

South Dakota Department of Labor
700 Governors Drive
Pierre, SD 57501
www.sdjobs.org

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Media Contact: Dawn Dovre, 605.773.3094

Labor Department warns of deteriorating unemployment fund

PIERRE, S.D. – The South Dakota Department of Labor (DOL) continues to monitor the Unemployment Insurance (UI) Trust Fund, which has deteriorated during the lengthy recession that has struck the nation.

“We were hoping we had turned the corner, but last week we paid out benefits at an all-time high,” said State Labor Secretary Pam Roberts. “The total payment was \$2.7 million to 8,831 claimants.”

For the same week in 2009, \$1.4 million was paid to 5,663 claimants, and \$700,000 was paid to 2,982 claimants in the same week in 2008.

This past fall, the Unemployment Insurance Advisory Council predicted the annual payout in benefits for 2010 would decrease from the record levels paid in 2009. But based on the first two weeks of 2010, DOL now predicts that amount may equal the \$65 million paid in 2009.

DOL called a meeting of the Council this afternoon to discuss the current Trust Fund status, following a briefing to the Legislature on the unemployment insurance system by Secretary Roberts.

“There are two automatic responses to help the depleting fund – an employer surcharge and federal loans,” said Secretary Roberts.

South Dakota law has a surcharge provision that is automatically triggered when the Trust Fund balance reaches low levels. The surcharge began on Oct. 1, 2009, and was expected to end June 30, 2010.

“These extraordinary high benefit payments now indicate the surcharge will continue through 2010 and into 2011,” said Secretary Roberts.

Federal loans are available at zero percent interest through Dec. 31, 2010.

The Council today will review a proposal to expand benefits to part-time workers and people attending approved training. If passed by the Legislature, South Dakota will receive \$11.7 million in federal unemployment insurance modernization incentives for the Trust Fund.

The Council will also be developing long-term strategies to permanently fix the unemployment insurance system over the next year. Those recommendations will be presented to the 2011 Legislature for consideration.