

LWC: Unemployment trust fund could be insolvent by September

By: David Jacobs, The Center Square July 14, 2020 0

Louisiana experienced its biggest employment increase on record from April to May, though unemployment remains high and some 300,000 people are receiving unemployment benefits, a state official said Tuesday.

Louisiana's unemployment trust fund will be insolvent by September without federal help, said Ava Dejoie, who leads the Louisiana Workforce Commission. Absent a direct infusion from Congress, the state would have to take out an interest-free loan from the federal government, she said. Failing to make payments is not an option, she added.

As of July 7, Louisiana's unemployment trust fund contained \$471.6 million, compared to more than \$1 billion before the beginning of the COVID-19 pandemic. The LWC has been paying out about \$50 million per week, Dejoie said.

Employers pay taxes to sustain the fund. When it falls below \$750 million, the amount of employee wages that are taxed increases, effectively raising taxes on employers, and weekly benefits for recipients are reduced. Those changes wouldn't kick in until the Revenue Estimating Conference meets in the fall, at which point adjustments could be made, the Workforce Commission says.

Since March 22, the LWC has paid out more than \$4.3 billion in unemployment benefits, Dejoie said. That includes \$724 million in state dollars, \$3.4 billion in federal pandemic benefits that adds \$600 per week to the state's usual benefits, and \$217 million in federal benefits for contract workers and others not usually eligible for employer-funded unemployment insurance. Federal unemployment benefit enhancement currently is scheduled to run out at the end of the month.

From April to May, Louisiana saw the largest amount of job growth in a single month on record, as restrictions meant to reduce the spread of the coronavirus were relaxed, Dejoie said, though unemployment remained high at 13.3 percent. Numbers for June will be released Friday.

Since loosening business restrictions and entering "phase two" of the White House-approved reopening road map, an increased wave of COVID-19 has swept across the state. In response, Gov. John Bel Edwards on Saturday issued a statewide mask mandate and closed bars again, though Dejoie said the latter move probably won't make a big difference in the employment numbers because the sector is not particularly large.

Louisiana has received \$6 million from the federal government to help workers displaced by the pandemic and response get job training and find subsidized employment, Dejoie said. Louisiana is eligible for up to \$96 million, and officials hope to finalize a \$34 million infusion soon.