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Federal Programs Available to Unemployed Workers

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Summary

Four groups of federal programs target unemployed workers: unemployment insurance, health care assistance, job search assistance, and training. This report presents information on federal programs targeted to unemployed workers specifically, but does not attempt to discuss means-tested programs (such as Medicaid or SSI) that are available regardless of employment status.

When eligible workers lose their jobs, the Unemployment Compensation (UC) program may provide up to 26 weeks of income support through the payment of regular UC benefits. Unemployment benefits may be extended for up to 53 weeks by the temporarily authorized Emergency Unemployment Compensation (EUC08) program. Unemployment benefits may also be extended for up to 13 or 20 weeks by the permanent Extended Benefit (EB) program if certain economic conditions exist within the state. Certain groups of workers who lose their jobs on account of international competition may qualify for additional or supplemental income support through Trade Adjustment Act (TAA) programs or, if they are aged 50 or older, for Reemployment Trade Adjustment Assistance (RTAA). If an unemployed worker is not eligible to receive UC benefits and the worker's unemployment may be directly attributed to a declared major disaster, a worker may be eligible to receive Disaster Unemployment Assistance (DUA) benefits.

Two federal laws may aid unemployed workers in the purchase of health insurance. The first, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), allows unemployed workers in certain circumstances to continue health insurance coverage from their employers. The second, the Health Coverage Tax Credit (HCTC), allows certain TAA and RTAA participants to receive an advanceable and refundable tax credit for purchasing health insurance.

Federal support for Americans seeking assistance to obtain, retain, or change employment is undertaken by a national system of local One-Stop Career Centers (One-Stops) that were established by the Workforce Investment Act (WIA) of 1998. A variety of services and partner programs—notably including UC and TAA—are located within or linked to One-Stops, which primarily provide job search assistance, career counseling, labor market information, and other employment services. Core labor exchange services (matching job seekers and employers) are provided by the U.S. Employment Service (ES), which was first established by the Wagner-Peyser Act of 1933 and most recently amended under Title III of WIA. In addition to ES, Title I of WIA authorizes resources for similar core and intensive employment services for youth, adults, dislocated workers, and targeted populations.

WIA Title I is also the nation's central job training legislation, providing funds for traditional, on-the-job, customized, and other forms of training to individuals unable to obtain or retain employment through other services.

The American Recovery and Reinvestment Act of 2009 (P.L. 111-5, known as ARRA or the 2009 stimulus package), as amended, contains several provisions related to unemployment benefits. ARRA provisions affect unemployment income support as well as health insurance (COBRA and HCTC) programs.

This report will be updated with major new legislation.

Contents

Tables

Contacts

There are four groups of federal programs that target unemployed workers: unemployment insurance programs, health care assistance, job search assistance, and training. This report describes these programs, how they interact with each other, and their funding.

Unemployed workers and their families may experience substantial income loss. If the unemployed worker's family income is low enough, there are a number of means-tested benefits and programs for which the unemployed worker's family might qualify (e.g., Temporary Assistance for Needy Families, SSI, or Medicaid). Eligibility for such benefits is not conditional on one's current employment status. This report does not attempt to discuss these means-tested benefits and programs.

Unemployment Insurance for Unemployed Workers

A variety of benefits may be available for unemployed workers. When eligible workers lose their jobs, the Unemployment Compensation (UC) program may provide income support through the payment of UC benefits. Those who exhaust UC benefits may be eligible for additional weeks of unemployment compensation through the temporary Emergency Unemployment Compensation (EUC08) program or through the permanent Extended Benefit (EB) program. Tiers I and II of EUC08 are available in all states. If certain economic conditions exist in a state, workers may be eligible for additional weeks of unemployment compensation through tiers III and IV of EUC08. Certain groups of workers who lose their jobs on account of international competition may qualify for additional or supplemental income support through Trade Adjustment Act (TAA) programs. If an unemployed worker is not eligible to receive UC benefits and the worker's unemployment may be directly attributed to a declared major disaster, a worker may be eligible to receive Disaster Unemployment Assistance (DUA) benefits.[1]

The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5) contained provisions affecting unemployment benefits.[2] ARRA temporarily increased benefits by $25 per week (the Federal Additional Compensation, or FAC, which expired May 29, 2010); extended the EUC08 program through January 1, 2010; provided for 100% federal financing of the EB program through January 1, 2010; and allowed states the option of temporarily easing EB eligibility requirements. P.L. 111-92 expanded the number of weeks available in the EUC08 program through the creation of two additional tiers. P.L. 111-118 extended the EUC08 program, 100% federal financing of the EB program, and the $25 FAC benefit through the end of February 2010. These same three measures were extended through April 5, 2010, by P.L. 111-144 and through June 2, 2010, by P.L. 111-157. P.L. 111-205 extended the availability of EUC08 through November 27, 2010, and 100% federal financing of EB through December 1, 2010. P.L. 111-205 did not, however, extend the authorization for the $25 FAC benefit, which expired on May 29, 2010. Most recently, P.L. 111-312 extends EUC08 benefits until December 31, 2011, and 100% federal financing of EB through January 4, 2012.

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[1] For a more comprehensive review of these income support programs, see CRS Report RL33362, *Unemployment Insurance: Available Unemployment Benefits and Legislative Activity*, by Katelin P. Isaacs, Julie M. Whittaker, and Alison M. Shelton; CRS Report RS22718, *Trade Adjustment Assistance for Workers (TAA) and Reemployment Trade Adjustment Assistance (RTAA)*, by John J. Topoleski; and CRS Report RS22022, *Disaster Unemployment Assistance (DUA)*, by Julie M. Whittaker and Alison M. Shelton.

[2] For more information on provisions in the 2009 stimulus package that affected unemployment benefits, see CRS Report R40368, *Unemployment Insurance Provisions in the American Recovery and Reinvestment Act of 2009*, by Alison M. Shelton and Julie M. Whittaker.

Unemployment Compensation

The cornerstone of an unemployed worker's income security is the joint federal-state UC program,[3] which provides income support through the payment of UC benefits. The underlying framework of the UC system is contained in the Social Security Act (the Act). Title III of the Act authorizes grants to states for the administration of state UC laws, Title IX authorizes the various components of the federal Unemployment Trust Fund (UTF), and Title XII authorizes advances or loans to insolvent state UC programs. UC is financed by federal taxes under the Federal Unemployment Tax Act (FUTA) and by state payroll taxes under the State Unemployment Tax Acts (SUTA).

In FY2010, states spent an estimated $65.2 billion on regular UC benefits. The federal government appropriates funds for UC program administration (an estimated $5.7 billion in 2010), the federal share of EB payments (an estimated $11.5 billion in 2010), the EUC08 program (an estimated $72.0 billion in 2010), and federal loans to insolvent state UC programs. The 2009 stimulus package provided $500 million in additional funds (i.e., on top of the 2009 federal allocations for administration) for states to use to administer UC programs.[4]

The UC program pays benefits to covered workers who become involuntarily unemployed for economic reasons and meet state-established eligibility rules. The UC program generally does not provide UC benefits to the self-employed, to those who are unable to work, or to those who do not have a recent earnings history. States usually disqualify claimants who lost their jobs because of inability to work, unavailability for work, or a labor dispute, who voluntarily quit without good cause, who were discharged for job-related misconduct, or who refused suitable work without good cause. To receive UC benefits, claimants must have enough recent earnings to meet their state's earnings requirements. The 2009 stimulus package provided up to a total of $7 billion in incentive monies for states to modernize their UI programs to include a worker's more recent work history and two of four optional provisions relating to (1) part-time job-seekers, (2) voluntary separations for "compelling family reasons," (3) participation in qualifying training programs, or (4) dependents' allowances.

Weekly maximums in January 2010 ranged from $235 (Mississippi) to $629 (Massachusetts) and, in states that provide dependent's allowances, up to $943 (Massachusetts). In November 2010, the average weekly benefit was $302. Regular UC benefits are available for up to 26 weeks (more in Massachusetts and Montana). The average regular UC benefit duration in November 2010 was 19 weeks.[5] In 2009, 40% of all U.S. unemployed workers received UC benefits. At the end of the week of November 27, 2010, about 4.2 million unemployed workers were receiving UC.

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[3] For more information on UC, see CRS Report RS22538, *Unemployment Compensation: The Cornerstone of Income Support for Unemployed Workers*, by Julie M. Whittaker, and CRS Report RL33362, *Unemployment Insurance: Available Unemployment Benefits and Legislative Activity*, by Katelin P. Isaacs, Julie M. Whittaker, and Alison M. Shelton.

[4] For more information on provisions in the 2009 stimulus package that affect unemployment benefits, see CRS Report R40368, *Unemployment Insurance Provisions in the American Recovery and Reinvestment Act of 2009*, by Alison M. Shelton and Julie M. Whittaker.

[5] Tiers I and II of the temporary Emergency Unemployment Compensation (EUC08) program provide up to 34 additional weeks of benefits in all states. In states with unemployment rates above certain levels, tiers III and IV of EUC08 benefits and/or the permanent, federal-state Extended Benefit (EB) program may offer additional weeks of benefits.

Emergency Unemployment Compensation

On June 30, 2008, the EUC08 program was created by P.L. 110-252.[6] This is the eighth time Congress has created a federal temporary program that has extended unemployment compensation during an economic slowdown. On November 21, 2008, the President signed P.L. 110-449, the Unemployment Compensation Extension Act of 2008, into law. P.L. 110-449 expanded the potential duration of the EUC08 benefit from up to 13 weeks of EUC08 to a maximum of 20 weeks. It also created a second tier of benefits for workers in states with high unemployment of up to a maximum of an additional 13 weeks of tier II EUC08 benefits (for up to a cumulative 33 weeks of EUC08 benefits).

On February 27, 2009, the President signed the 2009 stimulus package (ARRA), P.L. 111-5, which authorized the EUC08 program through December 2009 and contained temporary provisions for 100% financing of the EB program and a $25 additional weekly benefit for individuals receiving regular UC, EUC08, EB, DUA, or TAA (this $25 benefit expired May 29, 2010).

On November 6, 2009, the President signed P.L. 111-92, the Worker, Homeownership, and Business Assistance Act of 2009, into law. P.L. 111-92 expanded benefits available in the EUC08 program. Tier I benefits continue to be up to 20 weeks in duration and Tier II benefits are now 14 weeks in duration (compared with 13 previously) and no longer are dependent on a state's unemployment rate.[7] The new Tier III benefit provides up to 13 weeks of EUC08 benefits to those workers in states with an average unemployment rate of at least 6%. The new Tier IV benefit may provide up to an additional six weeks of benefits if the state unemployment rate is 8.5% or higher.

The availability of the EUC08 program has been subsequently extended by P.L. 111-118, P.L. 111-144, P.L. 111-157, P.L. 111-205, and P.L. 111-312. Most recently, P.L. 111-312, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, extends the authorization of the EUC08 program until the week ending on or before January 3, 2012 (i.e., January 1, 2012 in New York state; December 31, 2011 in all other states).

A current listing of states that have triggered on for tiers III and IV, when the EUC08 program is authorized, can be found at http://www.workforcesecurity.doleta.gov/unemploy/claims_arch.asp.

Extended Benefits

The EB program, established by P.L. 91-373 (26 U.S.C. 3304 note), may extend UC benefits at the state level if certain economic conditions exist within the state. The EB program is permanently authorized, and is triggered when a state's insured unemployment rate (IUR)[8] or total unemployment rate (TUR)[9] reaches certain levels. All states must pay up to 13 weeks of EB

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[6] For a detailed explanation of the EUC08 program, see CRS Report RS22915, *Temporary Extension of Unemployment Benefits: Emergency Unemployment Compensation (EUC08)*, by Katelin P. Isaacs, Julie M. Whittaker, and Alison M. Shelton.

[7] Although EUC08 tier I and II benefits are not conditioned on unemployment conditions in the state, workers do have to meet additional requirements.

[8] The IUR (insured unemployment rate) is the ratio of UC eligible unemployed workers to all UC eligible workers (employed and unemployed) in the labor force.

[9] The TUR (total unemployment rate) is the ratio of unemployed workers (without regard to UC eligibility) to all (continued...)

if the 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 in each of the two previous years. There are two other optional thresholds that states may choose. If the state has chosen a given option, they 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-week period in either of the previous two years; an additional 20 weeks of benefits if the TUR is at least 8%.

In addition to all state requirements for regular UC eligibility, the EB program requires claimants to have at least 20 weeks of full-time insured employment or the equivalent in their base period, and to conduct a systematic and sustained work search.[10] A current listing of states that have triggered on for EB can be found at http://www.workforcesecurity.doleta.gov/unemploy/claims_arch.asp.

Under ARRA, as amended, the federal government temporarily finances 100% of the EB program through January 4, 2012 (under permanent law, the federal government finances 50% of the EB program and states finance the other 50%).

Temporary EB Trigger Modifications in P.L. 111-312

P.L. 111-312 made some temporary, technical changes to certain triggers in the EB program. P.L. 111-312 allows states to temporarily use lookback calculations based on three years of unemployment rate data (rather than the current lookback of two years of data) as part of their mandatory IUR and optional TUR triggers if states would otherwise trigger off or not be on a period of EB benefits. Using a two-year vs. a three-year EB trigger lookback is an important adjustment because some states are likely to trigger off of their EB periods in the near future despite high, sustained—but not increasing—unemployment rates.

States implement the lookback changes individually by amending their state UC laws. These state law changes must be written in such a way that if the two-year lookback is working and the state would have an active EB program, no action would be taken. But if a two-year lookback is not working as part of an EB trigger and the state is not triggered on to an EB period, then the state would be able to use a three-year lookback. This temporary option to use three-year EB trigger lookbacks expires the week on or before December 31, 2011.

(...continued)

workers (employed and unemployed) in the labor force.

[10] The base period is the time period during which wages earned and/or hours/weeks worked are examined to determine a worker's monetary entitlement to UI. Almost all states use the first 4 of the last 5 completed calendar quarters preceding the filing of the claim as their base period.

EUC08 and EB Interactions

The EB program should not be confused with the similarly named EUC08. The EUC08 program is temporary and EUC08 Tiers I and II apply to all states, while EUC08 Tiers III and IV apply to states with high and very high unemployment, respectively. The EB program is permanently authorized and applies only to certain states on the basis of state unemployment conditions.

When it is available, the EUC08 program allows states to determine which benefit, EB or EUC08, is paid first. Most states have opted to pay EUC08 benefits before EB. Alaska has opted to pay EB before EUC08 benefits.

An exception to the payment order may be made if an individual claimed EB for at least one week of unemployment after exhausting the first two tiers of EUC08 and prior to the enactment of P.L. 111-92, which created the new EUC Tiers III and IV. P.L. 111-92 gave states the option of paying EB to an otherwise eligible individual prior to the payment of any EUC08 benefits that are payable on account of the Worker Assistance Act amendments to the EUC08 program (or vice versa in the case of Alaska).

Trade Readjustment Allowance: Unemployment Benefit Extensions for Workers Unemployed on Account of International Trade

The Trade Adjustment Act (TAA)[11] program, established by the Trade Expansion Act of 1962 (P.L. 87-794) and now authorized by the Trade Act of 1974 (P.L. 93-618), as amended, extends unemployment and training benefits for workers dislocated by international trade. To gain TAA eligibility, a group of workers (or a state or firm on behalf of a group of workers) petitions the Department of Labor (DOL), who investigates whether import competition "contributed importantly" to their job loss or whether their firm has shifted production of like articles or services overseas. The reauthorization of TAA by the ARRA (P.L. 111-5) extended eligibility to service and public sector workers and authorized the program through December 31, 2010. H.R. 6517, the Omnibus Trade Act of 2010, which was signed into law by the President on December 29, 2010, extends the changes made by ARRA through February 12, 2011.

TAA funds are appropriated as an entitlement out of the federal government's general fund (not out of the Unemployment Trust Fund) to workers who meet the eligibility requirements, although training funds are subject to annual funding caps. At the federal level, TAA is administered by and is part of the federal budget for DOL. Claims for TAA benefits by individual workers are administered by the state UC agencies under agreements and contracts with DOL.

The income support portion of the TAA is a Trade Readjustment Allowance (TRA) benefit, which is identical to the UC benefit the worker would have received under the regular UC program of the worker's state. The Basic TRA benefit available to a worker is equal to 52 times the worker's weekly unemployment benefit and is reduced by any regular UC, EB, or EUC08 benefits the worker receives. Workers must be in training or have a waiver from training to receive Basic TRA. Up to 104 weeks (two years) of Additional TRA may be available as follows: (a) claimants

[11] For more information on TAA, see CRS Report RS22718, *Trade Adjustment Assistance for Workers (TAA) and Reemployment Trade Adjustment Assistance (RTAA)*, by John J. Topoleski.

still in approved job training after the basic TRA is exhausted may receive up to 78 further weeks of benefits; and (b) those in need of remedial education may receive up to 26 further weeks of benefits. Therefore, the total period of unemployment benefit receipt for a TAA certified unemployed worker—including any regular and extended UC benefits, such as EB or EUC08 payments, that the worker receives and that offset TRA benefits—may last as long as 156 weeks (three years).

DOL estimates that 373,000 workers will be covered by TAA certifications in FY2010 and approximately 137,000 workers in training. Approximately $1.1 billion was appropriated for Basic, Additional, and Remedial TRA benefits in FY2010.

Other Benefits

An allowance of up to $1,500 may be paid to eligible workers who must search for work outside their commuting area. Another $1,500 allowance may be paid for the cost of relocation to another job market.

Job Training

TAA eligible workers may be provided job training through the TAA. This assistance is discussed in the section below entitled "Trade Adjustment Assistance".

Older Workers and TAA

Reemployment Trade Adjustment Assistance (RTAA) for older workers was first established by the Trade Act of 2002 (P.L. 107-210). It replaces up to 50% of the difference (up to $12,000) between the wages in a new job and the old job for up to two years for an older worker who has been displaced by import competition.

The RTAA program went into effect on August 6, 2003, and is intended to shorten transitions into new occupations or industries without requiring older workers to participate in training programs. Eligibility is limited to those over age 50 whose incomes are less than $55,000 annually and who work full time or who work part-time and are in an approved training program.

Disaster Unemployment Assistance

The Disaster Unemployment Assistance (DUA) program provides monetary assistance to individuals unemployed as a direct result of a major disaster who are not eligible for regular UC benefits.[12] DUA is funded through the Federal Emergency Management Agency (FEMA) and is administered by DOL through each state's UC agency.

First created in 1970 through P.L. 91-606, DUA benefits are authorized by the Robert T. Stafford Disaster Relief and Emergency Relief Act (the Stafford Act), which authorizes the President to issue a major disaster declaration after state and local government resources have been

[12] See CRS Report RS22022, *Disaster Unemployment Assistance (DUA)*, by Julie M. Whittaker and Alison M. Shelton for details on the DUA program.

overwhelmed by a natural catastrophe or, "regardless of cause, any fire, flood, or explosion in any part of the United States" (42 U.S.C. 5122(2)). On the basis of the request of the affected state's governor, the President may declare that a major disaster exists. The declaration identifies the areas in the state eligible for assistance. The declaration of a major disaster provides the full range of disaster assistance available under the Stafford Act, including, but not limited to, the repair, replacement or reconstruction of public and non-profit facilities, cash grants for the personal needs of victims, housing, and unemployment assistance related to job loss from the disaster.

In FY2006, DUA benefit payments totaled $401 million. This was an atypical outlay and reflected the severity of the Hurricane Katrina disaster. DUA benefit payments totaled $9 million in FY2007, $7 million in FY2008, and $17.3 million in FY2009.[13]

Health Care Assistance for Unemployed Workers

Two federal laws may aid unemployed workers in the purchase of health insurance. The first, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), allows unemployed workers in certain circumstances to purchase continued health insurance coverage from their previous employers. The second, the Health Coverage Tax Credit (HCTC), allows certain TAA and RTAA participants to receive an advanceable and refundable tax credit for purchasing health insurance.

Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272)

Title X of COBRA[14] requires certain employers who offer health insurance to continue to make coverage available for their former employees under certain circumstances. Congress approved the legislation to expand access to coverage at group rates to qualified employees and their families who are faced with loss of coverage due to certain events, including termination or reduction in hours of employment (for reasons other than gross misconduct). Although the law allows employers to charge 102% of the group plan premium, for some this can be less expensive than comparable coverage available in the individual insurance market.

COBRA coverage generally lasts 18 months but, depending on the circumstances, can last for longer periods. COBRA requirements also apply to self-insured firms. An employer must comply with COBRA even if it does not contribute to the health plan; it need only maintain such a plan to come under the statute's continuation requirements. State and local workers are also covered by COBRA.

However, not all individuals who lose their jobs have access to COBRA. For example, firms with fewer than 20 employees are exempt from federal COBRA, but some states do have special programs for small employers. Additionally, firms that do not provide access to health insurance to current employees (including those that previously provided access but went out of business) are not required to provide access to COBRA coverage. Among those individuals with access to

[13] Data provided by the U.S. Department of Labor.

[14] For more information on COBRA, see CRS Report R40142, *Health Insurance Continuation Coverage Under COBRA*, by Janet Kinzer and Meredith Peterson.

COBRA, the cost of the COBRA premiums may be prohibitive. Since most employers subsidize health insurance premiums for their workers, the 102% COBRA premium may not be affordable for the unemployed, especially when compared to unemployment compensation. In 2008, an average COBRA premium was about $400 per month for individual coverage ($4,798 annually) and $1,078 per month for family coverage ($12,934 annually).[15] Average weekly unemployment benefits were $297 in 2008.[16] When converted to a monthly basis of $1,237 a month, these premiums may consume a large share of one's monthly unemployment benefits, especially for those purchasing family coverage. These premium costs are most likely the reason for low COBRA participation. According to surveys of the unemployed eligible for COBRA, the participation rate ranges from 18% to 26% (or about 1 in 4 workers).[17]

Provisions in ARRA helped to mitigate the financial barriers of COBRA coverage to certain unemployed workers[18] by providing COBRA premium subsidies of 65% to help the unemployed afford health insurance coverage from their former employers. The subsidy is provided in the form of a 65% credit that employers use to offset payroll taxes they would otherwise pay. Eligible individuals are to pay the remaining 35% of the premium. The subsidy is available for up to 15 months to those individuals who meet the income test and are involuntarily terminated on or after September 1, 2008, and before May 31, 2010. The subsidy is also available for qualifying affected federal workers and workers covered under state COBRA laws targeted to employers with less than 20 employees (often referred to as mini-COBRA laws).

The full subsidy is available for individuals whose modified adjusted gross income (AGI) during the tax year is no more than $125,000 for single filers (or $250,000 for joint filers). The subsidy is phased-out for higher income individuals with a reduced subsidy for individuals with modified AGI less than $145,000 for single filers (and $290,000 for joint filers). If individuals receive the subsidy and their income exceeds the levels specified above, the amount of the subsidy will be recaptured when they file their income taxes. To avoid recapture they may waive their rights to the subsidy and still enroll in COBRA and pay the full premium. However, waiving their right is a permanent decision, and they would not be allowed to take the subsidy in the future.

Health Coverage Tax Credit

Workers eligible for Trade Adjustment Assistance or receiving a pension paid by the Pension Benefit Guaranty Corporation (PBGC) may be eligible to receive an advanceable, refundable tax credit (the Health Coverage Tax Credit, HCTC)[19] to purchase certain types of insurance. The HCTC is a refundable and advanceable tax credit for 80% of health insurance premiums, increased from 65% through December 31, 2010, by ARRA.

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[15] CRS estimate based on data from Kaiser Family Foundation, *Worker and Employer Contributions for Premiums, Employer Health Benefits 2008 Annual Survey*.

[16] CRS estimate based on average weekly unemployment compensation for 2008 of $297 from Department of Labor, Employment and Training Administration, *Unemployed Insurance Data Summary for 2008*.

[17] Spencer's Benefits Reports, 2006, COBRA Survey: More Were Eligible, More Elected, Cost Was 145% of Active Employee Cost (Chicago: CCH a Wolters Kluwer Company, 2006).

[18] See CRS Report R40420, *Health Insurance Premium Assistance for the Unemployed: The American Recovery and Reinvestment Act of 2009*, coordinated by Janemarie Mulvey.

[19] For more information on the HCTC, see CRS Report RL32620, *Health Coverage Tax Credit*, by Bernadette Fernandez.

The HCTC is available to TAA and RTAA eligibles as well as individuals aged 55 and older receiving a PBGC pension payment. Recipients cannot be enrolled in certain other health insurance, including Medicaid or employment-based insurance for which the employer pays at least half the cost, nor can they be entitled to Medicare.

The HCTC equals 80% of the premiums the taxpayer pays for qualifying insurance. Up to 10 types of coverage are specified in the statute, although most require state action to become effective. The credit is payable in advance to insurers, allowing workers to benefit before they file their tax returns. It is also refundable—workers can receive the full credit even if they have no regular tax liability.

The HCTC will revert back to 65% beginning January 1, 2011, when the ARRA provisions expire.

Job Search Assistance for Unemployed Workers

Federal support for Americans seeking assistance to obtain, retain, or change employment is undertaken by a national system of local One-Stop Career Centers (One-Stops). One-Stops were established by law under the Workforce Investment Act of 1998 (WIA, P.L. 105-220), but had been encouraged by the DOL since it began awarding states One-Stop development grants in 1993. Although One-Stops bring together employment and training services of approximately 20 required partners, the central component of all One-Stops is a labor exchange system that is universally accessible to job seekers and employers. This labor exchange system is undertaken by the U.S. Employment Service (ES), first established by the Wagner-Peyser Act of 1933.

Wagner-Peyser Act of 1933

The Wagner-Peyser Act established the Employment Service[20] as a system jointly operated by DOL and the state employment security agencies. The central mission of the ES is to facilitate the match between individuals seeking employment and employers seeking workers. Services are open to all without fees.

Employment Services

Local ES offices are known by many names, such as Employment Service, Job Service, One-Stop Career Center, and Workforce Development Center. These offices offer an array of services to job seekers and employers, including career counseling, job search workshops, labor market information, job listings, applicant screening, and referrals to job openings. States provide ES services through three tiers of service delivery: self-service, facilitated self-help, and staff-assisted. As the names of the tiers imply, progressively more active staff involvement is required as services range from internet job postings to career counseling.

Upon the establishment of the Unemployment Compensation program in 1935, ES offices also began to administer the UC “work test” requirements. These offices monitor UC claimants to

[20] For more information on ES, see CRS Report RL30248, *The Employment Service: The Federal-State Public Labor Exchange System*, by Alison Pasternak and Ann Lordeman.

ensure that they are able to work, available for work, and actively seeking work. For the recently unemployed, the ES processes UC income support claims while helping the individual find new employment.

Wagner-Peyser Act Funding

Total funding for the Wagner-Peyser activities is $796.7 million for FY2010. These activities include grants to states, technical assistance and training/state workforce agencies retirement, and workforce information. Also, ARRA provided an additional $400 million for ES operations in FY2009.

Job Training Assistance for Unemployed Workers

The nation's central workforce development legislation is the Workforce Investment Act of 1998 (WIA). In addition, the act established linkages between WIA training activities and three other populations targeted by federal programs: workers eligible for TAA, military veterans, and workers over the age of 55 covered under the Older Americans Act of 1965.[21]

Workforce Investment Act of 1998

WIA includes titles that authorize programs for job training, adult education and literacy (the Adult Education and Family Literacy Act), vocational rehabilitation (the Rehabilitation Act of 1973), and the Employment Service (the Wagner-Peyser Act of 1933). Title I of WIA[22] provides employment and training services for unemployed and underemployed individuals through three state formula grant programs (adults, dislocated workers, and youth) and a number of national programs. WIA programs operate on a program year (PY) of July 1 to June 30. FY2010 appropriations fund programs from July 1, 2010, until June 30, 2011. Although WIA authorized funding through September 30, 2003, WIA programs continue to be funded through annual appropriations. **Table 1** provides detailed national funding information for WIA Title I programs. The WIA programs are briefly described below.

WIA State Formula Grant Programs for Job Training and Related Services

The three formula grant programs for youth, adult, and dislocated workers provide funding for employment and training activities provided by the national system of One-Stop Career Centers. Statutory formulas distribute funds to states on the basis of measures of unemployment and poverty status for youth and adult allocations and unemployment measures only for dislocated worker allocations. States in turn distribute funds, again by formula, to local workforce investment boards.

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[21] Although not discussed here, it should be noted that other federal education and training programs provide support that could assist the unemployed in reaching career goals, even though these programs do not explicitly target an unemployed population (e.g., student financial assistance authorized under Title IV of the Higher Education Act of 1965 and the Lifetime Learning Credit).

[22] For more information on WIA, see CRS Report R41135, *The Workforce Investment Act and the One-Stop Delivery System*, by David H. Bradley.

Employment Services for Adults

This formula grant funds employment and training services through a "sequential service" strategy to both unemployed and employed individuals ages 18 and older. Any individual may receive "core" services (e.g., job search assistance). To receive "intensive" services (e.g., individual career planning), an individual must have received core services and need intensive services to become employed or to obtain or retain employment that allows for self-sufficiency. To receive job training (e.g., occupational skills training), an individual must have received intensive training and need training services to become employed or to obtain or retain employment that allows for self-sufficiency. In FY2010, funding for state grants for adults is $862 million. Also, ARRA provided an additional $500 million for adult activities in PY2009.

Employment Services for Dislocated Workers

A majority (approximately 80%) of WIA dislocated worker funds are allocated by formula grants to states (which in turn allocate funds to local entities) to provide training and related services to individuals who have lost their jobs and are unlikely to return to those jobs or similar jobs in the same industry. The remainder of the appropriation is reserved by DOL for a National Reserve account, which in part provides for National Emergency Grants to states or entities (as specified under Section 173 of WIA). Grants under this section are for employment and training assistance to workers affected by major economic dislocations, such as plant closures or mass layoffs. In FY2010, funding for state grants for dislocated worker training activities is $1.2 billion and is $226 million for the National Reserve. Also, ARRA provided an additional $1.3 billion for state formula grants for dislocated workers and an additional $200 million for the National Reserve in PY2009.

Employment Services for Youth

This formula grant program provides training and related services to low-income youths aged 14-21 who face barriers to employment. Services prepare both in-school and out-of-school youth for employment and post-secondary education by linkages between academic and occupational learning. In FY2010, funding for state grants for youth activities is $924 million. Also, ARRA provided an additional $1.2 billion for youth activities in PY2009.

National Training Programs for Special Populations

WIA authorizes several national grant programs that provide training funds to targeted populations. Job Corps and programs for Native Americans and migrant and seasonal farm workers are generally found in all states.

Job Corps

This primarily residential job training program, first established in 1964, provides services to low-income individuals aged 16-24 primarily through contracts administered by DOL with corporations and nonprofit organizations. Currently, there are 123 Job Corps centers in 48 states, the District of Columbia, and Puerto Rico. A new center is scheduled to open in PY2010 (Wisconsin) and three additional centers are under construction, including the first centers in each of the remaining two states, New Hampshire and Wyoming. In FY2010, funding for Job Corps is $1.7 billion. Also, Job Corps received an additional $250 million in the ARRA for PY2009.

Native Americans Program

This competitive grant program provides training and related services to low-income Indians, Alaska Natives, and Native Hawaiians through grants to Indian tribes and reservations and other Native American groups. In FY2010, funding for the Native Americans program is $52.8 million.

Migrant and Seasonal Farmworker Program

This competitive grant program provides training and related services, including technical assistance, to disadvantaged migrant and seasonal farmworkers and their dependents through discretionary grants awarded to public, private, and nonprofit organizations. This program is also referred to as the National Farmworker Jobs Program and is funded in FY2010 at $84.6 million.

Other Targeted Competitive Grant Programs

Additional competitive grant programs are specified in either the WIA legislation itself or in appropriations language for WIA.

Veterans' Workforce Investment Program

This program provides training and related services to veterans through competitive grants to states and nonprofit organizations. It has been administered by DOL's Veterans' Employment and Training Service since FY2001. In FY2010, funding for the Veterans' Workforce Investment Program is $9.6 million.

Green Jobs Innovation Fund

Authorized under Section 171 of WIA, this competitive grant program will fund a variety of entities to train individuals to work in green occupations and sectors and to provide access to green career pathways. The approaches to training that DOL's Employment and Training Administration (ETA) is likely to pursue will be based on the experiences of the various ARRA competitive grantees for energy efficiency and renewable energy activities and may include apprenticeship programs, career pathways programs, and targeted programs for individuals with multiple barriers to employment. In FY2010, funding for the Green Jobs Innovation Fund is $40 million.

Workforce Data Quality Initiative

Authorized under Section 171 of WIA, this competitive grant program will provide resources to up to 12 states to implement the Workforce Data Quality Initiative (WDQI), which is a joint initiative started in FY2010 between ETA and the U.S. Department of Education (ED). The WDQI is intended to enable state workforce agencies to build longitudinal data systems to merge workforce and education data. The WDQI complements the ARRA-funded State Longitudinal Data System program in the ED. In FY2010, funding for the WDQI is $12.5 million.

Ex-Offender Reintegration

This competitive grant program combines two previous demonstration projects, the Prisoner Reentry Initiative (PRI) and the Responsible Reintegration of Youthful Offenders (RRYO). PRI, which was first funded in FY2005, supports faith-based and community organizations that help recently released prisoners find work when they return to their communities. RRYO, first funded in FY2000, supports projects that serve young offenders and youth at risk of becoming involved in the juvenile justice system. In FY2008, the Reintegration of Ex-Offenders program combined the PRI and RRYO into a single funding stream. In FY2010, funding for this single program is $108 million.

Community-Based Job Training Grants/Career Pathways Innovation Fund

This competitive grant program, also known as the Community College Initiative, funds entities to strengthen the capacity of community colleges to train workers in the skills required to succeed in high-growth, high-demand industries. Community-Based Job Training (CBJT) grants were first funded in FY2005, with funds drawn from the Dislocated Worker National Reserve. The Consolidated Appropriations Act, 2010 (P.L. 111-117) changed the name of this program to the Career Pathways Innovation Fund but the purpose remains the same as the CBJT program. In addition, P.L. 111-117 changed the source of funding for the Career Pathways Innovation Fund from the Dislocated Workers' National Reserve fund to a separate budget line within DOLETA. In FY2010, funding for the Career Pathways Innovation Fund is $125 million. The Administration's FY2011 budget proposal does not include a request for this program.

YouthBuild

This competitive grant program funds projects that provide education and construction skills training for disadvantaged youth. Since its inception in 1992, the program was administered by the Department of Housing and Urban Development, but was moved to DOL by the YouthBuild Transfer Act (P.L. 109-281), effective FY2007. Participating youth gain work experience, job training, education (a GED or preparation for secondary education), and leadership development by working to rehabilitate and construct housing for homeless and low-income families. Funding in FY2010 for YouthBuild is $102.5 million and the program received an additional $50 million in funding through the ARRA in PY2009.

Workforce Investment Act Funding

Appropriations for WIA totaled $5.5 billion in FY2010. From that amount, nearly $3.0 billion was allotted to states through programmatic formula grants. These dollars flow through the state workforce investment board and then, by formula, to local boards to serve as the central funding for One-Stop centers. Although unemployed persons are the target population for WIA Title I programs, particularly for training, currently employed individuals also benefit from many WIA services. **Table 1** provides program-by-program funding information for FY2010.

Table 1. Workforce Investment Act Title I FY2010 Appropriations

Program	FY2010 Appropriation ($ millions)
WIA Grand Total	5,545.0
Adult Activities	861.5
Dislocated Worker Activities	1,413.0
Youth Activities	924.0
Job Corps	1,708.2
Native Americans	52.8
Migrant and Seasonal Farmworkers	84.6
Veterans' Workforce Investment	9.6
Ex-Offender Activities	108.5
YouthBuild	102.5
Career Pathways Innovation Fund	125.0
Workforce Data Quality Initiative	12.5
Green Jobs Innovation Fund	40.0
Pilots, Demonstrations, and Research	93.5
Evaluation	9.6

Source: Table compiled by CRS from the Consolidated Appropriations Act, 2010 (P.L. 111-117).

Note: Total for Job Corps includes construction, operations, and administration.

Targeted Federal Job Training Activities: Trade Adjustment Assistance and Community Service Employment for Older Americans

As discussed above, the WIA statute mandates connections between the nation's One-Stop system and a number of other employment, education, and social service programs. Two of these One-Stop partners also specifically fund employment and training activities for their particular populations: workers affected by trade-related layoffs and low-income older Americans.

Trade Adjustment Assistance

Trade Adjustment Assistance (TAA) provides eligible workers with employment and training assistance. TAA training is authorized by the Trade Act of 1974 (P.L. 93-618), as is the Trade Readjustment Allowance (TRA) previously described in the income support section of this report. In order for workers to receive TAA benefits, they generally must have lost their jobs due to import competition or shifts to overseas production. Older workers who opt for the Reemployment Trade Adjustment Assistance (RTAA) program are excluded from retraining assistance but may receive employment services (ES) assistance.

TAA employment and training services include reemployment services (similar to Employment Services described above); up to 26 weeks of remedial education; and up to 130 weeks of classroom training, on-the-job training, or other kinds of education.

TAA funds are appropriated as an entitlement out of the general fund (not out of the Unemployment Trust Fund) to workers who meet the eligibility requirements, although training funds are subject to annual funding caps. The amount appropriated for TAA training is $575 million per year in FY2009 and FY2010.

Community Service Employment for Older Americans

Title V of the Older Americans Act of 1965 (OAA, P.L. 89-73, as amended) authorizes the Community Service Employment for Older Americans (CSEOA) program, also known as the Senior Community Service Employment Program (SCSEP).[23] Administered by DOL, its purpose is to promote part-time employment opportunities in community service for unemployed low-income persons aged 55 or older and who have poor employment prospects.[24] The program is the primary job creation program for adults since the elimination of public service employment previously authorized under WIA's predecessor legislation. While CSEOA aims to move participants into subsidized employment, it also recognizes that older people who have special needs may need to remain in subsidized employment. The program also supplements the income for some workers who cannot find jobs in the private economy.

For FY2010, CSEOA funding of $825.4 million represented 35% of OAA funds. These funds are awarded to both states and national sponsor organizations.

Employer Education Assistance

Education assistance from employers generally must be included in employee's gross income for federal income tax purposes. However, Section 127 of the Internal Revenue Code allows up to $5,250 in tuition reimbursements and other forms of education assistance (e.g., payments for books, supplies, and equipment) to be exempt from income and employment taxes even if the education does not qualify as a deductible business expense (e.g., even if the education is not job-related). [25] Employers who have established qualified education assistance plans as required under Section 127 have the option of extending the tax exclusion to laid-off employees among others.

The temporary tax provision is set to expire on December 30, 2010, unless Congress reauthorizes it. The Joint Committee on Taxation estimated that the tax expenditure attributable to the Section 127 exclusion would be approximately $4.4 billion in FY2009-FY2013.

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[23] For more information on CSEOA, see CRS Report RL33880, *Older Americans Act: Funding*, by Angela Napili and Kirsten J. Colello, and U.S. Department of Labor, Senior Community Service Employment Program, http://www.doleta.gov/seniors/.

[24] Participants' incomes must be no greater than 125% of the federal poverty guidelines. Enrollees work part-time in a variety of community service jobs, such as in day care centers, libraries, schools, and hospitals, as well as "green" assignments such as recycling and tree planting.

[25] For more information on the tax treatment of employer education assistance, see CRS Report RS22911, *Tax Treatment of Employer Educational Assistance for the Benefit of Employees*, by Linda Levine.

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