NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES (NASWA)

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TO THE SENATE COMMITTEE ON FINANCE

Mr. Chairman and Members of the Committee, thank you for the opportunity to testify today at this hearing entitled, "Using Unemployment Insurance to Help Americans Get Back to Work: Creating Opportunities and Overcoming Challenges." The National Association of State Workforce Agencies (NASWA) submits this testimony for the record.

The members of our Association constitute State leaders of the publicly-funded workforce investment system. The mission of NASWA is to serve as an advocate for state workforce agencies, as a liaison to workforce system partners, and a forum for the exchange of information. Our organization was founded in 1937. Since 1973 it has been a private, non-profit corporation, financed by annual dues from our member agencies and other revenue.

The Economic Situation

The United States is attempting to recover from the worst recession since the 1930s. At 9.7 percent, the unemployment rate is about twice what it was in December 2007 at the beginning of the recession. Since that time, employers have shed about 8.4 million jobs. We would need about 11 million jobs to restore the unemployment rate prevailing before the start of the recession. Although job losses have subsided recently, employment has yet to show substantial and sustained increases.

The Congressional Budget Office (CBO) projects the unemployment rate will turn downward in the second half of this year, but remain above 8 percent until 2012. The U.S. Department of Labor's (USDOL) FY 2011 budget assumes the average number of individuals receiving unemployment benefits will remain high in FY 2010-2011, peaking at 16.2 million in FY 2010 and dropping slightly to 15.3 million in FY 2011.

Most economists project the recession soon will be declared over and suggest a moderate recovery has begun already. Hiring usually lags during the early stages of an economic recovery because firms tend to increase output by raising productivity or the number of hours that existing employee's work; adding employees tends to occur later when higher demand for output appears relatively more certain. The unemployment rate also lags because the number of workers seeking work also increases in a recovery as many discouraged workers return to the labor force.

In the last two recessions -- July 1990 to March 1991, and March to November 2001 -- unemployment continued to surge for more than a year after the "trough" of the business cycle, which marks the end of a recession and the beginning of a recovery.

The ability of unemployed workers to obtain new jobs quickly is likely to be more difficult in this recovery than in past ones. CBO projects gains in employment after this recession probably will rely more than usual on the creation of new jobs rather than the return of workers to the jobs from which they were temporarily laid off. These new jobs could be in new firms that are located in

different places and could require workers with different skills than those needed in the jobs that have disappeared. For workers who have lost jobs to which they cannot return, acquiring new skills might be necessary.

The Structure of the Unemployment Insurance System

The unemployment insurance (UI) program is an entry point to the nation's one-stop career center system for workers who lose their jobs. For many workers, this may be their first interaction with the publicly-funded workforce system. It should provide timely income support, while promoting the integrity of the program and emphasizing reemployment of UI claimants.

The UI system is a unique federal-state partnership, grounded in federal law, but administered through state law by state officials. It provides temporary, targeted, timely and partial wage replacement to laid-off workers. Created by the Social Security Act of 1935, the UI system has been a successful social insurance program for many years. The system is decentralized to the state level to address the varying economic problems among the states. State unemployment benefits are financed through state payroll taxes, which are held in individual state trust fund accounts in the federal Unemployment Trust Fund in the U.S. Treasury.

Administering unemployment benefits, which occurs at the state level, involves a number of efforts. For example, states are responsible for: (1) processing benefit payments for both state and federal claims; (2) preventing overpayments and fraud; (3) answering thousands of questions they receive from UI claimants and employer taxpayers; and (4) resolving disputes about job separations between UI claimants and employers in the claims adjudication process. These are time consuming tasks made harder by a record number of claimants during and after the recession.

The amount of benefits for which claimants qualify is based on their recent individual work and wage histories. Generally, up to 26 weeks of benefits are available in states. However, most UI claimants go back to work before receiving their maximum entitlement. During periods of high unemployment, an additional 13 to 20 weeks of extended benefits, financed equally by the states and federal government, might be available. The federal government might also act to provide special federally financed benefits during recessions as it has done in reaction to all recessions since the 1960s.

The American Recovery and Reinvestment Act (Recovery Act) provided the following benefits for UI claimants, all of which lapsed on April 5. I urge these programs be extended immediately until the end of 2010.

- The Emergency Unemployment Compensation (EUC) program, commonly known as EUC08.
- Federal Additional Compensation (FAC) to temporarily increase all UI benefits by $25 a week.
- Temporary modification in the permanent federal-state extended benefits (EB) program in which the Federal government pays 100 percent of EB costs.
- For insolvent state UI programs receiving loans to pay benefits, the Recovery Act waived charging interest on these loans until January 2011. NASWA supports extending this provision for two additional years. However, concerns have been expressed by solvent states about the "moral hazard" to solvency and the added federal unemployment taxes on employers in solvent states to finance the interest free loans.

The Current State of the Unemployment Insurance System

While much as been written about problems states have encountered with unemployment insurance call centers and claims processing, states have done an extraordinary job reacting and adapting to the unprecedented challenges of the "Great Recession."

Because of chronic federal underfunding of the states for the administration of the UI system, State Workforce Agencies operate UI computer systems based on outmoded and less flexible technologies than are available today. The average age of state UI computer systems is 23 years. The enormous influx in workload brought on by the recession, coupled with outdated information technology (IT) systems in most state UI agencies, have led to a decrease in every area of UI program performance. NASWA, in testimony before the House Committee on Appropriations, requested $500 million to help states modernize state UI computer systems to improve efficiency and performance.

The antiquated computer systems result in inefficiencies and increased administrative burden, especially when states are required to adjust benefits, such as those associated with the Emergency Unemployment Compensation program (EUC08). In addition to problems states encounter when making programming modifications to EUC08, the uncertainty surrounding the sunset of the federal extended benefits program - resulting in month-to-month extensions – has overwhelmed state UI agencies with the added workload of increased phone calls from claimants.

The federal government should extend EUC08 until the end of the year immediately and Congress should consider declaring these benefits as emergency spending. With about 11 million Americans collecting either state or federal benefits, it is hard to understand why this is not an emergency. If there is a need for deficit spending now to continue stimulating the economy, spending more on extending unemployment benefits is one of the best options. In a February, 2010 report, the Congressional Budget Office (CBO) concluded: *Households receiving unemployment benefits tend to spend the additional benefits quickly, making this option both timely and cost-effective in spurring economic activity and employment.*

Solvency of State Unemployment Insurance (UI) Trust Funds

Recessions offer significant challenges to state unemployment insurance (UI) trust funds in the form of increased benefit outlays, extended durations of claims and declines in taxable payrolls resulting in decreased UI revenues. The crisis currently facing many state UI trust funds has proven that the Great Recession is similar, but worse than those of the past. As of April 6, 2010, a total of 34 states and the Virgin Islands have borrowed more than $39 billion from the Federal government to finance their unemployment benefits. The U.S. Department of Labor (USDOL) has estimated by the end of FY 2012, 40 states will have federal loans outstanding of more than $90 billion.

Pursuant to the Federal Unemployment Tax Act (FUTA), a tax is levied on covered employers at a rate of 6.2 percent on wages up to $7,000 a year paid to an employee. However, FUTA provides a credit against the federal tax of 5.4 percent to employers in states with an approved state unemployment insurance (UI) program and no overdue federal UI loans. All state programs are approved. Accordingly, in states with no overdue loans, employers pay a federal tax rate of 0.8 percent, or a maximum $56 per covered employee, per year.

If states do not repay their loans within two to three years, the Federal Unemployment Tax Act (FUTA) tax rate will increase on the states' employers (known as a FUTA credit reduction). Each year the loans are overdue, employers can lose at least 0.3 percentage point from the federal credit, which increases the net tax rate by 0.3 percentage point in the first year it is overdue for a tax rate of 1.1 percent, 0.6 percent in the second year it is overdue for a tax rate of 1.4 percent, and so on until the loan is repaid.

States also would be charged interest against their outstanding loans at a rate equal to the lower of 10 percent or the rate at which interest was paid on the state reserve balance in the federal unemployment trust fund for the last quarter of the preceding calendar year. The interest is normally due on the last day of the fiscal year in which the loans were made. Interest cannot be repaid, either directly or indirectly, from the repaying state's UI trust fund. If a state fails to pay interest for any year on which it is due, the state could lose all offset credit (5.4 percent) for its employers as well as all grants for costs of administration until interest due has been paid. Thanks to the provisions included in the Recovery Act by the Senate Committee on Finance, states are not charged interest on federal loans through the end of 2010. NASWA urges waiving interest on UI loans to states for an additional two years.

By 2012, some 25 states will be facing escalating tax increases on employers to repay loans. The following shows when certain states potentially will face the beginning of escalating FUTA tax increases:

- **MI**: 0.3 percent FUTA credit reduction (i.e., 1.1% tax rate) has been assessed on employers beginning Jan. 1, 2010 (determined in November2009);

- **IN and SC**: 0.3 percent FUTA credit reduction (i.e., 1.1% tax rate) potentially will be assessed on employers beginning January 1, 2011 (determined in November 2010);

- **AL, AR, CA, CT, FL, GA, ID, IL, KY, MN, MO, NC, NJ, NV, NY, PA, OH, RI, SD, TX, VA, and WI**: 0.3 percent credit reduction (i.e., 1.1% tax rate) potentially will be assessed on employers beginning January 1, 2012 (determined in November 2011); and

- **AZ, CO, KS, MA, MD, NH, and VT:** 0.3 percent credit reduction (i.e. 1.1% tax rate) potentially will be assessed on employers beginning January 1, 2013 (determined in November 2012).

The Negative Consequences of Rapidly Increasing Employer Taxes

In order to repay loans with state funds, states will need to build up trust fund reserves by raising taxes on employers or reducing benefit outlays or some combination of the two approaches; actions that could reduce the UI program's role as a prime federal government economic stabilizer and dampen consumer demand, job creation, and economic stability and growth. Increasing UI taxes, in particular, can have a detrimental effect on workers' wages and employment, especially if substantial tax increases occur too soon in the wake of a recession. Cutting benefits can reduce consumer demand and slow the economic recovery.

The burden of increased taxes on employers is mostly shifted to workers, particularly low-wage workers, in the form of decreased hiring or reduced benefits or wages. Low-wage workers in particular are disproportionately affected because relatively low taxable wage bases apply only to the initial wages paid to a worker in a year. The federal taxable wage base of only $7,000, for

example, hits employment of workers making, say, $20,000 per year, proportionately more than employment of workers making, say, $40,000 per year. In some instances, such measures might be necessary to restore the long-run balance in a state UI program, but such tax increases during a recession could hurt the very workers the unemployment insurance system aims to help.

The State UI Program Solvency Situation is Not Unprecedented

The recession of 1981–1982 lasted for a total of 16 months. Many states, having just recovered from the 1973–1975 recession, were unable to finance their state UI benefits and were forced to borrow from the federal government. By the end of 1983, a total of 21 states and the District of Columbia had borrowed $13.3 billion dollars from the federal government and were unlikely to repay the advances in the near future. In 2010 dollars, this level of borrowing is $29 billion compared to today's level of almost $40 billion.

In response to the inability of states to repay these advances, Congress passed a series of laws from 1981–1983 (some permanent and others temporary) to assist states in the repayment of these loans. The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) allowed a state's employers to cap the FUTA credit reduction at a specified level if their state met criteria aimed at improving the long-term solvency of its unemployment insurance trust fund. The Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) increased federal unemployment taxes and allowed a state's employers to avoid the FUTA credit reduction entirely by repaying a portion of their outstanding loan as well as fulfilling several requirements meant to improve solvency. The Social Security Amendments of 1983 (P.L. 98-21) authorized special partial caps to the FUTA credit reduction for states that met some of the criteria necessary to receive a full cap on the level of the FUTA tax increase.

States facing FUTA tax increases in the 1980's benefited from these permanent and temporary measures by correcting their fiscal imbalances and repaying their outstanding loans to the federal government. States with overdue outstanding loans in the coming years might use these provisions in the future. States took advantage of the available FUTA credit reduction caps and repaid all loans by 1990.

Why Are So Many State UI Programs Insolvent?

There are two basic reasons why so many state UI programs are insolvent: (1) the recession; and (2) many state trust funds were not prepared to weather a severe recession without borrowing.

The national unemployment rate increased by 4.7 percentage points from 5 percent at the beginning of the recession in December 2007 to its current level of 9.7 percent. A near doubling of the national unemployment rate was bound to have a devastating effect on state UI programs. The impact was even worse in some states. For example, unemployment rates increased by 7.5 percentage points in Florida, 7.4 percentage points in Nevada, 7.2 percent in Rhode Island, 7.1 percent in Alabama, and 6.5 percentage points in Michigan. (*See Appendix, Difference in State Reserve Levels, 4th Quarter of 2007 - 4th Quarter of 2009; Difference in State Unemployment Rates, December 2007 - February 2010*) Of the 23 states that experienced increases in their unemployment rates above the national average, 19 have been forced to borrow to cover UI benefit costs.

A way to gauge whether a state was prepared to weather a severe recession without borrowing is to compare: (1) its trust fund reserves relative to total covered wages paid by employers in the state during the most recent year to (2) State UI benefit costs relative to total covered wages paid by

employers in the state in the year it experienced its highest benefit cost rate in the history of the program. (The benefit cost rate is benefits paid during the year divided by covered wages paid by employers in the state that year.) A ratio of (1) to (2) is called the "high-cost multiple." Such a ratio equal to one means a state has enough reserves to meet the highest UI benefit cost rate it has experienced in its history with its reserves alone. With unemployment tax revenue flowing into the state trust fund during the year, a state also has those funds available to cover UI benefit costs during the year.

Recognizing a state can cover the costs of UI benefits from reserves and unemployment taxes flowing into the trust fund when a recession hits, a "high-cost" multiple of at least 0.5 could be used as a rough gauge to assess if a state could weather a recession by spending its reserves and unemployment tax revenue flowing into the trust fund during a recession year. By this measure, at the beginning of this recession, 30 states were at risk of needing to borrow. All but one of these 30 states has borrowed to cover UI benefit costs already. In addition, six state UI programs above 0.5 but below 0.75 also have borrowed. With USDOL projecting a peak of 40 states borrowing, the other states that have not borrowed yet who were below the ratio of 0.75 at the beginning of the recession are the likely states to borrow before the end of 2011.

States already are adjusting to the drain on their reserves as a result of the spike in benefit outlays. This year, 35 states reported their unemployment taxes are higher than last year with a median increase of nearly 28 percent. Such increases occur automatically through the normal "experience rating" mechanisms in the states as employers' tax rates rise in response to the benefits paid to their laid off workers. Other automatic responses include shifting to higher tax schedules as state trust fund reserves decline and activating statutory solvency taxes to replenish trust fund reserves.

Meanwhile some states have revisited the changes to their automatic or discretionary changes to their tax structures enacted in 2009 to lessen the escalating level of taxes on employers. Florida, Hawaii, Indiana, and Kansas, for example, have either postponed tax increases or reduced the amount of the increase.

POLICY OPTIONS TO ASSIST WORKERS FACING A JOB LOSS

Short Time Compensation (Shared Work Program)

Short-time compensation (also known shared work) is an option within the federal-state unemployment Insurance (UI) system that allows employers to reduce work hours rather than lay off a portion of the workforce. Some 17 states have exercised this option.

A temporary national program was enacted in 1982 and permanent changes to federal law were made in the Unemployment Compensation Amendments of 1992. Concerns over the limitations of the 1992 legislation have hampered the ability to expand this layoff aversion program beyond the original 17 states. This uncertainty has not been resolved. Since then, states with STC programs have continued operating them and additional states that might be interested have been uncertain how to proceed without new federal guidance.

The time is right for Congress or USDOL to address the uncertain interpretation of the 1992 law. In 2010, some 7 states – Colorado, Hawaii, New Hampshire, New Jersey, Ohio, Oklahoma and Pennsylvania – are in various stages of adopting shared work programs. It is especially encouraging that, just as in Washington State, many of these other states are embracing shared-work and bringing together government, business and labor leaders in an effort to preserve jobs.

Washington State's Shared Work Program

Although it's been in place since 1983, Washington's shared work program was not widely known in the State. But in 2009, in the depths of the recession, a record 2,800 businesses and some 51,000 employees were approved to participate in the program, up from 621 employers and 21,272 employees in 2008. The program is also flexible, allowing individual employees to work full-time one week and part-time the next, depending on the employer's needs.

The Washington State Employment Security Department paid $40 million in shared work benefits to participants in 2009. The department would have paid an estimated $54 million in additional benefits if the equivalent number of workers had been fully laid off and collected the state average of 17 weeks of benefits.

Last year, as the recession grew deeper, the Department concluded it was important to remind employers about this important layoff-aversion program. We also knew from experience that most businesses learn about shared work from other employers who have used the program. Washington worked in collaboration with our Chambers of Commerce and other business associations to help get the word out to their members – and it has been a very successful partnership. Within weeks after business organizations began running our newsletter article, the number of applications arriving each week nearly doubled.

The program allows employers to cut their payroll costs by reducing the hours of their full-time employees, and the workers collect partial unemployment benefits to make up for some of the lost wages. The estimate of jobs saved last year through shared work comes from information on the employers' original applications combined with their actual use of the program. The program is designed to be flexible, so employers can add or reduce work hours based on their workload needs.

Both public-and private-sector employers are eligible to participate in the program, and employers of all sizes are accepted. Shared-work benefits may be paid for up to 52 weeks, and only full-time, hourly workers who meet eligibility criteria are eligible for the program. The program will not subsidize seasonal employers, part-time employees, corporate officers or employees paid on a piece rate, mileage rate, job rate, salary or commission basis.

The program not only helps keep workers employed, but also helps companies stay in business. All over the state, business owners have told us how important the shared work program is to them and their employees.

At Gear Works, a 63-year-old company in Seattle's South Park neighborhood, business has been down about 25 percent from last year, and in February, the company laid off eight workers. In March, it signed up for shared work and avoided laying off 13 others. At one point, two-thirds of Gear Works' 95 hourly employees were working reduced hours and drawing the partial unemployment benefits.

Reemployment Services (RES)

Reemployment services (RES), deployed to UI claimants through the One-Stop Career Centers, accelerate the UI claimants' return to work. These grants provide job search tools, early intervention services, career guidance, job referrals, and training for UI claimants who currently do not receive these services.

An investment of $500 million for reemployment service grants would assist 1.4 million unemployment insurance claimants get back to work. Because the average weekly benefit of unemployment compensation is approximately $300, investing $500 million in reemployment services alone could save the UI system about $840 million in benefit outlays by decreasing the duration of these UI claimants by about two weeks. Depending on state program design and effectiveness, it might even be possible to gain even larger declines in duration on UI, and, therefore, even greater savings.

The Recovery Act appropriated $250 million for reemployment services to unemployment insurance claimants and more than 3.3 million workers have received services. Of this number, 24 percent were receiving career guidance; 66 percent were receiving job search assistance and 30 percent were referred to Workforce Investment Act services. Most states have hired temporary staff to assist UI claimants with services such as job search workshops, resume assistance, and labor market information, but these temporary hires will not be able to work beyond September 30, 2010, after which RES funds may not be obligated under the Recovery Act.

Many studies have found emphasis on reemployment of UI claimants' results in shorter claims duration for beneficiaries, savings to the UI program, and potentially lower taxes for employers. For example:

- In Washington State, staff-assisted placement services reduced UI claimants' duration of unemployment by 7.7 weeks; (Westat 2000);
- Staff-assisted job matching reduces unemployment by 3-6 weeks, which is more than enough to pay for the low-cost services in terms of reduced UI outlays and increased earnings (Lou Jacobson, CNA Corporation, February 28, 2006); and
- The most recent report, completed in December 2006, but not released by USDOL until 2008, concluded that a Wisconsin demonstration project succeeded in increasing the collaboration between the state's UI and Job Service agencies through both its data sharing component and its implementation of expanded reemployment services for unemployment insurance claimants. The Wisconsin RES study concluded that RES had the effect of reducing claimants' duration on UI by 0.6-0.9 weeks.

Subsidized Employment: TANF Emergency Contingency Fund

The American Recovery and Reinvestment Act of 2009 (Recovery Act) established a new $5 billion Emergency Contingency Fund to provide states with funding for subsidized employment from the U.S. Department of Health and Human Services (HHS) under the Temporary Assistance for Needy Families (TANF) program. States can receive federal Recovery Act funding until September 30, 2010 for subsidized employment in the following areas: unsubsidized or subsidized employment; work experience; on-the-job training; job search and job readiness assistance; community service; vocational educational training; job skills training related to work; and education directly related to employment.

States are using the TANF Emergency Contingency Fund to create jobs, stimulate the economy, and reduce hardship. As of April 1, some 26 states had been authorized to use TANF Emergency Contingency Funds to establish new or expand subsidized employment programs. In addition, approximately ten states have applications pending with HHS to begin operating such programs

shortly. According to the Center on Budget and Policy Priorities, these 26 states are estimated to provide subsidized jobs to about 160,000 individuals by the end of September 2010.

This program is creating jobs at a lower cost per job than virtually any other measure Congress is considering. It is also unique among the range of job creation proposals because it provides states with great flexibility to design employment approaches that respond to a state's particular circumstances. States have tailored these programs so they are creating jobs in urban and rural communities alike. States are using existing infrastructures to identify and screen potential employees and to recruit employers to participate, keeping costs of program administration low.

In addition, both the Department of Health and Human Services and the Department of Labor recently issued a joint letter to urge workforce and human services agencies to work together to explore all funds available for the creation and expansion of subsidized summer employment programs for low-income youth. It encouraged State and local TANF agencies and workforce investment boards to take advantage of the subsidized employment opportunities made available by partnering Workforce Investment Act and TANF resources.

A number of states have made great use of these funds to work with employers and unemployment insurance claimants to help them transition into the workforce. Texas for example, established a public-private partnership with employers in the local workforce development areas to target first-time unemployment insurance (UI) claimants who previously earned less than $15 an hour. Florida, earlier this year, established a program where public and private employers can enter into contracts with local workforce boards to cover nearly all of the salary costs for employees. The program will pay up to 95 percent of the salary cost for each employee. And Mississippi has established a program where employers will be reimbursed for each new worker's full salary for the first two months of work, and then the monthly reimbursement will be scaled back gradually until it drops to just a quarter of the salary in the sixth month.

The TANF emergency funds allow states to work with their unemployment insurance claimants and allow employers to examine a range of options to facilitate employment. With unemployment expected to remain high for the next few years, it is essential to extend the TANF Emergency Contingency Fund at least through September 30, 2011.

Conclusion

Unemployment insurance is a prime economic stabilizer. It is doing its job, but it could do better. The federal government has begun reforming the system under the Recovery Act and the Obama Administration has pledged to improve the system even more. States already are looking to reform their programs. As states work to right their fiscal imbalances, they must be cautious not to raise unemployment taxes too soon or too high and not to cut too much into benefits for unemployed workers. This will be a delicate balancing act that will play out in state capitols around the nation. As the economic recovery begins, job creation and reemployment services for UI claimants should be emphasized at the same time some workers retool for the future. Such actions should aid employment growth, help workers, and improve our economy for the challenges ahead.

Selected Characteristics of State UI Tax Structures

STATE	2009 Taxable Wage Base	2010 Taxable Wage Base	Indexed Taxable Wage Base	2009 Average Tax Rate on Total Wages	2009 Average Tax Rate on Taxable Wages
Alabama	$8,000	$8,000		0.38	1.51
Alaska	$32,700	$34,100	X	1	1.15
Arizona	$7,000	$7,000		0.29	1.3
Arkansas	$10,000	$12,000		0.84	2.56
California	$7,000	$7,000		0.78	4.29
Colorado	$10,000	$10,000		0.42	1.6
Connecticut	$15,000	$15,000		0.69	2.61
Delaware	$10,500	$10,500		0.57	2.5
District of Columbia	$9,000	$9,000		0.32	2.04
Florida	$7,000	$7,000		0.34	1.55
Georgia	$8,500	$8,500		0.4	1.69
Hawaii	$13,000	$34,900	X	0.3	0.82
Idaho	$33,200	$33,300	X	0.87	1.31
Illinois	$12,300	$12,520		0.95	3.73
Indiana	$7,000	$9,500		0.6	2.71
Iowa	$23,700	$24,500	X	0.85	1.6
Kansas	$8,000	$8,000		0.51	2.13
Kentucky	$8,000	$8,000		0.8	3.18
Louisiana	$7,000	$7,700		0.29	1.38
Maine	$12,000	$12,000		0.6	1.62
Maryland	$8,500	$8,500		0.53	2.49
Massachusetts	$14,000	$14,000		1.14	4.4
Michigan	$9,000	$9,000		1.18	5.05
Minnesota	$26,000	$27,000	X	0.8	1.73
Mississippi	$7,000	$7,000		0.38	1.84
Missouri	$12,500	$13,000		0.63	2.01
Montana	$25,100	$26,000	X	0.69	1.14
Nebraska	$9,000	$9,000		0.37	1.35
Nevada	$26,600	$27,000	X	0.7	1.25
New Hampshire	$8,000	$10,000		0.27	1.26
New Jersey	$28,900	$29,700	X	0.83	1.97
New Mexico	$20,900	$20,800	X	0.56	1.11
New York	$8,500	$8,500		0.59	3.77
North Carolina	$19,300	$19,700	X	0.68	1.53
North Dakota	$23,700	$24,700	X	0.55	1
Ohio	$9,000	$9,000		0.76	2.96
Oklahoma	$14,200	$14,900	X	0.41	0.74
Oregon	$31,300	$32,100	X	1.16	1.91
Pennsylvania	$8,000	$8,000		1.01	4.83
Puerto Rico	$7,000	$7,000		1.5	2.3
Rhode Island	$18,000	$19,000		1.25	3.49
South Carolina	$7,000	$7,000		0.5	2.07
South Dakota	$9,500	$10,000		0.25	0.82
Tennessee	$7,000	$9,000		0.39	1.74
Texas	$9,000	$9,000		0.28	1.23
Utah	$27,800	$28,300	X	0.3	0.53
Vermont	$8,000	$10,000		0.89	3.48
Virgin Islands	$22,100	$22,200	X	0.1	0.18
Virginia	$8,000	$8,000		0.23	1.14
Washington	$35,700	$36,800	X	0.82	1.38
West Virginia	$8,000	$12,000		0.72	2.7
Wisconsin	$12,000	$12,000		0.8	2.7
Wyoming	$21,500	$22,800	X	0.58	1.24
US Total	-	-	17	0.67	2.27

Denotes Borrowing States as of 4.6.2010

Source: U.S. Department of Labor, Employment and Training Administration - Significant Provisions of State UI Laws Effective January 2010, Significant Measures of State UI Tax Systems (CY 2009)

Difference in State Reserve Levels, 4th Quarter of 2007 - 4th Quarter of 2009; Difference in State Unemployment Rates, December 2007 - February 2010

STATE	HCM, 2007.4	HCM, 2009.4*	Difference in HCM, 2007.4 and 2009.4	December 2007 Unemployment Rate	February 2010 Unemployment Rate	Difference in Unemployment Rate, Dec. 2007 - Feb. 2010
Alabama	0.33	N.A.	N.A.	4	11.1	7.1
Alaska	0.78	0.64	0.14	6.5	8.5	2
Arizona	0.44	N.A.	N.A.	4.7	9.5	4.8
Arkansas	0.18	N.A.	N.A.	5.9	7.7	1.8
California	0.18	N.A.	N.A.	6.1	12.5	6.4
Colorado	0.59	N.A.	N.A.	4.5	7.7	3.2
Connecticut	0.23	N.A.	N.A.	5	9.1	4.1
Delaware	0.43	N.A.	N.A.	3.8	9.2	5.4
District of Columbia	0.8	0.66	0.14	6.1	11.9	5.8
Florida	0.46	N.A.	N.A.	4.7	12.2	7.5
Georgia	0.42	N.A.	N.A.	4.8	10.5	5.7
Hawaii	1.5	0.35	1.15	3.2	6.9	3.7
Idaho	0.35	N.A.	N.A.	3	9.5	6.5
Illinois	0.3	N.A.	N.A.	5.5	11.4	5.9
Indiana	0.2	N.A.	N.A.	4.6	9.8	5.2
Iowa	0.69	0.36	0.33	4	6.7	2.7
Kansas	0.71	N.A.	N.A.	4.4	6.5	2.1
Kentucky	0.16	N.A.	N.A.	5.7	10.9	5.2
Louisiana	0.82	0.63	0.19	4.2	7.3	3.1
Maine	1.12	0.82	0.3	5.1	8.3	3.2
Maryland	0.52	N.A.	N.A.	3.8	7.7	3.9
Massachusetts	0.28	N.A.	N.A.	4.5	9.5	5
Michigan	N.A.	N.A.	N.A.	7.6	14.1	6.5
Minnesota	0.3	N.A.	N.A.	4.9	7.3	2.4
Mississippi	1.32	0.89	0.43	6.8	11.4	4.6
Missouri	0.07	N.A.	N.A.	5.5	9.4	3.9
Montana	0.82	0.5	0.32	3.6	6.9	3.3
Nebraska	0.74	0.44	0.3	3.2	4.8	1.6
Nevada	0.63	N.A.	N.A.	5.8	13.2	7.4
New Hampshire	0.43	N.A.	N.A.	3.6	7.1	3.5
New Jersey	0.11	N.A.	N.A.	4.5	9.8	5.3
New Mexico	1.58	0.79	0.79	3.7	8.7	5
New York	0.04	N.A.	N.A.	4.9	8.8	3.9
North Carolina	0.13	N.A.	N.A.	5	11.2	6.2
North Dakota	0.72	0.47	0.25	3.3	4.1	0.8
Ohio	0.09	N.A.	N.A.	6	10.9	4.9
Oklahoma	1.42	0.8	0.62	4.5	6.7	2.2
Oregon	1.14	0.65	0.49	5.6	10.5	4.9
Pennsylvania	0.25	N.A.	N.A.	4.7	8.9	4.2
Puerto Rico	0.73	0.56	0.17	11.2	16	4.8
Rhode Island	0.25	N.A.	N.A.	5.5	12.7	7.2
South Carolina	0.13	N.A.	N.A.	6.6	12.5	5.9
South Dakota	0.25	N.A.	N.A.	3	4.8	1.8
Tennessee	0.3	N.A.	N.A.	5.3	10.7	5.4
Texas	0.4	N.A.	N.A.	4.5	8.2	3.7
Utah	1.15	0.71	0.44	3.2	7.1	3.9
Vermont	0.72	N.A.	N.A.	3.2	7.1	3.9
Virgin Islands	0.68	N.A.	N.A.	4	6.6	2.6
Virginia	0.44	N.A.	N.A.	6	7.8	1.8
Washington	0.98	0.67	0.31	3.5	7.2	3.7
West Virginia	0.35	0.17	0.18	4.8	9.5	4.7
Wisconsin	0.23	N.A.	N.A.	4.9	9.5	4.6
Wyoming	0.95	0.6	0.35	5	8.7	3.7
United States	0.36	N.A.	N.A.	5	9.7	4.7

*In the column *HCM, 2009.4* , states with outstanding loans as of 4.6.2010 are identified as having a HCM that is Not Applicable (N.A.), regardless of their borrowing status in 2009.4. In *2007.4* , Michigan was the only state borrowing and is thus the only state identified with an HCM of N.A.

Shading Denotes Borrowing States as of 4.6.2010

Source: U.S. Department of Labor, Employment and Training Administration, UI Data Summary, 2007.4 and 2009.4, ; U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS)

Borrowing States' Minimum Potential FUTA Credit Reductions, 2010 - 2013

		Minimum Potential FUTA Credit Reduction			
STATE	**Date of Initial Advance**	**2010**	**2011**	**2012**	**2013**
Michigan	October 2007	0.30%	0.60%	0.90%	1.20%
Indiana	November 2008	-	0.30%	0.60%	0.90%
South Carolina	December 2008	-	0.30%	0.60%	0.90%
New York	January 2009	-	-	0.30%	0.60%
Ohio	January 2009	-	-	0.30%	0.60%
California	January 2009	-	-	0.30%	0.60%
Kentucky	January 2009	-	-	0.30%	0.60%
North Carolina	February 2009	-	-	0.30%	0.60%
Wisconsin	February 2009	-	-	0.30%	0.60%
Missouri	February 2009	-	-	0.30%	0.60%
New Jersey	March 2009	-	-	0.30%	0.60%
Arkansas	March 2009	-	-	0.30%	0.60%
Rhode Island	March 2009	-	-	0.30%	0.60%
Pennsylvania	March 2009	-	-	0.30%	0.60%
Idaho	June 2009	-	-	0.30%	0.60%
Illinois	July 2009	-	-	0.30%	0.60%
Minnesota	July 2009	-	-	0.30%	0.60%
Texas	July 2009	-	-	0.30%	0.60%
Florida	August 2009	-	-	0.30%	0.60%
Virgin Islands	August 2009	-	-	0.30%	0.60%
South Dakota	September 2009	-	-	0.30%	0.60%
Alabama	September 2009	-	-	0.30%	0.60%
Connecticut	October 2009	-	-	0.30%	0.60%
Nevada	October 2009	-	-	0.30%	0.60%
Virginia	October 2009	-	-	0.30%	0.60%
Georgia	December 2009	-	-	0.30%	0.60%
Colorado	January 2010	-	-	-	0.30%
Massachusetts	February 2010	-	-	-	0.30%
Kansas	February 2010	-	-	-	0.30%
Maryland	February 2010	-	-	-	0.30%
Vermont	February 2010	-	-	-	0.30%
New Hampshire	March 2010	-	-	-	0.30%
Arizona	March 2010	-	-	-	0.30%
Delaware	March 2010	-	-	-	0.30%
Tennessee	April 2010	-	-	-	0.30%

Source: U.S. Department of Labor, ETA

STATE-BY-STATE OUTSTANDING FEDERAL LOANS (THOUSANDS)

STATE	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Alabama	-	-	-	-	-	10,000	30,000	43,860	27,000	-	-	-	-	-	-	-	-
Alaska	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Arizona	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Arkansas	-	-	-	-	-	-	20,000	30,000	19,500	-	29,200	64,000	77,042	85,540	-	-	-
California	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Colorado	-	-	-	-	-	-	-	-	-	-	-	-	4,409	112,884	41,566	-	-
Connecticut	-	-	31,800	53,500	62,000	252,200	363,200	410,798	410,497	370,897	370,894	320,946	270,461	280,276	196,400	102,137	-
Delaware	-	-	-	-	-	6,500	20,500	36,600	47,000	47,000	43,767	46,351	53,947	44,202	-	-	-
District of Columbia	-	-	-	-	-	7,000	33,600	59,000	64,500	70,544	65,541	51,122	56,862	63,609	43,609	-	-
Florida	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Georgia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hawaii	-	-	-	-	-	-	22,500	22,500	-	-	-	-	-	-	-	-	-
Idaho	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Illinois	-	-	-	-	-	68,800	515,300	758,600	946,500	946,500	984,000	1,405,433	2,069,018	2,418,204	1,707,232	1,124,267	888,670
Indiana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Iowa	-	-	-	-	-	-	-	-	-	-	-	-	63,362	126,579	37,558	-	-
Kansas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kentucky	-	-	-	-	-	-	-	-	-	-	-	52,121	121,396	150,568	11,067	-	-
Louisiana	-	-	-	-	-	-	-	-	-	-	-	-	102,423	520,365	521,188	576,948	786,692
Maine	-	-	-	-	-	2,400	14,900	22,900	36,400	36,400	36,400	31,446	20,891	-	-	-	-
Maryland	-	-	-	-	-	-	36,100	62,659	-	-	-	-	-	-	-	-	-
Massachusetts	-	-	-	-	-	140,000	265,000	265,000	265,000	231,700	-	-	-	-	-	-	-
Michigan	-	-	-	-	-	326,000	571,000	624,000	624,000	-	842,000	1,075,000	2,185,816	2,322,272	1,665,761	1,288,731	1,120,828
Minnesota	-	-	-	-	-	47,000	123,000	172,000	172,000	-	28,200	114,000	288,047	351,753	204,063	86,159	-
Mississippi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Missouri	-	-	-	-	-	-	-	-	-	-	-	-	89,825	89,825	-	-	-
Montana	-	-	-	-	-	-	1,366	9,284	10,484	7,084	-	-	-	8,556	8,556	-	-
Nebraska	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nevada	-	-	-	-	-	-	7,600	7,600	-	-	-	-	-	-	-	-	-
New Hampshire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Jersey	-	-	-	-	-	352,200	497,200	638,902	694,928	651,928	651,928	612,449	520,720	422,339	320,382	-	-
New Mexico	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New York	-	-	-	-	-	-	-	155,750	335,800	-	-	-	-	-	-	-	-
North Carolina	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,501
Ohio	-	-	-	-	-	-	-	-	-	-	245,778	599,933	1,658,127	1,976,065	1,446,205	976,439	522,747
Oklahoma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oregon	-	-	-	-	-	-	18,500	-	-	-	-	-	-	-	-	-	-
Pennsylvania	-	-	-	-	-	173,800	552,900	926,296	1,187,296	1,222,296	1,387,265	1,566,328	2,145,252	2,617,389	1,970,851	1,338,674	893,639
Puerto Rico	-	-	-	-	-	35,000	57,000	75,200	88,700	88,700	88,700	80,838	65,619	51,113	35,757	19,216	-
Rhode Island	-	-	-	-	-	45,800	65,800	71,074	102,074	102,763	121,239	112,034	101,682	89,557	-	-	-
South Carolina	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
South Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tennessee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Texas	-	-	-	-	-	-	-	-	-	-	-	-	142,863	696,274	416,289	-	365,640
Utah	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vermont	-	-	-	-	5,300	28,300	37,500	46,379	46,400	40,739	40,739	36,152	31,032	25,183	18,972	12,202	-
Virginia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Washington	-	-	-	40,700	44,100	94,100	149,400	137,069	-	-	-	-	-	-	-	-	-
West Virginia	-	-	-	-	-	-	-	-	-	-	47,214	99,814	144,197	288,082	308,190	255,970	225,243
Wisconsin	-	-	-	-	-	-	-	-	-	-	-	-	412,947	627,635	534,474	327,797	-
Wyoming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
YEAR TOTAL			31,800	94,200	111,400	1,589,100	3,402,366	4,575,471	5,078,079	3,816,551	4,982,865	6,267,967	10,625,938	13,368,270	9,488,120	6,108,540	4,808,960
TOTAL 2010 DOLLARS	-	-	163,000	455,000	484,000	6,330,000	12,800,000	16,200,000	16,700,000	11,300,000	13,000,000	14,800,000	23,600,000	28,800,000	19,600,000	12,200,000	9,410,000

STATE-BY-STATE OUTSTANDING FEDERAL LOANS (THOUSANDS)

STATE	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Alabama	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alaska	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Arizona	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Arkansas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
California	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Colorado	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Connecticut	-	-	-	-	353,767	653,215	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Delaware	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
District of Columbia	-	-	-	-	-	19,336	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Florida	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Georgia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hawaii	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Idaho	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Illinois	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	511,267	-	-	-	-
Indiana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Iowa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kansas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kentucky	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Louisiana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maine	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maryland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Massachusetts	-	-	-	-	234,742	379,918	115,987	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Michigan	952,597	781,530	602,513	417,510	417,509	212,724	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134,600
Minnesota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175,548	123,008	-	-	-
Mississippi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Missouri	-	-	-	-	-	-	70,000	-	-	-	-	-	-	-	-	-	142,924	288,557	238,257	135,457	-
Montana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nebraska	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nevada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Hampshire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Jersey	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Mexico	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New York	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	197,965	751,395	691,332	357,319	-	-
North Carolina	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ohio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oklahoma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oregon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pennsylvania	587,640	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Puerto Rico	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rhode Island	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
South Carolina	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
South Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tennessee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Texas	513,727	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,595	-	-	-	-	-
Utah	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vermont	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Virginia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Washington	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
West Virginia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wisconsin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wyoming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
YEAR TOTAL	2,053,964	781,530	602,513	417,510	1,006,018	1,265,193	185,987	-	-	-	-	-	-	-	-	310,560	1,581,134	1,102,897	595,576	135,457	134,600
TOTAL 2010 DOLLARS	3,880,000	1,420,000	1,040,000	685,000	1,580,000	1,930,000	276,000	-	-	-	-	-	-	-	-	370,000	1,840,000	1,250,000	654,000	144,000	139,000