CAPITOL FACTS & FIGURES

UNEMPLOYMENT

State Unemployment Insurance Trust Funds

Sustained high unemployment rates, long-term unemployment and unsustainable funding models have exhausted state unemployment trust funds quickly.

- The President's Council of Economic Advisers 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.
- 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.
- During prosperous economic times, many states lowered unemployment insurance tax rates and expanded unemployment benefits, thus creating an unsustainable model at high risk for insolvency when economic conditions deteriorated.
- Based on U.S. Department of Labor reports, individuals on average received unemployment benefits for 34.9 weeks in October 2010—more than double the average duration of unemployment when the recession began in December 2007.
- Those workers considered to be long-term unemployed—jobless for 27 weeks or more—hovered around 41.8 percent of those receiving benefits in October, remaining unchanged from September but down from 44.9 percent in July.
- At the end of 2007, states had $38.3 billion in unemployment trust fund reserves, which fell to $29.9 billion in December 2008 and to $14.2 billion by September 2009. By the end of 2009, no states had enough trust fund reserves to cover one year of unemployment benefits at the current tax revenue structure considering the historically high unemployment rates, according to the U.S. Government Accountability Office.

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

- By Jan. 31, 2010, 26 states were borrowing money from the Federal Unemployment Account to help pay increasing claims for unemployment insurance benefits. Outstanding loans totaled more than $30 billion.

- By Nov. 16, 2010, 31 states plus the Virgin Islands were borrowing nearly $41 billion. The Labor Department estimates by the third quarter of 2013, up to 40 states may need to borrow more than $90 billion to fund unemployment programs.
- California and Michigan are the top borrowers of federal funds, with a combined total of more than $12.5 billion by mid-November 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 Unemployment Account would have been 4.64 percent in 2009.
- When the unemployment trust fund bill comes due in 2011, state interest payments will take a bite out of already strapped state budgets, reducing the amount of money available for basic services like education and health care.
- In order to slow the hemorrhaging of money from unemployment 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.

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Unemployment and Trust Fund Trends

	Trust Fund Borrowing[1]	Unemployment Rate[2]	Average weekly benefits[3]	Benefit Exhaustion Rate[4]
Alabama	$283,001,164	8.9%	$206.57	45.4%
Alaska	–	7.8%	$236.48	73.3%
Arizona	$172,171,638	9.7%	$214.25	60.7%
Arkansas	$330,853,383	7.7%	$282.00	48.1%
California	$8,736,129,215	12.4%	$304.23	62.6%
Colorado	$368,505,963	8.2%	$347.66	63.2%
Connecticut	$498,452,705	9.1%	$329.90	47.5%
Delaware	$21,140,505	8.4%	$249.31	58.3%
Florida	$1,753,937,000	11.9%	$232.73	68.9%
Georgia	$454,500,000	10.0%	$275.87	54.5%
Hawaii	–	6.3%	$419.53	47.9%
Idaho	$202,401,700	9.0%	$255.19	51.8%
Illinois	$2,239,582,343	9.9%	$315.61	56.1%
Indiana	$1,855,301,487	10.1%	$295.33	52.5%
Iowa	–	6.8%	$320.25	41.7%
Kansas	$88,159,421	6.6%	$325.73	56.1%
Kentucky	$795,100,000	10.1%	$289.53	43.3%
Louisiana	–	7.8%	$210.92	51.1%
Maine	–	7.7%	$275.11	47.1%
Maryland	$133,840,765	7.5%	$318.00	52.3%
Massachusetts	$387,313,005	8.4%	$394.94	52.5%
Michigan	$3,810,769,150	13.0%	$299.93	21.3%
Minnesota	$422,780,051	7.0%	$358.20	57.0%
Mississippi	–	9.8%	$189.64	47.9%
Missouri	$722,116,933	9.3%	$244.10	53.0%
Montana	–	7.4%	$273.02	56.4%
Nebraska	–	4.6%	$249.38	54.0%
Nevada	$579,456,165	14.4%	$320.80	62.1%
New Hampshire	–	5.5%	$274.58	40.5%
New Jersey	$1,749,563,533	9.4%	$405.01	60.1%
New Mexico	–	8.2%	$321.93	65.2%
New York	$3,176,873,428	8.3%	$309.47	55.7%
North Carolina	$2,370,939,163	9.6%	$300.53	63.9%
North Dakota	–	3.7%	$307.24	41.5%
Ohio	$2,314,186,799	10.0%	$353.57	49.2%
Oklahoma	–	6.9%	$277.13	56.3%
Oregon	–	10.6%	$290.15	55.0%
Pennsylvania	$3,008,614,961	9.0%	$341.52	47.7%
Rhode Island	$225,472,937	11.5%	$381.23	58.8%
South Carolina	$886,662,352	11.0%	$238.80	54.8%
South Dakota	–	4.4%	$247.82	27.4%
Tennessee	–	9.4%	$218.79	51.2%
Texas	$1,539,904,637	8.1%	$319.28	59.7%
Utah	–	7.5%	$318.13	54.4%
Vermont	$32,657,065	5.8%	$293.50	35.2%
Virginia	$346,876,000	6.8%	$290.74	51.8%
Washington	–	9.0%	$386.06	50.6%
West Virginia	–	9.2%	$250.69	40.5%
Wisconsin	$1,424,768,541	7.8%	$275.02	39.7%
Wyoming	–	6.8%	$341.07	54.3%

1 U.S. Department of Labor, Employment and Training Administration. Outstanding Loans from the Federal Unemployment Account as of 11/16/10. Data retrieved from *http://www.ows.doleta.gov/unemploy/budget.asp*.

2 U.S. Bureau of Labor Statistics. Unemployment Rate, Seasonally Adjusted. October 2010. Data retrieved from *http://www.bls.gov/web/laus/lauhsthl.htm*.

3 U.S. Department of Labor, Employment and Training Administration. Unemployment Insurance 2Q 2010 Data Summary: Average Weekly Benefit Amount—Benefits Paid for Total Unemployment Divided by Weeks Compensated for Total Unemployment. Data retrieved from *http://www.ows.doleta.gov/unemploy/content/data_stats/datasum10/DataSum_2010_2.pdf*.

4 U.S. Department of Labor, Employment and Training Administration. Unemployment Insurance 2Q 2010 Data Summary: Exhaustion Rate - computed by dividing the average monthly exhaustions by the average monthly first payments. To allow for the normal flow of claimants through the program, the numerator lags the denominator by 26 weeks. Data received from *http://www.ows.doleta.gov/unemploy/content/data_stats/datasum10/DataSum_2010_2.pdf*.