Employment Development Department
State of California

En Español

Unemployment Insurance Checks and the Unemployment Insurance Trust Fund

Unemployed workers will continue to receive Unemployment Insurance (UI) benefits even though California's UI Trust Fund has run out of money. The Federal Government provides loans to states so that UI benefits will not be interrupted.

On January 26, 2009, the California Employment Development Department (EDD) began borrowing from the federal government to pay UI benefits. Claimants who remain unemployed should continue to submit their bi-weekly claim forms as instructed and will not experience any interruption in their checks due to the insolvency of the trust fund.

How are UI benefits funded?

UI benefits are funded by employer payroll taxes. Benefit payments do not come out of the State General Fund and do not impact the State budget. State UI taxes are collected by the EDD and held by the U.S. Treasury in a special State UI Trust Fund, and the monies are drawn down by the State to cover the cost of benefit payments to unemployed workers.

What is the status of California's UI Trust Fund?

The UI Trust Fund became insolvent on January 26, 2009, mainly due to an increasing imbalance in the amount of contributions coming in from employers and the amount of UI benefits being paid to unemployed workers. The State is now borrowing money from a designated fund at the federal level to continue to pay UI benefits and will continue to borrow until the UI Trust Fund becomes solvent again. The October 2008 EDD UI Fund Forecast projects a UI Trust Fund deficit of $2.4 billion by the end of 2009, increasing to a deficit of $4.9 billion by the end of 2010 unless a legislative solution is enacted that will return the Fund to a sufficient balance.

How does the UI Trust Fund issue impact unemployed workers?

Current and future unemployed workers will continue to collect their UI benefits; it is just a matter of where that money will come from to cover the costs of those benefit payments. As long as the State UI Trust Fund has insufficient funds to cover the cost of benefits, the federal loan will continue to cover those costs and unemployed workers will have no interruption in their benefit checks. Also, since the UI Trust Fund is not connected to the State budget, unemployed workers will not receive IOU notices in lieu of benefit checks.