



Unemployment Insurance: Programs and Benefits

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Summary

Various benefits may be available to unemployed workers to provide income support. 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 be extended for up to a further 13 or 20 weeks by the permanent Extended Benefit (EB) program under certain state economic conditions. Certain groups of workers who lose their jobs because of international competition may qualify for income support through Trade Adjustment Act (TAA) programs. Unemployed workers may be eligible to receive Disaster Unemployment Assistance (DUA) benefits if they are not eligible for regular UC and if their unemployment may be directly attributed to a declared major disaster. Former U.S. military servicemembers may be eligible for unemployment benefits through the unemployment compensation for ex-servicemembers (UCX) program. The Emergency Unemployment Compensation Act of 1991 (P.L. 102-164) provides that ex-servicemembers be treated the same as other unemployed workers with respect to benefit levels, the waiting period for benefits, and benefit duration.

The authorization for the EUC08 program expires the week ending on or before January 3, 2012. Those beneficiaries receiving tier I, II, III, or IV EUC08 benefits before December 31, 2011, are “grandfathered” for their remaining weeks of eligibility for that particular tier only. There will be no new entrants into any tier of the EUC08 program after December 31, 2011.

The American Recovery and Reinvestment Act of 2009 (ARRA) temporarily increased benefits from all unemployment compensation programs—UC, EUC08, EB, DUA, and TAA—by \$25 per week (Federal Additional Compensation, or FAC). Authorization for the FAC was extended by P.L. 111-118, P.L. 111-144, and P.L. 111-157. The \$25 FAC benefit expired on May 29, 2010 (May 30, 2010, in New York State). Individuals receiving unemployment benefits prior to the FAC expiration continued to receive the additional \$25 until they exhausted unemployment benefits from all programs or until December 11, 2010 (December 12, 2010, for New York State), whichever day came first. All FAC payments have ended.

On December 17, 2010, the President signed P.L. 111-312, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. P.L. 111-312 extends the authorization for the EUC08 program until January 3, 2012, and the 100% federal financing of EB through January 4, 2012. P.L. 111-312 also contains a provision that would allow states to use three-year lookback calculations in their mandatory insured unemployment rate (IUR) and optional total unemployment rate (TUR) triggers (rather than the two-year lookback calculations under current law) to trigger on or keep on a period of EB benefits if they would otherwise trigger off or not be on a period of EB benefits.

This report previously contained a section on unemployment insurance legislation. This information is now included as part of CRS Report R41662, *Unemployment Insurance: Legislative Issues in the 112th Congress*, by Katelin P. Isaacs and Julie M. Whittaker.

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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 for up to a maximum of 26 weeks.¹ 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.

UC benefits may be extended at the state level by the permanent Extended Benefit (EB) program if high unemployment exists within the state. Once regular unemployment benefits are exhausted, the EB program may provide up to an additional 13 or 20 weeks of benefits, depending on worker eligibility, state law, and economic conditions in the state. The EB program is funded 50% by the federal government and 50% by the states, although the 2009 stimulus package (P.L. 111-5, as amended) temporarily provides for 100% federal funding of the EB program.

A temporary unemployment insurance program, the Emergency Unemployment Compensation (EUC08) program, began in July 2008. The authorization for the EUC08 program expires the week ending on or before January 3, 2012. Those beneficiaries receiving tier I, II, III, or IV EUC08 benefits before December 31, 2011 (January 1, 2012, in New York), are “grandfathered” for their remaining weeks of eligibility for that particular tier only. There will be no new entrants into any tier of the EUC08 program after December 31, 2011. If an individual is eligible to continue to receive his or her remaining EUC08 tier I benefit after December 31, 2011, that individual will not be entitled to tier II benefits once those tier I benefits are exhausted. This was the eighth time Congress has created a federal temporary program that has extended unemployment compensation during an economic slowdown.² The EUC08 benefit is 100% federally funded. State UC agencies administer the EUC08 benefit along with regular UC benefits. See **Appendix A** for a diagram of the various unemployment benefits available to workers.

Former U.S. military servicemembers may be eligible for unemployment benefits through the unemployment compensation for ex-servicemembers (UCX) program. The Emergency Unemployment Compensation Act of 1991 (P.L. 102-164) provides that ex-servicemembers be treated the same as other unemployed workers with respect to benefit levels, the waiting period for benefits, and benefit duration. (Please see CRS Report RS22440, *Unemployment Compensation (Insurance) and Military Service*, by Julie M. Whittaker.)

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

¹ Arkansas provides up to 25 weeks, Missouri and South Carolina provide up to 20 weeks, Montana provides up to 28 weeks, and Massachusetts provides up to 30 weeks of regular unemployment benefits. For changes in benefit duration in 2012, see Table 1 in CRS Report R41859, *Unemployment Insurance: Consequences of Changes in State Unemployment Compensation Laws*, by Katelin P. Isaacs.

² The other temporary programs became effective in 1958, 1961, 1972, 1975, 1982, 1991, and 2002. For details on these programs, see CRS Report RL34340, *Extending Unemployment Compensation Benefits During Recessions*, by Julie M. Whittaker and Katelin P. Isaacs.

Disaster Unemployment Assistance (DUA) benefits. The disaster declaration will include information on whether DUA benefits are available. For information on Disaster Unemployment Assistance, see CRS Report RS22022, *Disaster Unemployment Assistance (DUA)*, by Julie M. Whittaker.

Certain groups of workers who lose their jobs because of international competition may qualify for additional or supplemental support through Trade Adjustment Act (TAA) programs or (for certain workers aged 50 or older) through Reemployment Trade Adjustment Assistance (RTAA). This report does not describe the TAA or RTAA programs. (Please see CRS Report RS22718, *Trade Adjustment Assistance for Workers (TAA) and Alternative Trade Adjustment Assistance (ATAA)*, by John J. Topoleski, for information on these programs.)

This report describes three kinds of unemployment benefits: regular UC, EB, and EUC08. The report explains their basic eligibility requirements, benefits, and financing structure.

Unemployment Compensation

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 \$6.7 billion in federal unemployment taxes and \$44.47 billion in state unemployment taxes will be collected in FY2011. In FY2011, states will spend an estimated \$61.0 billion on regular UC benefits. The federal government will spend additional amounts, described in section “Appropriation and Outlays.” Approximately 126.7 million jobs are covered by the UC program. At the end of the week of January 22, 2011, 4.6 million unemployed workers received UC. The average weekly UC benefit was \$299 in December 2010.

Originally, the intent of the UC program, among other things, was to help counter economic fluctuations such as recessions.³ 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.

³ See, for example, President Franklin Roosevelt’s remarks at the signing of the Social Security Act at <http://www.ssa.gov/history/fdrstmts.html#signing>.

Appropriation and Outlays

The federal government appropriates funds for federal and state UC program administration, the federal share of EB payments, the EUC08 program, and federal loans to insolvent state UC programs. In FY2010, states received \$5.5 billion from the federal government for the administration of their UC programs, \$7.8 billion for the federal share of EB payments, and \$72.1 billion for the temporary, federally financed EUC08 program. In FY2011, a preliminary estimate from the President's Budget Proposal FY2012 is that the states will receive an estimated \$5.5 billion from the federal government for the administration of their UC programs, \$9.5 billion for the federal share of EB payments, and \$55.4 billion for the temporary EUC08 program.

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 and EUC08 programs, 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 income tax is calculated. The federal tax pays for both federal and state administrative costs, the federal share of the EB program, loans to insolvent state UC accounts, and state employment services.⁴

Eligibility for Regular Unemployment Compensation

Broad Federal Guidelines Result in Different State Requirements

Whereas federal laws and regulations provide broad guidelines on UC benefit coverage, eligibility, and benefit determination, the specifics of regular UC benefits are determined by each state. This results in essentially 53 different programs. States determine UC benefit eligibility, payments, and duration through state laws and program regulations. Generally, UC eligibility is based on attaining qualified wages and employment in covered work over a 12-month period (called a base period) prior to unemployment.

Base Period

The base period is the time period during which wages earned or hours/weeks worked are examined to determine a worker's monetary entitlement to UC. Almost all states use the first four of the last five completed calendar quarters preceding the filing of the claim as their base period. This may result in a lag of up to five months between the end of the base period and the date a worker becomes unemployed. As a result there are some instances when workers with substantial labor market attachment are ineligible for UC benefits. In particular, recent entrants to the workforce, or re-entrants, may be ineligible under this definition. Federal law allows states to develop expanded definitions of the base period.

⁴ For more information on job search assistance and job search training for unemployed workers, see CRS Report RL34251, *Federal Programs Available to Unemployed Workers*, coordinated by Katelin P. Isaacs.

A list of states' base periods can be found at <http://www.workforcesecurity.doleta.gov/unemploy/pdf/uilawcompar/2010/monetary.pdf>, Table 3-2.

Alternative Base Period

Almost two-thirds of states allow the use of an alternative base period (ABP) for workers failing to qualify under the regular base period. For example, if the worker fails to qualify using wages and employment in the first four of the last five completed calendar quarters, then the state might use wages and employment in the last four completed calendar quarters.

Extended Base Period

Several states allow workers who have no wages in the current base period to use older wages and employment under certain conditions. These conditions typically involve illness or injury. For example, a worker who was injured on the job and who has collected workers' compensation benefits may use wages and employment preceding the date of the worker's injury to establish eligibility.

Base Period Provisions in the 2009 Stimulus Package

The 2009 stimulus package (P.L. 111-5) provided up to \$7 billion to states as an incentive to make changes to their unemployment programs. As of May 5, 2010, \$2.8 billion of this fund had been distributed to states. One-third of a state's share of this amount is contingent on state law 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. The remaining two-thirds of a state's share of the \$7 billion is contingent on qualifying for the first one-third payment (by adopting an alternative base period definition), plus adopting two of four additional provisions (described in the section "2009 Stimulus Provisions Relating to Regular Unemployment Compensation").⁵

Qualifying Wages or Employment

All states require a worker to have earned a certain amount of wages or to have worked for a certain period of time (or both) within the base period to be monetarily eligible to receive any UC benefits. The methods that states use to determine monetary eligibility vary greatly.

Multiple of High-Quarter Wages. Under this method, workers must earn a certain dollar amount in the quarter with the highest earnings of their base period. Workers must also earn total base-period wages that are a multiple—typically 1.5—of the high-quarter wages. For example, if a worker earns \$5,000 in the high quarter, the worker must earn at least another \$2,500 in the rest of the base period. States require earnings in more than one quarter to minimize the likelihood that workers with high earnings in only one quarter receive benefits. Although the worker might be monetarily eligible through the earnings accrued in one quarter, these "multiple of high quarter wages" states do not deem those workers to be substantially attached to the labor market.

⁵ For more information on unemployment modernization provisions in the American Recovery and Reinvestment Act of 2009 (P.L. 111-5), please see CRS Report R40368, *Unemployment Insurance Provisions in the American Recovery and Reinvestment Act of 2009*, by Alison M. Shelton and Julie M. Whittaker.

Multiple of Weekly Benefit Amount. Under this method, the state first computes the worker's weekly benefit amount. The worker must have earned a multiple—often 40—of this amount during the base period. For example, if a worker's weekly benefit amount equals \$100, then the worker will need base period earnings of 40 times \$100, or \$4,000, before any UC would be paid. Most states also require wages in at least two quarters. Some states have weighted schedules that require varying multiples for varying weekly benefits.

Flat Qualifying Amount. States using this method require a certain dollar amount of total wages to be earned during the base period. This method is used by most states with an annual-wage requirement for determining the weekly benefit and by some states with a high-quarter wage/weekly benefit requirement.

Weeks/Hours of Employment. Under this method, the worker must have worked a certain number of weeks/hours at a certain weekly/hourly wage.

Data Collection Considerations

The wide variation seen in state UC program laws and regulations also exists among the states' data collections. All states collect information on earnings by quarter for each worker. A handful of states collect information on the number of weeks worked during the base period. Even fewer states collect information on the numbers of hours worked during a quarter. As a result, most states use information on quarters worked, quarterly earnings, and cumulative earnings in determining eligibility and the amount of benefit.⁶ It does not appear that any state uses both hours of work and weeks of work in the base period calculation.

2009 Stimulus Provisions Relating to Regular Unemployment Compensation

The American Recovery and Reinvestment Act of 2009 (P.L. 111-5, the 2009 stimulus package), as amended, provided for a supplementary benefit payment of \$25 per week for unemployment compensation programs (regular UC, EB, EUC, TAA, and DUA) through May 29, 2010. The supplemental \$25 weekly benefit was grandfathered for individuals who had not exhausted benefits before May 29, 2010, although no supplementary compensation was payable for any week beginning after December 11, 2010 (see the section on "Federal Additional Compensation" for more details on FAC expiration and "grandfathering"). States are not be allowed to alter the method of computing unemployment compensation in such a manner that the weekly benefit amount would be less than the benefit amount that would have been payable under state law as of December 31, 2008. The \$25 weekly additional benefit was financed by the federal government through general revenues.

The stimulus package also provided up to \$7 billion to states as an incentive to make changes to their unemployment programs. One-third of this amount is contingent on states 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. The remaining two-thirds of a state's share of the \$7 billion is contingent on the state qualifying for the first one-third payment, and

⁶ In the *2010 Comparison of State Unemployment Insurance Laws* the following states used the measure of "weeks" in determination of eligibility or benefit amount: New Jersey, Ohio, and Pennsylvania. Only Washington appears to use the number of hours worked in eligibility or benefit determination.

state law containing at least two of four additional provisions. These additional provisions include:

1. making unemployment compensation available to workers seeking part-time work;
2. making unemployment compensation available to individuals who quit their jobs voluntarily for compelling family reasons (domestic violence, illness or disability of an immediate family member, spouse relocating for a new job);
3. providing at least 26 additional weeks of unemployment benefits to workers 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; and
4. providing dependents' allowances to all individuals with a dependent at a level equal to at least \$15 per dependent per week.

The 2009 stimulus package provided a total of \$500 million in additional funds to states to help with administrative costs of the regular UC program, the EB program, and the EUC08 program.⁷

Determination and Duration of Regular Unemployment Compensation

Generally, benefits are based on wages for covered work over a 12-month period (the “base period” or “alternative base period,” described above). Most state benefit formulas replace half of a claimant’s average weekly wage up to a weekly maximum. All states disregard some earnings during unemployment as an incentive to take short-term or part-time work while searching for a permanent position. Generally, the worker’s UC payment equals the difference between the weekly benefit amount and earnings.

Table 1 lists the minimum and maximum UC benefits for each state.⁸ Weekly maximums in January 2011 ranged from \$133 (Puerto Rico) to \$625 (Massachusetts) and, in states that provide dependents’ allowances, up to \$937 (Massachusetts). In December 2010, the average weekly benefit was \$299. Benefits are available for up to 26 weeks (25 weeks in Arkansas, 20 weeks in Missouri and South Carolina, 28 weeks in Montana, and 30 weeks in Massachusetts). The average regular UC benefit duration in December 2010 was 19 weeks. In January 2011, approximately 4.6 million unemployed workers received regular state UC benefits in a given week.

⁷ The U.S. DOL maintains a list of states with approved applications for these UI modernization incentive payments, including the amount of funds distributed to states (available online at http://www.workforcesecurity.doleta.gov/unemploy/docs/app_form.doc).

⁸ The temporary, federally financed EUC08 program offers up to 53 additional weeks of unemployment benefits for workers in states with certain economic conditions. The permanent federal-state EB program offers benefits for an additional 13 to 20 weeks in states with unemployment rates above certain levels. The EB and EUC08 programs are discussed later in this report.

Table I. State Unemployment Compensation Benefits Amounts, January 2011

(in dollars)

	Minimum Weekly UC Benefit Amount	Minimum If Dependents' Allowance^a	Maximum Weekly UC Benefit Amount^b	Maximum If Dependents' Allowance^a
Alabama	45		265	
Alaska	56	128	370	442
Arizona	60		240	
Arkansas	81		451	
California	40		450	
Colorado	25		445	489
Connecticut	15	30	555	630
Delaware	20		330	
District of Columbia	50		359	
Florida	32		275	
Georgia	44		330	
Hawaii	5		549	
Idaho	72		336	
Illinois	51	77	388	531
Indiana	50		390	
Iowa	56	67	376	461
Kansas	108		435	
Kentucky	39		415	
Louisiana	10		247	
Maine	62	93	359	533
Maryland	25	65	430	
Massachusetts	33	49	625	937
Michigan	117	147	362	
Minnesota	38		372	578
Mississippi	30		235	
Missouri	35		320	
Montana	120		421	
Nebraska	30		348	
Nevada	16		398	
New Hampshire	32		427	
New Jersey	87	100	598	
New Mexico	72	108	386	486
New York	64		405	
North Carolina	43		506	
North Dakota	43		442	

	Minimum Weekly UC Benefit Amount	Minimum If Dependents' Allowance ^a	Maximum Weekly UC Benefit Amount ^b	Maximum If Dependents' Allowance ^a
Ohio	108		387	524
Oklahoma	16		358	
Oregon	116		496	
Pennsylvania	35	43	573	581
Puerto Rico	7		133	
Rhode Island	68	118	551	688
South Carolina	42		326	
South Dakota	28		314	
Tennessee	30	80	275	325
Texas	60		415	
Utah	29		452	
Vermont	64		425	
Virginia	54		378	
Virgin Islands	33		462	
Washington	135		570	
West Virginia	24		424	
Wisconsin	54		363	
Wyoming	31		430	

Source: Congressional Research Service (CRS) table compiled from *Significant Provisions of State Unemployment Insurance Laws, January 2011*, U.S. Department of Labor, Employment and Training Administration, at <http://www.workforcesecurity.doleta.gov/unemploy/content/sigpros/2010-2019/January2011.pdf>.

- a. The figures for minimum and maximum benefits include dependents' allowances for the maximum number of dependents.
- b. If a state has dependents' allowances and only one amount is given, the maximum is the same with or without the allowance.

UC Benefit Financing: Unemployment Taxes on Employers

UC benefits are financed through employer taxes.⁹ 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

The net FUTA tax rate on employers in states with UC programs that are in compliance with all federal rules is 0.6% on the first \$7,000 of each worker's earnings. The FUTA tax rate for employers is 6.0% on the first \$7,000 of each worker's earnings, but a 5.4% credit against the

⁹ 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 Julie M. Whittaker.

federal FUTA tax is available to employers in states with complying UC programs, bringing the net FUTA tax down to 0.6%. (In tax year 2010, Michigan employers were required to pay a net FUTA tax of 1.4% because of outstanding federal loans to their state's UTF account. Indiana and South Carolina employers were required to pay a net FUTA tax of 1.1% in tax year 2010 because of their outstanding federal loans. From January to June of 2011 the net FUTA tax was 0.8%.; beginning in July 2011 it is 0.6%) The 0.6% 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, provides rules concerning state borrowing from the UTF, and provides broad guidelines concerning benefit eligibility, in order for the state's employers to avoid paying the maximum FUTA tax rate (6.0%) on the first \$7,000 of each employee's annual pay.

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.¹⁰

Approximately \$6.4 billion in FUTA taxes were collected in FY2010. The net balance in the federal accounts of the UTF (the Employment Security Administration Account, the Extended Unemployment Compensation Account for the EB and EUC08 programs, and the Federal Unemployment Account for federal loans to the states) on December 31, 2010, was approximately \$3.9 billion. Additionally, the federal account owed \$43.9 billion in general revenue advances to the UTF. Those funds were then advanced to insolvent states to pay for state UC benefits (\$35.5 billion) as well as used to pay for the federal share of EB benefits (\$8.4 billion).

Congress first passed a temporary FUTA surtax in 1976, included in the FUTA tax of 0.8%, and since 1983 the surtax has been applied in its current form (0.2% on the first \$7,000 of employee wages). P.L. 111-92 extended the authorization of the FUTA surtax through June 2011. As of July 1, 2011, the authorization of the surtax has lapsed.

ARRA Temporary Changes to Federal Financing of Unemployment Benefits

ARRA (P.L. 111-5) made several important, albeit temporary, changes to the federal role in financing unemployment benefit programs. Under ARRA (as amended), the federal government temporarily uses UTF monies to finance 100% of EB payments through January 4, 2012 (under permanent law EB payments are financed 50% by the federal government and 50% by states). The federal government also used UTF funds to finance a \$500 million transfer to states for administering unemployment programs, and uses UTF funds for the \$7 billion in incentive monies to states for undertaking modernization of their unemployment programs. ARRA also changed the financing of the EUC08 program, which from its implementation in July 2008 had been financed from the UTF, but starting with enactment of ARRA (on February 17, 2009) has been financed from general revenues of the Treasury. States continue to finance regular UC through SUTA revenues.

¹⁰ Employers who are required to provide unemployment insurance coverage, but who are not required to pay the FUTA tax, generally reimburse state governments for the benefit payments related to their workers. States are reimbursed for expenditures related to federal workers by the federal government.

State Unemployment Tax Acts

States levy their own payroll taxes (SUTA taxes) on employers to fund regular UC benefits and the state share of the EB program. The state unemployment tax rate on an employer is “experience rated” in all states, that is, the SUTA rate is based on the amount of UC paid to former employees. Generally, 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 in relationship to their use of the UC program, and to encourage a stable workforce. State ceilings on taxable wages in January 2011 ranged from the \$7,000 FUTA federal ceiling (four states) to \$37,300 (Washington). The minimum SUTA rates ranged from 0% (six states) to 2.24% (Pennsylvania) in January 2011. Maximum SUTA rates ranged from 5.4% (11 states) to 13.56% (Pennsylvania) in January 2011. In FY2010, \$38.3 billion in SUTA taxes was collected.

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.

Table 2. State Unemployment Taxes: Taxable Wage Base and Rates, January 2011

State	Wages Subject to Tax (\$)	Minimum State Unemployment Tax (%) ^a	Maximum State Unemployment Tax (%) ^a
Alabama	8,000	0.59	6.74
Alaska	34,600	1.00	5.40
Arizona	7,000	0.02	5.90
Arkansas	12,000	1.00	6.90
California	7,000	1.50	6.20
Colorado	10,000	0.00	5.40
Connecticut	15,000	1.90	6.80
Delaware	10,500	0.10	8.00
DC	9,000	1.60	7.00
Florida	7,000	0.36	5.40
Georgia	8,500	0.03	5.40
Hawaii	34,200	0.20	5.40
Idaho	33,300	0.96	6.80
Illinois	12,740	0.65	7.25
Indiana	9,500	1.10	5.60
Iowa	24,700	0.00	9.00
Kansas	8,000	0.11	7.40
Kentucky	8,000	1.00	10.00
Louisiana	7,700	0.11	6.20
Maine	12,000	0.78	7.19

State	Wages Subject to Tax (\$)	Minimum State Unemployment Tax (%) ^a	Maximum State Unemployment Tax (%) ^a
Maryland	8,500	2.20	13.50
Massachusetts	14,000	1.26	12.27
Michigan	9,000	0.06	10.30
Minnesota	27,000	0.69	10.84
Mississippi	14,000	0.70	5.40
Missouri	13,000	0.00	9.75
Montana	26,300	0.42	6.12
Nebraska	9,000	0.00	8.66
Nevada	26,600	0.25	5.40
New Hampshire	12,000	0.05	7.00
New Jersey	29,600	0.30	5.40
New Mexico	21,900	0.03	5.40
New York	8,500	0.90	8.90
North Carolina	19,700	0.00	6.84
North Dakota	25,500	0.20	10.00
Ohio	9,000	0.30	9.20
Oklahoma	18,600	0.10	5.50
Oregon	32,300	1.80	5.40
Pennsylvania	8,000	2.24	13.56
Puerto Rico	7,000	1.70	5.4
Rhode Island	19,000	1.69	9.79
South Carolina	10,000	1.24	6.10
South Dakota	11,000	0.00	8.50
Tennessee	9,000	0.50	10.00
Texas	9,000	0.72	8.60
Utah	28,600	0.20	9.20
Vermont	13,000	1.10	7.70
Virginia	8,000	0.10	6.20
Virgin Islands	22,600	1.50	6.00
Washington	37,300	0.98	6.02
West Virginia	12,000	1.50	7.50
Wisconsin	13,000	0.27	9.80
Wyoming	22,300	0.56	10.00

Source: CRS table compiled from *Significant Provisions of State Unemployment Insurance Laws, January 2011*, U.S. Department of Labor, Employment and Training Administration, at <http://www.workforcsecurity.doleta.gov/unemploy/content/sigpros/2010-2019/January2011.pdf>.

a. Tax rates apply only to experience-rated employers; states apply different rates to new employers.

Generally, during economic expansions, FUTA and SUTA revenue collections will exceed UC outlays. During economic recessions, revenues generally will be less than UC outlays. For example, UTF outlays significantly exceeded trust fund revenue in FY2001-FY2004, and again starting in FY2008. From FY2005 to FY2007, UC revenue exceeded total UC outlays. **Table 3** lists the total revenue and outlays associated with the UC program from FY2001 through FY2011 (estimated).

Table 3. Revenue and Expenditures Associated with Unemployment Compensation, FY2001-FY2011

(in billions of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ^a
UC revenue, total	27.8	27.5	33.2	39.3	41.8	43.0	41.2	39.4	37.8	44.7	51.4
FUTA tax	6.9	6.6	6.5	6.6	6.7	7.1	7.3	7.2	6.7	6.4	6.7
State UC taxes	20.8	20.9	26.7	32.7	35.1	35.9	33.7	32.2	31.1	38.3	44.7
UC outlays, total	28.1	50.9	54.3	42.5	32.6	31.7	32.7	43.0	119.7	156.1	129.5
Regular benefits	27.3	42.0	42.0	36.9	31.2	30.2	31.4	38.1	75.3	63.0	61.0
Extended benefits	^b	0.16	0.32	0.16	0.00	0.20	0.00	0.02	4.1	7.8	9.5
Emergency UC	—	7.9	11	4.1	—	—	—	3.6	32.7	72.1	55.4
Federal Additional Compensation	—	—	—	—	—	—	—	—	6.5	11.7	1.9
UCFE/UCFX ^c	0.5	0.5	0.6	0.8	0.8	0.8	0.7	0.7	1.0	1.3	1.5
Trade Benefits	0.3	0.3	0.4	0.5	0.6	0.5	0.6	0.6	0.1	0.2	0.2
Administrative costs	3.6	3.7	4.1	3.9	3.8	3.9	3.7	3.9	4.3	5.5	5.5

Source: U.S. Department of Labor, *UI Outlook*, January 2001-February 2011, and updates.

a. Estimated for 2011.

b. Less than \$5 million.

c. UC benefits for federal employees (UCFE) and former military servicemembers (UCFX).

Outstanding Loans from the Federal Unemployment Account

If a state trust fund account becomes insolvent, a state may borrow federal funds.¹¹ DOL maintains a list of all states with loans and includes the loan amounts.¹² States are charged interest on loans that are not repaid by the end of the fiscal year in which they were obtained.

The American Recovery and Reinvestment Act of 2009 (P.L. 111-5, the 2009 stimulus package) temporarily waived interest payments, and no interest will accrue on interest payments that come due from the time the stimulus package was enacted (February 17, 2009) until December 31, 2010. Although states will not need to pay interest during this period, they must still repay the principal on the underlying loans according to the schedule provided in federal law. If a state does

¹¹ For detailed information on loans to the states within the UTF, see CRS Report RS22954, *The Unemployment Trust Fund (UTF): State Insolvency and Federal Loans to States*, by Julie M. Whittaker.

¹² See <http://www.workforcesecurity.doleta.gov/unemploy/budget.asp#tfloans>.

not pay back loaned funds within the prescribed amount of time or make good progress as determined by the U.S. Secretary of Labor, the state unemployment tax credit will be reduced.

Federal Additional Compensation

P.L. 111-5 created the now-expired Federal Additional Compensation (FAC), a \$25 weekly benefit supplement for individuals receiving benefits from all unemployment compensation programs: UC, EUC08, the Extended Benefit (EB) program, Disaster Unemployment Assistance (DUA), and Trade Adjustment Assistance (TAA). The authorization for the FAC \$25 weekly benefit expired on May 29, 2010. It has not been extended by recent legislation (P.L. 111-205; P.L. 111-312).

If an unemployed individual was receiving any type of unemployment benefit—UC, EUC08, EB, DUA, or TAA—prior to May 29, 2010 (May 30, 2010, for New York State), that individual continued to receive the weekly FAC until he or she exhausted all unemployment benefits from all unemployment programs (i.e., UC, EUC08, EB, DUA, and TAA) or until December 11, 2010 (December 12, 2010, for New York), whichever date came first. Individuals who began receiving unemployment benefits after May 29, 2010 (May 30, 2010, for New York State) did not receive the FAC. Currently, all FAC payments have ended.

Emergency Unemployment Compensation Program

On June 30, 2008, the President signed the Supplemental Appropriations Act of 2008 (P.L. 110-252) into law. Title IV of this act created a new temporary unemployment insurance program, the EUC08 program. This is the eighth time Congress has created a federal temporary program that has extended unemployment compensation during an economic slowdown. Until February 16, 2009, the EUC08 program was financed with funds within the UTF. However, with the passage of P.L. 111-5, the EUC08 benefit is now 100% federally funded from general funds within the U.S. Treasury. State UC agencies administer the EUC08 benefit along with regular UC benefits.

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, P.L. 111-5, known as the American Economic Recovery and Reinvestment Act, or ARRA. ARRA authorized the EUC08 program through December 2009. The 2009 stimulus package also contained temporary provisions for 100% federal financing of the EB program and to create an additional \$25 weekly benefit for those receiving regular UC, EUC08, EB, DUA, or TAA. EUC08 benefits had been financed from the EUCA in the UTF. Starting from enactment of the 2009 stimulus package, however, EUC08 benefits are financed from general revenues through the termination of the EUC08 program.

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. The new tier III benefit provides up to 13 weeks of EUC08 benefits to those workers in states with an average unemployment rate of 6% or higher. The new tier IV benefit may provide up to an additional six weeks of benefits if the state unemployment rate is at least 8.5%.¹³

On December 21, 2009, the President signed P.L. 111-118, the Department of Defense Appropriations Act of 2010, into law. P.L. 111-118 extended the EUC08 program, 100% federal financing of the EB program, and the \$25 supplemental weekly benefit through February 28, 2010.

On March 2, 2010, the President signed P.L. 111-144, the Temporary Extension Act, which extended the EUC08 program, 100% federal financing of the EB program, and the \$25 weekly supplemental benefit until April 5, 2010.

On April 15, 2010, the President signed P.L. 111-157, the Continuing Extension Act of 2010 into law. P.L. 111-157 extended the availability of EUC08, 100% federal financing of EB, and the \$25 FAC benefit until the week ending on or before June 2, 2010.

On July 22, 2010, the President signed P.L. 111-205, the Unemployment Compensation Extension Act of 2010, into law. P.L. 111-205 extended the availability of EUC08 until the week ending on or before November 30, 2010.

On December 17, 2010, the President signed P.L. 111-312, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. P.L. 111-312 extends the authorization of the EUC08 program until January 3, 2012.

See **Appendix B** for a summary of public laws, benefits, effective dates, and financing issues related to the EUC08 program.

Previous Temporary Unemployment Compensation Extensions

Previously, Congress acted seven times—in 1958, 1961, 1971, 1974, 1982, 1991, and 2002—to establish similar temporary programs of extended UC benefits. These programs extended the period an individual might claim UC benefits (ranging from an additional 6 to 33 weeks) and had expiration dates.¹⁴ Some extensions took into account state economic conditions; many temporary programs considered the state's total unemployment rate (TUR) or the state's insured unemployment rate (IUR) or both.

EUC08 Benefit Amounts, Tiers, and Duration

The amount of the EUC08 benefit is the equivalent of the eligible individual's weekly regular UC benefit and includes any applicable dependents' allowances. The 2009 stimulus package, as

¹³ For details on the EUC08 program, see CRS Report RS22915, *Temporary Extension of Unemployment Benefits: Emergency Unemployment Compensation (EUC08)*, by Katelin P. Isaacs and Julie M. Whittaker.

¹⁴ For more information on these programs, see CRS Report RL34340, *Extending Unemployment Compensation Benefits During Recessions*, by Julie M. Whittaker and Katelin P. Isaacs.

amended, temporarily provided a federally financed, supplemental \$25 per week benefit for unemployment compensation, including EUC08 tier I-tier IV benefits, for those individuals who received unemployment benefits prior to May 29, 2010. All FAC payments have ended, however, as of December 11, 2010 (see section on “Federal Additional Compensation” above for more details on FAC expiration and “grandfathering”).

Tier I

The maximum number of weeks an individual may be eligible for tier I EUC08 benefits is capped at 20 weeks. Some individuals may be eligible for fewer weeks of the tier I EUC08 benefits if their regular UC benefit entitlement was less than 26 weeks.

Tier II

Once an individual has exhausted tier I benefits, a second tier of EUC08 benefits may be available if the individual remains unemployed and satisfies the EUC08 conditions to entitlement. P.L. 111-92 expanded tier II benefits. They are now 14 weeks in duration (compared with 13 previously) and no longer are dependent on a state’s unemployment rate.

Tier III

The new tier III benefit provides up to 13 weeks of EUC08 benefits to those workers in states with an average total unemployment rate (TUR) of 6% or higher or in states with an average insured unemployment rate (IUR) of 4% or higher.¹⁵

Tier IV

The new tier IV benefit may provide up to an additional six weeks of benefits if the state average TUR is at least 8.5% or in states with an average IUR of at least of 6%.

All Tiers Terminate the Week Ending On or Before January 3, 2012, with Grandfathering

All tiers of EUC08 benefits are temporary and expire in the week ending on or before January 3, 2012. Those unemployed individuals who have qualified for a tier I, II, III, or IV EUC08 benefit by December 31, 2011,¹⁶ are “grandfathered” for their remaining weeks of eligibility for only that

¹⁵ The TUR is the ratio of unemployed workers to all workers (employed and unemployed) in the labor market. The TUR is essentially a weekly version of the unemployment rate published by the Bureau of Labor Statistics and based on data from the BLS’ monthly Current Population Survey. The IUR is the ratio of UC claimants divided by individuals in UC-covered jobs. The IUR is substantially different than the TUR because it excludes several important groups: self-employed workers, unpaid family workers, workers in certain not-for-profit organizations, and several other, primarily seasonal, categories of workers. In addition to those unemployed workers whose last jobs were in the excluded employment, the insured unemployed rate excludes the following: those who have exhausted their UC benefits (even if they receive EB or EUC08 benefits); new entrants or reentrants to the labor force; disqualified workers whose unemployment is considered to have resulted from their own actions rather than from economic conditions; and, eligible unemployed persons who do not file for benefits.

¹⁶ January 1, 2012, for New York State.

specific tier, and will continue to receive payments for the number of weeks they were deemed eligible. However, there will be no new entrants into any tier of the EUC08 program after the week that ends on January 3, 2012. In other words, to be eligible for an EUC08 tier I benefit, an individual must have exhausted his or her *regular* UC benefits before or during the week ending December 24, 2011,¹⁷ so as to enter the first tier of EUC08 benefits during the week ending December 31, 2011, and be grandfathered for tier I benefits after January 3, 2012.

If an individual is eligible to continue to receive the tier I benefit after December 31, 2011, that individual would not be entitled to tier II benefits once those tier I benefits were exhausted. Similarly, if an individual is eligible to continue to receive the tier II benefit after December 31, 2011, that individual would not be entitled to tier III benefits once those tier II benefits were exhausted. Likewise, if an individual is eligible to continue to receive the tier III benefit after December 31, 2011, that individual would not be entitled to tier IV benefits once those tier III benefits were exhausted. No EUC08 benefits—regardless of tier—are payable for any week after June 9, 2012.

Tier I EUC08 Eligibility Requirements

First Claimed Regular UC Benefits On or After May 7, 2006

Applicants must have been eligible for regular UC benefits and have exhausted their rights to regular UC compensation with respect to a benefit year that expired during or after the week of May 6, 2007.¹⁸ For most states, this would apply to individuals who had filed UC claims with an effective date of May 7, 2006, or later. For the state of New York this would apply to original claims filed with an effective date of May 1, 2006, or later.¹⁹

Exhausted Regular UC Benefit

The right to regular UC benefits for an individual must be exhausted to be eligible for EUC08 benefits. Although federal laws and regulations provide broad guidelines on regular UC benefit coverage and eligibility determination, the specifics of regular UC benefits are determined by each state. As noted earlier, this results in 53 different programs.²⁰ In particular, states determine UC benefit eligibility, amount, and duration through state laws and program regulations.²¹

¹⁷ December 25, 2011, for New York State.

¹⁸ Arkansas has a unique approach to calculating a benefit year. In Arkansas, the benefit year begins the first day of the quarter in which an individual files a valid UC claim. Thus, it is unlikely that many individuals in Arkansas who filed UC claims before July 2006 would be eligible to receive EUC08 benefits.

¹⁹ Note that the effective date is not necessarily the actual date when an individual filed for UC. A claim filed on May 10, 2006, may have had an earlier effective date if a state allows retroactive claims.

²⁰ The 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands provide UC benefits to their workers.

²¹ Individuals in the Massachusetts and Montana UC programs may have regular UC durations that exceed 26 weeks. Those additional weeks are considered to be “sharable” compensation if the state is in an active EB period and these weeks are paid as if they were EB payments during those periods. The additional weeks of regular UC beyond 26 are not used to calculate EUC08 duration.

“20 Weeks” of Full-Time Insured Employment or Equivalent

In addition to all state requirements for regular UC eligibility, the EUC08 program requires claimants to have at least 20 weeks of full-time insured employment or the equivalent in insured wages in their base period. The definition of “20 weeks” is discussed in the “Methods for Determining 20 Weeks of Full-Time Insured Employment” section of this report.

Tier II EUC08 Eligibility Requirements

Exhausted Tier I EUC08 Benefit

The right to tier I EUC08 benefits must be exhausted to be eligible for the tier II EUC08 benefits.

Tier III EUC08 Eligibility Requirements

Exhausted Tier II EUC08 Benefit

The right to tier II EUC08 benefits must be exhausted to be eligible for the tier III EUC08 benefits. States have the ability to waive this requirement and pay tier III before tier II if doing so would aid in prompt payment of EUC08 benefits.

At or After the Period of Tier II EUC08 Exhaustion, the State Must Currently Have At Least 6% Unemployment Rate

The individual must have worked in a state with unemployment currently of at least 6% or an IUR of at least 4%. If the state’s unemployment rate meets one of these conditions, a (still) unemployed tier II benefit exhaustee would be eligible for tier III benefits at that time.

Each Monday, the Department of Labor issues its “Emergency Unemployment Compensation Trigger Notice” at http://www.workforcesecurity.doleta.gov/unemploy/claims_arch.asp. If the status column for tier III within the notice is “on” for a particular state’s row, that state is considered to be high unemployment for the purposes of EUC08 tier III benefits. If a state triggers “off” of tier III, individuals currently receiving EUC08 tier III benefits would be “grandfathered” for their remain weeks of tier III benefits.

No Retroactive Payments When Triggering “On” to Tier III

No retroactive EUC08 payments exist for the period during which the individual had exhausted tier II benefits but the state did not meet the high unemployment criteria. However, once a state reaches the 6.0% level (and it has been at least 13 weeks since tier III benefits were previously available), a still unemployed tier II exhaustee would be able to receive tier III benefits.

Tier IV EUC08 Eligibility Requirements

Exhausted Tier I, Tier II, and Tier III EUC08 Benefits

The right to tier I, tier II, and tier III EUC08 benefits must be exhausted to be eligible for the tier IV EUC08 benefits.

At or After the Period of Tier III EUC08 Exhaustion, the State Must Currently Have At Least 8.5% Unemployment Rate

The individual must have worked in a state with unemployment currently of at least 8.5% or an IUR of at least 5%. If the state's unemployment rate meets one of these conditions, a (still) unemployed tier III benefit exhaustee would be eligible for tier IV benefits at that time.

Each Monday, the Department of Labor issues its "Emergency Unemployment Compensation Trigger Notice" at http://www.workforcesecurity.doleta.gov/unemploy/claims_arch.asp. If the status column for tier IV benefits within the notice is "on" for a particular state's row, that state is considered to be high unemployment for the purposes of EUC08. If a state triggers "off" of tier III, individuals currently receiving EUC08 tier III benefits would be "grandfathered" for their remain weeks of tier III benefits.

No Retroactive Payments When Triggering "On" to Tier IV

No retroactive EUC08 payments exist for the period during which the individual had exhausted tier IV benefits but the state did not meet the tier IV high unemployment criteria. However, once a state reaches the 8.5% level (and it has been at least 13 weeks since tier IV benefits were most recently available), a still unemployed tier III exhaustee would be able to receive benefits.

EUC08 Financing

Until February 16, 2009, the EUC08 program was federally financed from the extended unemployment compensation account (EUCA) within the Unemployment Trust Fund (UTF). With the passage of the 2009 stimulus package (P.L. 111-5), however, EUC08 is now financed from general funds of the U.S. Treasury through the expiration of the EUC08 program. States do not need to repay these funds.

Interaction of EUC08 Benefits and Qualifying for a "Second Benefit Year"

The relationships between the various unemployment compensation programs currently available—regular UC, EUC08, and EB—have meant that unemployed workers who participate in additional paid work (while receiving benefits or temporarily stopping benefits) may create a new entitlement to regular UC as part of a "second benefit year." This new entitlement may be based on significantly lower earnings and/or fewer hours of employment, which could then lower an individual's weekly unemployment benefits.

This situation exists because (1) the EUC08 and EB laws require individuals to exhaust all regular UC benefits prior to being eligible to receive EUC08 or EB benefits and (2) after 52 weeks (i.e., after an individual's first benefit year) states are required to begin checking for any additional work performed by beneficiaries that would make them eligible for additional state UC benefits before any additional EUC08 or EB benefits would be paid.

Because all eligible individuals in most states are currently entitled to up to 60 weeks of UI benefits (up to 26 weeks of regular UC + up to 34 weeks of tiers I & II of EUC08, which are available in all states=up to 60 weeks), states have been identifying individuals who established a new entitlement to regular UC benefits via additional qualifying employment (even if the work was part-time, seasonal, or low-pay and did not result in permanent employment). This new entitlement means that states have been shifting eligible individuals back to regular UC from EUC08 and EB. And the amount of the new regular UC benefits may be significantly lower than the individual's (first benefit year) EUC08 and EB benefits.

P.L. 111-205 addressed this "second year benefit" issue for the EUC08 program. It did not address the equivalent issue in the EB program. Effective July 22, 2010, individuals who currently receive EUC08 or EB benefits, but have been determined by states to be eligible for a second benefit year based on additional work are allowed to opt to continue in the EUC08 program if their weekly unemployment benefits would be reduced by at least \$100 or 25% by switching back to the regular UC program based on their additional employment. Only beneficiaries who are determined by their state to have a second benefit year after the date of enactment are allowed this option. Those beneficiaries who were determined by their state prior to July 22, 2010, to have a second benefit year entitlement do not have this option.

EUC08 and EB Interactions

The EUC08 program should not be confused with the similarly named EB program (see description below). The EUC08 program is temporary and tiers I and II of EUC08 apply to all states while tier III and IV of EUC08 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 specified in law.

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 new EUC08 tiers III and IV. P.L. 111-92 gives 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).

Extended Benefit Program

The EB program was established by the Federal-State Extended Unemployment Compensation Act of 1970 (EUCA), P.L. 91-373 (26 U.S.C. 3304, note). EUCA may extend receipt of

unemployment benefits (extended benefits) at the state level if certain economic situations exist within the state.

The EB program is triggered when a state's IUR or TUR reaches certain levels. All states must pay up to 13 weeks of EB if the IUR for the previous 13 weeks is at least 5% and is 120% of the average 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. (States may choose one, two, or none.) 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 weeks in either of the previous two years; an additional 20 weeks of benefits if the TUR is at least 8% and is at least 110% of the state's average TUR for the same 13 weeks in either of the previous two years.

Each state's IUR and TUR are determined by the state of residence (agent state) of the unemployed worker rather than by the state of employment (liable state). Unlike the EUC08 benefits, EB benefits are not "grandfathered" when a state triggers "off" the program. When a state triggers "off" of an EB period, all EB benefit payments in the state cease immediately regardless of individual entitlement.

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

P.L. 111-312 makes some 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.

Potential Legislative Modifications

EB Triggers

The President's 2010 budget outline suggested the EB program be modified to make the UC system more responsive to changing economic conditions. The current EB triggers have been criticized for deploying in many states long after a recession has started, for not deploying at all in some states with high unemployment, and for triggering off too quickly in some states. Analysts cite several reasons for this: (1) the general long-term decline in unemployment rates

has made the current triggers irrelevant; (2) the rate and lookback provisions work against each other; and (3) amendments to the program in the early 1980s changed the IUR calculation in a way that made EB activation less likely.²²

At the same time, analysts and legislators have also questioned the use of emergency extended programs (such as EUC08) because these temporary programs can be subject to delays related to the recognition of a recession and legislative activity. As a result, there is interest in modifying the EB program, and especially the EB triggers, so that the EB program can deliver timely and well-targeted benefits.

Some of the issues concerning the EB trigger include national- versus state-level triggers, use of the IUR versus the TUR, and the use of lookbacks that compare current unemployment with conditions one and two years earlier.

The EB trigger is composed of two components, a *level* and a *lookback*. The EB program is said to be triggered “on” in a state when both components have met or exceeded the thresholds. The *level* component of a trigger is a threshold rate, such as the IUR or the TUR. The *lookback* component compares the current period’s level (rate) to the level in the same period in some reference time such as the previous two years.

A national trigger may seem appropriate because the definition of a recession is that it is national in scope, and the federal government’s interest in reversing an economic decline is national as well. On the other hand, recessions have variations in its regional impact. A national trigger could cause extended benefits to be paid to individuals in states that do not face unusually weak labor markets. Regional or sub-regional triggers have also been suggested as a means to improve the targeting of benefits, because labor markets can span state boundaries or be confined to rural or urban areas within a state (especially where a single industry is involved). It would be very difficult, however, to define appropriate regional or sub-state boundaries. There is also concern about data accuracy and availability at regional or sub-state levels. With the EUC08 program, Congress opted for a combination of national- and state-level triggers: EUC08 tiers I and II provide benefits to all unemployed workers, and EUC08 tiers III and IV provide additional weeks of benefits to unemployed workers in states that face high unemployment.

The IUR and the TUR have been used as triggers for the EB and EUC08 programs, and each has merits as well as drawbacks. The calculation of the IUR is the ratio of the number of people claiming regular UC benefits to the number of insured workers. The IUR is arguably the more accurate indication of actual demand for EB. The IUR’s numerator can change with non-economic factors such as state eligibility rules and administrative practices, however, and this in turn can affect whether the EB program is activated in a particular state. The TUR is defined as the number of all unemployed individuals divided by the size of the civilian labor force (employed and unemployed). The TUR represents a larger population because it includes uninsured workers (such as the self-employed) and because it includes all unemployed workers, including those who failed to qualify for regular UC benefits or who have exhausted regular UC. Recent studies have suggested that whether an IUR or TUR trigger is used, the secular decline in

²² The Omnibus Budget Reconciliation Act of 1981 redefined the IUR to remove UC exhaustees and EB beneficiaries from the numerator. The Act also eliminated the national IUR trigger, and raised the states’ trigger to 5%.

unemployment over the past several decades has resulted in the current trigger levels being relatively difficult to attain.²³

Lookbacks (e.g., the base EB requirement that the IUR requirement be at least 120% of the average of the rates for the same 13-week period in each of the previous two years) are useful for measuring changes in unemployment relative to a baseline, but have also been controversial. The EB lookback has been criticized for forcing the trigger off too quickly, before the end of a recession. This can occur, for example, when high unemployment rates reach a—still high—plateau and the rate change from the reference period falls below 20% (in the case of a lookback requirement of 120%). Some have proposed that the trigger not include a lookback; others have suggested that the trigger refer to a fixed point in time at some date before the declaration of a recession.

The Advisory Council on Unemployment Compensation recommended in 1994 that the EB program use a state TUR of 6.5%, and that the EB program not use a lookback.

Other potential EB triggers could include the increase in the number of unemployed over a period such as the previous year; the increase in the number of long-term unemployed (unemployed for over 26 weeks); or changes in the number of UC exhaustees. Although the UC exhaustion rate is intuitively appealing, a potential problem with this trigger includes a built-in delay of up to 26 weeks until benefit exhaustion that could prevent timely launch of the EB program.

It would be important in any reform to build in a mechanism for reviewing and updating EB triggers.

EB Eligibility Requirements Beyond Requirements for Regular UC

The EB program imposes additional federal restrictions on individual eligibility for benefits beyond the state requirements for regular UC. The EB program requires that a worker make a “systematic and sustained” work search. Furthermore, the worker may not receive benefits if he or she refused an offer of “suitable” work, which is defined as “any work within such individual’s capabilities”. In addition, P.L. 97-35, among other items, amended the EUCA to require that claimants work at least 20 weeks of full-time insured employment or equivalent in insured wages during their base period.

The 2009 stimulus package affects a further requirement for EB eligibility. As the EB program has operated in the past, a beneficiary had to be *within* their original “benefit year”²⁴ when the EB program triggered “on” in their state in order to receive EB benefits. Thus, on the condition that the state triggered “on” during an individual’s benefit year, he or she could receive EB benefits during the benefit year, or even after the benefit year expired, that is, at the time he or she exhausted regular unemployment compensation or EUC08 benefits even if this occurred after the expiration of the benefit year. However, if the state’s most recent EB period triggered on *after* the

²³ For example, see Jeffrey B. Wenger and Matthew J. Walters, “Why Triggers Fail (and What to Do About It): An Examination of the Unemployment Insurance Extended Benefits Program,” *Journal of Policy Analysis and Management*, vol. 25, no. 3 (2006), pp. 553-575.

²⁴ The benefit year is a one-year period during which a worker may receive benefits based on a previous period of unemployment. In all states, the beginning date of the benefit year depends on when a worker first files a valid claim, meaning the worker meets minimal wage and employment requirements.

individual's benefit year ended, the beneficiary would not receive EB. As a result, in states that have recently triggered "on" to EB because of rising unemployment rates, many individuals may be ineligible for EB benefits. For example, if an individual's benefit year expired in July 2008, this person would be ineligible for EB benefits if his or her state triggered "on" for EB in November 2008.

Under the 2009 stimulus package (as amended), states have the option of ignoring the benefit year requirement and instead using EUC08 exhaustion as an eligibility requirement, as long as the state's EB period falls between enactment of the stimulus package and November 30, 2010. This has the effect of allowing more individuals to be eligible for the EB program.²⁵

As described above, the EUC08 program contains a "reachback" clause under which EUC08 benefits were made available to individuals who had exhausted regular UC benefits with respect to a benefit year that expired during or after the week of May 6, 2007. Before the stimulus package, many individuals who had exhausted EUC08 benefits would have been ineligible for EB benefits if the state triggered "on" for EB after their benefit year expired. Under the stimulus package, however, all individuals who have exhausted EUC08 benefits would be eligible for EB benefits, regardless of the timing of their benefit years.

Methods for Determining 20 Weeks of Full-Time Insured Employment

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

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

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

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

²⁵ States would once again be responsible for 50% of the cost of new entrants to the EB benefit program after November 30, 2010, however, as 100% federal financing of the EB plan ends. The federal government would continue to pay 100% of EB benefits for individuals who were receiving EB during the week ending before November 30, 2010, for the duration of their EB receipt.

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

2009 Stimulus Provisions Affecting EB Level and Duration

The EB program provides for additional weeks of UC benefits. As described earlier, all states must pay up to a maximum of 13 weeks during periods of high unemployment, and certain states that have chosen additional, optional triggers may pay up to a maximum of 20 weeks during periods of extremely high unemployment. The 2009 stimulus package (as amended) had provided a supplemental \$25 weekly benefit for those individuals receiving unemployment benefits prior to May 29, 2010, including EB; although all FAC payments ended December 11, 2010 (see section on “Federal Additional Compensation” above for more details on FAC expiration and “grandfathering”).

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.

2009 Stimulus Provisions Affecting EB Financing

Under permanent law, 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. The federal government pays 100% of EB *administrative* costs.

The 2009 stimulus package, as amended, temporarily changes the federal-state funding arrangement. The federal government finances 100% of EB benefits until January 4, 2012, through the EUCA of the UTF, with the exception of “non-sharable” benefits (generally, these are former state and local employees’ EB benefits). The EB program’s 100% federal financing has prompted some states to adopt the optional triggers to provide 20 weeks of extended benefits. The exception for non-sharable benefits, however, has made some states reluctant to adopt the optional 20-week EB triggers, or the stimulus provision that allows them to use EUC08 exhaustion rather than benefit year as a requirement for EB eligibility.

For individuals who were receiving EB payments on January 4, 2012, the federal government will continue to pay 100% of EB benefits for the duration of these individuals’ benefits (but not for new entrants to the EB program starting after that date). The stimulus package also continues the temporary suspension of the waiting week requirement for federal funding until the week ending on or before June 10, 2012.²⁶

²⁶ States that do not require a one-week UC waiting period, or have an exception for any reason to the waiting period, pay 100% of the first week of EB. Twenty-five states, including Rhode Island and North Carolina, do not require a one-week UC waiting period in all cases. P.L. 110-449 (as amended by P.L. 111-5, P.L. 111-118, P.L. 111-144, P.L. 111-157, P.L. 111-205, and P.L. 111-312) suspends this requirement.

Short-time Compensation (Work Sharing)

Short-time compensation (STC) is a program within the federal-state unemployment compensation system. Twenty states operate STC programs.

STC is a regular unemployment benefit, pro-rated for a partial work reduction, that is offered within the context of a temporary work sharing arrangement. Under a work sharing arrangement, a firm that is faced with a need to downsize temporarily reduces work hours for many or all workers instead of laying off a smaller number of workers. For example, an employer might reduce the work hours of the entire workforce by 20%, from five to four days a week, in lieu of laying off 20% of the workforce.

States with STC programs require employers who seek STC for their workers to submit a formal work sharing plan for approval. Once the state has approved an employer's plan, the work-sharing employees receive pro-rated unemployment compensation, or STC. In the above example, the amount of STC provided to each worker would be 20% of the unemployment benefit that a worker would have received had he or she been laid off.

Employers have used STC combined with work sharing arrangements to reduce labor costs while retaining highly skilled workers. Work sharing can also reduce employers' recruitment and training costs by making it unnecessary to recruit new employees when business improves. On the employee's side, work sharing arrangements combined with STC can spread more moderate earnings reductions across more employees—as opposed to imposing significant hardship on a few. Work sharing and STC cannot, however, avert layoffs or plant closings if a company's financial situation is dire. In addition, some employers may choose not to adopt work sharing because laying off workers may be a less expensive alternative.

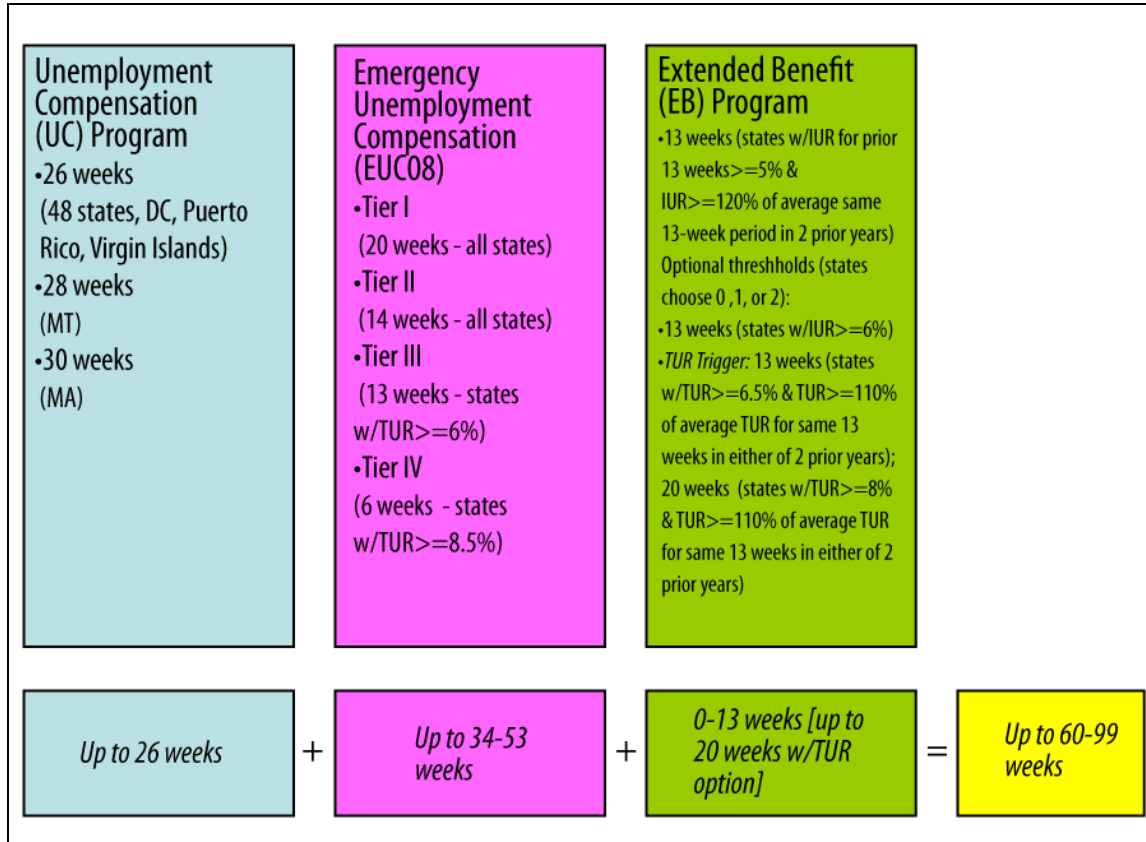
STC benefits are charged to employers according to the experience rating rules of a state's regular unemployment program. Therefore, a firm generally incurs no more in UI tax costs by using STC than it would through layoffs. Seven states also impose additional tax provisions on work sharing employers, in order to ensure that employers who already pay the maximum state unemployment tax rate share in the burden.

Currently, only 20 states operate STC programs to support work sharing arrangements. Through the end of 2008, the STC program has never constituted more than about 1% of unemployment benefits paid annually across the United States, although very preliminary data for the first three quarters of 2009 indicate that this ratio may recently have risen to as high as 2%. The reasons for low state and employer take-up of the STC program are not completely clear, but a key cause would appear to be ambiguity in the 1992 federal law that authorizes STC. Because of this ambiguity, DOL has not provided guidance or technical assistance on STC to the states since 1992. A more active public policy would require either DOL reinterpretation of the 1992 law or congressional action to either clarify federal law or give the Secretary of Labor authority to determine needed additional provisions.²⁷

²⁷ For more information on short-time compensation, see CRS Report R40689, *Compensated Work Sharing Arrangements (Short-Time Compensation) as an Alternative to Layoffs*, by Alison M. Shelton.

Appendix A. Unemployment Insurance Benefits

Figure A-1. Unemployment Insurance: Available Unemployment Benefits



Source: CRS.

Note: Arkansas provides up to 25 weeks, Missouri and South Carolina provide up to 20 weeks, Montana provides up to 28 weeks, and Massachusetts provides up to 30 weeks of regular unemployment benefits. For the implications of providing less than 26 weeks of regular UC benefits on the calculation of EUC08 and EB maximum durations, see CRS Report R41859, *Unemployment Insurance: Consequences of Changes in State Unemployment Compensation Laws*, by Katelin P. Isaacs.

Appendix B. Summary of EUC08 Program

**Table B-1. Emergency Unemployment Compensation Program:
Public Law, Benefits, Effective Dates, and Financing**

Public Law	Benefit Tiers and Availability	Dates in Effect and Financing
Supplemental Appropriations Act of 2008, Title IV Emergency Unemployment Compensation (P.L. 110-252), signed June 30, 2008	13 weeks (all states)	7/6/2008-3/29/2009 (No benefits past 7/4/2009) Funded by federal EUCA funds within UTF.
Unemployment Compensation Extension Act of 2008 (P.L. 110-449), signed November 21, 2008.	Tier I: 20 weeks (all states) Tier II: 13 additional weeks (33 weeks total) if state TUR is 6% or higher or IUR is 4% or higher	11/23/2008-3/29/2009 (No benefits past 8/29/2009) Funded by federal EUCA funds within UTF.
American Recovery and Reinvestment Act of 2009 (P.L. 111-5), signed February 17, 2009.	Same as above. [Note this included several other interventions that augmented UC benefits. The Federal Additional Compensation (FAC) benefit of \$25/week for those receiving UC, EUC08, EB, DUA, or TAA. At state option, EB benefit year could be calculated based upon exhausting EUC08 benefits. 100% federal financing of EB program. First \$2400 of unemployment benefits were excluded from income tax in 2009.]	2/22/2009-12/26/2009 (No benefits past 6/6/2010) Funded by general fund of the Treasury. (Additionally, the FAC program is funded by the general fund of the Treasury. The 100% financing of the EB program is funded by the EUCA funds within the UTF.)
Worker, Homeowner, and Business Assistance Act of 2009 (P.L. 111-92), signed November 6, 2009.	Tier I: 20 weeks (all states) Tier II: 14 additional weeks (34 weeks total, all states) Tier III: 13 additional weeks if state TUR is 6% or higher or IUR is 4% or higher (47 weeks total) Tier IV: 6 additional weeks if state TUR is 8.5% or higher or IUR is 6% or higher (53 weeks total) [Note this included a 1.5 year extension of the Federal Unemployment Tax Act (FUTA) surtax.]	11/8/2009-12/26/2009 (No benefits past 6/6/2010) Funded by general fund of the Treasury. Extended FUTA surtax through June 2011. Estimated revenues collected from FUTA surtax provision were \$2.578 billion and offset the estimated direct spending costs for unemployment insurance provisions of \$2.42 billion.

Public Law	Benefit Tiers and Availability	Dates in Effect and Financing
Department of Defense Appropriations Act, 2010 (P.L. 111-118), signed December 19, 2009.	Same as above. [FAC authorization also extended. 100% federal financing of EB also extended.]	12/27/2009-2/27/2010 (No benefits past 7/31/2010) Funded by general fund of the Treasury.
Temporary Extension Act of 2010 (P.L. 111-144), signed March 2, 2010.	Same as above. [FAC authorization also extended. 100% federal financing of EB also extended.]	2/28/2010-4/3/2010 (No benefits past 9/4/2010) Funded by general fund of the Treasury.
The Continuing Extension Act of 2010 (P.L. 111-157), signed April 15, 2010	Same as above. [FAC authorization also extended. 100% federal financing of EB also extended.]	4/3/2010-6/2/2010 (No benefits past 11/6/ 2010) Funded by general fund of the Treasury.
The Unemployment Compensation Extension Act of 2010, (P.L. 111-205), signed July 22, 2010.	Same as above. [Note this did not include an extension of the Federal Additional Compensation (FAC) benefit of \$25/week for those receiving UC, EUC08, EB, DUA, or TAA. The FAC expired on May 29, 2010, Last payable benefit on December 12, 2010. Authorization for 100% federal financing of EB was extended.]	6/2/2010-11/30/2010 (No benefits past 4/30/ 2011) Funded by general fund of the Treasury.
The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312), signed December 17, 2010	Same as above. [Authorization for 100% federal financing of EB was extended.]	11/30/2010-1/3/2012 (No benefits past 6/9/2012) Funded by general fund of the Treasury.

Source: CRS.