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Unemployment claims continue to climb, trust fund shrinking

PIERRE, S.D. – Benefit payments flowing out of South Dakota’s Unemployment Insurance Trust Fund are larger than originally projected, state Department of Labor Secretary Pam Roberts said Tuesday.

“The Unemployment Insurance Trust Fund recently paid out \$1.65 million in benefits in one week compared to \$608,000 in the same week a year ago,” Roberts said. “South Dakota’s economy continues to follow the national trend, and the Trust Fund condition is deteriorating.”

The seasonally adjusted unemployment rate in South Dakota has also continued to grow since October 2008, and the March rate is expected to increase again.

The Trust Fund balance fluctuates daily as state unemployment tax revenue is received and benefits are paid. At the end of 2008, the balance was \$25.5 million. It is currently at \$14.1 million. If the balance drops below \$11 million at the end of any quarter after Sept. 30, an employer surcharge is triggered.

During the 2009 legislative session, DOL projected the Trust Fund would maintain a sufficient balance so surcharge payments by South Dakota businesses would not be necessary until at least March 31, 2010. That would allow time for the 2010 legislature to take action if necessary.

The earlier projections were based on a normal seasonal decline in payments, which typically begins to occur in early March as construction season resumes. “This is not happening,” said Roberts. “DOL is hearing from some construction employers that they will be recalling employees, but are delayed more than usual due to inclement spring weather.”

Meanwhile, weekly payments are continuing in the \$1.6 million range.

Secretary Roberts has called a meeting of the Unemployment Insurance Advisory Council for Monday, April 27, at 1 p.m. CDT to assess the situation.

“The Council needs to review the latest unemployment insurance benefit payment information and Trust Fund balance projections,” Roberts said.

Those interested in attending can do so at Conference Room 3 of the Kneip Building, 700 Governors Drive, Pierre.

The Advisory Council recommended during the 2009 legislative session that South Dakota adopt an alternative base period to determine eligibility of unemployment claims. Approval of HB1176 allowed the Trust Fund to get \$5.9 million in federal stimulus funds on April 3.

Unemployment insurance provides temporary financial assistance for people who have lost their jobs, through no fault of their own, until they find other jobs. South Dakota's unemployment insurance program is financed by employers through payroll taxes; workers do not contribute to the plan. To learn more, visit www.sdjobs.org.