

# 24 States Borrow Money To Pay Unemployment Benefits

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15 states have collectively borrowed more than \$15 billion and another 9 states are in the red over unemployment benefits. Please consider [Jobless claims put state in debt](#)

*North Carolina's high unemployment rate has stuck the state with \$1.4 billion in debt - money that officials don't know how they'll pay back.*

*It gets worse. The debt is still rising. The problem is that with about 500,000 people out of work, the state has more unemployment claims than it can pay. So it has been borrowing from the federal government since February, sometimes as much as \$20 million a day.*

*The tally will rise to at least \$2 billion by the end of the year, said David Clegg, deputy chairman and chief operating officer of the N.C. Employment Security Commission. Next year, depending on the economy, could add another \$2 billion to the tab, he said.*

*For purposes of comparison, the state budget for the current fiscal year is \$19 billion.*

Let's do the math. The state budget is \$19 billion. Potentially \$4 billion will be borrowed to pay unemployment benefits. In other words the state is borrowing an amount equal to 21% of its total budget just to pay unemployment benefits. Wow.

*Only five states have borrowed more than North Carolina. Altogether, seven states have borrowed more than \$1 billion each - more than \$15 billion collectively - to shore up their unemployment insurance systems, according to the U.S. Department of Labor. A total of 24 states plus the Virgin Islands have borrowed money from the federal government.*

*Many states "are in pretty dire straits right now," said Ingrid Evans, unemployment insurance director at the National Association of State Workforce Agencies.*

*The best hope for North Carolina, said Clegg, is for Congress to forgive a portion of the debt, if not all of it.*

*Another solution would be to raise the tax on employers that funds jobless benefits. Indiana, which owes about as much as North Carolina, recently took that move, but North Carolina officials worry it would increase financial pressure on businesses when they can least afford it.*

*"I would love to hear some U.S. Department of Labor official explain how they expect the states to pay billions of dollars from an employee base which is, at best, 20 percent smaller than it was before the recession started," Clegg said.*

I guess Clegg did not hear Obama's plan to create or save 3.5 million jobs. Then again, the economy has lost about 9 million jobs. Of course the economy needs 100,000 jobs per month just to keep up with demographics (birth rate and immigration).

Moreover the jobs Obama claims to create comes at a very steep price. Please see [Obama creates 640,329 jobs at a cost of \\$323,739.83 per job](#) for details.

Finally, it is beyond preposterous to take credit for "jobs saved" when there is no way to measure it, or to take credit for jobs created when many of them were temporary (like all the road projects everywhere).

## **No definite plan**

*The National Association of State Workforce Agencies, which represents state departments such as the ESC, has made sure that members of Congress on both sides of the aisle are aware of the states' plight, Evans said. But with the states not due to make any debt payments for more than a year, no proposals for dealing with the issue have surfaced. Indeed,*

the association itself hasn't yet formulated its position.

Right now North Carolina doesn't have a definite plan for paying off the debt. What's most important today, state officials say, is that the state is continuing to pay unemployment benefits.

The only source of money for the unemployment insurance fund now - other than loans from the federal government - is the unemployment insurance tax that employers pay. Companies typically pay the tax on a quarterly basis, and the rate depends on how many workers the companies have laid off and how much those workers received in unemployment benefits.

The tax is capped at 5.7 percent of taxable payroll; the average rate currently paid by companies is 1.6 percent.

Increasing the tax rate on employers would be up to the General Assembly. But it would take a sizable increase to make a difference, and any attempt to do so likely would be resisted by the business sector.

### No Escape

I sense a huge tax increase coming. Add that tax increase to concerns over cap-and-trade, rising taxes on the wealthy (many are small business owners), concerns over health care costs, etc, and small businesses have lots of reasons not to hire.

Increased taxes aside, business have little reason to expand given rampant overcapacity in retail stores, restaurants, strip malls, office space, etc. Neither housing, commercial real estate, nor autos will provide the same boost as coming out of the last recession.

Couple that with over 9 million people working part-time whose hours will be lengthened before new hiring begins and you can see what a mess this is.

**Table A-5 Part Time Status**

Table A-5. Employed persons by class of worker and part-time status (In thousands)									
Category	Not seasonally adjusted			Seasonally adjusted					
	Oct. 2009	Sept. 2009	Oct. 2009	Oct. 2008	June 2009	July 2009	Aug. 2009	Sept. 2009	Oct. 2009
<b>PERSONS AT WORK PART TIME <sup>2</sup></b>									
All industries:									
Part time for economic reasons .....	8,267	8,255	8,474	6,848	8,069	8,798	9,079	9,179	9,264
Sick work or business conditions .....	4,540	6,101	6,329	4,959	7,140	7,949	8,341	8,388	8,438
Could only find part-time work .....	1,466	1,918	1,955	1,514	1,980	1,835	2,044	2,025	2,042
Part time for noneconomic reasons .....	19,241	18,886	19,135	19,033	18,718	19,015	18,814	18,621	18,714
Nonagricultural industries:									
Part time for economic reasons .....	8,157	8,134	8,350	6,742	8,045	8,647	8,945	9,004	9,104
Sick work or business conditions .....	4,460	6,066	6,293	4,899	6,999	7,733	8,144	8,194	8,244
Could only find part-time work .....	1,457	1,910	1,947	1,499	1,969	1,779	2,030	2,021	2,032
Part time for noneconomic reasons .....	19,197	18,574	18,819	18,805	18,358	18,621	18,436	18,285	18,305

click on chart for sharper image

The chart shows there are 9.28 million people are working part time but want a full time job. A year ago the number was 6.8 million.

Note the trend in part-time work. It is inching up. In a recovery it should be headed down quickly. The reason is employers increase the hours of part-time workers before they start hiring full-time workers.

The key take-away from this series are the millions of workers whose hours will rise before companies start hiring more workers.

Unemployment will be structurally high for a decade.

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