(4,766,473)	(4,589,553)	(574,973)	(1,766,487)
Excess of total cash inflow over total cash outflow	(616,818)	(5,419,930)	(8,604,107)	(1,169,606)	6,377,113	11,632,390	10,534,928	11,236,243	7,935,764	6,180,000
Balance, end of year	\$ 88,211,979	\$ 82,792,049	\$ 74,187,942	\$ 73,018,336	\$ 79,395,449	\$ 91,027,839	\$ 101,562,767	\$ 112,799,010	\$ 120,734,774	\$ 126,914,774
Total unemployment rate	5.43%	6.60%	7.43%	7.12%	6.35%	5.62%	5.18%	4.60%	4.60%	4.60%

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 ENDED SEPTEMBER 30, 2011

(3) DEEP RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Balance, start of year	\$ 88,828,797	\$ 78,227,990	\$ 70,320,319	\$ 51,720,574	\$ 28,776,011	\$ 36,814,368	\$ 48,376,007	\$ 62,777,247	\$ 82,822,448	\$ 103,434,403
Cash inflow										
State unemployment taxes	25,981,000	31,402,000	36,269,000	41,009,000	45,478,000	47,746,000	47,713,000	46,534,000	45,167,000	42,357,000
Federal unemployment taxes	7,092,000	7,166,000	7,181,000	7,482,000	8,317,000	9,943,000	10,676,000	10,826,000	9,092,000	6,654,000
General revenue appropriation	7,854	21,951	53,708	113,993	76,098	43,203	10,120	748	198	66
Interest on loans	7,000	56,000	338,000	1,088,000	1,523,000	1,356,000	1,066,000	581,000	126,000	4,000
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	97,000	126,800	128,300	99,300	78,800	90,500	111,800	114,700	102,200	102,200
Total cash inflow excluding interest	33,186,854	38,774,751	43,972,008	49,794,293	55,474,898	59,180,703	59,578,920	58,068,448	54,489,398	49,119,266
Interest on Federal securities	5,063,867	4,298,662	3,359,032	2,210,462	1,963,614	2,427,621	3,421,349	4,713,250	6,014,899	7,257,948
Total cash inflow	38,250,721	43,073,413	47,331,040	52,004,755	57,438,512	61,608,324	63,000,269	62,771,698	60,504,297	56,377,214
Cash outflow										
State unemployment benefits	44,600,000	46,723,636	61,277,567	70,057,850	45,044,983	45,625,125	44,157,937	38,356,579	35,523,908	39,778,583
State administrative costs	3,953,514	3,954,244	4,346,596	4,581,165	4,041,566	4,104,017	4,120,656	4,046,142	4,041,033	4,183,105
Federal administrative costs	170,378	172,632	174,722	176,849	179,016	181,108	183,249	185,438	187,677	189,964
Interest on tax refunds	2,956	3,032	3,160	3,254	3,330	3,515	3,107	2,938	3,024	3,127
Railroad Retirement Board withdrawals	124,680	127,540	128,740	130,200	131,260	132,920	134,080	135,400	136,700	136,700
Total cash outflow	48,851,528	50,981,084	65,930,785	74,949,318	49,400,155	50,046,685	48,599,029	42,726,497	39,892,342	44,291,479
Excess of total cash inflow excluding interest over total cash outflow	(15,664,674)	(12,206,333)	(21,958,777)	(25,155,025)	6,074,743	9,134,018	10,979,891	15,331,951	14,597,056	4,827,787
Excess of total cash inflow over total cash outflow	(10,600,807)	(7,907,671)	(18,599,745)	(22,944,563)	8,038,357	11,561,639	14,401,240	20,045,201	20,611,955	12,085,735
Balance, end of year	\$ 78,227,990	\$ 70,320,319	\$ 51,720,574	\$ 28,776,011	\$ 36,814,368	\$ 48,376,007	\$ 62,777,247	\$ 82,822,448	\$ 103,434,403	\$ 115,520,138
Total unemployment rate	6.80%	7.40%	9.07%	10.15%	7.82%	7.28%	6.68%	5.50%	4.60%	4.60%

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

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, 2001, in descending order, by ratio. As the table illustrates, 26 states failed to maintain minimal solvency ratios at September 30, 2001.

Chart V

Minimally Solvent		Not Minimally Solvent	
State	Ratio	State	Ratio
Virgin Islands	2.96	Wisconsin	0.98
New Mexico	2.74	Colorado	0.95
Vermont	2.47	Kansas	0.93
New Hampshire	1.96	Massachusetts	0.91
Mississippi	1.94	Maryland	0.88
Delaware	1.91	Nebraska	0.86
Arizona	1.64	Rhode Island	0.85
Maine	1.61	Idaho	0.82
Hawaii	1.59	California	0.79
Wyoming	1.57	South Dakota	0.77
Georgia	1.54	Tennessee	0.75
Utah	1.48	Connecticut	0.74
Oregon	1.43	Michigan	0.71
Indiana	1.41	Kentucky	0.65
Montana	1.39	North Carolina	0.64
Louisiana	1.34	Pennsylvania	0.62
Florida	1.29	Ohio	0.60
Oklahoma	1.27	Alabama	0.58
Puerto Rico	1.20	Arkansas	0.56
Virginia	1.19	West Virginia	0.56
Iowa	1.19	Minnesota	0.42
South Carolina	1.15	Missouri	0.40
New Jersey	1.15	Illinois	0.39
District of Columbia	1.14	New York	0.25
Nevada	1.07	North Dakota	0.25
Washington	1.04	Texas	0.24
Alaska	1.02		

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, 2001, total liabilities of the Black Lung Disability Trust Fund exceeded assets by \$7.2 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, 2001 were \$7.3 billion, bearing interest rates ranging from 5.500 to 13.875 percent. Excise tax revenues of \$522.2 million, benefit payment expense of \$391.1 million and interest expense of \$567.8 million were recognized for the year ended September 30, 2001.

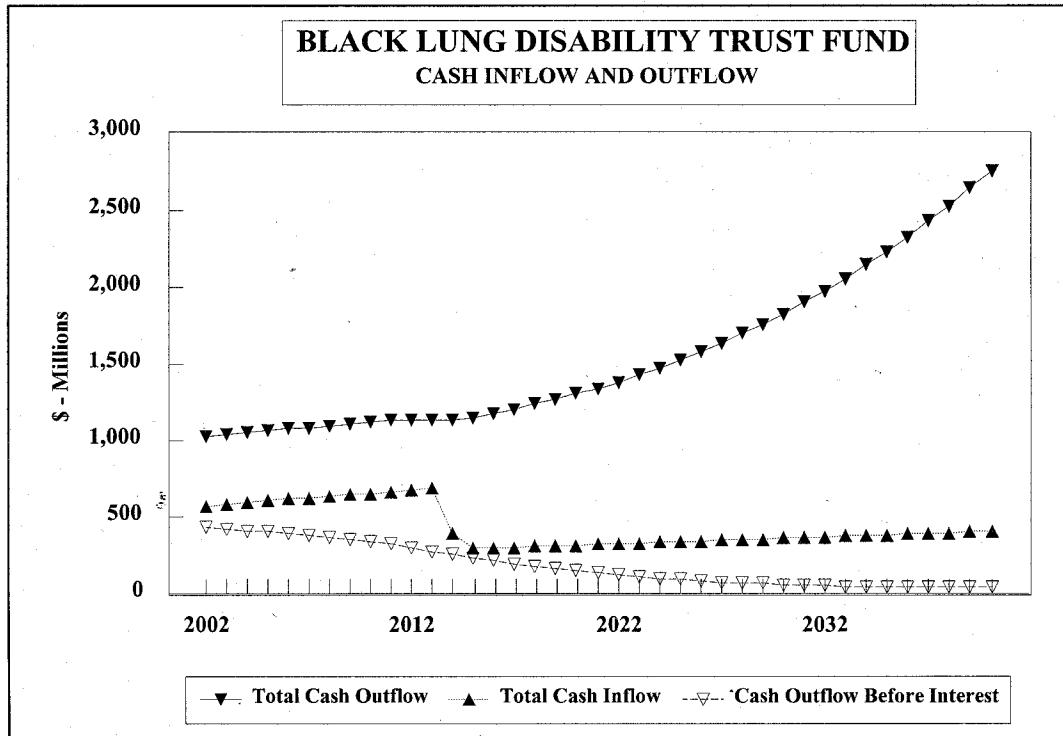
As discussed in Note 1.L.2, DOL recognized a liability for disability benefits to the extent of unpaid benefits applicable to the current period. Accrued disability benefits payable at September 30, 2001 were \$29.7 million. Although no liability was recognized for future payments to be made to present 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.

These projections, made over the thirty-nine 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 \$9.9 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-nine periods included in the projections. Net cash outflows after interest payments are projected to reach \$43.1 billion by the end of the year 2040, increasing the BLDTF's deficit to \$50.3 billion at September 30, 2040. (See Chart I on following page.)

The net present value of future benefit payments for the thirty-nine year period ended 2040 is \$3.5 billion. The net present value of future excise taxes for the thirty-nine year period is \$7.9 billion which results in a \$4.4 billion excess of excise taxes over benefit payments. However, the net present value of total cash outflows, including interest payments and administrative costs, is \$20.8 billion resulting in an excess of cash outflows over excise taxes of \$12.8 billion.

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-four 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 \$12.9 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-NINE YEAR PERIOD ENDING SEPTEMBER 30, 2040

(Dollars in thousands)	2002	2003	2004	2005	2006	2007 - 2040	Total
Cash inflow							
Excise taxes	\$ 569,000	\$ 583,000	\$ 598,000	\$ 611,000	\$ 620,000	\$ 14,196,352	\$ 17,177,352
Interest	-	-	-	-	-	-	-
Total cash inflow	<u>569,000</u>	<u>583,000</u>	<u>598,000</u>	<u>611,000</u>	<u>620,000</u>	<u>14,196,352</u>	<u>17,177,352</u>
Cash outflow							
Disabled coal miners benefits	382,946	371,622	357,815	343,012	327,719	4,195,863	5,978,977
Administrative costs	54,823	56,662	58,673	60,762	62,935	982,767	1,276,622
Cash outflows before interest payments	437,769	428,284	416,488	403,774	390,654	5,178,630	7,255,599
Excess of cash inflow over cash outflow before interest payments	131,231	154,716	181,512	207,226	229,346	9,017,722	9,921,753
Interest on advances	592,480	616,511	640,570	664,487	688,310	49,778,053	52,980,411
Total cash outflow	<u>1,030,249</u>	<u>1,044,795</u>	<u>1,057,058</u>	<u>1,068,261</u>	<u>1,078,964</u>	<u>54,956,683</u>	<u>60,236,010</u>
Excess of total cash outflow over total cash inflow	(461,249)	(461,795)	(459,058)	(457,261)	(458,964)	(40,760,331)	(43,058,658)
Balance, start of year	<u>(7,232,865)</u>	<u>(7,694,114)</u>	<u>(8,155,909)</u>	<u>(8,614,967)</u>	<u>(9,072,228)</u>	<u>(9,531,192)</u>	<u>(7,232,865)</u>
Balance, end of year	<u><u>\$(7,694,114)</u></u>	<u><u>\$(8,155,909)</u></u>	<u><u>\$(8,614,967)</u></u>	<u><u>\$(9,072,228)</u></u>	<u><u>\$(9,531,192)</u></u>	<u><u>\$(50,291,523)</u></u>	<u><u>\$(50,291,523)</u></u>

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

(Dollars in thousands)	2002	2003	2004	2005	2006	2007 - 2040	Total
Cash inflow							
Excise taxes	\$ 569,000	\$ 583,000	\$ 598,000	\$ 611,000	\$ 620,000	\$ 14,196,352	\$ 17,177,352
Interest	0	0	0	0	0	0	0
Total cash inflow	569,000	583,000	598,000	611,000	620,000	14,196,352	17,177,352
Cash outflow							
Disabled coal miners benefits	382,946	371,622	357,815	343,012	327,719	4,195,863	5,978,977
Administrative costs	54,823	56,662	58,673	60,762	62,935	982,767	1,276,622
Cash outflows before interest payments	437,769	428,284	416,488	403,774	390,654	5,178,630	7,255,599
Excess of cash inflow over cash outflow before interest payments	131,231	154,716	181,512	207,226	229,346	9,017,722	9,921,753
Interest on advances	592,480	616,511	640,570	664,487	688,310	49,778,053	52,980,411
Total cash outflow	1,030,249	1,044,795	1,057,058	1,068,261	1,078,964	54,956,683	60,236,010
Excess of total cash outflow over total cash inflow	-461,249	-461,795	-459,058	-457,261	-458,964	-40,760,331	-43,058,658
Balance, start of year	-7,232,865	-7,694,114	-8,155,909	-8,614,967	-9,072,228	-9,531,192	-7,232,865
Balance, end of year	-7,694,114	-8,155,909	-8,614,967	-9,072,228	-9,531,192	-50,291,523	-50,291,523