



# Last Chance for Federal Funding to Modernize State Unemployment Insurance Programs

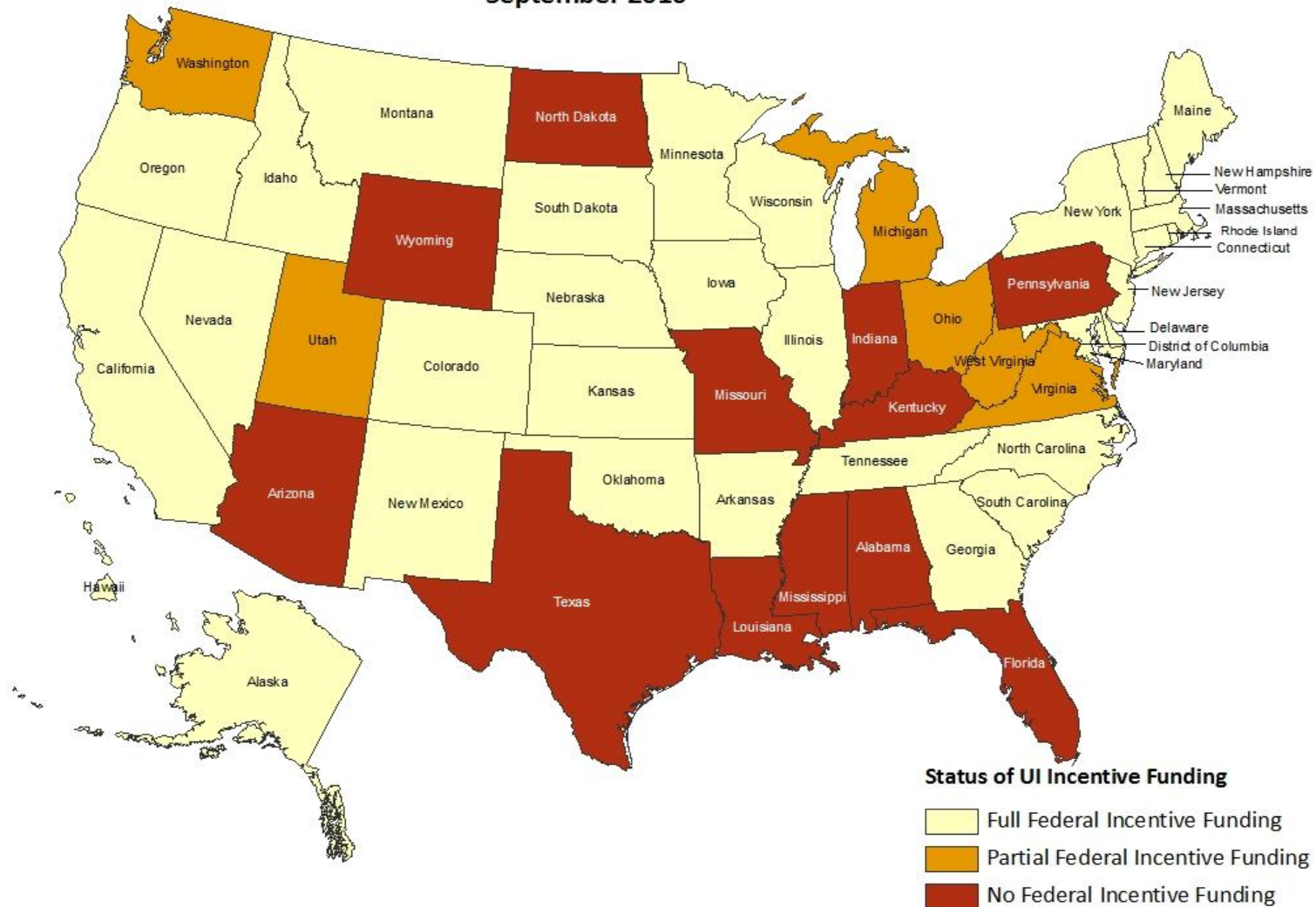
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# *Recovery Act Produces Historic Wave of State UI Reforms*

- All but 18 states passed laws eligible for full Recovery Act's incentive funds to modernize their state unemployment insurance programs (CA and VT have to be fully certified by DOL).
- Taking into account all the states that have passed laws eligible for funding, \$2.7 billion in modernization incentive funding still on the table until August 2011.
- Nine states have introduced modernization bills (MI, MS, ND, OH, TX, VA, WA, WV, WY) and legislative sessions have yet to begin in another three states (AL, FL, LA).

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



# *Breakdown of UI Modernization Reforms Adopted by the States*

Reform	Number of States
Alternative Base Period	39
Part-time Worker Coverage	28
Benefits While Training	16
Dependent Allowance	8
Domestic Violence	32
Spouse Relocates	26
Illness and Disability	24
<u>Qualify for Full Funding</u>	33

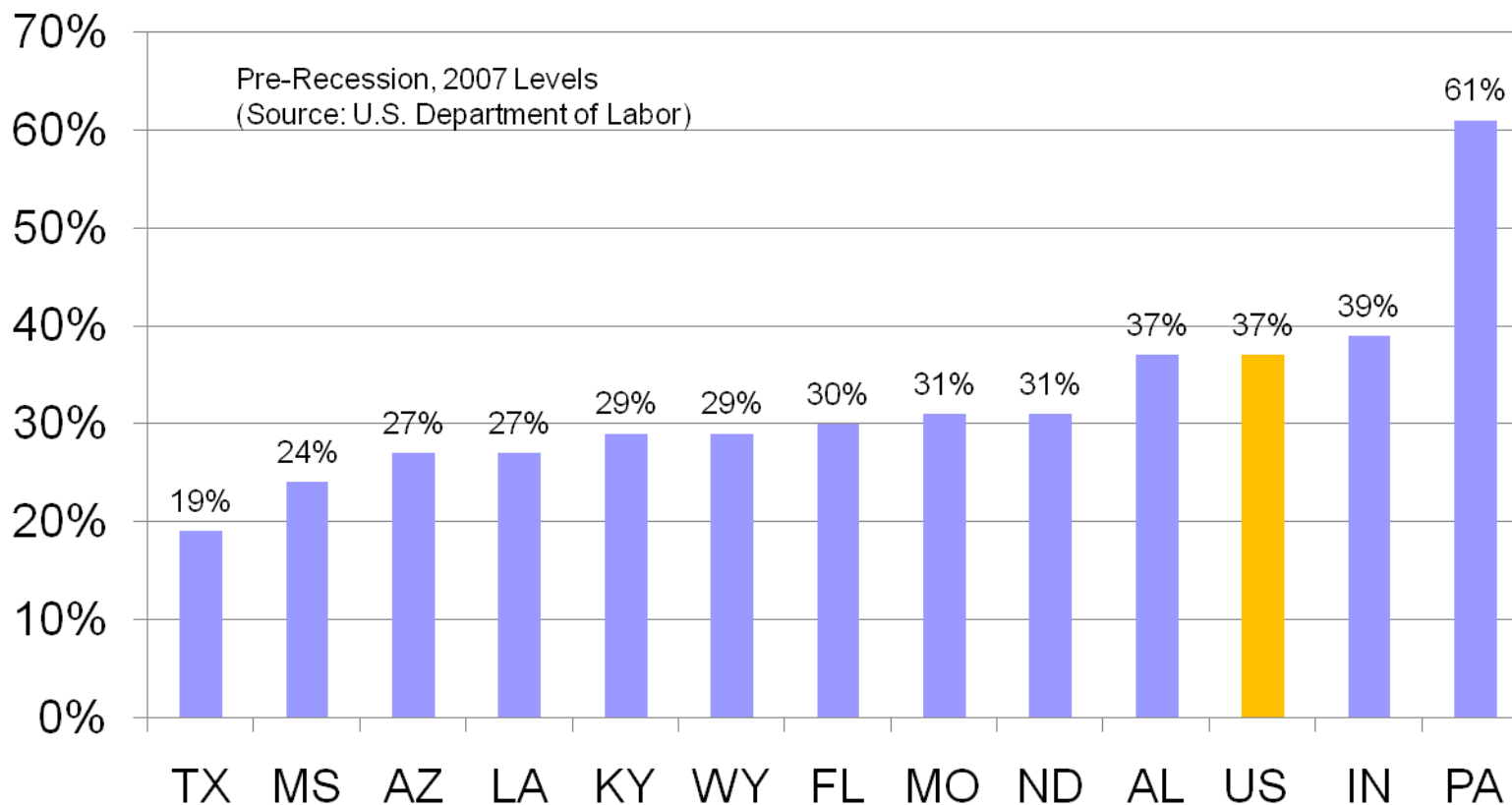
# *UI Modernization Reforms Adopted in States with Broad Bi-Partisan Support*

State	Governor	Legislature
Idaho	Republican	Republican
Utah	Republican	Republican
South Carolina	Republican	Republican
South Dakota	Republican	Republican
Georgia	Republican	Republican
Nebraska	Republican	Unicameral
Alaska	Republican	Split
California	Republican	Democratic
Connecticut	Republican	Democratic
Hawaii	Republican	Democratic
Minnesota	Republican	Democratic
Nevada	Republican	Democratic
Vermont	Republican	Democratic

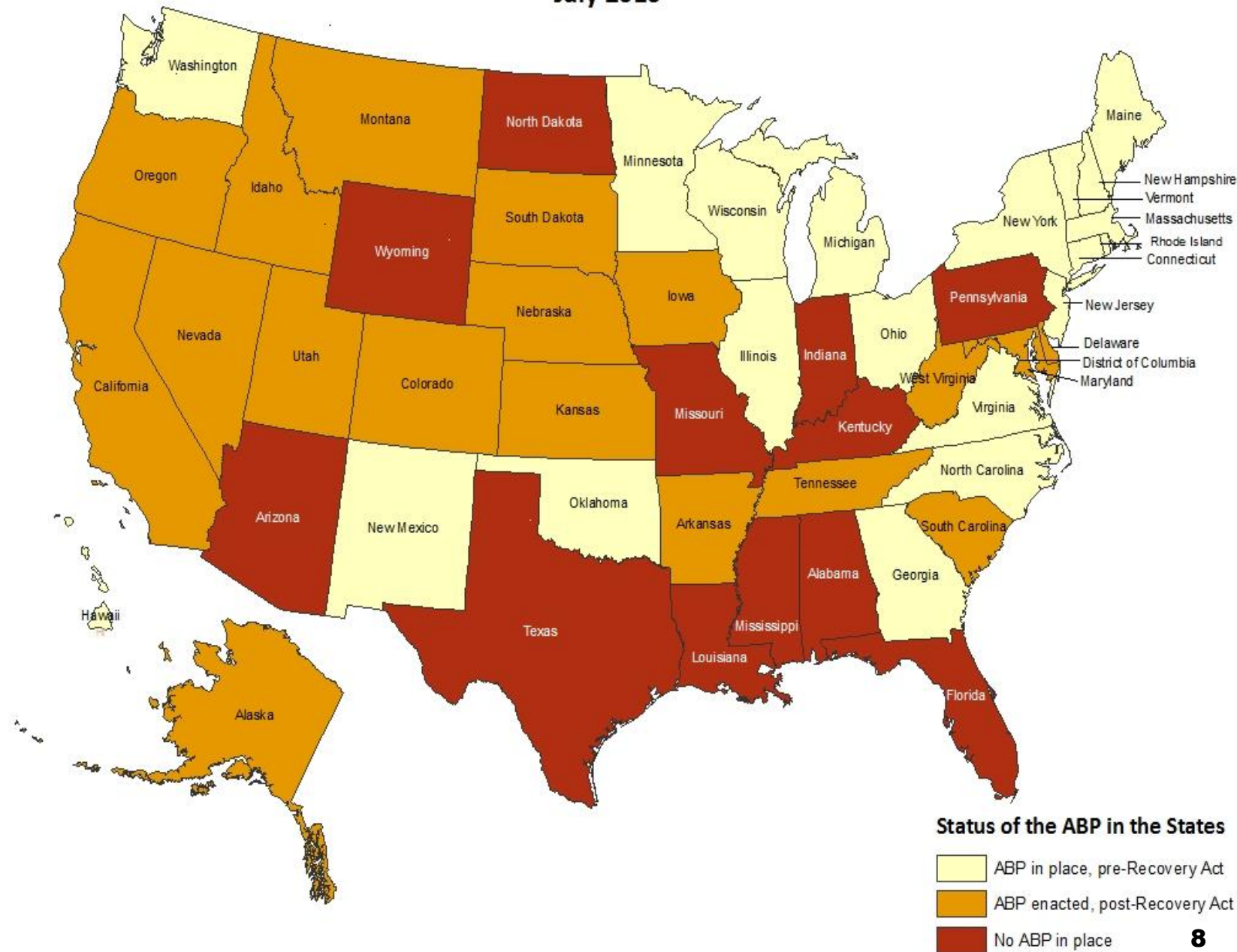
# *#1 Modernization Reforms Critical to Low-Wage Workers in the Remaining States*

- Low-wage workers are twice as likely to be unemployed but one-third as likely to collect state unemployment benefits.
- Much smaller percentage of workers collect benefits in states that have not adopted the modernization reforms.
- “Alternative base period” especially helpful to low-wage workers who fail to qualify for benefits (17.4% of all low-wage workers qualify using the ABP compared to 1.6% of higher wage workers).

# *Percent of the Unemployed Collecting Benefits in the States Without the Alternative Base Period*



# Status of the Alternative Base Period in the States, Pre- and Post-Recovery Act July 2010





## *#2 Federal Incentive Dollars Boost State Unemployment Trust Funds*

- State unemployment trust funds taking big hit, with 10 of the 18 remaining states taking out a total of over \$16 billion in federal loans.
- Federal modernization funds front-loaded (even if the reforms have not taken effect for another year), thus boosting trust funds now when the states need the help most.
- Federal modernization funds represent large percentage of federal loans: Alabama (44%), Arizona (55%), Florida (21%), Virginia (47%).

## *#3 Federal Funds Limit Employer Taxes When They Need the Help Most*

- Employer taxes determined by levels of state unemployment trust funds (the higher the reserves the lower the taxes).
- Especially with low reserves due to the recession, the incentive funding prevents automatic tax increases to replenish the funds.
- On average, federal funds are sufficient to pay for over five years of benefits, but the new benefits are unlikely to trigger higher tax rates given the economy and other larger factors influence the size of the trust fund.
- Examples of employer tax savings: Florida (\$110 million); Maine (\$17 million); Nebraska (\$17 million), South Dakota (\$24 million).

## *#4 Federal Funds a Good Deal for State Administration of the UI Program*

- The Recovery Act provided a boost in funding to support implementation of modernization reforms, outreach and other state administration priorities.
- Special federal funding for state administration totaled \$500 million, with \$213 million already provided to the states that have not yet adopted the reforms.
- For states that have not taken federal loans, their federal incentive grants can also be redirected to support state administration of the UI program.