

# Overview of Unemployment Insurance Provisions of the American Recovery and Reinvestment Act

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# American Recovery and Reinvestment Act (ARRA)

- \$25 per week temporary increase in benefits.
- 20-53 weeks extension of Emergency Unemployment Compensation(EUC) benefits nationwide.
- Full federal funding of 13-20 weeks of Extended Benefits (EB) in high unemployment states.
- 65% COBRA subsidy for up to 15 months.
- \$500 million to better administer the UI program.
- Interest forgiveness on UI trust fund loans until 2011.
- \$7 billion in modernization incentive funding available to states to fill in the reciprocity gaps in their UI programs.

# Filling the Gaps in the Unemployment Program

- In 2009, only 40 percent of unemployed workers collected state unemployment benefits.
- Low-wage workers are twice as likely to be unemployed but one-third as likely to collect state unemployment benefits.
- The Recovery Act helps modernize the state UI programs by filling the gaps in laws that deny benefits to low-wage, women and part-time workers.
- The Recovery Act builds on the state reform movement of the past decade and the recommendations of the 1996 Advisory Council on Unemployment Compensation.

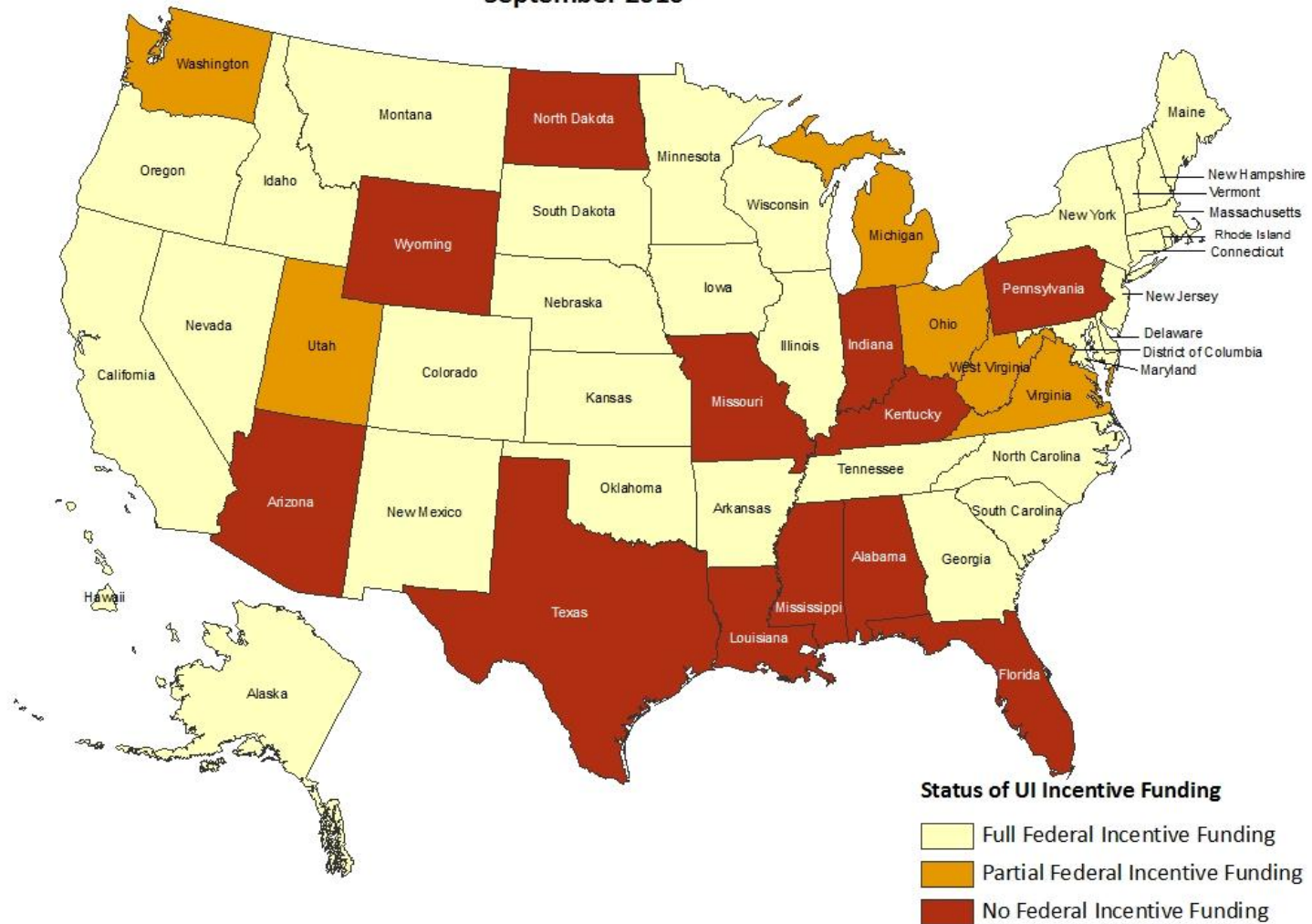
# What is UI Modernization?

- As part of the American Recovery and Reinvestment Act, Congress set aside \$7 billion in incentive funds for states to fill in the gaps in the UI system.
- 1/3 of state share: to states that count recent earnings on UI application, through Alternative Base Period (ABP).
- 2/3 of state share: 2 additional reforms.
  - Fairer UI rules for part-time workers
  - Key family issues considered good cause to voluntarily quit
  - Add a dependent benefit to worker's UI checks
  - Extended benefits for workers in training courses

# Recovery Act Produces Historic Wave of State UI Reforms

- Since ARRA passed, 34 states passed new laws complying with the Recovery Act's incentive program.
- All but two of these states (UT, WV) enacted all the reforms, not just the ABP.
- In 2009, 28 states enacted reforms that qualified them for incentive funding. In 2010, 8 states enacted reforms.
  - 2 of those states took action in 2009 (AK,SD), then adopted additional reforms in 2010.
  - 6 new states (DC, MD, NE, RI, SC, UT) adopted reforms.
- Of the \$7 billion available, states currently qualify for \$4.3 billion.

## Status of Federal Unemployment Insurance Incentive Funding Resulting from State Reforms September 2010



# Modernization Reforms by the Numbers

Reform	Number of States
Alternative Base Period	39
Part-time Worker Coverage	28
Benefits While Training	16
Dependent Allowance	8
Domestic Violence	32
Spouse Relocates	26
Illness and Disability	24
Qualify for Full Funding	33

# The Road Ahead in the States

- 18 states left to qualify for federal funding:
  - 6 states have the ABP and have received 1/3 of their incentive funds, but need additional reforms to qualify for full funding ( MI, OH, VA, WA, WV, UT).
  - 12 States don't qualify for any of their incentive funds:
    - 4 states (AZ, LA, PA, WY) must adopt both the ABP and one additional reform.
    - 8 states have to adopt the ABP, plus two additional reforms, although some of these have selected compelling family provisions (AL, FL, IN, KY, MS, MO, ND, TX).
    - States have until August 2011 to apply for their incentive funds.



# Timetable for Benefits Extensions and Remaining UI ARRA Provisions

- The additional \$25 per week in benefits, COBRA subsidy and EUC and EB extended benefits originally expired at the end of 2009.
- Because of record unemployment, Congress extended these measures three times for short, temporary periods of one to two months.
- The most recent expiration of these benefits occurred on June 4, 2010.
- The extension was reauthorized on July 22, 2010 and extends EUC and EB to November 30, 2010. The COBRA subsidy and the additional \$25 were not included.

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