Current Law and Selected Proposals Extending Unemployment Compensation

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Summary

This report examines recent proposals to create a new temporary extension of unemployment compensation. The recent proposals to temporarily extend the duration of Unemployment Compensation (UC) include the proposal in the Senate Committee on Finance Report of the Economic Stimulus Act of 2008 dated January 30, 2008, H.R. 4934, S. 2544, H.R. 5688, H.R. 5749, and H.R. 2642. H.R. 2642 was signed into law on June 30, 2008.

Only sections in the proposals that relate to the extension of unemployment benefits are detailed. Thus, only portions of H.R. 4934 (Title I-Emergency Unemployment Compensation, Title II-Increased Unemployment Benefits) and the Senate Committee on Finance proposal (Title I-Temporary Extended Unemployment Compensation), and H.R. 2642 (Title IV- Emergency Unemployment Compensation) that directly relate to extending the duration of unemployment benefits are included. Matters concerning fraud and overpayments are not discussed.

On June 30, 2008, the President signed H.R. 2642 into law (P.L. 110-252). The provisions concerning unemployment compensation were substantially changed from previous versions of the bill. The law extends unemployment benefits for 13 weeks and does not contain additional weeks of benefits for high-unemployment states.

This report will not be updated.

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Introduction

This report examines recent proposals that would create a new temporary extension of unemployment compensation. The recent proposals to temporarily extend the duration of Unemployment Compensation (UC) include the proposal in the Senate Committee on Finance Report of the Economic Stimulus Act of 2008 dated January 30, 2008,[1] H.R. 4934, S. 2544, H.R. 5688, H.R. 5749[2], and H.R. 2642.[3]

Only sections in the proposals that relate to the extension of unemployment benefits are detailed. Thus, only portions of H.R. 4934 (Title I- Emergency Unemployment Compensation and Title II-Increased Unemployment Benefits), the Senate Committee on Finance proposal (Title I-Temporary Extended Unemployment Compensation), and H.R. 2642 (Title IV- Emergency Unemployment Compensation) that directly relate to extending the duration of unemployment benefits are included. Matters concerning fraud and overpayments are not discussed.

On June 30, 2008, the President signed H.R. 2642 into law (P.L. 110-252). The provisions concerning unemployment compensation were substantially changed from previous versions of the bill. The law creates the temporary Emergency Unemployment Compensation (EUC08) program and temporarily extends unemployment benefits for 13 weeks. The law does not contain additional weeks of benefits for high-unemployment states.[4]

Current Law

The Unemployment Compensation (UC) program, funded by both federal and state payroll taxes, pays benefits to covered workers who become involuntarily unemployed for economic reasons and meet state-established eligibility rules. Federal administration of UC is under the purview of the U.S. Department of Labor (DOL). Federal law sets broad rules that the 53 state programs must follow.[5]

The Extended Benefit (EB) Program

The EB program, established by P.L. 91-373 (26 U.S.C. 3304), may extend UC benefits at the state level if certain economic conditions exist within the state. Although the EB program is not currently active in any state, it—like the UC program—is permanently authorized. The EB

[1] This proposal was downloaded on April 8, 2008, from http://www.senate.gov/~finance/sitepages/leg/LEG%202008/FINAL%20Original%20Bill.pdf.

[2] As reported out by the House Committee on Rules on June 11, 2008, downloaded from http://www.rules.house.gov/110/rept/110_hr5749rpt.pdf.

[3] For a detailed summary on how Congress has acted to extend unemployment benefits during economic recessions, see CRS Report RL34340, *Extending Unemployment Compensation Benefits During Recessions*, by (name redacted).

[4] For a complete explanation of the new program and benefits, see CRS Report RS22915, *Temporary Extension of Unemployment Benefits: Emergency Unemployment Compensation (EUC08)*, by (name redacted) and (name reda cted).

[5] For details on the Unemployment Compensation (UC) program and other unemployment benefits see CRS Report RL33362, *Unemployment Insurance: Available Unemployment Benefits and Legislative Activity*, by (name redacted) and (name redacted).

program is triggered when a state's insured unemployment rate (IUR) or total unemployment rate (TUR) reaches certain levels.[6] All states must pay up to 13 weeks of EB if the IUR for the previous 13 weeks is at least 5% and is 120% of the average rate for the same 13-week period in each of the previous 2 years. There are two other thresholds that states may choose. (States may choose one, both, or neither option.) Under these options, the state would provide the following:

- Option 1: An additional 13 weeks of benefits if the state's IUR is at least 6%, regardless of previous years' averages.
- Option 2: An additional 13 weeks of benefits if the state's TUR is at least 6.5% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous two years; or an additional 20 weeks of benefits if the state's TUR is at least 8% and is at least 110% of the state's average TUR for the same 13 weeks in either of the previous two years.

The EB program imposes additional restrictions on individual eligibility for benefits. It requires that a worker be actively searching and available for work. Furthermore, the worker may not receive benefits if the worker refused an offer of suitable work. Finally, claimants must have recorded least 20 weeks of full-time insured employment or the equivalent in insured wages during their base period.

Methods for Determining 20 Weeks of Full-Time Insured Employment

States use one, two, or three different methods for determining an "equivalent" to 20 weeks of full-time insured employment. These methods are described in both law (Section 202(a)(5) of the EUCA) and regulation (20 CFR 615.4(b)). In practice, states that require any of these three requirements for receipt of regular UC benefits *and* do not allow for exceptions to those requirements do not need to establish that the worker met the 20 weeks full-time insured employment. The three methods are listed below.

- earnings in the base period equal to at least 1.5 times the high-quarter wages; or
- earnings in the base period of at least 40 times the most recent weekly benefit amount, and if this alternative is adopted, it shall use the weekly benefit amount (including dependents' allowances) payable for a week of total unemployment (before any reduction because of earnings, pensions or other requirements) that applied to the most recent week of regular benefits; or
- earnings in the base period equal to at least 20 weeks of full-time insured employment, and if this alternative is adopted, the term "full-time" shall have the meaning provided by the state law.

[6] The TUR is essentially a version of the seasonally adjusted unemployment rate published by the Bureau of Labor Statistics. That is, the ratio of the total number of unemployed persons divided by the total number of employed and unemployed persons. The IUR is the ratio of all workers currently receiving regular UC benefits to the total UC-covered workforce. The IUR is based on UC program data collected by the states and compiled by the Employment and Training Administration. The IUR is substantially different from the TUR because it excludes several important groups: self-employed workers, unpaid family workers, workers in certain not-for-profit organizations, and several categories of workers. In addition to those unemployed workers whose last jobs were in excluded employment, the IUR excludes the following: those who have exhausted their UC benefits, new entrants or reentrants to the labor force, disqualified workers whose unemployment resulted from their own actions rather than from economic conditions, and eligible unemployed persons who do not file for benefits.

The base period may be the regular base period or, if applicable in the state, the period may be the alternative base period or the extended base period if that determined the regular UC benefit.

The underlying reasoning behind the requirements seems to be the following.

- Because there are 13 weeks in a quarter, 1.5 times the high-quarter wage is roughly equivalent to 1.5 times 13 weeks of wages or about 20 weeks of wages. (Many states require high quarterly earnings of under $2,000, which is equivalent to less than $4/hour under full-time assumptions. This is less than the federal minimum wage of $5.85/hour.)
- Similarly, because the weekly benefit amount is roughly equivalent to half the average weekly wage, 40 times the weekly benefit amount is roughly equivalent to 20 weeks of wages.

Financing Unemployment Benefits

UC benefits are financed through employer taxes. The federal taxes on employers are under the authority of the Federal Unemployment Tax Act (FUTA), and the state taxes are under the authority given by the State Unemployment Tax Acts (SUTA). These taxes are deposited in the appropriate accounts within the U.S. Treasury's Unemployment Trust Fund (UTF).

The federal tax pays for both federal and state administrative costs, the federal share of the extended benefit (EB) program (50%), loans to insolvent state UC accounts, and state employment services. The state tax pays for the regular UC benefit and the state share of the EB program (50%).

Extending Unemployment Compensation Proposals

Temporary Extension of Unemployment Benefits

In general, these proposals would entitle certain unemployed individuals to temporary extended unemployment benefits that are not available under current law and would expire in approximately one year. **Table 1** provides a summary of each of these proposals.

All proposals would require that workers had exhausted all rights to regular UC benefits. All proposals have some type of "look-back" provision where workers who had exhausted UC benefits (generally around one year previous to the proposal) may be eligible for the temporary benefit. At the program's termination, all workers who were currently receiving the extended benefit would receive their full weeks of entitlement; those workers who exhausted UC benefits after the termination would not be eligible for the temporary extension.

The base level of benefit ranges from 13 weeks (the Senate Committee on Finance proposal, H.R. 4934, H.R. 5749, P.L. 110-252/H.R. 2642) to 20 weeks (S. 2544). An exception is H.R. 5688, which requires states to select various state-level triggers and then meet certain economic conditions.

All proposals, with the exception of H.R. 4934 and the final version of H.R. 2642, have some type of mechanism to declare certain states to be in a period of high unemployment based on certain unemployment statistics. Workers in those high unemployment states would then be eligible for an additional extension of unemployment benefits.

How the Benefit Triggers On

The Senate Committee on Finance proposal, S. 2544, H.R. 5749, and H.R. 2642 would all create a national entitlement of additional unemployment benefits upon enactment. H.R. 4934 would trigger a new national entitlement on the first day of the first month where the change in unemployed persons as compared to the previous year exceeds one million. H.R. 5688 would trigger solely on a state basis as determined by certain unemployment statistics detailed in **Table 1**.

Financing

Most proposals would finance the temporary extension of unemployment benefits through the federal accounts within the UTF (100% federally funded). H.R. 5688 would fund 50% up to 100% of the additional benefits through the federal accounts within the UTF. **Table 1** details the conditions H.R. 5688 requires for its funding level.

Table 1. Current Law and Selected Comparisons of Proposals Temporarily Extending Unemployment Benefits

Program Feature	Current Law: P.L. 91-373 (26 U.S.C. 3304, note) Extended Benefit (EB) Program	Senate Finance Committee Report, January 30, 2008, Title II Temporary Extended Unemployment Compensation	H.R. 4934, Emergency Unemployment Compensation Act of 2008, Title I	S. 2544, Emergency Unemployment Compensation Act of 2008, Title II	H.R. 5688, Targeted Assistance to Restore Growth in Employment Throughout 2008 Act	H.R. 5749, Emergency Extended Unemployment Compensation Act of 2008	P.L. 110-252 (H.R. 2642), Supplemental Appropriations Act, 2008, Title IV
How proposal extends unemployment benefits	The EB program may extend unemployment (UC) benefits at the state level if certain economic conditions exist within the state. The EB program is permanently authorized.	Creates a new temporary extended unemployment benefit. Begins with enactment. Ends the week ending on or before December 31, 2008. No benefits after the week of March 31, 2009. No additional unemployment benefits to those not already receiving the benefits on December 31, 2008.	Creates a new temporary extended unemployment benefit if federal economic trigger is met. Begins with enactment. Ends the week ending on or before December 31, 2008.	Creates a new temporary extended unemployment benefit. Begins with enactment. Ends one year later. No benefits past 18 months of enactment.	Creates a new temporary extended unemployment benefit if state economic trigger is met. Begins the week on or after April 1, 2008. Ends the week beginning before March 31, 2009.	Creates a new temporary extended unemployment benefit. Begins with enactment. Ends the week ending on or before March 31, 2009. No benefits past the week of June 30, 2009.	Creates a new temporary extended unemployment benefit. Begins with enactment. Ends the week ending on or before March 31, 2009 No benefits past the week of June 30, 2009.
Eligibility	Exhausted regular UC benefits. Benefit year must have ended on or after EB program is triggered. (Unemployed workers who had	Exhausted regular UC benefits. Benefit year ended on or after February 1, 2007. (Unemployed workers who had	Exhausted regular UC benefits. Benefit year ended on or after March 1, 2007.	Exhausted regular UC benefits. The bill would reach back to those workers who had filed an initial regular UC claim on or after	Exhausted regular UC benefits. Benefit year ended on or after July 1, 2007.	Exhausted regular UC benefits. Benefit year ended on or after May 1, 2007.	Exhausted regular UC benefits. Benefit year ended on or after May 1, 2007.

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	filed for UC benefits up to one year before the EB program "triggered on" in the state and had exhausted regular UC benefits may be eligible for EB.) Beyond requirements for regular UC benefits, the beneficiary must have 20 weeks of full-time insured employment or its equivalent.	filed for benefits after February 1, 2006 and had exhausted benefits may be eligible for temporary extended UC.) Beyond requirements for regular UC benefits, the beneficiary must have 20 weeks of full-time insured employment or its equivalent.	No 20 week requirement.	the 12-month period before enactment. No 20 week requirement.	No 20 week requirement.	No 20 week requirement.	Beyond requirements for regular UC benefits, the beneficiary must have 20 weeks of full-time insured employment or its equivalent.
Potential duration	*Up to 20 weeks* for certain high unemployment states, or *Up to 13 weeks* for other states meeting other definitions of high unemployment, or *0 weeks* otherwise.	*Up to 26 weeks* for certain high unemployment states, or *Up to 13 weeks* otherwise.	*Up to 26 weeks* if national trigger has been met.	*Up to 33 weeks* for certain high unemployment states, or *Up to 20 weeks* otherwise.	*Up to 26 weeks* for certain high unemployment states that have opted for all three triggers, or *Up to 21 weeks* for those high unemployment states that have opted for both Tier II and Tier III triggers, or *Up to 13 weeks* for those high unemployment states that have opted for solely Tier III triggers, or	*Up to 26 weeks* for certain high unemployment states, or *Up to 13 weeks* otherwise.	Up to 13 weeks.

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					Up to 8 weeks for those states meeting different definitions of high unemployment and have opted for the Tier II trigger, or *Up to 5 weeks* for other states meeting different definitions of high unemployment and have opted for Tier I trigger, or *0 weeks* otherwise. (Triggers are explained in detail in the cell on the following page.)		
Federal and state triggers to begin program	The EB program is triggered when a state's insured unemployment rate (IUR) or total unemployment rate (TUR) reaches certain levels. All states pay up to 13 weeks of EB if the state's IUR for the previous 13 weeks is at least 5% and is 120% of the average of the rates for the same 13-week period	All states have at least 13 weeks. If the state is in an EB period or if the state's TUR >=6.5% or if the state's IUR >=4% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years, then the duration is increased by 13 weeks.	The first day of the first month following any month in which the number of unemployed persons age 16 or older as compared to the same month of the previous year exceeds one million.	All states have at least 20 weeks. If the state is in an EB period or if the state's TUR >=6.5% then the duration is increased by 13 weeks.	*In order to be eligible for benefits states must change state law to elect one, two, or three (or none) of the options. If a state chooses all three options, up to 26 weeks of benefits may be available.* *Tier I: Up to 5 weeks*, if state TUR >=6.0% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous 2 years; or,	All states have at least 13 weeks. If the state is in an EB period or if the state's TUR >=6% or the state's IUR >=4% then the duration is increased by 13 weeks.	All states have up to 13 weeks.

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	in each of the 2 previous years. Two other optional thresholds exist. (States may choose one, both, or neither). If chosen, the state would provide: Option 1: An additional 13 weeks of benefits if the state's IUR is at least 6%, regardless of previous years' averages. Option 2: An additional 13 weeks of benefits if the state's TUR is at least 6.5% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous 2 years; or, in a "high unemployment period," an additional 20 weeks of benefits if the TUR is at least 8% and is at least 110% of the state's average TUR for the same 13 weeks in				the IUR >=4% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years; *or* *Tier II: Up to 8 weeks*, if state TUR >=6.3% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous 2 years; or, the IUR >=5% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years; *or* *Tier III: Up to 13 weeks*, if state's TUR >=6.5% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous 2 years; or, the IUR is 5% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years; or 0 weeks otherwise.		

Program Feature	Current Law: P.L. 91-373 (26 U.S.C. 3304, note) Extended Benefit (EB) Program	Senate Finance Committee Report, January 30, 2008, Title II Temporary Extended Unemployment Compensation	H.R. 4934, Emergency Unemployment Compensation Act of 2008, Title I	S. 2544, Emergency Unemployment Compensation Act of 2008, Title II	H.R. 5688, Targeted Assistance to Restore Growth in Employment Throughout 2008 Act	H.R. 5749, Emergency Extended Unemployment Compensation Act of 2008	P.L. 110-252 (H.R. 2642), Supplemental Appropriations Act, 2008, Title IV
	either of the previous two years.						
Other additions to basic benefit or extended benefit	Not Applicable. EB payments are identical to regular UC benefit levels.	None.	*Section 201. Federal-State Agreements for Increased Unemployment Benefits* would supplement regular and emergency UC with an additional $50/week. Other sections of the bill would have incentives for states to expand UC benefit eligibility. Incentive payments would be up to $7 billion.	*S. 2544* would supplement regular and emergency UC with an additional $50/week.	None.	None.	None.
Financing structure	The federal unemployment tax on employers, among other things, pays the federal share (50%) of the extended benefit (EB) program. State unemployment taxes on employers pay for 100% of the regular	100% federally financed. Appropriates federal UTF funds as may be necessary for states in the administration of benefit.	100% federally financed (both the emergency UC and the additional $50/week). Appropriates federal UTF funds as may be necessary for states in the	100% federally financed (both the emergency UC and the additional $50/week). Appropriates federal UTF funds as may be necessary for states in the administration of benefit.	*If a state has opted for solely the Tier III trigger:* 13-weeks 100% federally financed. *If a state has opted for the Tier II and Tier III triggers:* *First 8-weeks:* 75% federally financed. *Final 13-weeks:* 100%	100% federally financed. Appropriates federal UTF funds as may be necessary for states in the administration of benefit.	100% federally financed. Appropriates federal UTF funds as may be necessary for states in the administration of benefit.

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	UC benefit and 50% of the EB benefit. UC benefits are financed through employer taxes. The federal taxes on employers are under the authority of the Federal Unemployment Tax Act (FUTA), and the state taxes are under the authority given by the State Unemployment Tax Acts (SUTA). These taxes are deposited in the appropriate accounts within the U.S. Treasury's Unemployment Trust Fund (UTF).		administration of benefit.		federally financed. *If a state has opted for all three triggers:* *First 5 weeks:* 50% federally financed. *Following 8 weeks:* 75% federally financed. *Final 13 weeks:* 100% federally financed. Appropriates federal UTF funds as may be necessary for states in the administration of benefit.		
Cost estimates	DOL actuarial estimates for the federal share of EB payments in FY2008 are less than $5 million.	The Congressional Budget Office (CBO) estimates that the UC provisions in the Senate Finance bill would have a net cost of $13.9 billion from 2008 through 2013.	No published CBO estimate.	No published CBO estimate.	No published CBO estimate.	CBO estimates that the net effect of unemployment provisions on direct spending would total $13.7 billion from 2008-2013.	No published CBO estimate.

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	Source: *UI Outlook FY2009 President's Budget*, Department of Labor, Office of Workforce Security, Division of Fiscal and Actuarial Services, February 2008.	Source: *Congressional Budget Office Cost Estimate, Economic Stimulus Act of 2008,* February 6, 2008.				Source: *Congressional Budget Office Cost Estimate of Substitute Amendment to H.R. 5749, Emergency Extended Unemployment Compensation Act of 2008*, June 12, 2008.	

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