

Unemployment Insurance Provisions Contained in the American Recovery and Reinvestment Act of 2009 (HR 1)

On Monday, February 17th, President Obama signed the American Recovery and Reinvestment Act of 2009 (HR 1) into law. We have described each of the provisions relating specifically to Unemployment Insurance contained in HR 1.

The provisions include:

1. Extension of Emergency Unemployment Compensation Program Benefits (Sec.2001)

The existing EUC program ends the week ending on or before March 31, 2009. No compensation is payable for any week beginning after August 27, 2009. FUTA funds are being used to pay these temporary benefits and for administration of the program. Compensation payments to former employees of non-profits and governments are from the general fund of the US Treasury. The extension provisions extend these benefits through the week ending on or before December 31, 2009. No benefits would be payable for any week beginning after May 31, 2010. The extension is financed through federal general revenue and not through FUTA funds.

Who Pays:

Federal General Revenue Funds will pay for this stimulus. State UI Tax Rates paid by employers could potentially increase due to extension in benefits.

2. Increase in Unemployment Compensation Benefits (Sec.2002)

The provision creates an additional, federally-funded \$25 weekly benefit that would be available to all individuals receiving regular unemployment compensation benefits. All the provisions of section 2002 would also apply to regular UC, extended benefits and temporary federal benefits. Funding for the additional benefit would be appropriated from the general fund (not FUTA funds). States would pay the additional compensation to individuals once the State entered into an agreement with the Labor Secretary and ending before January 1, 2010. No additional compensation would be payable for any week beginning after June 30, 2010.

Who Pays:

The Federal Government will pay through the general fund.

3. Special Transfers for Unemployment Compensation Modernization (Sec. 2003)

The provision would transfer pro-rata shares of \$7 billion in FUTA funds to State accounts as “incentive payments” for enacting or already having certain State UC laws in place.

The States will need to decide on case by case bases if and how they intend to qualify for this money.

Who Pays:

Federal government will fund this program. Employers may see increase in UI Tax rate due to the potential increase in qualifying for benefits by employees.

Alternative Base Period

One-third of the maximum payment is contingent on State law calculating the base period by either:

- (A) Allowing use of a base period that includes the most recently completed calendar quarter before the start of the benefit year for the purpose of determining UC eligibility; or
- (B) Providing that, in the case of an individual who would not otherwise be UC-eligible under State law, eligibility shall be determined using a base period that includes the most recently completed calendar quarter.

19 states currently have alternative base periods that meet the criteria and will receive a distribution of funds. The states qualifying include: DC, CT, GA, HI, IL, MA, NV, NJ, NY, OH, MI, NH, NM, NC, RI, VT, VA, WA and WI. Two additional states are considering minor modifications in their laws to qualify (Oklahoma and Minnesota).

UI Entitlement Expansion

The remaining two-thirds of the incentive payment are contingent on qualifying for the one-third payment and the applicable State law containing at least two of the following four provisions:

- (A) No denial of UC under State law provisions relating to availability for work, active search for work, or refusal to accept work solely because the individual is seeking only part-time work. States may exclude an individual if the majority of the weeks of work in the individual’s base period do not include part-time work. The Labor Secretary would define part-time.
- (B) No UC disqualification for separation from employment if it is for compelling family reasons. These reasons must include (i) domestic violence, (ii) illness or disability of an immediate family member, and (iii) the need to accompany a spouse to a place from

where it is impractical to commute and due to a change in the location of the spouse's employment. The Labor Secretary would define immediate family member.

- (C) Weekly UC continues for individuals who have exhausted all rights to regular benefits but are enrolled and making satisfactory progress in a State-approved training program or in a job training program authorized under the Workforce Investment Act of 1998. The benefit must be for a total benefit period of an additional 26 weeks and prepare the individual for entry into a "high-demand" occupation. States would be allowed to not pay UC benefits if the individual is receiving stipends or other training allowances.
- (D) UC Dependents' allowances are provided to all individuals with a dependent (as defined by State law) at a level equal to at least \$15 per dependent per week. The aggregate limit on dependents' allowances must be not less than the lesser of \$50 or 50% of the weekly benefit amount for the benefit year.

These incentive funds are available for request by states up to the close of federal fiscal year 2011.

Special \$500 Million Administrative Funding Transfer

The act transfers \$500 million in FUTA funds to state unemployment accounts to be used by the State agencies for (A) the payment of expenses incurred by carrying out the purposes in State law required to receive the incentive payments, (B) improved outreach to individuals who might be eligible for regular UC by virtue of the changes in State law, (C) improvement of unemployment benefit and unemployment tax operations, including responding to increased demand for unemployment compensation, and (D) staff-assisted reemployment services for UC claimants.

Who Pays:

Federal government will use FUTA funds

4. Temporary Assistance for States with Title XII Advances (Sec. 2004)

The act temporarily waives interest payments and the accrual of interest on advances to State unemployment funds by amending section 1202(b) of the Social Security Act. The interest payments that come due from the time of enactment until December 31, 2010 would be deemed to have been made by the State. No interest on advances accrues during the period.

Who Benefits:

Employers will not be assessed an additional tax to cover the cost of the interest.

5. Full Federal Funding of Extended Unemployment Compensation for a Limited Period (Sec. 2005)

The act temporarily alters Federal-State funding ratios. Extended benefits are 100% FUTA funded from the date of enactment through January 1, 2010. States may opt to grandfather these benefits to EUC claimants who exhausted on or after January 1, 2010 and extend the period for payment until the week ending on or before June 1, 2010.

The suspension of the waiting week required to be served to be eligible for a regular extended benefit is extended until the week ending before May 30, 2010.

Who Pays:

Federal Government will pay 100%

6. Exclusion from gross income for unemployment compensation benefits (Sec. 1007)

The act provides that up to \$2,400 of unemployment compensation benefits received in 2009 are excluded from gross income by the recipient.

7. Appropriations for State Unemployment Insurance and Employment Service Operations

Appropriation of \$400,000,000 with \$250,000,000 of the funding designated for reemployment services to connect unemployment insurance claimants to employment and training opportunities that will facilitate their reentry to employment.

Information on the Stimulus has been provided by

UWC – Strategic Services on Unemployment & Workers’ Compensation