



Alabama Department of Industrial Relations

News Release

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DIR to Borrow for Unemployment Compensation Trust Fund

MONTGOMERY – As 16 states have already done and many others are expected to do, Alabama has requested interest-free money from the federal government to support the state’s Unemployment Compensation Trust Fund.

This is not the first time Alabama has borrowed unemployment money from the federal government. The last time came during the recession in 1983 when the money was not interest-free, said Tom Surtees, Director of the Alabama Department of Industrial Relations.

“This move allows us to protect and maintain benefits for Alabama workers suffering from this worldwide recession,” Surtees said. “I want to stress that this is simply a measure we are taking to correct a cash flow problem in the trust fund. Benefits paid to unemployed Alabamians will not be affected in any way and employers will not have to pay more taxes in order for us to receive this money.”

That would not have been the case had the Legislature changed state law in order for the state to receive some of the federal stimulus money for unemployment compensation. Alabama did accept all the stimulus money it was eligible to receive, but could not accept about \$100 million unless the Legislature voted to expand unemployment benefit coverage to workers who do not qualify under current state law.

Such a change in state law to accept those stimulus dollars would have required employers to pay more than \$20 million in higher taxes every year.

Legislators recognized that fact and passed a resolution during the 2009 regular session (SJR 68) urging Congress to amend the stimulus so states like Alabama would not have to change their unemployment compensation laws to receive the funds.

Surtees pointed out that even if the Legislature had voted to change the law so Alabama could be eligible for the \$100 million, it would have only delayed the need for the interest-free loan by 6-7 weeks.

“Increasing unemployment means increasing demand on the trust fund. That \$100 million would only have delayed this loan request a few weeks. It wouldn’t have

changed anything except hit employers with higher taxes at a time when we want them to create jobs,” Surtees said.

DIR expects to borrow \$40 million in September and projects that additional funds will be needed through April 2010 when unemployment taxes become due from the state’s employers. The money is interest-free until September 30, 2011.

The money that comprises Alabama’s Unemployment Compensation Trust Fund is provided, 100 percent, by employers.

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Members of the media seeking more information should contact Public Information Officer Tara Hutchison at (334) 242-8616.