The Unemployment Insurance Modernization Act: Filling the Gaps in the Unemployment Safety Net While Stimulating the Economy

1. What is the Unemployment Insurance Modernization Act?

The Unemployment Insurance Modernization Act (UIMA) is bi-partisan federal legislation (S. 1871/H.R. 3920, Title IV) that provides substantial financial incentives for the states ($7 billion) to close the major gaps in the unemployment program that deny benefits to large numbers of hard-working families. In addition, the measure provides $500 million in necessary funding for state agencies to better serve the record numbers of workers now applying for unemployment benefits and seeking to navigate today's challenging job market.

2. What are the most serious gaps in the unemployment program and which workers are helped most by the UIMA?

Today, only 37 percent of unemployed workers collect unemployment benefits, which is especially low compared to prior recessions. The workforce has changed fundamentally since the program was created in 1935, with far more low-wage, part-time and women workers in the labor market, and many more workers finding themselves long-term unemployed due to globalization and the loss of manufacturing jobs. However, the unemployment insurance program has not kept pace with the realities of today's economy. The UIMA responds to this challenge by rewarding states that adopt innovative and successful reforms, thus providing benefits to more than 500,000 workers a year who are now falling through the cracks of the unemployment program.

3. What are the specific policy reforms that qualify for incentive funding under the UIMA?

A state qualifies for one-third of its UIMA funding if it has in place a policy called the "alternative base period," which counts a worker's recent earnings when needed for them to qualify for benefits. Over 40% of workers who fail to qualify for benefits because of insufficient earnings (whose earnings average just $9.00/hour) end up collecting benefits with the help of the alternative base period.

To qualify for the remaining two-thirds of the UIMA incentive funding, under the Senate bill the states have the option of providing benefits to workers in at least two of the following five situations: 1) part-time workers who are denied state benefits because they are required to seek full-time work; 2) individuals who leave work for compelling family reasons, including domestic violence; 3) workers with dependent family members who qualify for state benefits but whose benefits should be increased to help care for their dependents; 4) permanently laid off workers who require extra unemployment benefits to participate in training; or 5) the long-term unemployed who fail to collect a full 26 weeks of state benefits in many states.

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4. How much will the UIMA incentive funding help states to quickly enact the model reforms?

Over the past decade, more than half the states have adopted the sound reforms that qualify for incentive funding under the UIMA. During recessions, states are most likely to seek improvements to their unemployment program. Thus, the UIMA is now especially well positioned to build on the recent state interest and momentum to reform the program. Under the UIMA, 19 states would automatically qualify for about $1.5 billion in funding based on policies that meet the requirements of the UIMA, thus allowing them to further expand benefits with the new funding. Most of the remaining states would qualify for enough funding to pay for several years of new program improvements.

5. How does the UIMA help to stimulate an economic recovery?

Unemployment benefits go a long way to stimulate the economy, providing $2.15 in economic growth for every dollar in benefits spent by workers and their families on housing, groceries and other basic necessities. The workers benefiting most from the UIMA – low-wage, women, part-time and the long-term unemployed – are also those most likely to spend their benefits on basic necessities. Thus, the UIMA will foster both lasting positive reforms and boost the nation's economy to help prevent a more prolonged and deep recession.

6. How is the UIMA paid for, and does the funding increase the federal deficit?

No, the UIMA does not add to the federal deficit. The program is paid for by extending a federal surtax which has been in place for 30 years and is specifically earmarked for the unemployment program.

7. How much support is there for the UIMA in Congress and by President-elect Obama?

The UIMA has already passed the House of Representatives and it has bi-partisan support in the Senate, as well as the backing of many of the nation's Governors. When in the Senate, President-elect Obama was an original sponsor of the Senate bill. While campaigning, President-elect Obama consistently cited the economic boost provided by unemployment benefits, and the need for "an expansion of UI eligibility to more workers, including many part-time and non-traditional workers who are currently left out of the program." Obama Campaign Press Release, "Obama Discusses Plan to Help Families, Stimulate the Economy" (April 10, 2008).

The Unemployment Insurance Modernization Act In the News

Michelle Singletary (Columnist), "The Unemployed Could Use a Hand, Too,"
Washington Post (November 13, 2008)
"There's a chance that an economic stimulus package will contain provisions to extend unemployment benefits. However, any measure that is passed should also include provisions to update the eligibility rules for unemployment insurance benefits."

Editorial, "Lame Ducks and Recession Politics,"
New York Times (November 9, 2008)
"As they extend jobless benefits, lawmakers can also revamp the unemployment insurance system, along the lines of the modernization bill passed last year by the House. Fully paid for by reauthorizing an uncontroversial employer surtax, the bill would enable states to provide unemployment benefits to workers who are often ineligible, like part-timers."

"Majority of Jobless in U.S. Don't Get Benefits," *Wall Street Journal* (July 29, 2008)
"A bill that would provide $7 billion in incentives for states to allow part-time workers to receive benefits and for people's most recent earnings to be counted passed the House in October."

Estimated State Distributions Under the Unemployment Insurance Modernization Act (in thousands)

State	Does the state have an Alternative Base Period (ABP)?	Estimated Allotment: One-third UIMA Incentive Payment for the ABP	Estimated Allotment: Two-thirds UIMA Incentive Payment	Estimated Allotment: Total share of the $7 billion UIMA Distribution	UIMA Administrative Allocation
Alabama		$32,866	$65,731	$98,782	$7,056
Alaska		$4,966	$9,932	$14,898	$1,071
Arizona		$46,130	$92,259	$138,389	$10,370
Arkansas		$19,014	$38,027	$57,041	$4,043
California		$281,221	$562,441	$843,662	$60,256
Colorado		$40,772	$81,544	$122,316	$8,790
Connecticut	Yes	$27,998	$55,996	$83,994	$5,965
Delaware		$7,710	$15,420	$23,130	$1,633
District of Col	Yes	$7,024	$14,048	$21,072	$1,734
Florida		$145,413	$290,825	$436,238	$31,591
Georgia	Yes	$72,102	$144,204	$216,306	$15,477
Hawaii	Yes	$9,866	$19,732	$29,598	$2,135
Idaho		$10,030	$20,059	$30,089	$2,236
Illinois	Yes	$105,490	$210,981	$316,471	$22,453
Indiana		$49,429	$98,858	$148,287	$10,356
Iowa		$24,110	$48,220	$72,330	$5,148
Kansas		$22,771	$45,542	$68,313	$5,824
Kentucky		$29,893	$59,786	$89,679	$6,346
Louisiana		$30,546	$61,092	$91,638	$6,574
Maine	Yes	$9,442	$18,883	$28,325	$1,975
Maryland		$43,385	$86,771	$130,156	$9,238
Massachusett	Yes	$54,264	$108,529	$162,793	$11,541
Michigan	Yes	$77,786	$155,573	$233,359	$16,060
Minnesota	Partial ABP	$47,012	$94,023	$141,035	$9,961
Mississippi		$18,132	$36,263	$54,395	$3,936
Missouri		$43,581	$87,163	$130,744	$9,693
Montana		$5,913	$11,826	$17,739	$1,292
Nebraska		$14,146	$28,292	$42,438	$2,986
Nevada		$23,751	$47,502	$71,253	$5,228
New Hampsh	Yes	$11,173	$22,346	$33,519	$2,310
New Jersey	Yes	$71,253	$142,505	$213,758	$15,116
New Mexico	Yes	$12,120	$24,241	$36,361	$2,671
New York	Yes	$134,534	$269,067	$403,601	$28,451
North Carolin	Yes	$68,410	$136,821	$205,231	$14,761
North Dakota		$4,704	$9,409	$14,113	$1,018
Ohio	Yes	$93,860	$187,720	$281,580	$19,695
Oklahoma	Capped funding	$23,849	$47,698	$71,547	$5,235
Oregon		$28,455	$56,911	$85,366	$6,172
Pennsylvania		$97,192	$194,385	$291,577	$19,842
Puerto Rico		$14,505	$29,011	$43,516	$2,966
Rhode Island	Yes	$8,135	$16,269	$24,404	$1,720
South Carolina		$31,069	$62,138	$93,207	$6,621
South Dakota		$5,587	$11,173	$16,760	$1,212
Tennessee		$46,718	$93,435	$140,153	$9,600
Texas		$176,710	$353,421	$530,131	$38,646
Utah		$18,850	$37,701	$56,551	$4,197
Vermont	Yes	$4,737	$9,474	$14,211	$997
Virginia	Yes	$65,111	$130,221	$195,332	$13,737
Virgin Islands		$653	$1,307	$1,960	$141
Washington	Yes	$48,384	$96,768	$145,152	$10,557
West Virginia		$10,748	$21,497	$32,245	$2,303
Wisconsin	Yes	$47,828	$95,657	$143,485	$10,122
Wyoming		$4,018	$8,037	$12,055	$917
Total	19	$2,333,333	$4,666,667	$7,000,000	$500,000