



Unemployment Compensation Modernization:
HELPING STATES SUPPORT AMERICA'S WORKFORCE ECONOMY

Just days after President Obama signed the American Reinvestment and Recovery Act of 2009 (ARRA), Americans who have lost their jobs in the economic downturn are already being helped by improvements to their unemployment insurance benefits. As of December 2008, 23 percent of the 11 million unemployed in the U.S. had not been able to find a job despite looking for 27 weeks or more. Unemployment Compensation Modernization, one of a number of unemployment insurance provisions in the economic recovery bill, can help these millions and many more by providing additional critical assistance. While every state will automatically receive some modernization funds, additional funds are available to states that enact reforms to provide additional help to unemployed Americans at this time of economic crisis. This document outlines the Unemployment Compensation Modernization measure that passed as part of ARRA.

“This provision provides good strong support to states so that they can help as many people who have lost their jobs as possible at a time when they most need it, and when they might not otherwise be eligible to receive help,” said Senator Max Baucus (D-Mont.), Chairman of the Senate Committee on Finance. **“Every single state is receiving automatic funds to cover administrative costs. States have the option of enacting reforms to receive additional funds, and I hope they will accept this help for their people and their state economies. The goal here is to provide temporary help to as many people as possible, to get families through this tough time with the additional resources they need just to get by.”**

Helpful facts and highlights of the Unemployment Compensation Modernization provision include:

- Reforms include allowing out-of-work Americans seeking only part-time work to collect unemployment compensation, as well as make eligible those workers who have left their jobs due to the illness or disability of an immediate family member, the relocation of a spouse for employment, or related to incidents of domestic violence.
- States may also choose to provide training benefits to unemployed workers for re-entry to the workforce, and opt to pay unemployed workers an extra \$15 per week for each of their household dependents.

-more-

- The Unemployment Compensation Modernization provision provides sufficient money to cover current state caseloads plus expanded categories of part-time workers, those who have left a job because of a family illness or disability, the relocation of a spouse for employment, or for other compelling family reasons.
- The Unemployment Compensation Modernization provision gives money to states in three ways, first, all fifty states automatically receive funds from a \$500 million allocation to help with administrative expenses related to unemployment insurance programs; second, states that account for workers' most recent wages and hours in considering eligibility receive additional funding. Third, states that enact at least two reforms, e.g. eligibility of part-time workers and workers who have left their job due to an illness in the family may also receive additional funds. Some governors have indicated that they may not track wages and hours or enact reforms in order to receive additional available funds.
- States are not required to enact reforms and receive additional funds. States that do participate are encouraged to evaluate unemployment levels and workforce needs in 2011 when the provision is set to expire. If states decide to discontinue the reforms, they are not obligated to return Federal funds they have received. The temporary provision is designed to help accelerate economic growth and stabilization.
- States have flexibility in determining the start date of reforms to their unemployment insurance programs, as well as the duration of the reforms. For instance, some states may choose to amend state law to accommodate reforms beginning in 2010. Those states would still receive assistance in 2009 as long as the changes to the system are scheduled to take effect within 12 months.
- States and employers – in addition to jobless workers struggling in this recession – benefit from expanded unemployment insurance coverage because additional federal funding of state unemployment trust funds helps to bolster state reserves, allowing governments to avoid raising taxes on employers.
- Nineteen of fifty states have already expanded unemployment compensation coverage by counting the most recent weeks worked. Four states have already implemented the additional reforms and will qualify for full funding right away.
- The reforms in this provision were supported by a bipartisan commission of the Department of Labor. They provide critical help to states seeking to accommodate increasing numbers of out-of-work Americans, especially low-wage, part-time and women workers who now fall through the cracks of the unemployment program.

