



## **\$1.1 billion due on Unemployment Loans (Title XII) on September 30th**

**Approximately \$1.1 billion in Interest on state loans to pay unemployment compensation in 2011 is due from states on September 30<sup>th</sup>.** The payment of this interest is effectively non-negotiable at this point. Failure on the part of a state to make the payment would render the state out of conformity with federal law and risk employers in the state being subjected to pay the full Federal Unemployment Tax without offset (increasing the FUTA tax due on January 31<sup>st</sup> by up to 1000%). We should assume that waiver of this interest in the short Congressional session in September will not happen.

In a number of states special assessments were imposed on employers to generate the funds needed to meet this obligation. In other states special funds were identified to make the payment. Whatever the amounts generated from special taxes and/or budgeted amounts, there must be sufficient funds available to meet these interest obligations. In states where the state legislatures may have adjourned for the year without providing appropriations to make payment, states and employers in these states are at risk of failing to meet federal conformity requirements.

Attached is a spread sheet developed by the US Department of Labor with amounts due on a state by state basis.

USDOL is working with the US Treasury to develop instructions to the states in the next couple of weeks in order to be clear about the procedures to make the required payments. Employers and states should work closely to assure that Title XII interest payments are made. In reviewing interest payment obligations and available funds, employers and states should consider asking for a delay in payment of a portion of the outstanding interest if necessary. In particular, payment of interest on loans from May to September may be delayed under current federal law. See below.

**May to September Delay** Section 1202(b)(3)(B) of the Social Security Act provides that in the case of any advance made during the last 5 months of any fiscal year (May through September), interest on such advance attributable to periods during such fiscal year shall not be required to be paid before the last day of the succeeding taxable year. Any interest the time for payment of which is deferred shall bear interest in the same manner as if it were an advance made on the day on which it would have been required to be paid. To qualify, however, interest is due on balances between October 1 of the previous year and April 30<sup>th</sup> of the current year, interest accrues on the delayed interest, and **the Governor or designee must notify the Secretary of Labor of the decision to delay interest payment no later than September 1.**

Note: even if states may not have a principal amount currently outstanding they may have interest due from earlier in the year that they have not yet repaid.

## STATES THAT MUST PAY INTEREST BY SEPTEMBER 30TH

Alabama  
Arizona  
Arkansas  
California  
Colorado  
Connecticut  
Delaware  
Florida  
Georgia  
Hawaii  
Idaho  
Illinois  
Indiana  
Kansas  
Kentucky  
Massachusetts  
Michigan  
Minnesota  
Missouri  
Nevada  
New Hampshire  
New Jersey  
New York  
North Carolina  
Ohio  
Pennsylvania  
Rhode Island  
South Carolina  
Texas  
Vermont  
Virgin Islands  
Virginia  
Wisconsin

States that have borrowed since May 1<sup>st</sup> that would qualify for the interest delay include:

Alabama  
Arizona  
California  
Colorado

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Connecticut  
Florida  
Hawaii  
Illinois  
Indiana  
Massachusetts  
Michigan  
Minnesota  
Missouri  
North Carolina  
New Hampshire  
New Jersey  
Nevada  
New York  
Rhode Island  
Virginia  
Virgin Islands  
Wisconsin

If you have any questions about the interest payment obligation and/or the potential impact on employer FUTA tax rates, please let me know.

Douglas J. Holmes

President

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## Title XII Advance Activities Schedule

As of: **August 11, 2011**

Interest Rate: **4.08690135%**

State	Outstanding Advance Balance	Advance Authorization Current Month	Gross Advance Draws Current Month	Interest Owed Since January 1, 2011
Alabama	0.00	50,000,000.00	0.00	3,783,392.50
Arizona	247,446,722.64	60,000,000.00	25,582,671.43	6,624,142.79
Arkansas	359,989,601.53	5,000,000.00	0.00	8,724,410.36
California	8,189,431,759.95	900,000,000.00	280,000,000.00	255,192,968.85
Colorado	325,998,253.70	60,000,000.00	0.00	10,610,494.91
Connecticut	809,875,582.98	0.00	0.00	18,112,939.33
Delaware	62,523,367.88	0.00	0.00	1,382,934.44
Florida	1,667,200,000.00	200,000,000.00	0.00	47,301,684.26
Georgia	721,080,472.00	0.00	0.00	17,004,678.29
Hawaii	0.00	30,000,000.00	5,898,000.00	581,992.59
Idaho	202,401,700.22	0.00	0.00	5,053,826.28
Illinois	1,803,874,161.85	300,000,000.00	37,515,969.23	60,826,300.80
Indiana	1,815,526,598.66	81,600,000.00	27,945,193.99	49,991,689.89
Kansas	170,821,412.91	0.00	0.00	3,645,401.08
Kentucky	948,700,000.00	0.00	0.00	22,839,172.32
Maryland	0.00	0.00	0.00	0.00
Massachusetts	0.00	0.00	0.00	2,691,884.43
Michigan	3,120,792,827.12	200,000,000.00	9,339,915.86	88,424,321.08
Minnesota	202,345,928.76	300,000,000.00	12,643,413.94	13,605,968.05
Missouri	725,446,730.74	90,000,000.00	0.00	19,192,864.20
Nevada	773,160,968.50	30,000,000.00	0.00	18,283,083.55
New Hampshire	0.00	0.00	0.00	121,486.08
New Jersey	1,097,786,014.77	260,000,000.00	100,384,906.69	41,011,320.65
New York	2,730,291,785.11	350,000,000.00	55,296,503.34	79,197,930.41
North Carolina	2,382,932,731.53	175,000,000.00	10,690,000.00	64,754,812.12
Ohio	2,611,387,131.00	0.00	0.00	62,926,077.47
Pennsylvania	2,630,390,569.68	200,000,000.00	0.00	88,928,048.31
Rhode Island	240,425,184.44	30,000,000.00	3,625,905.00	5,794,078.76
South Carolina	966,613,654.37	0.00	0.00	23,860,916.23
South Dakota	0.00	0.00	0.00	0.00
Tennessee	0.00	0.00	0.00	0.00
Texas	0.00	0.00	0.00	491,529.94
Vermont	77,731,860.63	15,000,000.00	0.00	1,682,799.78
Virginia	165,344,000.00	30,000,000.00	0.00	7,778,248.41
Virgin Islands	24,052,719.38	1,500,000.00	0.00	513,463.51
Wisconsin	1,118,398,629.76	300,000,000.00	26,680,325.27	35,771,693.76
<b>Totals</b>	<b>36,191,970,370.11</b>	<b>3,668,100,000.00</b>	<b>595,602,804.75</b>	<b>1,066,706,555.42</b>

\*\*Red Numbers with a Pink Background means state is within 10% of monthly limit

**States with New Advances--May-July 2011**

AK	
AL	X
AR	
AZ	X
CA	X
CO	X
CT	X
DC	
DE	
FL	X
GA	
HI	X
IA	
ID	
IL	X
IN	X
KS	
KY	
LA	
MA	X
MD	
ME	
MI	X
MN	X
MO	X
MS	
MT	
NC	X
ND	
NE	
NH	X
NJ	X
NM	
NV	X
NY	X
OH	
OK	
OR	
PA	
PR	
RI	X
SC	
SD	
TN	
TX	
UT	
VA	X
VI	X
VT	
WA	
WI	X
WV	
WY	