

## CALIFORNIA UNEMPLOYMENT FUND MUST BORROW TO STAY AFLOAT



California was forced to start borrowing money from a federal fund on Monday, so that the state could continue paying unemployment insurance benefits to the unemployed. The Employment Development Department says it will need \$2.4 billion to keep its unemployment fund going throughout the end of 2009. If nothing is done, the fund's deficit is projected to grow to \$4.9 billion in 2010. California has only ever borrowed from the federal fund once before, in 2004. That year, they were able to repay the money by a September deadline, which allowed them to avoid interest payments. Officials at the EDD don't expect to be able to meet that deadline this time. State officials announced last year that they projected the unemployment fund to run out of money in 2009 due to the growing unemployed population as well as a shortfall in the taxes employers are charged to finance the program. California's unemployment rate currently stands at a little over 9%. Representatives at the EDD requested that lawmakers increase the unemployment funds revenue, stating that if they did not, it would go bust. "The long-term solution is that the revenue-generating model has to be revised," said Loree Levy, a spokesperson for the EDD. "People are collecting more in benefits, but revenue has not been addressed." Governor Arnold Schwarzenegger proposed raising employer contributions by \$416 per employee per year and cutting benefits for almost a third of the unemployed by as much as \$44 per week. The state fund paid out \$6.8 billion in unemployment benefits in 2008, which is nearly \$2 billion more than in 2007. Stay in touch with all things employment (and unemployment) at [Employment Crossing](#).