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Recovery Act's Unemployment Insurance Modernization Incentives Produce Bipartisan State Reforms in Eight States in 2010

Only 18 States Left to Go Before the August 2011 Program Deadline

In February 2009, the American Recovery and Reinvestment Act (ARRA) made $7 billion available to states to modernize their unemployment insurance programs. The incentive program, which lasts through August 2011, targets those groups that have the hardest time collecting benefits, including low-wage workers, women, part-time workers, and the long-term unemployed. To date, the federal stimulus legislation has produced an unprecedented wave of state reforms, bringing tens of thousands of deserving workers into the unemployment system to get back on their feet and contribute to economic recovery.

What follows is a summary of states' eligibility for ARRA modernization incentive funding, including these highlights:

- Thirty three states qualify for their full allotment of incentive funds.[1] Six states qualify for one third of their allotment of incentive funds. Twelve states qualify for none of their allotment of incentive funds (Map 1).

- Thirty nine states are eligible for a total of $4.3 billion in incentive funding, $3.2 billion of which has already been received in either 2009 or 2010.

- Eighteen states have one more year left to modernize their unemployment compensation programs and qualify for their share of the remaining $2.7 billion in incentive funds (Table 1).

As a result of the actions states have taken thus far to broaden the safety net for the unemployed, the National Employment Law Project estimates that each year, over 200,000 additional jobless Americans will have gained eligibility for benefits through the ARRA unemployment modernization program. These federal funds for modernization have been making their way to the states just when they need the help most—to pay benefits and help more jobless families weather an extremely difficult jobs market.

The ARRA's Unemployment Insurance Modernization Incentive Funding Program

The ARRA addresses the outdated gaps in the unemployment insurance program that have been documented for decades by leading authorities, including the bi-partisan Advisory Council on Unemployment Compensation that called for fundamental reform of the system in the 1990s.

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[1] All of these numbers denote eligible states, therefore the count includes states that have already received their funds from the Department of Labor (DOL) and states that have the necessary reforms in place but have not yet applied for DOL certification.

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Of special significance, the ARRA targets low-wage workers, who are unfairly denied benefits in large numbers, not because they failed to work enough to qualify but simply because of the antiquated eligibility rules that ignore their most recent earnings. Indeed, low-wage workers are twice as likely as higher-wage workers to find themselves unemployed, but they are only one-third as likely to collect jobless benefits.

To remedy these and other inequities that have long plagued the unemployment insurance program, the ARRA created financial incentives for the states that adopt a set of proven policy reforms. Thus, to qualify for the first one-third of the ARRA's incentive funding, a state must adopt the "alternative base period," which allows workers to count their recent earnings when needed in order to qualify for unemployment benefits.

To qualify for the remaining two-thirds of the ARRA incentive funding, states are provided a menu of options that target other major groups who fall through the cracks of the unemployment system, including part-time workers, women with families, and the long-term unemployed. Specifically, to qualify for the additional ARRA incentive funds, a state must provide benefits to workers in a least two of the following four categories:

- Part-time workers who are denied benefits because they are required to actively seek full-time employment;
- Individuals who leave work for compelling family reasons, specifically including domestic violence or sexual assault, caring for a sick family member or moving because a spouse has relocated to another location for employment;
- Workers with dependent family members who would qualify for $15 or more in weekly benefits per dependent (up to a total of $50) to help cover the added expenses associated with dependent care;
- Permanently laid-off workers who require access to training in order to improve their skills with the help of an extra 26 weeks of additional unemployment benefits.

The states have until August 22, 2011, to submit their applications to the U.S. Department of Labor to certify that they comply with these specific provisions of the ARRA's incentive funding program. Although the ARRA precludes the states from qualifying for the incentive funding if their required reforms are expressly limited in duration (or "sunset"), the states are not precluded from eventually repealing their laws after they receive the federal incentive funding. For more information on the unemployment insurance modernization program, , click here.

2010 Producing Major Bi-Partisan State Reforms

Since January, when most state legislative sessions convened, eight more states (Alaska, Maryland, Nebraska, Rhode Island, South Carolina, South Dakota, Utah and the District of Columbia) have adopted the UI modernization reforms. Bipartisan support for the federal incentive program continues to grow. For example, in South Carolina, Nebraska, South Dakota and Utah, the measures passed Republican legislatures with the support of their Republican Governors (Alaska's provisions were adopted by regulation). Indeed, more than half the Republican Governors in the nation have now signed legislation that qualifies for federal incentive funding.

These states run the gamut from states with no reforms in place before ARRA to states that just needed to enact one additional reform to qualify for their full incentive. Utah adopted the alternative base period and claimed one third of its incentive funding. Maryland, Nebraska, and South Carolina each adopted a package of reforms that qualifies them for their full incentive. Alaska, the District of Columbia, Rhode Island, and South Dakota were all eligible for one-third of their incentive last year. They made additional changes this year to tap their full incentive grant.

2009 Produced Unprecedented State Reforms

Last year, in response to the ARRA, 28 states enacted unemployment insurance reforms that qualify for incentive funding, often with strong bi-partisan support. These states represent every region of the U.S., from the Western states (Alaska, California, Hawaii**,** Idaho, Nevada, Oregon) to the Central states (Colorado, Kansas, Montana, Oklahoma, South Dakota), to the Midwest (Illinois, Iowa, Minnesota, Wisconsin), to the South (Arkansas, Georgia, North Carolina, Tennessee), and to the Northeast (Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New York, New Jersey, Vermont, West Virginia).

The Road Ahead in 2010-2011

Of the 18 states that have not claimed their full share of ARRA incentive funding, 11 introduced reform legislation this year and Pennsylvania is still considering UI modernization reforms. Bills were actively debated in eight states (Alabama, Arizona, Florida, Indiana, Mississippi, Virginia, Washington, and West Virginia) but did not pass the legislature. Two states, North Dakota and Texas, are not in session this year. Of the states that have yet to qualify for the unemployment insurance modernization program, three states (Florida, Pennsylvania and Texas) account for about half of the remaining federal incentive funding ($1.3 billion). In addition, six states (Alabama, Florida, Kentucky, Mississippi, Missouri, and North Dakota) have none of the laws in place that qualify towards the federal requirements.

Map 1

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

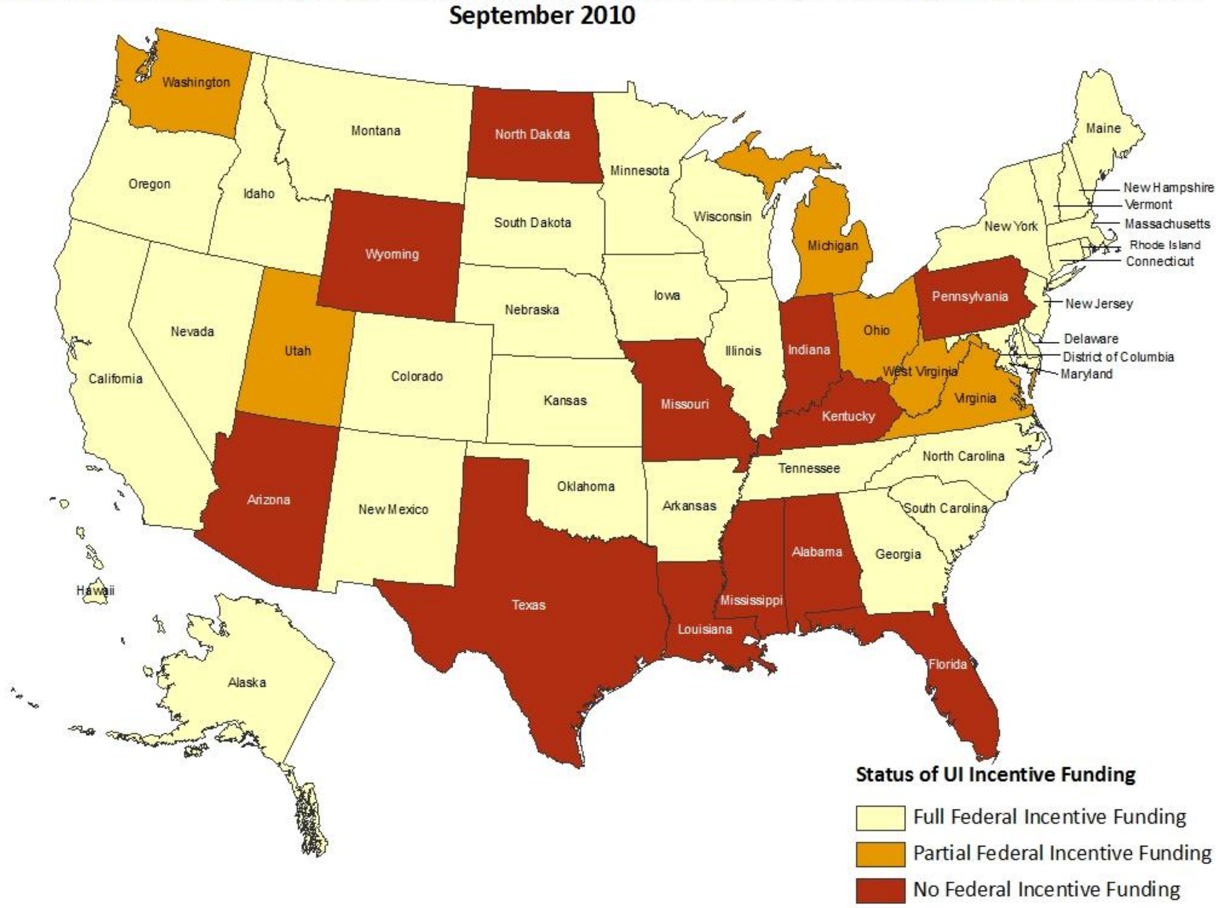

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Table 1: Federal Unemployment Insurance Incentive Funding State Reforms, September 2010

State		Federal Unemployment Insurance Incentive Funding State Reforms						
						Compelling Family Reasons		
	Year Enacted	ABP	Part-Time	Training	Dependent Allowance	Domestic Violence	Spouse Relocates	Illness & Disability
Alabama								
Alaska	2009/2010	Enacted			X	Enacted	X	Enacted
Arizona						X	X	X
Arkansas	2009	Enacted	Enacted			Enacted	Enacted	Enacted (Fix)
California	2009	Effective 2011	X	X		X	X	X
Colorado	2009	Enacted	Enacted (Fix)	O		Enacted (Fix)	Enacted	Enacted (Fix)
Connecticut	2009	X			X	Enacted (Fix)	Enacted	Enacted (Fix)
Delaware	2009	Enacted	X			X	Enacted	Enacted
District of Columbia	2010	X	O	Enacted	Enacted	X	Enacted	Enacted
Florida								
Georgia	2009	X	Enacted	Enacted				
Hawaii	2009	X	Enacted (Fix)			Enacted	Enacted	Enacted
Idaho	2009	Enacted	Enacted	Enacted				
Illinois	2009	X			Enacted (Fix)	Enacted (Fix)	Enacted	Enacted (Fix)
Indiana						X	X	
Iowa	2009	Enacted	Enacted (Fix)	Enacted	O			
Kansas	2009	Enacted	Enacted (Fix)	Enacted		X	X	
Kentucky								
Louisiana			X					
Maine	2009	X	X	Enacted (Fix)	O	Enacted (Fix)	Enacted (Fix)	Enacted (Fix)
Maryland	2009/2010	Enacted	Enacted	Enacted	O			
Massachusetts	2009	X		Enacted (Fix)	X	X		
Michigan		X			O			
Minnesota	2009	Enacted (Fix)	Enacted (Fix)			Enacted (Fix)	Enacted (Fix)	Enacted (Fix)
Mississippi								
Missouri								
Montana	2009	Enacted	Enacted	Enacted		X		
Nebraska	2010	Enacted	X	Enacted		X	X	X
Nevada	2009	Enacted	X			X	X	X
New Hampshire	2009	X	X			Enacted (Fix)	Enacted	Enacted
New Jersey	2009	X	X	Enacted (Fix)	O			
New Mexico		X	X		X	X		
New York	2009	X	Enacted (Fix)	O		Enacted (Fix)	Enacted (Fix)	Enacted (Fix)
North Carolina	2009	X	X			X	Enacted	X
North Dakota								
Ohio		X			O			
Oklahoma	2009	Enacted (Fix)	Enacted			Enacted (Fix)	Enacted (Fix)	Enacted (Fix)
Oregon	2009	Enacted		Enacted (Fix)		Enacted (Fix)	X	X
Pennsylvania			X		O		X	
Rhode Island	2010	X			Enacted (Fix)	X	X	Enacted
South Carolina	2010	Enacted	Enacted			X	Enacted	Enacted
South Dakota	2009/2010	Enacted	X	Enacted		X		
Tennessee	2009	Enacted	Enacted		Enacted			
Texas						X		X
Utah	**2010**	**Enacted**						
Vermont	2009	X	X	Enacted		X		
Virginia		**X**						
Washington	**2009**	**X**		**O**		**X**	**Enacted**	**X**
West Virginia	**2009**	**Enacted**						
Wisconsin	2009	X		Enacted		Enacted (Fix)	Enacted	Enacted (Fix)
Wyoming			X			X		
Total	**N/A**	***39***	***28***	***16***	***8***	***32***	***26***	***24***

Key: X = Provision enacted pre-ARRA O = Provision exists in some form, although not ARRA-compliant Fix = Legislative technical fix
The 8 states that enacted legilsation or regulations in 2010 are in bold. The 33 states with full incentive are highlighted in gray.