Unemployment rates remain high and many people have been without work for extremely long periods of time, exhausting state unemployment trust funds quickly. More than half the states are borrowing from the federal government to cover costs, which could have an impact on future fiscal stability.

See the other Capitol Research policy briefs in this series: The Book of the States 2011: Regional Analysis [6]

National Analysis:

- Sustained high unemployment rates, long-term unemployment and unsustainable funding models have exhausted state unemployment trust funds quickly.
- In 2010, the national unemployment rate was 9.6 percent and forecasters predict that rate will hover around 9 percent throughout the rest of 2011. Moderate improvements to about 8 percent are expected in 2012.
- In May 2011, the national unemployment rate was 9.1 percent, up slightly from April. Twenty-four states reported a decrease in their unemployment rate in May over April, 13 states and the District of Columbia reported increases, and 13 had no change.
- 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.
- Throughout the economic downturn, the number of long-term unemployed, defined as those unemployed for 27 weeks or more, has skyrocketed. In May 2011, the number of long-term unemployed workers increased by 361,000 to 6.2 million. That translates to almost half—45.1 percent—of all those unemployed; that’s the highest percentage since the Labor Department began calculating the rate in 1948.
- Based on U.S. Department of Labor reports, the average amount of time individuals received unemployment benefits was 39.7 weeks in May 2011—more than double the average duration of unemployment when the recession began in December 2007.¹

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

- At the end of January 2010, 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 mid-June 2011, 29 states plus the Virgin Islands had borrowed more than $41 billion, down
from 32 states borrowing $45.7 billion in March 2011. The Labor Department estimates by the fourth quarter of 2013, as many as 40 states may need to borrow more than $90 billion to fund their unemployment programs and it will take a decade or more to pay off the debt.

- California and Pennsylvania are the top borrowers of federal funds, with a combined total of more than $14.7 billion in loans. Michigan is close behind, currently borrowing $3.2 billion, but also has been borrowing the longest, since September 2006.

**State borrowing may have consequences on future fiscal health.**

- Until the end of 2010, a provision in the American Recovery and Reinvestment Act delayed interest from accruing on state unemployment loans. That provision has expired and interest payments will become due in September 2011 at a rate of nearly 4.1 percent.
- President Obama’s 2012 budget, unveiled in February, included a provision that would give states a two-year respite from automatic tax increases and interest payments on unemployment insurance loans. It is unclear, however, whether that proposal will gain traction in Congress.
- Failure to extend an interest or tax-increase moratorium could jeopardize or stall the economic recovery. States have and will continue to raise state taxes on employers to regain trust fund solvency and to avoid automatic federal tax increases.

**Regional Analysis:**

**Unemployment rates remained largely unchanged in May 2011 from the month before, with moderate improvements over the past year.**

- In May 2011, the states in CSG’s Midwestern region had an average unemployment rate of 6.8 percent, the lowest in any of CSG’s four regions. Rates ranged from a low of 3.2 percent in North Dakota to a high of 10.3 percent in Michigan.
- The region experienced no significant change in the average unemployment rate in May over the month before, but the rate improved the most of any CSG region since May 2010—dropping just over a full percentage point since May 2010.
- Michigan saw the greatest improvement to its unemployment rate, dropping nearly 2.5 percentage points in a year.

**States continue to borrow funds to cover unemployment accounts.**

- Seven of 11 states in the region are borrowing from the Federal Unemployment Account, with a total amount borrowed of $11.6 billion.
- Kansas is currently borrowing the smallest amount at a total of $171 million, with Michigan borrowing the most at $3.2 billion.
- In the region, Michigan has been borrowing the longest, since September 2006, while Hawaii has been borrowing the least amount of time, taking out its first loan in March 2010.
- Average per capita loans for states borrowing in the Midwest are $174.22—the highest regional average. Kansas has borrowed the least per capita—$59.87, while Michigan has borrowed the most—$324.74.

**Unemployment rates remained largely unchanged in May 2011 from the month before, with moderate improvements over the past year.**

- In May 2011, the states in CSG’s Eastern region had an average unemployment rate of 7.7 percent,
lower than the national rate of 9.1 percent. Rates ranged from a low of 4.8 percent in New Hampshire to a high of 10.9 percent in Rhode Island.

- The region experienced a negligible improvement in the average unemployment rate in May over the previous month. The average unemployment rate dropped a little over half a percentage point since May 2010.
- Connecticut was the only state to not experience a drop in the year-over-year unemployment rate, remaining unchanged.

**States continue to borrow funds to cover unemployment accounts.**

- Seven out of 11 states in the region are borrowing from the Federal Unemployment Account, with a total amount borrowed of $9.08 billion.
- Delaware is currently borrowing the smallest amount at a total of $63 million, with Pennsylvania borrowing the most at $3.76 billion.
- In the region, New York has been borrowing the longest, since January 2009, while Connecticut has been borrowing the least amount of time, taking out its first loan in October 2009.
- Average per capita loans for states borrowing in the East are $174.22. Delaware has borrowed the least per capita—$69.63, while Pennsylvania has borrowed the most—$296.15.

Unemployment rates remained largely unchanged in May 2011 from the month before, with moderate improvements over the past year.

- In May 2011, the states in CSG’s Southern region had the highest average unemployment rate—8.8 percent—compared to the other CSG regions. Rates ranged from a low of 5.3 percent in Oklahoma to a high of 10.6 percent in Florida.
- The region experienced a negligible improvement in the average unemployment rate in May over the month before. The average unemployment rate dropped around half a percentage point since May 2010.
- Oklahoma saw the greatest improvements to its unemployment rate, dropping 1.8 percentage points in a year. Louisiana fared the worst, increasing its rate by 0.9 percent.

**States continue to borrow funds to cover unemployment accounts.**

- Nine of 15 states in the region are borrowing from the Federal Unemployment Account, with a total amount borrowed of $7.8 billion.
- Alabama is currently borrowing the smallest amount at a total of $38 million, with North Carolina borrowing the most, $2.49 billion.
- In the region, South Carolina has been borrowing the longest, since December 2008, while Georgia has been borrowing the least amount of time, taking out its first loan in December 2009.
- Average per capita loans for states borrowing in the South are $123.22—the lowest regional average. Alabama has borrowed the least per capita—$7.87—while North Carolina has borrowed the most—$261.33.

Unemployment rates remained largely unchanged in May 2011 from the month before, with moderate improvements over the past year.

- In May 2011, the states in CSG’s Western region had an average unemployment rate of 8.5 percent. Rates ranged from a low of 6 percent in Hawaii to a high of 12.1 percent in Nevada.
The region experienced a small improvement in the average unemployment rate in May over the month before—0.16 percent. The average unemployment rate nearly a full percentage point since May 2010.

Nevada saw the greatest improvement to its unemployment rate, dropping nearly 3 percentage points in a year. Idaho fared the worst, seeing its rate increase slightly since May 2010.

**States continue to borrow funds to cover unemployment accounts.**

Six of 13 states in the region are borrowing from the Federal Unemployment Account, with a total amount borrowed of $12.4 billion.

Hawaii is currently borrowing the smallest amount at a total of $6 million, with California borrowing the most at $10.9 billion.

In the region, California has been borrowing the longest, since January 2009, while Hawaii has been borrowing the least amount of time, taking out its first loan in January 2011.

Average per capita loans for states borrowing in the Midwest are $195.12. Hawaii has borrowed the least per capita—$6.45, while California has borrowed the most—$294.14.

**Note:**
1 The shift in long-term unemployment is so unprecedented that the Bureau of Labor Statistics and the Census Bureau have modified the way they collect information about the unemployed. Before this year, these agencies only collected data for unemployment duration of two years or less, with those unemployed more than two years reporting “two years or more”. Beginning January 2011, that measure has been extended to capture those that have been unemployed up to five years or more. It should be noted that this affects the accuracy of year-over-year comparisons of the average duration of unemployment.
