As the national unemployment rate hovers around 9.5% and with state unemployment rates as high as 14.2%, states are hemorrhaging money from their unemployment trust fund accounts - the funds states use to pay unemployment benefits. Every month, more states are forced to borrow from the federal government to keep those trust funds afloat and last week, the tab for states hit just over $39 billion.

The fiscal impact of sustained high unemployment rates is painfully clear to all state policymakers. 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.

As a result, unemployment insurance trust funds are being drained at an alarming rate. At the end of 2007, states had $38.3 billion in trust reserves; that fell to $29.9 billion in December 2008 and to $14.2 billion by September 2009. To cover the gap between diminishing trust funds and increased demand, states are borrowing from the federal government and raising taxes.

At the end of January, 26 states 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 middle of July, 32 states were borrowing over $39 billion—a 30 percent increase in total borrowing in just under six months.

The Labor Department estimates up to 40 states may need to borrow more than $90 billion to fund their unemployment programs by the third quarter of 2013. California and Michigan are the top borrowers of federal funds with a combined borrowing total of $11.3 billion.

In order to help slow the loss 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.

You can track and chart unemployment data and much more on our new Website, States Perform, which provides you access to interactive, customizable and up-to-date comparative performance measurement data for states in six key policy areas. Visit the site and learn more at http://www.statesperform.org