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Southeastern states face unemployment insurance fund shortfalls

As of mid-November, roughly 5.4 million Americans were receiving unemployment insurance, not including an additional 4.2 million collecting some form of extended benefits. Regular unemployment benefits typically run for 26 weeks, but the severity and duration of the current downturn have caused many people to exhaust their regular benefits. The table below shows unemployment insurance exhaustion rates for Southeastern states in October. In Florida, for instance, about 70 percent of claimants who received their first unemployment insurance payment six months prior, about 26 weeks back, have exhausted their regular benefits.

Exhaustion Rates October 2009	
Alabama	40.25%
Florida	70.16%
Georgia	57.59%
Louisiana	45.21%
Mississippi	45.39%
Tennessee	52.28%

Source: U.S. Department of Labor

Elevated levels of unemployment insurance claims, the length of time that many claimants remain on benefits, and weak hiring across the Southeast have caused many states to rapidly deplete their unemployment trust funds. Currently 25 states are [borrowing from the federal government](#), including Florida and Alabama. Alabama had \$96.6 million and Florida had \$691 million in outstanding loans from the Federal Unemployment Account, as of Nov. 27, 2009. Moreover, according to the U.S. Department of Labor, unemployment trust funds in Georgia, Louisiana, and Tennessee are not adequately reserved, meaning that the states do not have enough funds to pay benefits for one year at

a rate equivalent to the average of the three worst 12-month periods in their history without any revenue inflow.

States across the nation need to replenish their trust funds, and as a result firms could see unemployment insurance tax hikes. Although unemployment insurance tax makes up a relatively small share of total costs to an employer, compared with wages and other benefits, a significant increase in the tax could be a burden on employers. One example is the case of Florida. Because Florida's trust fund balance dipped below a comfortable level, Florida's state unemployment insurance tax will increase from the current minimum of \$8.40 per employee per calendar year [to a minimum \\$100.30 per employee starting January 2010](#). (The current maximum of \$378 per employee rises to \$459 per employee in 2010).

By Menbere Shiferew, a senior economic research analyst in the Atlanta Fed's research department

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