

NELP

National Employment Law Project



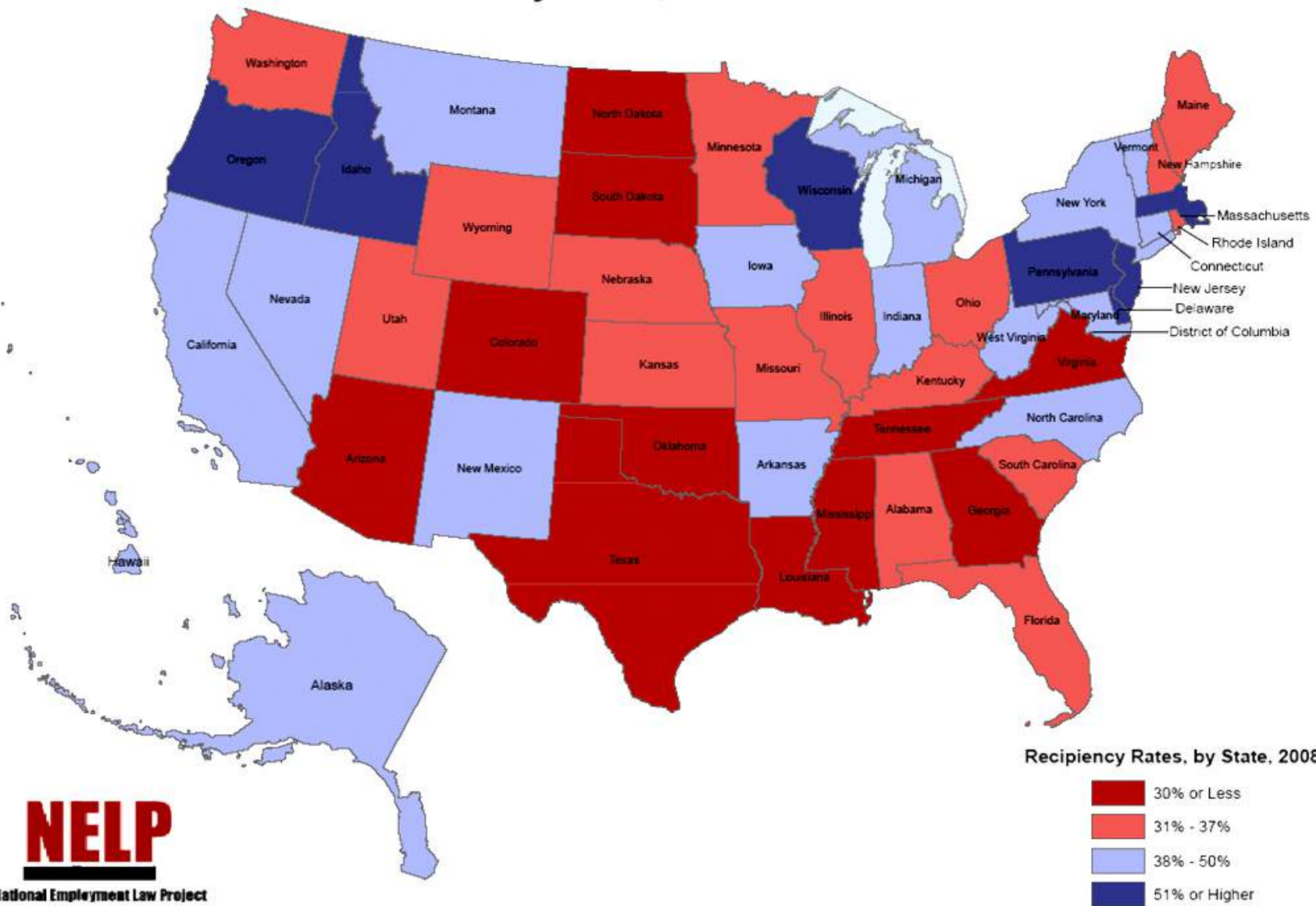
UI Modernization Update

April 2010

Advantages of Strong UI Programs

- Strong UI programs reduce human suffering, mitigate impact of recessions and represent humane social policy
- Strong UI programs promote social welfare and well-being of a state, its residents, employers, and communities
- Strong UI programs pay adequate benefits to a significant proportion of jobless workers while boosting the economy and helping employers as well as employees
- Strong UI programs are forward funded in order to avoid cutting benefits or raising taxes in recessions

Percent of Unemployed Population Receiving UI Benefits By State, 2008



NELP

National Employment Law Project

UI Modernization Overview

- UI modernization (UIMA) encourages states to “do the right thing” by expanding UI programs thru reforms that several states already had
- \$7 billion total overall federal UIMA incentives
- Each state’s incentive amount determined by its share of FUTA revenues (same formula as 2002 Reed Act)
- \$2.8 billion paid to state trust funds so far
- NC, NM, RI, and VT have not yet applied for all UIMA funds for which they qualify; CA in 2011

UI Modernization Elements

- **Mandatory UIMA Element:** Alternative Base Period (ABP),
 - Qualifies state for 1/3 of potential federal UIMA incentive funds for this feature
 - Required for any UIMA distribution
- Use more recent “lag quarter” wages to measure monetary eligibility
- Depending upon state monetary eligibility levels, ABP expands eligibility for part year, part time, and lower wage workers

How Does Alternative Base Period (ABP) Work?

	4th Quarter 2008 (Oct – Dec)	1st Quarter 2009 (Jan – Mar)	2nd Quarter 2009 (April – June)	3rd Quarter 2009 (July – Sept)	4th Quarter 2009 (Oct – Dec)	1st Quarter 2010 (Jan – Mar)
Total Wages -\$13,000-	\$0	\$900	\$1900	\$6100	\$4100	
Base Period (1 st 4 of last 5 completed quarters)		Tradi NOT	tional ELIGI	B. P. BLE	Lag Quarter	Filing Quarter
Alternative Base Period (recent 4 completed quarters)		Alter	native ELIGI	Base BLE	Period	Filing Quarter

UIMA Optional Elements

- **Optional UIMA Elements:** In addition to ABP, state must enact 2 of 4 remaining UI modernization elements to get remaining 2/3 of its UIMA incentive:
 - part time eligibility
 - UI in training
 - dependency allowance
 - family quits

Details of UI/MA Options

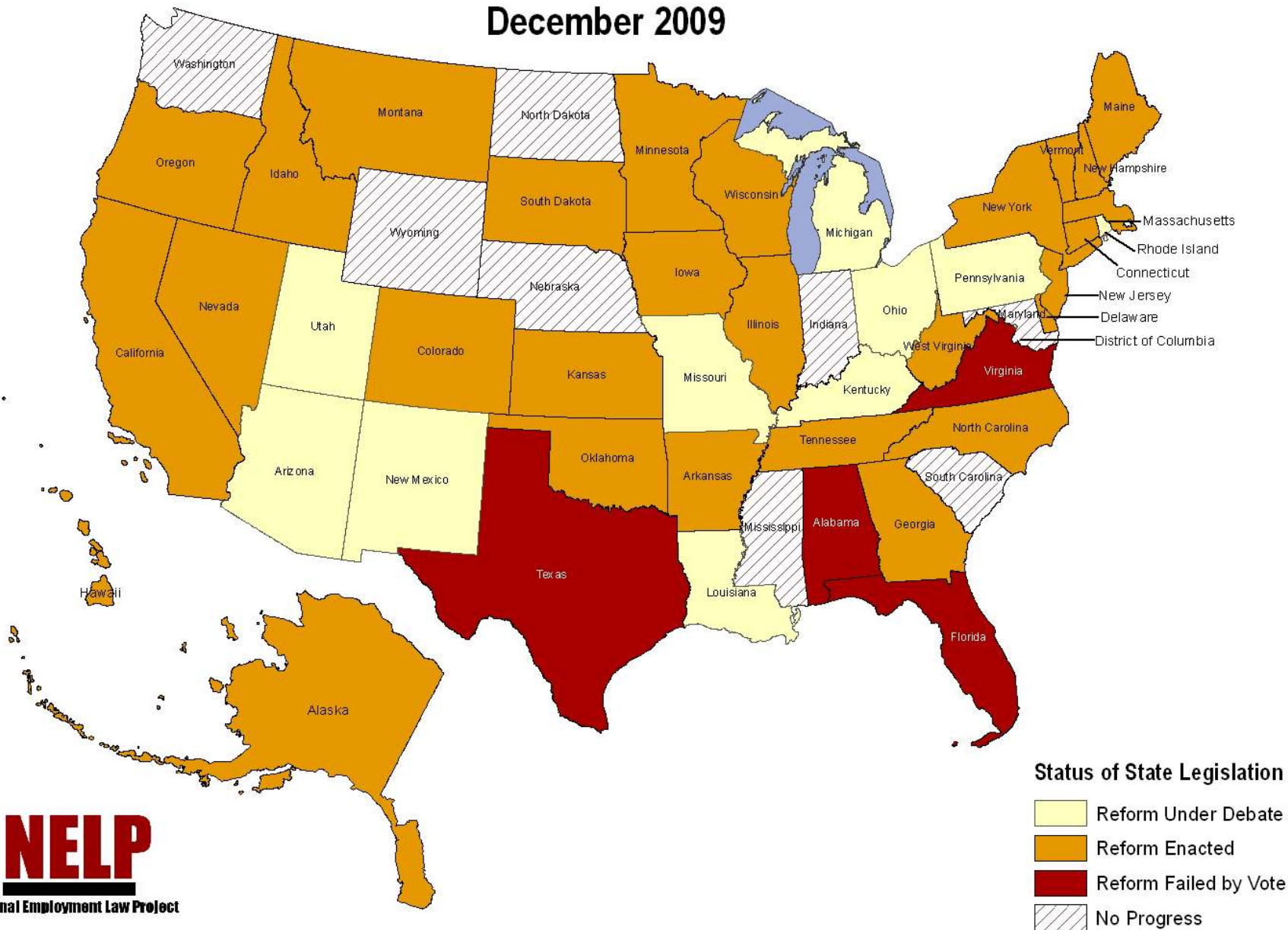
- **Part Time:** UI/MA requires states to pay UI to part time workers seeking part time work if majority of base period wages were in part time work
- **Family Quits:** Requires 3 components to meet UI/MA:
 - trailing spouse
 - quits for dependent care
 - domestic violence
- **UI in training:** Must provide up to 26 weeks added state benefits for participants in approved training
- **Dependency Allowances:** Must provide at least \$15 a week—or a total of \$50—for up to 4 dependents

UI Modernization Progress

- Since February 2009, 31 states have passed UIMA laws, with 29 states doing UIMA in full
- NM is qualified as well without changes
- 30 states w/ full UIMA

ARRA UI Incentive Funding Reforms: State Activity Status

December 2009



UI Modernization Activity

UIMA Options Selected

- 19 new states passed mandatory ABP element under UIMA and have joined existing 19 ABP states for a total of 38 ABP states

UIMA Options Selected-2

- 16 states have adopted all 3 options under UIMA for compelling reasons for family quits with 19 overall having these options
- 13 states passed UIMA's version of part time UI, for a total of 27 states meeting UIMA part time requirements
- 12 states have amended their UI laws to pay up to 26 weeks added state benefits to approved training participants (UI in training), joining an existing state to make 13 states with UI in training under UIMA
- IL, TN did dependent allowances

UI Modernization Timeline

- In 2009, 29 states passed UIMA related legislation of some sort
- 25 states fully implemented UIMA in 2009 with MD passing part time and AK,SD,WV passing ABP only
- In 2010, five states have passed UIMA laws (AK,MD,NE,SD,UT)
- 4 states fully implemented ABP in 2010 (AK,MD,NE,SD), and all but NE and UT had passed UIMA elements in 2009
- States have until August 2011 to act

Future UI Modernization

- Only 20 of the 51 states have not passed UIMA laws
- Of these 20 states, NM qualifies for UIMA and 5 have ABP, qualifying for 1/3 incentive (MI, OH, RI, VA, WA)
- Of the 19 “holdout” states, some already have optional UIMA elements in place—example, LA has part time UI
- Roughly \$2.8 billion in UIMA incentive funding remains on the table for the 19 holdout states

UI Modernization Debate-1

Criticism 1: UIMA contains “federal strings” that impinge on state discretion/ control of UI

Response 1: (a) States are free to ignore UIMA and approach is less intrusive than a federal standard for these elements (b) Some states have not done a good job

UI Modernization Debate-2

Criticism 2: Incentives don't pay total costs of UIMA reform elements forever

Response 2: Total federal funding of UIMA would amount to a partial federalization of state UI programs and would reduce state/employer responsibility for UI financing

UI Modernization Debate-3

Criticism 3: UIMA expands UI programs at a time when employers cannot afford higher UI taxes

Response 3: UIMA shields employers from initial modest costs of reforms and business profits are already recovering to make costs more affordable in coming years

UI Modernization Debate-4

Criticism 4: Federal partner should not have role in basic UI eligibility

Response 4: (a) Federal role is key to ensure goals of program are met
(b) Employers and states have long accepted EB restrictions' impact on state UI programs (waiting week, 4 x 4 disquals, 20 weeks)

NELP Contact Information

- Visit NELP's website at www.nelp.org
- UI Team, Andrew Stettner, Deputy Director, 212.285.3025, ext. 303; astettner@nelp.org or Maurice Emsellem, Co-Director for Policy, 510.663.5700, ext. 359; emsellem@nelp.org
- Rick McHugh, Staff Attorney, 734.274.4330, ext. 155; rmchugh@nelp.org

