

PRESS RELEASE

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Colorado to Borrow From Feds To Shore Up Unemployment Trust Fund

*Growing rate of recipients has put a strain on state's
unemployment funds*

(DENVER) – Colorado Department of Labor and Employment Executive Director Donald J. Mares told the Joint Budget Committee today that the state expects it will soon join 25 other states in borrowing from the Federal government in order to continue paying unemployment benefits. Mares emphasized that payments to unemployment recipients will not be affected but said that quick action is needed to address the projected shortfall in the state's unemployment trust fund.

“Like all states, Colorado has been hit hard,” Mares says. “More people are tapping into the benefits. In November of 2009, we processed 22,222 new applicants. Just two years earlier, that monthly average was only about 11,100. In addition to more initial claims, the people who are losing employment this year are higher wage earners and are getting higher benefit amounts. In November 2009, about \$94 million in benefits was paid from the trust fund compared with only \$42 million in November 2008 and \$21 million in November 2007.”

And, Mares says, while more money is going out, less revenue is coming in. “The trust fund comes from employers' premiums and fewer and smaller companies are paying those premiums that support the fund.”

Colorado's situation is not unique. The demand for unemployment benefits across the country has put a strain on every state's unemployment funds. Total borrowings already exceed \$24 billion and experts say 40 or more states are on the cusp and could eventually be forced to ask for federal money.

The unemployment trust fund balance now sits at \$30 million, compared with \$562 million a year ago. Although Colorado's unemployment rate has been moving downward for the last three months, it continues to be at heights not seen since the early 1980s, the last time the state had to borrow money from the federal government to replenish its trust fund. The UI trust fund was in a deficit from roughly December of 1982 until April of 1985, requiring Colorado to borrow about \$222 million.

The Treasury lends money to states that fall short in their funds. Under the American Recovery and Reinvestment Act states may borrow interest-free through 2010. Mares says that the department is working with a group of business leaders to strategize a timely repayment plan.

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