CAPITOL FACTS & FIGURES

UNEMPLOYMENT

State Unemployment Insurance Trust Funds
March 2011 Update

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

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

- In 2010, the national average unemployment rate was 9.6 percent, and forecasters predict that rate will hover around 9 percent throughout the rest of 2011, with moderate improvement in 2012—around 8 percent. In February 2011, the national average unemployment rate was 8.9 percent.
- 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.
- Based on U.S. Department of Labor reports, the average amount of time individuals received unemployment benefits was 37.1 weeks in February 2011—more than double the average duration of unemployment when the recession began in December 2007 and up from 29.3 weeks in February 2010.
- Those workers considered to be "long-term unemployed"—jobless for 27 weeks or more—made up 43.9 percent of the unemployed in February, essentially unchanged from January, but up from 39.3 percent a year before.

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 March 18, 2011, 32 states plus the Virgin Islands had borrowed nearly $45.7 billion. 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 payoff the debt.
- California and Michigan are the top borrowers of federal funds, with a combined total of more than $14.3 billion in loans.

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 now 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, includes 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 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. States must also find nearly $1.7 billion for interest payments in their already stressed budgets; the Center on Budget and Policy Priorities is projecting shortfalls totaling $112 billion for the 2012 fiscal year.
- State organizations, including the National Governors Association and The Council of State Governments, have requested an extension of the interest moratorium until unemployment rates drop to prerecession levels and the labor market has had a chance to recover.

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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	$248,213,288	9.3%	$203.05	45.2%
Alaska	–	7.7%	$235.25	74.7%
Arizona	$311,080,344	9.6%	$211.17	58.3%
Arkansas	$343,631,790	7.8%	$273.14	47.8%
California	$10,387,405,182	12.4%	$300.57	61.0%
Colorado	$549,512,472	9.1%	$344.31	61.5%
Connecticut	$671,163,062	9.0%	$317.47	45.4%
Delaware	$54,801,368	8.5%	$242.52	58.6%
Florida	$2,183,400,000	11.9%	$228.45	67.9%
Georgia	$662,000,000	10.4%	$269.46	54.4%
Hawaii	$39,218,360	6.3%	$413.34	47.5%
Idaho	$202,401,700	9.7%	$244.11	52.6%
Illinois	$2,844,846,497	9.0%	$305.07	53.7%
Indiana	$2,135,412,220	9.1%	$283.84	53.2%
Iowa	–	6.1%	$314.74	40.1%
Kansas	$141,270,029	6.8%	$316.98	54.7%
Kentucky	$916,700,000	10.4%	$286.09	42.8%
Louisiana	–	7.8%	$198.27	52.9%
Maine	–	7.5%	$274.48	46.8%
Maryland	–	7.2%	$312.80	51.0%
Massachusetts	$256,779,555	8.3%	$378.22	49.0%
Michigan	$3,931,380,785	10.7%	$291.92	51.4%
Minnesota	$690,432,316	6.7%	$352.61	55.8%
Mississippi	–	10.1%	$187.00	48.3%
Missouri	$838,556,407	9.6%	$237.53	51.4%
Montana	–	7.5%	$264.79	57.0%
Nebraska	–	4.2%	$246.63	52.1%
Nevada	$712,493,484	14.2%	$312.42	61.3%
New Hampshire	$15,831,601	5.6%	$266.50	38.2%
New Jersey	$1,913,364,596	9.1%	$387.71	58.9%
New Mexico	–	8.7%	$316.25	65.6%
New York	$3,641,661,063	8.3%	$303.29	54.6%
North Carolina	$2,679,000,773	9.9%	$297.53	63.7%
North Dakota	–	3.8%	$293.31	41.0%
Ohio	$2,492,757,131	9.4%	$379.27	49.5%
Oklahoma	–	6.6%	$275.38	55.2%
Oregon	–	10.4%	$288.21	53.9%
Pennsylvania	$3,482,423,381	8.2%	$326.84	47.7%
Rhode Island	$244,441,003	11.3%	$364.39	57.5%
South Carolina	$960,517,282	10.5%	$235.05	56.4%
South Dakota	–	4.7%	$241.59	26.1%
Tennessee	–	9.5%	$225.19	52.6%
Texas	$14,350,167	8.3%	$310.74	56.9%
Utah	–	7.6%	$309.23	53.7%
Vermont	$64,707,362	5.7%	$284.92	34.4%
Virginia	$444,088,000	6.5%	$286.71	50.6%
Washington	–	9.1%	$369.10	49.2%
West Virginia	–	9.6%	$253.35	39.4%
Wisconsin	$1,617,066,741	7.4%	$263.59	38.9%
Wyoming	–	6.3%	$337.81	51.4%

[1] U.S. Department of Labor, Employment and Training Administration. Outstanding Loans from the Federal Unemployment Account as of March 11, 2011.
[2] U.S. Bureau of Labor Statistics. Unemployment Rate, Seasonally Adjusted. January 2011.
[3] U.S. Department of Labor, Employment and Training Administration. Unemployment Insurance 3Q 2010 Data Summary: Average Weekly Benefit Amount—Benefits Paid for Total Unemployment Divided by Weeks Compensated for Total Unemployment.
[4] U.S. Department of Labor, Employment and Training Administration. Unemployment Insurance Q 2010 Data Summary: Exhaustion Rate - computed by dividing the average monthly exhaustions by the average monthly first payments. Benefit exhaustion occurs when those that are unemployed exhaust their benefits and no longer qualify for extensions.