

## Phase Out of Federal Unemployment Insurance Benefits

Under the Middle Class Tax Relief and Job Creation Act of 2012, enacted in February, the federal Emergency Unemployment Compensation (EUC08) program has been scaled back and is set to expire at the end of 2012. As a result of gradually declining state unemployment rates and changes to EUC08, fewer weeks of unemployment insurance (UI) benefits are available today compared to earlier in the year, even though unemployment rates remain high in many states (Table 2).

- The phase out of EUC08 began in [June 2012](#) when the unemployment rate requirements for Tiers 2 to 4 increased, causing several states to lose a tier of benefits.
- This September EUC08 will be scaled back by at least six weeks in all states and as many as ten weeks in 22 states.
- If Congress fails to reauthorize federal unemployment insurance benefits before the end of the year, over 2 million workers will be cut off UI during the holiday season, while federal benefits will no longer be available for recently laid-off workers.

### Total Weeks of Federal UI Benefits Reduced in September

Starting in September, the EUC08 program will provide six fewer weeks of benefits, causing the maximum duration of benefits to fall from 79 to 73 weeks (Table 1). The following changes will reduce the number of weeks of Tiers 1 and 3 benefits, while increasing the number of weeks of Tier 4 benefits. Tier 2 will remain unchanged.

#### Summary of September Changes

- **Tier 1 reduced from 20 weeks to 14 weeks.** Because every state qualifies for Tier 1, the six-week reduction applies to all states.
- **Tier 3 reduced from 13 weeks to nine weeks.** The 22 states that currently qualify for Tier 3 (but not Tier 4) will each lose ten weeks (six weeks of Tier 1 and four weeks of Tier 3).
- **Tier 4 increased from six to 10 weeks.** For the ten states that currently qualify for Tier 4 benefits, the increase will offset the loss of Tier 3 weeks. However, these high unemployment states will still suffer from the loss of Tier 1 benefits.

### Hard Cutoff to end Federal UI Benefits in December

In contrast to previous reauthorizations of the EUC08 program, the February legislation did not allow for federal UI benefits to phase out gradually. Under the current law, all EUC08 payments will end abruptly for all claimants on December 29, 2012. This hard cutoff also means that unemployed workers who lose their jobs in July 2012 or later will only be eligible for regular state benefits (26 weeks in most states) and will not receive any federal UI payments. Seven states that cut the duration of regular state UI

benefits will offer even fewer weeks. For example, if the federal program is allowed to sunset, individuals who lose their jobs today in Georgia, Michigan, Missouri and South Carolina will be eligible for only 20 weeks of UI benefits total.

**Less Than Half of All Unemployed Workers Currently Receive Unemployment Insurance**

While it is natural to assume that most unemployed workers are eligible for UI benefits, at most, only two-thirds of all unemployed workers received state or federal UI benefits at any time during the economic downturn. Today, less than half the nation’s 12.8 million unemployed workers receive some form of UI (Table 2). Approximately 3.2 million collect state UI benefits, covering the first 26 weeks of unemployment, while an additional 2.3 million job seekers receive federal UI under the EUC08 program.

**If Congress Lets the EUC08 Program Expire in December, Less than One in Three Jobless Americans Will Receive Unemployment Insurance in 2013**

If EUC08 is allowed to expire at the end of 2012, unemployed workers will only be eligible for regular state benefits. As a result, less than one-third of unemployed workers will be receiving UI as 2013 begins. The loss of federal benefits will be most damaging in those states that already only pay UI to a small percentage of unemployed workers, including Florida, Virginia, and Texas where less than one out five unemployed workers will likely qualify for UI benefits once the federal program is gone.

**Table 1. Maximum Number of Weeks of Unemployment Insurance Benefits**

(Required unemployment rate in parentheses)	January to May	June to August	September to December
<b>Regular State Benefits</b> <sup>1</sup>	26	26	26
<b>Emergency Unemployment Compensation</b>			
Tier 1	20	20	14
Tier 2	14	14 (6.0%)	14 (6.0%)
Tier 3	13 (6.0%)	13 (7.0%)	9 (7.0%)
Tier 4	6 (8.5%) <sup>2</sup>	6 (9.0%)	10 (9.0%)
<b>Extended Benefits</b> <sup>2</sup>	13 (6.5%) 20 (8.0%)	---	---
<b>Maximum Number of Weeks</b>	<b>99</b>	<b>79</b>	<b>73</b>

<sup>1</sup> Arkansas, Florida, Georgia, Illinois, Michigan, Missouri, and South Carolina offer fewer than 26 weeks of regular state benefits.

<sup>2</sup> As of August 2012, the Extended Benefits program has ended in all states.

**Table 2. Maximum Weeks of Benefits: Change from January to September 2012**

State	July Unemployment Rate	12-Month Average Reciprocity Rate		Maximum Number of Weeks	
		All Programs	Regular State Program	January 2012	September 2012
<b>United States</b>	<b>8.3</b>	<b>52</b>	<b>27</b>	<b>99</b>	<b>73</b>
Alabama	8.3	42	22	99	63
Alaska	7.7	88	48	73	63
Arizona	8.3	41	23	79	63
Arkansas	7.3	41	33	73	63
California	10.7	52	26	99	73
Colorado	8.3	47	22	93	63
Connecticut	8.5	71	35	99	63
Delaware	6.8	59	34	93	54
District of Columbia	8.9	33	17	99	73
Florida	8.8	36	16	99	63
Georgia	9.3	62	22	99	63
Hawaii	6.4	54	33	73	54
Idaho	7.5	50	30	99	63
Illinois	8.9	53	27	99	63
Indiana	8.2	45	21	99	63
Iowa	5.3	52	33	73	40
Kansas	6.3	50	29	86	54
Kentucky	8.3	43	21	99	63
Louisiana	7.6	35	27	73	63
Maine	7.6	48	29	86	63
Maryland	7.0	51	29	86	54
Massachusetts	6.1	76	42	86	54
Michigan	9.0	51	25	99	63
Minnesota	5.8	58	35	86	40
Mississippi	9.1	40	22	79	63
Missouri	7.2	47	24	99	63
Montana	6.4	57	39	73	54
Nebraska	4.0	60	35	60	40
Nevada	12.0	48	22	99	73
New Hampshire	5.4	38	30	60	40
New Jersey	9.8	76	33	99	73
New Mexico	6.6	58	33	86	54
New York	9.1	64	32	93	73
North Carolina	9.6	52	24	99	73
North Dakota	3.0	39	29	60	40
Ohio	7.2	44	22	99	63
Oklahoma	4.9	35	24	60	40
Oregon	8.7	67	35	99	63
Pennsylvania	7.9	79	44	93	63
Rhode Island	10.8	48	25	99	73
South Carolina	9.6	47	24	99	73
South Dakota	4.4	20	16	60	40
Tennessee	8.4	40	18	99	63
Texas	7.2	39	19	99	54
Utah	6.0	37	23	73	40
Vermont	5.0	52	39	60	40
Virginia	5.9	30	19	73	40
Washington	8.5	52	28	99	63
West Virginia	7.4	47	28	93	54
Wisconsin	7.3	70	42	86	54
Wyoming	5.6	40	26	60	40

Source: Maximum number of weeks is from the U.S. Department of Labor, Emergency Unemployment Compensation Trigger Notices for January 1, 2012 and August 26, 2012, [http://www.workforcesecurity.doleta.gov/unemploy/claims\\_arch.asp](http://www.workforcesecurity.doleta.gov/unemploy/claims_arch.asp). The reciprocity rate refers to the 12-month period ending in June 2012 and is from the U.S. Department of Labor, Quarterly Data Summary, Second Quarter 2012, <http://www.workforcesecurity.doleta.gov/unemploy/content/data.asp>.

Note: In 2011 and 2012, Arkansas, Florida, Georgia, Illinois, Michigan, Missouri, and South Carolina reduced the maximum duration of state benefits. To simplify the analysis, we assumed that all states pay a maximum of 26 weeks of benefits.