

CRS Report for Congress

Unemployment Insurance: Available Unemployment Benefits and Legislative Activity

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Julie M. Whittaker
Specialist in Income Security
Domestic Social Policy Division



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Committees of Congress

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Summary

A variety of benefits may be available to unemployed workers to provide them with income support during a spell of unemployment. When eligible workers lose their jobs, the Unemployment Compensation (UC) program may provide income support through the payment of UC benefits. 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.

UC benefits may be extended at the state level by the Extended Benefit (EB) program if certain economic situations within the state exist. As of this writing, the EB program is not currently triggered “on” in any state.

During some economic recessions, Congress has created a federal Temporary Extended Unemployment Compensation (TEUC) program. These programs generally have extend UC benefits for an additional 13 weeks and have an expiration date. To date, no TEUC program exists and these benefits are not available.

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. The disaster declaration will include information on whether DUA benefits are available.

The 110th Congress is considering temporarily extending UC benefits through the following bills: H.R. 4934, S. 2544, and the Senate Committee on Finance report of the Economic Stimulus Act of 2008. The Recovery Rebates and Economic Stimulus for the American People Act of 2008 (H.R. 5140) does not contain temporary UC benefit extensions. On February 6th, the Senate rejected cloture on amendment number 3983, which would have which would have replaced H.R. 5140 with the Senate Committee on Finance economic stimulus package.

On December 19, 2008, the President signed P.L. 110-140. Among many other items, P.L. 110-140 includes a one-year extension of 0.2% Federal Unemployment Tax Act (FUTA) surtax. At the end of CY2008, the effective FUTA tax on employers for each employee will decrease to 0.6% (down from 0.8%) on the first \$7,000 of wages. State Unemployment Tax Acts taxes are not directly affected by the expiring provision. Bills that currently propose to extend the surtax include S. 1871, H.R. 2233, and H.R. 3920.

The 110th Congress is also considering the expiring authorization of the TAA and ATAA programs. The Trade Adjustment Assistance Reform Act of 2002 (P.L. 107-210) reauthorized the TAA and ATAA programs through FY2007. P.L. 110-89 extended authorization through CY2007. Bills that currently propose to extend authorization and expand the TAA program include S. 122, S. 1848, H.R. 910, H.R. 3801, H.R. 3920, and H.R. 3943.

This report will be updated as legislative events warrant.

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Unemployment Insurance: Available Unemployment Benefits and Legislative Activity

Introduction

A variety of benefits may be available to unemployed workers to provide them with income support during a spell of unemployment. The cornerstone of this income support is the joint federal-state Unemployment Compensation (UC) program, which may provide income support through the payment of UC benefits. Other programs that may provide workers with income support are more specialized. They may target special groups of workers, be automatically triggered by certain economic conditions, be temporarily created by Congress with a set expiration date, or target typically ineligible workers through a disaster declaration.

Certain groups of workers who lose their jobs because of international competition may qualify for additional or supplemental income support through Trade Adjustment Act (TAA) programs or (for certain workers 50 years old and older) the Alternative Trade Adjustment Act (ATAA) program.

UC benefits may be extended at the state level by the Extended Benefit (EB) program if certain economic situations within the state exist. As of this writing, no EB program is triggered “on” in any state. During some economic recessions, the federal government has created a federal Temporary Extended Unemployment Compensation (TEUC) program. These programs generally extend UC benefits for an additional 13 weeks and have an expiration date. As of this writing, no TEUC program exists and these benefits are not available.

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. The disaster declaration will include information on whether DUA benefits are available.

This report describes these five kinds of unemployment benefits — regular UC, TAA, EB, TEUC, and DUA. The report explains their basic eligibility requirements, benefits, and financing structure.

Unemployment Compensation (UC)

UC is a joint federal-state program financed by federal taxes under the Federal Unemployment Tax Act (FUTA) and by state payroll taxes under the State Unemployment Tax Acts (SUTA). The UC program has a direct impact on almost every business in the United States as most businesses are subject to state and federal unemployment taxes. An estimated \$7.4 billion in federal unemployment taxes and \$36.1 billion in state unemployment taxes were collected in FY2007. In FY2007, the federal appropriation for the UC program is \$2.5 billion. In FY2007, states spent an estimated \$31.6 billion on UC benefits. Approximately 130.6 million jobs are covered by the UC program. In December 2007, 2.7 million unemployed workers received UC benefits in a given week and the average weekly UC benefit amount was \$287.

Originally, the intent of the UC program, among other things, was to help counter economic fluctuations such as recessions.¹ This intent is reflected in the current UC program's funding and benefit structure. When the economy grows, UC program revenue rises through increased tax revenues while UC program spending falls as fewer workers are unemployed. The effect of collecting more taxes than are spent dampens demand in the economy. This also creates a surplus of funds or a "cushion" of available funds for the UC program to draw upon during a recession. In a recession, UC tax revenue falls and UC program spending rises as more workers lose their jobs and receive UC benefits. The increased amount of UC payments to unemployed workers dampens the economic effect of earnings losses by injecting additional funds into the economy.

Authorization. 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.

Appropriation. The federal government appropriates funds for federal and state UC program administration, the federal share of EB payments, and federal loans to insolvent state UC programs. In FY2007, the appropriation is \$2.5 billion.

Administration. The U.S. Department of Labor (DOL) administers the federal portion of the UC system, which operates in each state, the District of Columbia, Puerto Rico, and the Virgin Islands. Federal law sets broad rules that the 53 state programs must follow. These include the broad categories of workers that must be covered by the program, the method for triggering the EB program, the floor on the highest state unemployment tax rate to be imposed on employers (5.4%), and how the states will repay UTF loans. If the states do not follow these rules, their employers may lose a portion of their state unemployment tax credit when their federal unemployment tax is calculated. The federal tax pays for both federal and

¹ See, for example, President Franklin Roosevelt's remarks at the signing of the Social Security Act; [<http://www.ssa.gov/history/fdrstmts.html#signing>].

state administrative costs, the federal share of the EB program, loans to insolvent state UC accounts, and state employment services.

The UC system helps counter economic fluctuations. When the economy grows, UC program revenue rises and program spending falls, thereby slowing economic growth. In a recession, program revenue falls and program spending rises, stimulating the economy.

UC Eligibility

States Set Most of the Eligibility Rules. The UC system pays benefits to covered workers who become involuntarily unemployed for economic reasons and meet state-established eligibility rules. The UC system 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 or unavailability for work, who voluntarily quit without good cause, who were discharged for job-related misconduct, who refused suitable work without good cause, or a labor dispute. To receive UC benefits, claimants must have enough recent earnings to meet their state's earnings requirements.

In summary, to be eligible to receive UC benefits a worker must

- have lost a job through no fault of his or her own,
- be actively searching for work,
- be able to work, and
- have had a minimum number of weeks worked and/or number of quarters worked recorded in the previous five quarters, and/or
- have earned a minimum amount of wages in a quarter and/or for five quarters.

UC Benefit Determination and Duration

Generally, benefits are based on wages for covered work over a 12-month period. Most state benefit formulas replace half of a claimant's average weekly wage up to a weekly maximum. **Table 1** lists the minimum and maximum UC benefits for each state. Weekly maximums in January 2007 ranged from \$210 (Mississippi) to \$575 (Massachusetts) and, in states that provide dependent's allowances, up to \$862 (Massachusetts). In December 2007, the average weekly benefit was \$287. Benefits are available for up to 26 weeks (30 weeks in Massachusetts). The average regular UC benefit duration in December 2007 was 15 weeks.²

² A federal-state extended benefits (EB) program offers benefits for an additional 13 to 20 weeks in states with unemployment rates above certain levels. The EB program is discussed later in this report.

**Table 1. State Unemployment Compensation
Benefits Amounts, January 2007**

	Minimum Weekly UC Benefit Amount	Minimum If Dependent's Allowance	Maximum Weekly UC Benefit Amount	Maximum If Dependent's Allowance
Alabama	\$45		\$230	
Alaska	44	\$68	248	\$320
Arizona	60		240	
Arkansas	71		395	
California	40		450	
Colorado	25		435	
Connecticut	15	30	483	558
Delaware	20		330	
District of Columbia	50		359	
Florida	32		275	
Georgia	42		320	
Hawaii	5		475	
Idaho	51		338	
Illinois	51	70	367	498
Indiana	50		390	
Iowa	50	60	334	410
Kansas	96		386	
Kentucky	39		401	
Louisiana	10		258	
Maine	54	84	320	480
Maryland	25	65	340	
Massachusetts	31	46	575	862
Michigan	110	140	362	
Minnesota	38		521	
Mississippi	30		210	
Missouri	56		280	
Montana	103		362	
Nebraska	30		288	
Nevada	16		362	
New Hampshire	32		372	
New Jersey	73	84	536	
New Mexico	65	97	326	386
New York	40		405	
North Carolina	39		457	
North Dakota	43		351	
Ohio	100		355	479

	Minimum Weekly UC Benefit Amount	Minimum If Dependent's Allowance	Maximum Weekly UC Benefit Amount	Maximum If Dependent's Allowance
Oklahoma	16		342	
Oregon	104		445	
Pennsylvania	35	43	520	528
Rhode Island	65	115	492	615
South Carolina	20		303	
South Dakota	28		274	
Tennessee	30		275	
Texas	56		364	
Utah	26		406	
Vermont	59		394	
Virginia	54		347	
Washington	116		496	
West Virginia	24		391	
Wisconsin	53		355	
Wyoming	25		349	

Source: Congressional Research Service (CRS) table compiled from *Significant Provisions of State Unemployment Insurance Laws, January 2007*, U.S. Department of Labor, Employment and Training Administration, at [<http://www.ows.doleta.gov/unemploy/sigprojan2007.asp>].

UC Benefit Financing: Unemployment Taxes on Employers

UC benefits are financed through employer taxes.³ 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 Unemployment Trust Fund (UTF).

Federal Unemployment Tax Act. If a state UC program complies with all federal rules, the net FUTA tax rate for employers is 0.8% on the first \$7,000 of each worker's earnings. (Most recently, because New York had unpaid loan balances, the New York employers' rate was higher for 2004 and 2005.) The 0.8% FUTA tax funds both federal and state administrative costs as well as the federal share of the EB program, loans to insolvent state UC accounts, and state employment services. Federal law defines which jobs a state UC program must cover for the state's employers to avoid paying the maximum FUTA tax rate (6.2%) on the first \$7,000 of each employee's annual pay.

³ For a more detailed description of UC financing, see CRS Report RS22077, *Unemployment Compensation (UC) and the Unemployment Trust Fund (UTF): Funding UC Benefits*, by Christine Scott and Julie M. Whittaker.

Federal law requires that a state must cover jobs in firms that pay at least \$1,500 in wages during any calendar quarter or employ at least one worker in each of 20 weeks in the current or prior year. The FUTA tax is not paid by government or nonprofit employers, but state programs must cover government workers and all workers in nonprofits that employ at least four workers in each of 20 weeks in the current or prior year. (States are reimbursed for expenditures related to federal workers by the federal government.)

An estimated \$7.4 billion in FUTA taxes were collected in FY2007. After the payments to the state accounts for administrative expenses, the expected net balance in the UTF of the Employment Security Administration Account, the Extended Unemployment Compensation Account (for the EB program), and the Federal Unemployment Account (for federal loans to the states) was expected to be \$35 billion.

Expiring Provision: P.L. 110-140. On December 19, 2008, the President signed P.L. 110-140. Among many other items, P.L. 110-140 includes a one-year extension of 0.2% FUTA surtax. At the end of CY2008, the effective FUTA tax on employers for each employee will decrease to 0.6% (down from 0.8%) on the first \$7,000 of wages. SUTA taxes are not directly affected by the expiring provision.

State Unemployment Tax Acts. States levy their own payroll taxes on employers to fund regular UC benefits and the state share of the EB program. These state UC tax rates are “experience-rated,” in which employers generating the fewest claimants have the lowest rates. The state unemployment tax rate of an employer is, in most states, based on the amount of UC paid to former employees. Generally, in most states, the more UC benefits paid to its former employees, the higher the tax rate of the employer, up to a maximum established by state law. The experience rating is intended to ensure an equitable distribution of UC program taxes among employers and to encourage a stable workforce. State ceilings on taxable wages in 2007 range from the \$7,000 FUTA federal ceiling (eight states) to \$35,300 (Hawaii). The minimum rates range from 0% (six states) to 1.69% (Rhode Island). The maximum rates range from 5.4% (16 states) to 11% (Minnesota). Approximately \$37.5 billion in SUTA taxes were collected in FY2006.

State UC revenue is deposited in the U.S. Treasury. These deposits are counted as federal revenue in the budget. State accounts within the UTF are credited for this revenue. The U.S. Treasury reimburses states from the appropriate UTF state accounts for their benefit payments. These payments do not require an annual appropriation, but the reimbursements do count as federal budget outlays.

If a state trust fund account becomes insolvent, a state may borrow federal funds. One state has an outstanding balance in borrowed funds from the UTF loan account (as of January 24, 2008): Michigan (\$282.6 million).

The net balance of the state accounts in the UTF at the end of FY2006 was approximately \$33.4 billion.

Table 2. State Unemployment Taxes: Taxable Wage Base and Rates, January 2007

State	Wages Subject to Tax (\$)	Minimum State Unemployment Tax (%)	Maximum State Unemployment Tax (%)
Alabama	8,000	0.44	6.04
Alaska	30,100	1.21	5.40
Arizona	7,000	0.02	5.40
Arkansas	10,000	0.10	10.00
California	7,000	1.30	5.40
Colorado	10,000	0.30	5.40
Connecticut	15,000	0.50	5.40
Delaware	8,500	0.30	8.20
DC	9,000	1.30	6.60
Florida	7,000	0.32	5.40
Georgia	8,500	0.03	5.4
Hawaii	35,300	0.00	5.40
Idaho	29,200	0.48	5.40
Illinois	11,500	0.20	7.40
Indiana	7,000	1.10	5.60
Iowa	22,000	0.00	8.00
Kansas	8,000	0.06	7.40
Kentucky	8,000	0.06	9.50
Louisiana	7,000	0.10	6.20
Maine	12,000	0.54	5.40
Maryland	8,500	0.30	9.00
Massachusetts	14,000	1.12	10.96
Michigan	9,000	0.06	10.30
Minnesota	24,000	0.40	11.00
Mississippi	7,000	0.40	5.40
Missouri	11,000	0.00	6.00
Montana	22,700	0.13	6.50
Nebraska	9,000	0.24	5.40
Nevada	24,600	0.25	5.40
New Hampshire	8,000	0.01	6.50
New Jersey	26,600	0.18	5.40
New Mexico	18,600	0.03	5.40
New York	8,500	0.90	8.90
North Carolina	17,800	0.00	5.70
North Dakota	21,300	0.34	8.09
Ohio	9,000	0.40	9.00
Oklahoma	13,200	0.20	5.80
Oregon	29,000	.90	5.40
Pennsylvania	8,000	0.30	9.20
Rhode Island	16,000	1.69	9.79
South Carolina	7,000	1.24	6.10

State	Wages Subject to Tax (\$)	Minimum State Unemployment Tax (%)	Maximum State Unemployment Tax (%)
South Dakota	8,000	0.00	7.00
Tennessee	7,000	0.15	10.00
Texas	9,000	0.40	7.64
Utah	25,400	0.30	9.30
Vermont	8,000	0.80	6.5
Virginia	8,000	0.10	6.20
Washington	31,400	0.47	6.12
West Virginia	8,000	1.50	7.50
Wisconsin	10,500	0.00	8.90
Wyoming	18,100	0.47	8.79

Source: CRS table compiled from *Significant Provisions of State Unemployment Insurance Laws, January 2007*, U.S. Department of Labor, Employment and Training Administration, at [http://www.ows.doleta.gov/unemploy/sigprojan2007.asp].

Generally, during economic expansions, FUTA and SUTA revenue collections will exceed UC outlays. During economic recessions, revenues generally will be less than UC outlays. UTF revenue (SUTA and FUTA collections) exceeded outlays from FY1995-FY2000, but outlays significantly exceeded trust fund revenue in FY2001-FY2004. Beginning in FY2005, UC revenue exceeded total UC outlays. **Table 3** lists the total revenue and outlays associated with the UC program from FY2000 through FY2007 (estimated).

Table 3. Revenue and Spending Associated With Unemployment Compensation, FY2000-FY2007
(in billions of dollars)

	2000	2001	2002	2003	2004	2005	2006	2007 ^b
UC revenue, total	27.1	27.8	27.5	33.2	39.3	41.8	43.0	44.9
FUTA tax	6.9	6.9	6.6	6.5	6.6	6.7	7.1	7.3
State UC taxes	20.7	20.8	20.9	26.7	32.7	35.1	35.9	37.6
UC outlays, total	23.7	31	53.8	57.4	40.9	35.0	34.3	34.7
Regular benefits	20.2	27.3	42	42	36.9	31.2	30.2	30.8
Extended benefits	^a	^a	0.16	0.32	0.16	0.00	0.20	0.0
Emergency UC	—	—	7.9	11	4.1	—	—	—
Administration	3.5	3.6	3.7	4.1	3.9	3.8	3.9	3.9

Source: U.S. Department of Labor, *UI Outlook*, January 1998-February 2007.

a. Less than \$50 million.

b. Estimated for 2007.

Outstanding Loans from the Federal Unemployment Account (FUA).

If a state trust fund account becomes insolvent, a state may borrow federal funds. Three states had outstanding balances in borrowed funds from the FUA as of April 2007: Michigan, Missouri, and New York.

Trade Adjustment Assistance (TAA): Unemployment Benefit Extensions for Workers Unemployed on Account of International Trade

The TAA 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 UC benefits and provides job training for workers dislocated by import competition.⁴

Expiring Authorization

The Trade Adjustment Assistance Reform Act of 2002 (P.L. 107-210) reauthorized the TAA and ATAA programs through FY2007. P.L. 110-89 (Herger, H.R. 3375) extends the Trade Act of 1974, through CY2007.

TAA Eligibility

To be certified for TAA eligibility, a group of workers or their former employer petitions the DOL, and DOL investigates whether import competition “contributed importantly” to their job loss or whether their firm has shifted production of similar products to certain countries. The new TAA also extends eligibility to secondary workers whose job loss results from the loss of business with a primary firm. Determinations should be completed within 40 days.

TAA Benefits and Duration

The income support portion of the TAA is a trade readjustment allowance (TRA) benefit. The TRA benefit is identical to the UC benefit the worker would have received under the regular UC program of the worker’s state. The TRA benefit is available for 52 weeks, less any weeks in which regular UC or EB benefits are received, plus an additional 52 weeks for claimants still in approved job training after the basic TRA runs out. An additional 26-week extension is available to those in need of remedial education. Therefore, the total period of unemployment benefit receipt for a TAA certified unemployed worker — including regular and extended UC benefits, as well as the TRA benefits — may last as long as 130 weeks.

Other Benefits. The Health Care Tax Credit (HCTC), a refundable and advanceable tax credit for 65% of health insurance premiums, is available to TAA and ATAA eligibles for the purchase of insurance through COBRA continuation

⁴ For more information on the TAA program, see CRS Report RS22718, *Trade Adjustment Assistance for Workers (TAA) and Alternative Trade Adjustment Assistance for Older Workers (ATAA)*, by John J. Topoleski. For more information on the Health Care Tax Credit, see CRS Report RL32620, *Health Coverage Tax Credit Authorized by the Trade Act of 2002*, by Bernadette Fernandez.

coverage,⁵ high-risk pools, state employee plans, or other means. An allowance of up to \$1,250 may be paid to eligible workers who must search for work outside their commuting area. Another \$1,250 allowance may be paid for the cost of relocation to another job market.

An alternative TAA (ATAA) for older workers, which replaces up to 50% of the wage difference between the wages in a new job and the old one for up to two years, was established by the Trade Act of 2002 (P.L. 107-210). The ATAA 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 \$50,000 yearly, who work full time, and who find new jobs within 26 weeks after job separation. The total benefit cannot exceed \$10,000.

TAA Financing

TRA and ATAA benefits are financed through the Federal Unemployment Benefit Account (FUBA). TRA and ATAA benefit administrative costs are paid from funds appropriated for TAA administration under the State Unemployment Insurance and Employment Services Operations (SUIESO) account.

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 situations within the state exist. Currently, the EB program is not active in any state. Louisiana was the most recent state to trigger the EB program on October 30, 2005. The EB program for Louisiana triggered “off” on February 25, 2006. Unemployed Louisiana workers who exhausted their regular UC benefits on or after October 30, 2005, and before February 25, 2006, were eligible for 13 weeks of EB; unemployed Louisiana workers who exhausted their regular UC benefits after February 25, 2006, were not eligible for the EB program.

EB Eligibility

The EB program is triggered when a state’s insured unemployment rate (IUR)⁶ or total unemployment rate (TUR)⁷ reaches certain levels. Each state’s IUR and TUR

⁵ Under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA, P.L. 99-272), an employer with 20 or more employees must provide those employees and their families the option of continuing their coverage under the employer’s group health insurance plan in the case of certain events. For more details on the COBRA benefit, see CRS Report RL30626, *Health Insurance Continuation Coverage Under COBRA*, by Heidi Yacker.

⁶ The IUR is the ratio of UC claimants divided by individuals in UC-covered jobs.

⁷ The TUR is the ratio of unemployed workers to all workers in the labor market.

are determined by the state of residence (agent state) of the unemployed worker rather than by the state of employment (liable state).

EB Benefits and Duration

The EB program provides for additional weeks of UC benefits, up to a maximum of 13 weeks during periods of high unemployment and up to a maximum of 20 weeks in certain states with extremely high unemployment.

EB benefits on interstate claims are limited to two extra weeks unless both the agent state (e.g., Texas) and liable state (e.g., Louisiana) are both in an EB period.

EB Financing

EB benefits are funded half (50%) by the federal government through its account for that purpose in the UTF; states fund the other half (50%) through their state accounts in the UTF.

Temporary Extended Unemployment Compensation (TEUC) Program (*Currently Expired*)

Federal Temporary Extended Unemployment Compensation Program. During some economic recessions, Congress has created federal temporary programs of extended unemployment compensation. Congress acted seven times — in 1958, 1961, 1971, 1974, 1982, 1991, and 2002 — to establish these temporary programs of extended UC benefits. These programs extended the time an individual might claim UC benefits (ranging from an additional 6 to 33 weeks) and had expiration dates. Some extensions took into account state economic conditions; many temporary programs considered the state's total TUR or the state's IUR or both. *As of this writing, there are no current TEUC programs.*

TEUC Benefits and Duration

These programs generally extend UC benefits for an additional 13 weeks and have an expiration date for when the TEUC program would terminate.

Most recently, the TEUC program⁸ was enacted on March 9, 2002, as part of the Job Creation and Worker Assistance Act of 2002 (P.L. 107-147). The TEUC program provided up to 13 weeks of federally funded benefits for unemployed workers who had exhausted their regular UC benefits. In addition, up to an additional 13 weeks were provided in certain high unemployment states that had an IUR of 4% or higher and met certain other criteria (TEUC-X).

⁸ For more information on these programs, see CRS Report RL34340, *Extending Unemployment Compensation Benefits During Recessions*, by Julie M. Whittaker.

P.L. 107-147 also provided for a one-time \$8 billion distribution to states, known as Reed Act funds.⁹ TEUC benefits were payable to individuals who, in addition to meeting other applicable state UC law provisions:

- filed an initial claim that was in effect during or after the week of March 15, 2001,
- exhausted regular benefits or had no benefit rights due to the expiration of a benefit year ending during or after the week of March 15, 2001,
- had no rights to regular or extended benefits under any state or federal law, and
- were not receiving benefits under Canadian law.

In addition, individuals must also have had 20 weeks of full-time work, or the equivalent in wages, in their base periods. These temporary benefits ended on December 28, 2002. The 108th Congress extended the TEUC program twice (P.L. 108-18 and P.L. 108-26). Thus, TEUC eligibility was possible through the week ending before December 31, 2003, and TEUC benefits were paid through the week of April 3, 2004.

On April 16, 2003, P.L. 108-11 was signed into law, creating a parallel TEUC program called TEUC-A. TEUC-A provides up to 39 weeks of benefits for displaced airline workers, and provides a second tier (TEUC-AX) of benefits to individuals exhausting their TEUC-A benefits in a high-unemployment state. These temporary benefits were paid through the week of December 26, 2004.

TEUC Financing

Recently, the TEUC programs were fully funded through the federal government.

Disaster Unemployment Assistance (DUA)¹⁰

DUA benefits were created in 1970 by the Robert T. Stafford Disaster Relief and Emergency Relief Act (the Stafford Act, P.L. 91-606). The Stafford Act authorizes the President to issue a major disaster declaration after state and local government resources have been 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)). Based on the request of the affected state’s governor, the President may declare that a major disaster exists.

⁹ For more information on the Reed Act, see CRS Report RS22006, *The Unemployment Trust Fund and Reed Act Distributions*, by Julie M. Whittaker.

¹⁰ See CRS Report RS22022, *Disaster Unemployment Assistance (DUA)*, by Julie M. Whittaker for more information on this program.

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 nonprofit facilities; cash grants for the personal needs of victim; housing; and unemployment assistance related to job loss from the disaster.

DUA Eligibility

DUA benefits are available to individuals who have become unemployed as a direct result of a declared major disaster. Workers who do not qualify for UC benefits may be eligible for DUA benefits for 26 weeks. *Also, if a worker qualified for fewer than 26 weeks of UC benefits, the worker may qualify for DUA benefits for the remaining weeks if the worker is unemployed for reasons directly attributable to the disaster.* A worker may not receive DUA and UC benefits at the same time.

The DUA regulation defines eligible unemployed workers to include

- the self-employed;
- workers who experience a “week of unemployment” following the date the major disaster began, when such unemployment is a direct result of the major disaster;
- workers unable to reach the place of employment as a direct result of the major disaster and workers who were to begin employment and who do not have a job or are unable to reach the job as a direct result of the major disaster;
- individuals who have become the breadwinner or major support for a household because the head of the household has died as a direct result of the major disaster; and
- workers who cannot work because of injuries caused as a direct result of the disaster.

DUA Benefit Determination and Duration

When a reasonable comparative earnings history can be constructed, DUA benefits are determined in a similar manner to regular state UC benefit rules. For example, self-employed persons would be expected to bring in their tax records to prove a level of earnings for the previous two years. These records would take the place of the employer-reported wage data for the workers that are used in UC benefit determination. Likewise, workers who would otherwise be eligible for UC benefits except for the injuries caused as a direct result of the disaster that make them unavailable for work would receive DUA benefits of an amount equivalent to what they would have received under the UC system if they were not injured and available to work. *In all cases, workers will receive a DUA benefit that is at least half of the average UC benefit for that state and cannot receive more than the maximum UC benefit available in that state.*

DUA Financing

DUA benefits are federally funded through the Federal Emergency Management Agency (FEMA) and administered by DOL through each state's UC agency. The states report the amount of DUA benefits that were attributable to the disaster. DOL then transfers funds to the states from the Federal Unemployment Benefit and Allowance (FUBA) account. DOL is reimbursed for these funds by FEMA.

Legislative Issues

110th Congress

Temporarily Extending UC Benefits. H.R. 4934 (McDermott), the Emergency Unemployment Compensation Act of 2008, would extend Unemployment Compensation (UC) benefits for up to 26 weeks whenever the number of unemployed persons 16 years of age or older as compared to the same month of the previous year exceeded one million. It would also increase the weekly benefit amount by \$50 (a 17% increase in the average benefit). Both the extended benefits and the increase in benefits would be financed by the federal accounts within the unemployment trust fund (UTF). The eligibility for extended and increased benefits would terminate on January 1, 2009. H.R. 4934 would allow up to \$7 billion in UC modernization incentive payments in FY2008-FY2012 if state law meets certain conditions.

S. 2544 (Kennedy), the Emergency Unemployment Compensation Extension Act of 2008, would extend UC benefits for up to 20 weeks upon the bill's enactment. In certain high unemployment states, there would be up to an additional 13 weeks of extended benefits (for a total of 33 additional weeks). The bill would reach back to those workers who had exhausted their benefits in the 12-month period before enactment. The bill would also increase the extended benefits by \$50. The extended benefits would be financed by the federal accounts within the UTF. The eligibility for extended benefits would end one year after enactment.

On January 30, the Senate Committee on Finance reported out the Economic Stimulus Act of 2008, which contains provisions not included in the House bill, the Recovery Rebates and Economic Stimulus for the American People Act of 2008 (H.R. 5140). The Senate bill would create a new temporary extension of UC upon its enactment. The bill would entitle certain unemployed individuals to unemployment benefits that are not available under current law. Individuals who had exhausted all rights to regular UC benefits under state or federal law with respect to a benefit year (excluding any benefit year that ended before February 1, 2007) would be eligible for these additional benefits. The number of weeks an individual would be eligible for these temporary extended UC benefits would be the lesser of 50% of the total regular UC eligibility or 13 weeks. Under a special rule, if the state is in an EB period (which has a special definition for purposes of this temporary extension), the amount of temporary extended UC benefits would be augmented by an additional amount that is equivalent to the temporary UC benefit. Thus, in those "high-unemployment" states where the EB program was triggered, temporary

benefits of up to 26 weeks would be possible.¹¹ As of this writing, both Michigan and Puerto Rico would qualify for the additional “high-unemployment” benefits. The temporary extension would be financed 100% by the federal government and the program would terminate on December 31, 2008. The Congressional Budget Office estimated that the Unemployment Insurance provisions in the Senate Finance bill would have a net cost of \$13.9 billion between 2008 and 2013.¹² On February 6th, the Senate rejected cloture on amendment number 3983, which would have replaced H.R. 5140 with the Senate Committee on Finance economic stimulus package.¹³ On February 7th, the Senate voted to amend H.R. 5140 to incorporate some components of the Senate Committee on Finance bill, but excluded the temporary extension of UC.¹⁴

Expiring FUTA Surtax. On December 19, 2008, the President signed P.L. 110-140 (H.R. 6). Among many other items, P.L. 110-140 includes a one-year extension of 0.2% FUTA surtax. At the end of CY2008, the effective FUTA tax on employers for each employee will decrease to 0.6% (down from 0.8%) on the first \$7,000 of wages. SUTA taxes are not directly affected by the expiring provision. SUTA taxes are not directly affected by the expiring provision.

H.R. 3920 (Rangel), although primarily a bill to expand and extend the TAA program, also would allow up to \$7 billion in UC modernization incentive payments in FY2008-2012 if state law meets certain conditions. The bill would also extend the surtax through CY2010. The House of Representatives passed H.R. 3920 on October 31, 2007.

S. 1871 (Baucus) and H.R. 2233 (Kennedy) would offer a similar package of up to \$7 billion in UC modernization incentive payments to the states as in H.R. 3920. Both bills would extend the surtax through CY2012.

Expiring TAA Authorization. The 110th Congress is considering the expiring authorization of the TAA and ATAA programs. The Trade Adjustment Assistance Reform Act of 2002 (P.L. 107-210) reauthorized the TAA and ATAA programs through FY2007; P.L. 110-89 (Herger, H.R. 3375) extends the Trade Act of 1974, through CY2007.

¹¹ The bill would temporarily change the definition of an EB period only for the purposes of the bill. Regardless of whether a state had opted for section 203(f) of the Federal-State Extended Unemployment Compensation Act of 1970, an EB period would be in effect for such state in determining the level of temporary extended UC benefits in the state. The bill would temporarily change that trigger by removing the requirement that the TUR be at least 110% of the state’s average TUR for the same 13-weeks in either of the previous two years. The bill would also change the base EB trigger described in section 203(d) only for purposes of the bill, reducing it from an IUR of 5% to an IUR of 4%.

¹² Congressional Budget Office Cost Estimate, Economic Stimulus Act of 2008, February 6, 2008.

¹³ Rollcall Vote No. 8, Congressional Record, Senate, Page S715, February 6, 2008.

¹⁴ Senate amendment number 4010, February 7, 2008.

H.R. 3920 (Rangel) would extend eligibility to service and public sector workers, allow for automatic approval of firms within an industry, increase the deadline to enroll in training to 26 weeks, allow participants to work part-time while enrolled in training, increase the training cap to \$440 million, increase the HCTC from 65% to 85%, extend the HCTC through CY2009, and establish 24 manufacturing redevelopment zones that would be eligible for redevelopment tax incentives. The bill would extend the TAA program through FY2012. The House of Representatives passed H.R. 3920 on October 31, 2007.

H.R. 910 (English) would extend certification to an entire industry after three or more certifications within a six-month period and allow certifications for production shifts to any foreign country. The bill would extend authorization for the TAA program through FY2012.

H.R. 1729 (Hayes) and S. 1652 (Dole) would allow for eligibility for affected workers regardless of the country of the production shift and would extend TAA to textile and apparel workers without regard to the group eligibility requirements. Similarly, H.R. 3589 (King) would extend TAA benefits to service industry workers that provide information technology or other high technology services. S. 122 (Baucus) would extend benefits to workers in service industries and the public sector and expand certification to include workers within an entire industry or occupation; it would also lower the age requirement for ATAA from 50 to 40. Only S. 122 would extend authorization for the TAA program through FY2012.

H.R. 3801 (Adam Smith) and S. 1848 (Baucus) would, in addition to provisions mentioned in S. 122 above, allow training funds to be used for higher education expenses and waive the training requirement for post-graduate degree holders. The bills would also increase the HCTC from 65% to 85%. The bills would double the training funding cap from \$220 million to \$440 million. Both bills would extend authorization for the TAA program through FY2012.

H.R. 3943 (Herger) would expand eligibility to include workers who make an intangible product such as software, allow participants to simultaneously work and receive training, and to continue to receive the HCTC. The bill would extend authorization for the TAA program through FY2012.

Other Proposed Legislation. The Compensation Improvement Act of 2007, H.R. 1513 (Weller), would authorize the Secretary of Labor to allow states to conduct two-year demonstration projects to test and evaluate a wage insurance program.

The Trade Adjustment Assistance Reform Act, H.R. 1729 (Hayes), would expand eligibility for TAA to textile and apparel workers, would double the funds available for TAA training purposes to \$440 million, and would increase the HCTC to 80%.

S. 592 (Collins) would provide a tax credit to manufacturers that employ displaced workers who are receiving benefits under the TAA, as well as those who are receiving benefits under the ATAA. H.R. 3843 (Reynolds) would expand the

New Markets Tax Credit to spur investments into businesses that receive TAA benefits or employ TAA-eligible workers.

S. 1739 (Rockefeller) would increase the HCTC to 95% and offer TAA-eligible workers enrollment in the Federal Employees Health Benefit Program.

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