Congressional Research Service

Memorandum

April 9, 2008

TO: House Committee on Ways and Means
Attention: Matt Weidinger and Brian Newell

FROM: Julie M. Whittaker (x72587)
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SUBJECT: Current Law and Selected Comparisons on Proposals Temporarily Extending Unemployment Benefits: the Senate Finance Committee Report of the Economic Stimulus Act of 2008, H.R. 4934, S. 2544, H.R. 5688, the "Emergency Extended Unemployment Compensation Act of 2008."

This memorandum responds to your request for a comparison of five proposals to temporarily extend the duration of Unemployment Compensation (UC): H.R. 4934, H.R. 5688, S. 2544, the proposal in the Senate Committee on Finance Report of the Economic Stimulus Act of 2008 dated January 30, 2008,[1] and the proposed "Emergency Extended Unemployment Compensation Act (bill number not available).[2] You requested that only sections related to the extension of unemployment benefits be detailed. Thus, only portions of H.R. 4934 (Title I- Emergency Unemployment Compensation and Title II-Increased Unemployment Benefits) and the Senate Committee on Finance proposal (Title I-Temporary Extended Unemployment Compensation) that directly relate to extending the duration of unemployment benefits are included. You also requested that any increase in the regular or temporary benefit be noted (both H.R. 4934 and S. 2544 temporarily increase both benefits). Matters concerning fraud and overpayments are not discussed in this memorandum. Others may ask for similar or identical information, which the Congressional Research Service will provide to them.

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[1] This proposal was downloaded on April 8, 2008 from:
[http://www.senate.gov/~finance/sitepages/leg/LEG%202008/FINAL%20Original%20Bill.pdf]

[2] The discussion on the proposed "Emergency Unemployment Compensation Act of 2008," attributed to Representatives McDermott and English, is based upon the file you sent me on April 9, 2008 at 3:30 p.m. (file f:\V10\040808\040808.116.xml). For a detailed summary on how Congress has acted to extend unemployment benefits during economic recessions, see CRS Report RL34340, *Extending Unemployment Compensation Benefits During Recessions*, by Julie M. Whittaker.

Current Law

The Unemployment Compensation (UC) program, funded by both federal and state payroll taxes, pays benefits to covered workers who become involuntarily unemployed for economic reasons and meet state-established eligibility rules. Federal administration of UC is under the purview of the U.S. Department of Labor (DOL). Federal law sets broad rules that the 53 state programs must follow.

The 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 exist within the state. Although the EB program is not currently active in any state, it - like the UC program - is permanently authorized. The EB program is triggered when a state's insured unemployment rate (IUR) or total unemployment rate (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 rate for the same 13-week period in each of the previous 2 years. There are two other thresholds that states may choose. (States may choose one, both, or neither option). Under these options, the state 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; or an additional 20 weeks of benefits if the state's TUR is at least 8%.

Beyond the regular UC benefit eligibility requirements, eligibility for EB benefits requires that individuals must have 20 weeks of full-time insured employment or its equivalent.

Financing Unemployment Benefits. UC benefits are financed through employer taxes. 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 U.S. Treasury's Unemployment Trust Fund (UTF).

The federal tax pays for both federal and state administrative costs, the federal share of the extended benefit (EB) program (50%), loans to insolvent state UC accounts, and state employment services. The state tax pays for the regular UC benefit and the state share of the EB program (50%).

Table 1: Current Law and Selected Comparisons on Proposals Temporarily Extending Unemployment Benefits

Program Feature	Current Law: P.L. 91-373 (26 U.S.C. 3304, note) Extended Benefit (EB) Program	Senate Finance Committee Report, January 30, 2008, Title II Temporary Extended Unemployment Compensation	H.R. 4934, Emergency Unemployment Compensation Act of 2008, Title I	S. 2544, Emergency Unemployment Compensation Act of 2008, Title II	H.R. 5688, Targeted Assistance to Restore Growth in Employment Throughout 2008 Act	Emergency Extended Unemployment Compensation Act of 2008 (Bill Number Not Available)
How proposal extends unemployment benefits	The EB program may extend UC benefits at the state level if certain economic situations exist within the state. The EB program is permanently authorized.	Creates a new temporary extended benefit. Begins with enactment. Ends the week ending on or before December 31, 2008. No benefits after the week of March 31, 2009. No additional high unemployment benefits to those not already receiving the benefits on December 31, 2008.	Creates a new temporary extended unemployment benefit if federal economic trigger is met. Begins with enactment. Ends the week ending on or before December 31, 2008.	Creates a new temporary extended unemployment benefit. Begins with enactment. Ends 1 year later. No benefits past 18 months of enactment.	Creates a new temporary extended unemployment benefit if state economic trigger is met. Begins the week on or after April 1, 2008. Ends the week beginning before March 31, 2009.	Creates a new temporary extended benefit. Begins with enactment. Ends the week ending on or before February 1, 2009. No benefits beginning after the week of April 30, 2009.
Eligibility	Exhausted regular UC benefits. Beyond requirements for regular UC benefits, the beneficiary must have 20 weeks of full-time insured employment or its equivalent.	Exhausted regular UC benefits. Benefit year ended on or after February 1, 2007. (Unemployed workers who had exhausted benefits on or after February 1, 2007 would be eligible for temporary extended UC.) Beyond requirements for regular UC benefits, the beneficiary must have 20 weeks of full-time insured employment or its equivalent.	Exhausted regular UC benefits. Benefit year ended on or after March 1, 2007.	Exhausted regular UC benefits. The bill would reach back to those workers who had filed an initial regular UC claim on or after the 12-month period before enactment.	Exhausted regular UC benefits. Benefit year ended on or after July 1, 2007.	Exhausted regular UC benefits. Benefit year ended on or after May 1, 2007. ***Table*** *continued on following pages.*

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Potential duration	*Up to 20 weeks* for certain high unemployment states, or *Up to 13 weeks* for other states meeting other definitions of high unemployment, or *0 weeks* otherwise.	*Up to 26 weeks* in certain high unemployment states, or *Up to 13 weeks* otherwise.	*Up to 26 weeks* if national trigger has been met.	*Up to 33 weeks* for certain high unemployment states, or *Up to 20 weeks* otherwise.	*Up to 26 weeks* for certain high unemployment states, or *Up to 13 weeks* for other states meeting other definitions of high unemployment, or *Up to 5 weeks* for other states meeting different definitions of high unemployment, or *0 weeks* otherwise.	*Up to 26 weeks* in certain high unemployment states, or *Up to 13 weeks* otherwise. ***Table** continued on following pages.*

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Federal and state triggers to begin program.	The EB program is triggered when a state's insured unemployment rate (IUR) or total unemployment rate (TUR) reaches certain levels. All states must pay up to 13 weeks of EB if the state's 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 2 previous years. There are two other thresholds that states may choose. (States may choose one, both, or neither). Under these options, the state 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 2 years; or an additional 20 weeks of benefits if the TUR is at least 8%.	All states have at least 13 weeks. If the state is in an EB period or if the state's TUR >=6.5% or the state's IUR>=4% then the duration is increased by 13 weeks.	The first day of the first month following any month in which the number of unemployed persons age 16 or older as compared to the same month of the previous year exceeds one million.	All states have at least 20 weeks. If the state is in an EB period or if the state's TUR >=6.5% the duration is increased by 13 weeks.	*In order to be eligible for additional benefits states must change state law to elect one or more of these additional benefits. States are not required to participate in this program.* *Up to 5 weeks*, if state TUR >=6.0% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous 2 years; or, the IUR >=4% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years; or *Up to 13 weeks*, if state TUR >=6.3% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous 2 years; or, the IUR >=5% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years; or *Up to 26 weeks*, if state's TUR >=6.5% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous 2 years; or, the IUR is 5% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years; or *0 weeks* otherwise.	All states have at least 13 weeks. If the state is in an EB period or if the state's TUR >=6% or the state's IUR>=4% then the duration is increased by 13 weeks. ***Table*** *continued on following pages.*

Program Feature	Current Law: P.L. 91-373 (26 U.S.C. 3304, note) Extended Benefit (EB) Program	Senate Finance Committee Report, January 30, 2008, Title II Temporary Extended Unemployment Compensation	H.R. 4934, Emergency Unemployment Compensation Act of 2008, Title I	S. 2544, Emergency Unemployment Compensation Act of 2008, Title II	H.R. 5688, Targeted Assistance to Restore Growth in Employment Throughout 2008 Act	Emergency Extended Unemployment Compensation Act of 2008 (Bill Number Not Available)
Other additions to basic benefit or extended benefit	Not Applicable. EB payments are identical to regular UC benefit levels.	None.	*Section 201. Federal-State Agreements for Increased Unemployment Benefits* would supplement regular and emergency UC with an additional $50/week. Other sections of the bill would have incentives for states to expand UC benefit eligibility. Incentive payments would be up to $7 billion.	*The bill* would supplement regular and emergency UC with an additional $50/week.	None.	None.
Financing structure	The federal unemployment tax on employers, among other things, pays the federal share (50%) of the extended benefit (EB) program. State unemployment taxes on employers pay for 100% of the regular UC benefit and 50% of the EB benefit. UC benefits are financed through employer taxes. 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 U.S. Treasury's Unemployment Trust Fund (UTF).	100% federally financed. Appropriates federal UTF funds as may be necessary for states in the administration of benefit.	100% federally financed (both the emergency UC and the additional $50/week from Section 201). Appropriates federal UTF funds as may be necessary for states in the administration of benefit.	100% federally financed. Appropriates federal UTF funds as may be necessary for states in the administration of benefit.	*First 5 weeks*: 50% federally financed. *Following 8 weeks*: 75% federally financed (if applicable). *Final 13 weeks*: 100% federally financed (if applicable). Appropriates federal UTF funds as may be necessary for states in the administration of benefit.	100% federally financed. Appropriates federal UTF funds as may be necessary for states in the administration of benefit. ***Table** continued on following page.*

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Cost estimates	DOL actuarial estimates for the federal share of EB payments in FY2008 are less than $5 million. Source: *UI Outlook FY2009 President's Budget*, Department of Labor, Office of Workforce Security, Division of Fiscal and Actuarial Services, February 2008.	The Congressional Budget Office (CBO) estimated that the UC provisions in the Senate Finance bill would have a net cost of $13.9 billion from 2008 through 2013. Source: *Congressional Budget Office Cost Estimate, Economic Stimulus Act of 2008*, February 6, 2008.	No published CBO estimate	No published CBO estimate.	No published CBO estimate	No published CBO estimate. *End **Table**.*

Source: Congressional Research Service.