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## **Labor Department monitors Unemployment Trust Fund**

**PIERRE, S.D.** – State Labor Secretary Pam Roberts said payments from the Unemployment Insurance Trust Fund declined by \$150,000 last week, to a total of \$1.2 million.

The Department of Labor continues to closely monitor the fund, she said.

The trust fund was paying out as much as \$1.67 million a week in April, an increase of 232 percent from the same period a year earlier. The current balance is \$17.3 million.

There have been more unemployment claims in the current recession than there were in past recessions. But the unemployment rate remains lower than past recessions, making it difficult to project the fund balance based on previous trends.

“Our projections for the Unemployment Insurance Trust Fund indicated we will end the year with a negative balance,” said Secretary Roberts. “However, the system has an automatic fix built into law, and an employer surcharge will trigger on Sept. 30 to bring in more revenue.”

South Dakota has a provision in state law that automatically imposes a surcharge on all employers when the trust fund balance dips below certain levels. The projected negative balance at the end of September would trigger the start of a 1.5 percent surcharge. The first payments would be due from employers no later than Jan. 31, 2010.

“If the surcharge holds for an entire year, the extra tax would total \$150 per full-time employee, or about \$36 million statewide,” Secretary Roberts said.

South Dakota can also receive \$17.6 million for the Unemployment Insurance Trust Fund through modernization incentives from the American Recovery and Reinvestment Act.

South Dakota was the first state in the nation to change its law and receive the initial one-third of that funding, \$5.9 million on April 3. To qualify, states must adopt an alternative base period that is used to calculate unemployment benefits for displaced workers. Only four other states have received funding through this option. They did not need to change their laws.

To receive the other two-thirds of the federal stimulus funding, states must expand unemployment benefits.

South Dakota did not propose additional changes to qualify for the remaining \$11.7 million during the 2009 legislative session because the conditions of the new federal laws were not yet fully defined. Costs could not be accurately projected until the U.S. Department of Labor provided guidance, which did not occur until after the South Dakota Legislature recessed. However, the funding is available to the state until August 2011.

“This option would bring additional revenue to the fund,” said Secretary Roberts. “The Department is open to a full public discussion on this option, which requires the expansion of benefits.”

A decision on acceptance of the funding has not been made. Only two states have changed their laws to receive full funding. Currently, both the South Dakota Department of Labor and the Unemployment Insurance Advisory Council are studying the potential impact and associated costs.

“Most people do not realize where the money comes from; it is all money from employers,” said Secretary Roberts. “The \$11.7 million is paid by employers into the Federal Unemployment Trust Fund and once it is used up, the continued costs will be paid by South Dakota employers.”

The next Council meeting is scheduled for June 25. The agenda will include discussion of the expanded benefits and required legislative changes. A recommendation will be made to the 2010 South Dakota Legislature.

Unemployment insurance provides temporary financial assistance for people who have lost their jobs, through no fault of their own, until they find other employment. For more information, visit [www.sdjobs.org](http://www.sdjobs.org).