

Number of Unemployment Claims for Out-of-Work Minnesota State Employees Expected to Increase

July 08, 2011 by [Matthew J. Lemke](#)

As of noon today, the Department of Employment and Economic Development (DEED) has received over 12,000 new applications for unemployment benefits from state employees. That number is expected to climb to 14,000 by the day's end. Weekly benefits equal about half of an individual's gross weekly income, to a maximum of \$578/week. This will cost the Unemployment Insurance (UI) Trust Fund approximately \$9.2 million per week starting next week, according to DEED. However, this figure is well short of the 23,000 number of laid off employees that the State's economist Tom Stinson referenced in an [article published in yesterday's Washington Post](#). In the article, it was speculated that the shutdown could cost the state as much as \$23 million per week as a result of UI benefits paid directly to state employees and secondary loss in weekly spending by state employees. Currently, the state pays approximately \$2.4 billion in weekly state wages. Stinson does not believe that the shutdown will result in a recession, but it will be a drag on the state's economic growth, according to the article. Some of the discrepancy between Stinson's numbers and DEED's actual numbers may be caused, ironically, by the fact that some of the individuals in charge of collecting and interpreting this type of data have been laid off.

Fitch Ratings downgraded about \$5.7 billion in Minnesota general obligation bonds from AAA (top rating) to AA+ (2nd highest rating) yesterday. Moody's has the State rated at the second-highest Aa1 rating as well, while Standard and Poor's has Minnesota still ranked at the top AAA grade.

There is some encouraging news behind the numbers. The unemployment numbers being reported by private employers has remained steady for almost three weeks now, and employer's payments are due before the end of July, meaning that the UI Trust Fund will see an influx of almost \$300 million before the month's end. The UI Trust Fund balance is currently \$460 million in the hole, forcing Minnesota to borrow from the Federal Government and pay interest in order to pay benefits. However, several years ago, a 2% surcharge that blinks on and off was put in place to help stabilize the fund in situations of high unemployment. The surcharge is expected to raise \$26 million before the end of the year, more than enough to cover the interest owed to the Federal Government as a result of borrowing from the Feds. This puts Minnesota in better shape than our neighbor to the East, Wisconsin. At this point, it is unclear what will happen if the shutdown continues for an extended period of time, a situation that seems more and more likely as the days go by.