



New York State Comptroller  
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Economic and Policy Insights

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# **Update on New York's Unemployment Insurance Trust Fund: Challenges Continue**

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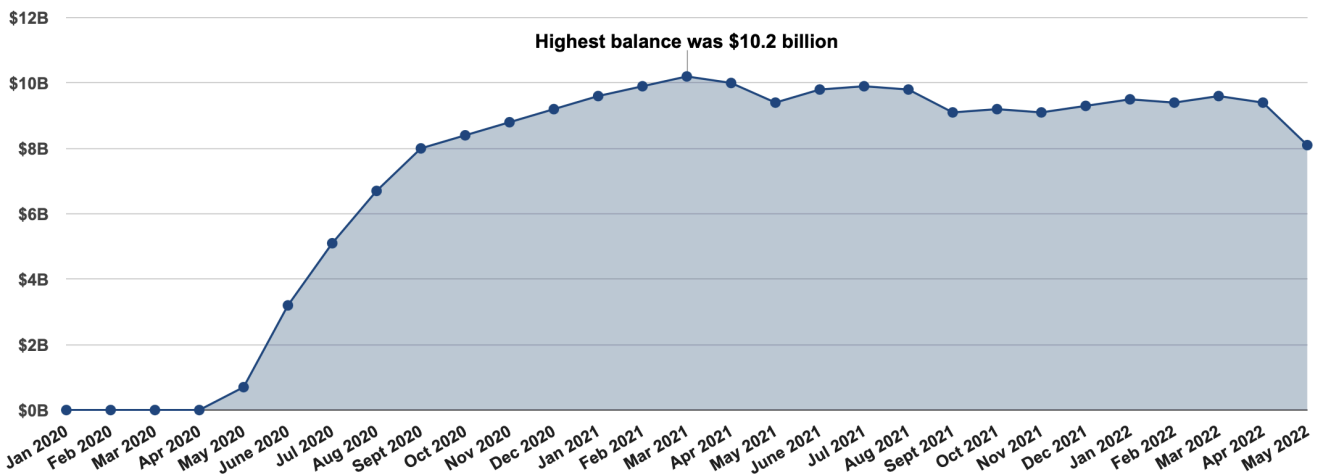
Devastating job losses caused by the COVID-19 pandemic led to a record number of unemployment insurance (UI) claims in New York and other states. Benefits paid through such claims are part of the safety net, and are financed with federal and state payroll taxes collected from employers. As detailed by the Office of the State Comptroller in a September 2021 [report](#), New York’s UI fund did not have sufficient funds to pay the surging claims, and began to borrow from the federal government starting in May 2020.

While many states had to borrow from the federal government to support UI claims, New York is one of only seven states or territories with UI funds that continue to be in debt to the federal government, and the size of the outstanding loan balance—\$8.1 billion—is second only to California. In May 2022, New York State paid \$1.2 billion of its federal loan, but New York’s UI debt has remained stubbornly high despite steady employment gains and State tax rates that have already increased to maximum permissible levels. If New York’s outstanding balance is not fully repaid by November 10, 2022, interest costs will mount, as will the federal portion of employers’ 2022 tax bills. Absent any significant federal or State action, employer costs will continue to grow, potentially impeding the State’s employment recovery amid growing economic uncertainty.

## The Federal Loan

Pandemic-related unemployment claims surged during the COVID-19 economic shutdown and reached unprecedented levels; as a result, New York has drawn advances from the federal Unemployment Trust Fund (UTF) since May 2020 when its UI fund initially ran out of funds for paying benefits. The loan balance reached as high as \$10.2 billion in March 2021, declined and then plateaued to an average \$9.3 billion from September 2021 through April 2022. After a series of large repayments, the balance dropped to \$8.1 billion by May 31, 2022, as shown in Figure 1.<sup>1</sup>

**FIGURE 1**  
**New York’s Monthly UTF Loan Balance During the COVID-19 Pandemic**



Sources: U.S. Department of Labor; U.S. Department of Treasury

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Interest due on New York's advance has been limited to date because of federal pandemic legislation waiving such payments. The Families First Coronavirus Response Act first waived interest accrued on loans through December 2020. This date was extended by the Consolidated Appropriations Act/Continued Assistance Act and the American Rescue Plan (ARP) Act and the waiver ultimately lasted through September 6, 2021. Interest due from New York for the remainder of federal fiscal year (FFY) 2021 (which ran through September 30, 2021) totaled \$13.5 million.<sup>2</sup> Payment of this interest was largely deferred, with only \$3.4 million paid.<sup>3</sup> As of May 31, New York has accrued \$113.4 million in interest due in FFY 2022 and will also pay an additional \$3.4 million for interest accrued during 2021, for a total of \$116.8 million in interest for FFY 2022.

## **Balance Remains High Despite Recovery and Increased UI Tax Collections**

New York's ability to repay the federal loan is directly tied to the strength of its economic recovery and the tax rates levied on employers. State UI tax rates vary based on employers' payroll, UI benefits paid to former employees and the size of the State UI fund balance. Collections of UI taxes are deposited to the State's fund for the payment of benefits. Although unemployment decreased dramatically in 2021, total benefit payments remained greater than total UI tax collections, contributing to the persistently high balance in New York's outstanding loan.

## **Fewer Unemployed Individuals, Claims and Benefits Paid**

Over the last year, improved employment in New York State has resulted in fewer unemployed individuals, UI claims and accompanying benefit payments. Since April 2020, New York State has added over 1.5 million jobs, recovering over 77 percent of jobs lost.<sup>4</sup> After reaching a high of 16.5 percent in May 2020, the State unemployment rate has declined steadily to 4.5 percent in April 2022.<sup>5</sup> UI claims in New York have decreased significantly in tandem with falling unemployment. In the first quarter of 2020, unemployed individuals totaled 403,000 and \$829.4 million in regular UI benefits were paid. These numbers increased dramatically in the next quarter to 1.4 million unemployed individuals (a 248 percent rise) and \$6.5 billion in benefit payments (682 percent). These high levels fell significantly by the end of 2020 and throughout 2021. In the first quarter of 2021, there were 850,000 unemployed individuals, decreasing to 505,000 in the fourth quarter, with commensurate benefits paid declining from \$1.54 billion to \$643 million. Moreover, first payments declined from more than 1.5 million in the second quarter of 2020 to 88,437 by the fourth quarter of 2021.<sup>6</sup>

## Greater UI Tax Collections

State UI tax rates increased in 2021 from the prior year; combined with employment growth, these increases have bolstered tax collections by more than 54 percent from \$2.1 billion in 2020 to \$3.2 billion in 2021. These revenues are used to fund benefit payments and pay down outstanding balances.<sup>7</sup>

As shown in Figure 2, even though regular UI benefit payments decreased by almost \$10 billion in 2021 and tax collections increased by more than \$1.1 billion, total benefit payments remained greater than total tax collections, at \$4.4 billion compared to \$3.2 billion. As a result, New York's UI fund continues to draw loans from the federal UTF. In 2021, the size of these loans decreased by almost two-thirds and repayments increased more than tenfold compared to 2020.<sup>8</sup> Nevertheless, repayments have not yet been sufficient to significantly address the high level of borrowing required in 2020 and the State UI fund continues to draw advances in 2022.

New York's large repayments in May 2022, however, indicate greater movement towards paying down its current advance. If the overall trend of decreasing UI benefit payments continues, or such payments remain at recent levels, and UI tax collections continue to increase (even with typical quarterly variation), New York will be able to continue taking fewer advances and making larger repayments.

**FIGURE 2**  
New York's UI Experience During the COVID-19 Pandemic (in millions)

	UI Tax Collections	UI Benefits Paid	Difference	Outstanding Loan		
				Repayments	Advances	Difference
<b>UI Trust Fund Balance on January 1, 2020: \$2,651.5</b>						
<b>2020</b>						
1st	\$216.5	\$829.4	(\$613.0)	\$0.0	\$0.0	\$0.0
2nd	\$1,321.9	\$6,488.2	(\$5,166.4)	\$86.9	\$3,301.5	(\$3,214.6)
3rd	\$317.6	\$5,211.4	(\$4,893.9)	\$67.2	\$4,814.0	(\$4,746.8)
4th	\$220.5	\$1,802.3	(\$1,581.8)	\$107.5	\$1,387.5	(\$1,280.0)
<b>Total</b>	<b>\$2,076.4</b>	<b>\$14,331.4</b>	<b>(\$12,255.0)</b>	<b>\$261.6</b>	<b>\$9,503.0</b>	<b>(\$9,241.4)</b>
<b>UI Trust Fund Balance on January 1, 2021: \$474.6</b>						
<b>2021</b>						
1st	\$176.2	\$1,541.7	(\$1,365.5)	\$312.0	\$1,317.2	(\$1,005.2)
2nd	\$1,924.7	\$1,251.5	\$673.2	\$1,248.7	\$762.4	\$486.3
3rd	\$640.3	\$965.5	(\$325.1)	\$1,396.4	\$781.9	\$614.5
4th	\$466.4	\$643.0	(\$176.6)	\$344.1	\$533.0	(\$188.9)
<b>Total</b>	<b>\$3,207.6</b>	<b>\$4,401.7</b>	<b>(\$1,194.0)</b>	<b>\$3,301.2</b>	<b>\$3,394.4</b>	<b>(\$93.2)</b>
<b>UI Trust Fund Balance on January 1, 2022: \$73.8</b>						
<b>2022</b>						
1st	\$425.7	\$715.8	(\$290.1)	\$299.1	\$574.0	(\$274.9)

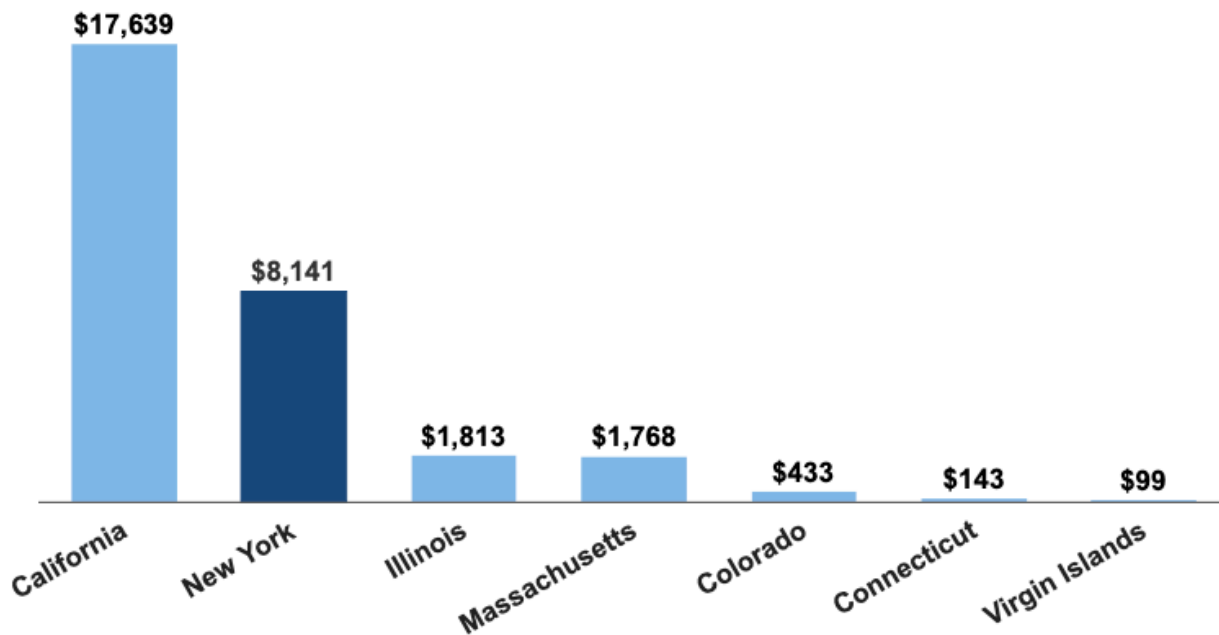
Source: U.S. Department of Labor, Employment and Training Administration

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## Responses by Other States

On January 1, 2021, 18 states and territories had outstanding loans with the federal UTF; as of May 31, 2022, there were seven states and territories with outstanding advances.<sup>9</sup> On that date, loans drawn by California and New York summed to almost \$25.8 billion, representing nearly 86 percent of the total balance in the United States; Illinois and Massachusetts held balances of about \$1.8 billion each. (See Figure 3.)

**FIGURE 3**  
**States' Outstanding Balances with the Federal UTF (in millions)**



Source: U.S. Department of Treasury

States have addressed their outstanding advances with the federal UTF by using surplus funding, issuing bonds, and modifying tax rates. In addition, the National Conference of State Legislatures notes that 20 states have used ARP Act State Fiscal Recovery Funds to repay these loans and/or replenish state UI funds.<sup>10</sup> States that have taken such actions since September 2021 include Nevada, Ohio, Maryland, Texas and Minnesota.<sup>11</sup>

## Going Forward

New York State has not applied any of its allocation of federal pandemic fiscal relief funds to its advance with the federal UTF, and the Enacted Budget for State Fiscal Year 2022-23 did not include use of federal or State funds for this purpose.

In 2022, State UI tax rates have remained at the highest levels allowed under law for the range of tax rates applied to employers, depending on their experience in the State’s unemployment insurance system. If New York does not repay its outstanding advance by November 10, 2022, the federal UI tax rate will increase by 0.3 percent to 0.9 percent for 2022. (See Figure 4.) This would represent an additional annual federal tax payment of \$21 per employee; compared to 2020, the new rate would represent an increase in total tax payments of 30.5 percent for employers required to pay the highest UI tax rates and of 182.3 percent for those who currently pay the lowest rates. If New York continues to hold an outstanding balance on January 1, 2023, employers’ federal tax rate will go up to 1.2 percent, representing an additional cost of \$42 per employee over current levels. This additional cost will increase by \$21 per year for each employee as long as New York retains an outstanding balance on November 10 in the relevant tax year.<sup>12</sup>

**FIGURE 4**  
**Unemployment Insurance Tax Rates in New York**

Levels of Rates	State				Federal
	Normal	Subsidiary	Re-employment Service Fund	State Total	
<b>2020</b>					
Highest	6.9%	0.925%	0.075%	7.9%	0.6%
Lowest	0.0%	0.525%	0.075%	0.6%	
<b>2021</b>					
Highest	8.9%	0.925%	0.075%	9.9%	0.6%
Lowest	1.5%	0.525%	0.075%	2.1%	
<b>2022</b>					
Highest	8.9%	0.925%	0.075%	9.9%	0.9%
Lowest	1.5%	0.525%	0.075%	2.1%	

Note: The federal rate for 2022 represents the potential and likely tax rate if the State’s outstanding loan is not repaid by November 10, 2022.  
Sources: New York State Department of Labor; U.S. Department of Treasury; Office of the New York State Comptroller.

Given the increase in tax rates for employers at a time when economic recovery remains uncertain and growth lags in New York, the reduction or elimination of the State’s loan from the federal UTF is essential. [Comptroller DiNapoli and others](#) have advocated for additional federal support in the form of extended interest waivers.<sup>13</sup> In addition, State policy makers should consider whether available fiscal relief funds could be used to support the State’s UI fund. Absent any significant action, the obligation to repay these federal advances and rebuild the UI fund balance to appropriate levels will present a daunting challenge that could potentially impede the State’s overall economic recovery and prevent New York businesses from growing to the full extent of their capacity.

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## Endnotes

- 1 U.S. Department of Labor, *New York Historical Loans 2007 – February 2022* (Excel spreadsheet provided by staff on April 11, 2022), and U.S. Department of Treasury, *Advances to State Unemployment Funds (Social Security Act Title XII)*, at <https://fiscaldata.treasury.gov/datasets/ssa-title-xii-advance-activities/advances-to-state-unemployment-funds-social-security-act-title-xii>. Following the Great Recession and the COVID-19 pandemic, repayments by New York State on its advances from the federal UTF have been much higher in the month of May than other months.
- 2 U.S. Department of Treasury, *Advances to State Unemployment Funds (Social Security Act Title XII)*, at <https://fiscaldata.treasury.gov/datasets/ssa-title-xii-advance-activities/advances-to-state-unemployment-funds-social-security-act-title-xii>.
- 3 New York met the high unemployment provision for the deferral of interest payments under 20 CFR 606.41. See the Code of Federal Regulations at <https://www.ecfr.gov/on/2022-06-03/title-20/chapter-V/part-606/subpart-E/section-606.41>.
- 4 New York State Department of Labor, *Current Employment Statistics*, Total Nonfarm Employment (Seasonally Adjusted) for March 2022 compared to April 2020 (jobs recovered to date) and change in April 2020 compared to February 2020 (jobs lost), at <https://dol.ny.gov/current-employment-statistics-0>.
- 5 New York State Department of Labor, *Seasonally Adjusted Labor Force Data – NYS*, at <https://statistics.labor.ny.gov/lslaus.shtm>.
- 6 U.S. Department of Labor, Employment and Training Administration, *Unemployment Insurance Data*, at [https://oui.doleta.gov/unemploy/data\\_summary/DataSum.asp](https://oui.doleta.gov/unemploy/data_summary/DataSum.asp).
- 7 United States Code, Social Security Act, Section 1202 (loan repayment provisions). The U.S. Department of Labor informed the Secretary of the U.S. Treasury on May 7, 2020 that the State of New York requested the transfer of all available funds at the close of business each day from its account in the federal Unemployment Trust Fund to the Federal Unemployment Account (FUA) for repayment of its loan.
- 8 U.S. Department of Labor, Employment and Training Administration, *Unemployment Insurance Data*, at [https://oui.doleta.gov/unemploy/data\\_summary/DataSum.asp](https://oui.doleta.gov/unemploy/data_summary/DataSum.asp); ETA 2112 and ETA 5159, at <https://oui.doleta.gov/unemploy/DataDownloads.asp>; and, New York Historical Loans 2007 – Feb 2022 (Excel spreadsheet provided by staff on April 11, 2022).
- 9 U.S. Department of Treasury, *Advances to State Unemployment Funds (Social Security Act Title XII)*, as of May 31, 2022, at <https://fiscaldata.treasury.gov/datasets/ssa-title-xii-advance-activities/advances-to-state-unemployment-funds-social-security-act-title-xii>.
- 10 As of April 18, 2022. See National Conference of State Legislatures, *ARPA State Fiscal Recovery Fund Allocations, Unemployment Trust Fund, April 18, 2022*, at <https://app.powerbi.com/view?r=eyJrIjoiMmQ2NDI0RiNDYtN2NkZC00OTE2LThjYzQtYjAzNTE2ZDRjZWFiIiwidCI6IjM4MmZiOGIwLTRkYzMtNDUwNy04MGJkLTM1OTViMjQzMmZhZSIsImMiOiJ9> and <https://www.ncsl.org/research/fiscal-policy/arpa-state-fiscal-recovery-fund-allocations.aspx>. See also National Conference of State Legislatures (Emily Maher), *State ARPA Allocation Trends*, January 24, 2022, at <https://www.ncsl.org/research/fiscal-policy/state-arpa-allocation-trends-magazine2022.aspx>.
- 11 Nevada and Ohio used ARP fiscal recovery funding to pay off their outstanding loans with the federal government just prior to the expiration on September 6, 2021 of the waiver on accrual of interest. In Maryland, legislation passed in October 2021 required Governor Larry Hogan to deposit sufficient federal ARP Act relief funds into the state's UI trust fund towards lowering employers' tax rates in 2022 and 2023. The appropriation was also available for repayment of Maryland's outstanding loan with the federal UTF. In November 2021, legislation was enacted in Texas to use approximately \$7.2 billion of its \$15.8 billion allocation of federal fiscal recovery funds to retire the state's outstanding loan (\$5.9 billion) and replenish its UI fund for paying benefits. More recently, Minnesota governor Tim Walz signed legislation on April 29, 2022 to use \$2.7 billion to both repay the State's outstanding advance with the federal UTF and replenish its UI fund. See National Conference of State Legislatures, *ARPA State Fiscal Recovery Fund Allocations, Unemployment Trust Fund, April 18, 2022*, at <https://app.powerbi.com/view?r=eyJrIjoiMmQ2NDI0RiNDYtN2NkZC00OTE2LThjYzQtYjAzNTE2ZDRjZWFiIiwidCI6IjM4MmZiOGIwLTRkYzMtNDUwNy04MGJkLTM1OTViMjQzMmZhZSIsImMiOiJ9>; Pennsylvania Capital-Star, *States, Including Pa., That Borrowed from Feds to Cover Unemployment Checks Now Owe Interest*, September 7, 2021, at <https://www.penncapital-star.com/government-politics/states-including-pa-that-borrowed-from-feds-to-cover-unemployment-checks-now-owe-interest/>; EY (Ernst & Young), *Tax News Update, U.S. Edition*, October 4, 2021, at <https://taxnews.ey.com/>

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12 New York State Department of Labor, *Unemployment Insurance Rate Information*, at <https://dol.ny.gov/unemployment-insurance-rate-information> (2022); U.S. Department of Treasury, *State Unemployment Insurance Trust Fund Solvency Report 2022*, April 2022, at <https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2022.pdf>; and Office of the New York State Comptroller, *Unemployment Insurance Trust Fund: Challenges Ahead*, September 2021, at <https://www.osc.state.ny.us/files/reports/pdf/unemployment-insurance-trust-fund.pdf>.

13 Governing and Chicago Tribune (Dan Petrella), *8 States Ask for Freeze on Unemployment Benefits Loan Interest*, December 15, 2021, at <https://www.governing.com/work/8-states-ask-for-freeze-on-unemployment-benefits-loan-interest>; letter from New York State Senate and Assembly members to Majority Leader Charles Schumer, September 17, 2021, at [https://www.nysenate.gov/sites/default/files/article/attachment/final\\_ui\\_extension\\_letter.pdf](https://www.nysenate.gov/sites/default/files/article/attachment/final_ui_extension_letter.pdf); U.S. Senate Bill 3760, *Continued Waiver of Interest on State Unemployment Loans during the Pandemic Act*, introduced March 3, 2022, at <https://www.congress.gov/bill/117th-congress/senate-bill/3760/text>; and, National Association of State Workforce Agencies (NASWA), *Letter of Support for Congressmen Davis' Interest Waiver for UI Trust Funds Proposal*, January 20, 2022, at <https://www.naswa.org/government-relations/congressional-testimony/letter-of-support-for-congressman-davis-interest>.



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