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To: DWS Employment Advisory Council

From: Bill Starks, DWS Unemployment Insurance Director

Subject: Legislative Brief on 100% Federal Funding of Extended Unemployment Benefits

The federal-state Extended Benefit (EB) program is a federally mandated program created in 1970 to cover workers if or when states reach, or "trigger" certain high levels of unemployment. EB provides for up to 13 weeks of additional benefits for workers who have exhausted their 26 weeks of regular state UI benefits and 20 weeks of Emergency Unemployment Compensation (EUC).

Section 2005 of the Federal Stimulus Bill of 2009 provided several temporary changes to the EB program. One change is intended to encourage states experiencing high unemployment to enact the program's optional total unemployment rate (TUR) trigger of 6.5% (average seasonally adjusted for a 3 month period) by providing that the Federal government will, in most cases, pay 100 percent of the benefit costs for all EB claims from February 17 through December 31, 2009 (with a phase-out of existing EB claims to June1, 2010). The permanent EB program typically is shared 50% paid by the state and 50% by the federal government, except for reimbursable state and local governments who reimburse the EB program at 100% (even under Section 2005).

Currently, Utah does not have an optional TUR trigger in their EB law, but rather the federally mandated Insured Unemployment Rate (IUR) trigger of 5% (average for a 3 month period). Typically, a state with high unemployment would trigger onto EB with a 6.5% TUR before they would trigger under a 5% IUR. Utah currently has a <u>declining</u> 2.86% IUR and an <u>increasing</u> 5.9% TUR. The current 100% federal reimbursement, for most claims, would apply to either trigger.

While earlier in the year it appeared Utah would unlikely trigger under either scenario in calendar year 2009 (Utah last triggered onto EB in 1982), there is the possibility that Utah could achieve a 6.5% TUR before December 31, 2009 and it is possible federal legislation could extend the 100 percent benefit cost reimbursement beyond December 31, 2009. Representative Jim McDermott, Chairman of the Ways and Means Subcommittee on Income Security and Family Support, introduced legislation July 28 to continue several UI programs through 2010, including EB, Emergency Unemployment Compensation (EUC), and the $25 per week Federal additional Compensation (FAC). The department felt it was important to brief the council on options that would be available if the unemployment rates continued to increase:

- The first option would be for the state to enact legislation for the optional TUR trigger only for the period the 100% federal sharing is available, and terminate it on January 2, 2010.
- A second option is to anticipate Congress will extend the termination date for federal sharing and tie the expiration date to whatever date Congress selects. U.S. Department of Labor has provided guidance that states are not required to make these specific EB provisions permanent in state law.

Finally, any state that implements a TUR trigger is required to also have a "High EB" trigger of 8%, which has the effect of increasing EB eligibility from a maximum of 13 additional weeks to a maximum of 20 additional weeks (or 7 additional weeks for "High EB"). Currently this is also being temporarily 100% financed, in most cases, by the federal government.

Fiscal Impact if TUR Trigger adopted:

- **Claimants:** We estimate this would benefit up to 2,000 claimants per month that are currently exhausting their Emergency Unemployment Compensation (EUC) or up to $2.8 million per month in federally reimbursed benefits.

- **Contributory Employers**: There would not be a fiscal impact to most Contributory employers, which represent 97% of all active Utah employers. Section 2005 also provides for a "phase out" period where they would continue to pay 100 percent of the benefit costs from January 1, 2010 through June 1, 2010 for any claimants who established EB eligibility prior to the current expiration on December 31, 2009.
    - However, contributory State and Local governments and Indian tribes (145 total) would continue to share benefit costs using the 50% split. These are generally small employers who represent only .24% (.0024) of total payroll. We estimate that it would cost these contributory employers up to $3,000 per month in additional benefit costs during the period the TUR trigger was effective.

- **Reimbursable Employers:** There would not be a fiscal impact to Reimbursable employers provided they are not Reimbursable State and Local Government and Federally recognized Indian Tribes. The permanent Federal EB law denies federal reimbursement for EB based on service for reimbursable state and local government and federally recognized Indian Tribes. Utah has 397 active state and local government employers and 2 Indian Tribes that are Reimbursable. We estimate that it would cost these reimbursable employers up to $297,000 per month in additional benefit costs during the period the TUR trigger was effective.

- In the unlikely event that (EUC) program is not extended to continue beyond December 31, 2009 and the EB program is extended to continue with the 100 percent reimbursement provision beyond December 31, 2009, the benefits costs would likely be significantly higher than the estimates provided above (for both).

- Once a state is triggered onto EB they are required to be on for a minimum of 13 weeks, without regard to the unemployment rate or the cost sharing in effect.