By Terri Hallenbeck, Burlington Free Press

Federal and state officials, business organizations and a labor union representative all agreed: It would be great if the federal government would continue to lend the state money interest-free for two more years to keep its unemployment fund in the black.

Rep. Peter Welch, D-Vt., said Monday he would introduce legislation in Washington to continue interest-free loans to states through 2013. As part of the federal stimulus package, states are able to borrow interest-free until the end of 2010.

"What this means to Vermont is anywhere from $14-$20 million in savings over two years," said Patricia Moulton Powden, state Labor commissioner.

Vermont is expected to run out of money in its unemployment trust fund later this month or in early February. The state Legislature last year tinkered with changes -- freezing the amount unemployed Vermonters receive and slightly increasing the rate employers are charged -- but continues to wrestle with long-term fixes to make the fund solvent.

A legislative study committee has been meeting on the topic for months and has yet to release its recommendations. House Speaker Shap Smith, D-Morristown, said the committee is likely to lay out options later this week that the Legislature might consider, but not give a complete recommendation.

"This is one of the most difficult issues we're going to have to deal with," Smith said, as lawmakers grapple with raising the amount businesses contribute, cutting benefits to the unemployed or increasing restrictions on the system. Smith said he did not expect the Legislature to cut weekly benefits.

The interest-free federal loans would help the state make a transition to whatever solution comes out of the legislative session that starts today, officials said. "You're giving us breathing room," Tom Torti, executive director of the Lake Champlain Regional Chamber of Commerce, told Welch at a Montpelier news conference that brought together a cross-section of people who don't often see eye-to-eye.

States commonly borrow from the federal government when their unemployment funds run into the red. Powden said 20 states are borrowing this year, and up to 40 could within two years. Even if the payments remain interest-free, employers in states that borrow for more than two years face higher taxes as a penalty, Powden said.

Welch said he didn't know how much extending the interest-free payments would cost the federal government, but he hoped to nail down that figure soon. He said he would favor paying for the change with unallocated stimulus money or by taxing banking-industry bonuses.

He argued shoring up people who have been laid off and helping them get back to work is where the federal government should be focused.