

CAPITOL FACTS & FIGURES

● ● ● UNEMPLOYMENT

State Unemployment Insurance Trust Funds

Unemployment rates remain high and people are unemployed for longer, exhausting state unemployment trust funds quickly.

- Sustained high unemployment affects unemployment insurance trust funds in two primary ways: decreased supply and increased demand. More people need unemployment benefits for longer, increasing the money going out, while fewer people are paying into the reserves through payroll tax collections, draining the supply of funds coming in.
- The President's Council of Economic Advisors predicts unemployment rates will continue to hover around 10 percent throughout this year, with moderate improvements over the next two years—around 9 percent in 2011 and 8 percent in 2012.
- Based on U.S. Department of Labor reports, the average amount of time individuals received unemployment benefits was 34.4 weeks in May—more than double the average duration of unemployment when the recession began in December 2007.
- According to The Wall Street Journal, individuals in some states can now receive benefits for up to 99 weeks—the most benefits provided in history—based on the state's unemployment rate and benefit structure.
- At the end of 2007, states had \$38.3 billion in trust reserves, which fell to \$29.9 billion in December 2008 and to \$14.2 billion by September 2009.

More states are borrowing from the federal government to cover costs.

- At the end of January 2010, 26 states plus the U.S. Virgin Islands were borrowing money from the Federal Unemployment Account to help pay increasing claims for unemployment insurance benefits, with outstanding loans then totaling more than \$30 billion.
- By the end of May 2010, 32 states were borrowing nearly \$38 billion—a 26 percent increase in total borrowing in four months.
- The Labor Department estimates by the third quarter of 2013, up to 40 states may need to borrow more than \$90 billion to fund their unemployment programs.
- California and Michigan are the top borrowers of federal funds, with a combined total of nearly \$11 billion at the end of May 2010.



State borrowing may have consequences on future fiscal health.

- The American Recovery and Reinvestment Act included a provision that delays interest from accruing on those loans until Dec. 31, 2010. If this provision had not been included, the interest rate charged to states for borrowing from the federal account would have been 4.64 percent in 2009.
- Interest on borrowed funds cannot be paid back using unemployment insurance revenues. That means when the unemployment trust fund bill comes due, state payments will take a bite out of the money available for things like education and health care.
- In order to slow the hemorrhaging of money from trust funds, a majority of states—35—increased taxes on employers in the 2010 fiscal year, and seven states enacted legislation to raise the taxable wage base on employers for unemployment taxes, according to a survey by the National Association of State Workforce Agencies.



Unemployment and Trust Fund Trends

	Trust Fund Borrowing (in \$ millions) ¹	Unemployment Rate ²	Average weekly benefits ³	Benefit Exhaustion Rate ⁴
Alabama	\$283	11.0	\$208.82	43.5%
Alaska	–	8.4	\$246.29	67.1%
Arizona	–	9.5	\$217.46	63.3%
Arkansas	\$331	7.8	\$282.62	48.9%
California	\$7,121	12.6	\$305.60	63.0%
Colorado	\$112	8.0	\$352.70	65.2%
Connecticut	\$498	9.0	\$335.65	46.7%
Delaware	\$13	9.0	\$253.17	58.1%
Florida	\$1,613	12.0	\$233.45	70.3%
Georgia	\$416	10.4	\$277.84	55.3%
Hawaii	–	6.7	\$419.27	47.6%
Idaho	\$202	9.1	\$265.38	52.4%
Illinois	\$2,240	11.2	\$325.36	56.3%
Indiana	\$1,756	10.0	\$303.42	56.5%
Iowa	–	6.9	\$327.97	40.7%
Kansas	\$88	6.5	\$337.56	58.5%
Kentucky	\$795	10.6	\$292.37	42.0%
Louisiana	–	6.7	\$226.55	48.8%
Maine	–	8.1	\$275.03	48.2%
Maryland	\$134	7.5	\$315.03	52.3%
Massachusetts	\$387	9.2	\$400.57	56.7%
Michigan	\$3,877	14.0	\$301.24	18.2%
Minnesota	\$508	7.2	\$360.55	58.0%
Mississippi	–	11.5	\$194.52	48.2%
Missouri	\$722	9.4	\$250.60	53.7%
Montana	–	7.1	\$280.45	55.7%
Nebraska	–	5.0	\$253.98	55.4%
Nevada	\$415	13.7	\$325.17	63.3%
New Hampshire	–	6.7	\$274.95	42.1%
New Jersey	\$1,750	9.8	\$400.55	61.2%
New Mexico	–	8.7	\$320.18	65.0%
New York	\$3,177	8.4	\$309.52	56.0%
North Carolina	\$2,165	10.8	\$300.86	62.5%
North Dakota	–	3.8	\$318.46	41.4%
Ohio	\$2,314	10.9	\$344.05	49.5%
Oklahoma	–	6.6	\$278.17	56.7%
Oregon	–	10.6	\$289.23	54.5%
Pennsylvania	\$3,009	9.0	\$344.40	47.2%
Rhode Island	\$225	12.5	\$390.53	61.4%
South Carolina	\$887	11.6	\$238.02	55.6%
South Dakota	\$24	4.7	\$259.32	27.4%
Tennessee	–	10.5	\$219.49	53.7%
Texas	\$1,109	8.3	\$320.47	60.1%
Utah	–	7.3	\$319.80	55.7%
Vermont	\$33	6.4	\$307.97	36.6%
Virginia	\$347	7.2	\$290.04	53.4%
Washington	–	9.2	\$401.95	50.3%
West Virginia	–	9.2	\$257.00	40.3%
Wisconsin	\$1,425	8.5	\$284.25	39.8%
Wyoming	–	7.1	\$343.90	57.2%

¹ Outstanding loans from the Federal Unemployment Account as of 6/7/10 (U.S. Dept. of Labor)

² Unemployment Rate, Seasonally Adjusted, April 2010 (U.S. Bureau of Labor Statistics).

³ Average Weekly Benefits—Benefits paid for total unemployment divided by weeks compensated for total unemployment (U.S. Department of Labor, Unemployment Insurance 1Q 2010 Data Summary).

⁴ Exhaustion Rate – Average monthly exhaustions divided by the average monthly first payments (U.S. Department of Labor, Unemployment Insurance 1Q 2010 Data Summary).