NELP

National Employment Law Project

The American Reinvestment and Recovery Act's Modernization Provisions: Benefit Funding and Workers to Benefit in States that Adopt ARRA Incentive Reforms

The American Reinvestment and Recovery Act (ARRA), passed in February 2009, provided federal resources to states to modernize their unemployment insurance programs, meeting the needs a changing workforce as well as the increased demands of the worst recession experienced in decades. Following the ARRA's passage, 28 states have enacted reforms to update and modernize their UI programs – thus allowing traditionally excluded workers to become eligible for benefits – and 32 states in total have received over $2.8 billion in incentive funding to date. Many additional states are currently considering legislation that would allow them to draw upon ARRA funding; this fact sheet provides estimates for annual benefit amounts, as well as the number of workers to benefit, in these states that have yet to enact reforms.

In order to qualify for the first one-third of incentive funding, a state must have an Alternative Base Period in place, which allows UI applicants to count their most recent wages when applying for benefits. The remaining two-thirds of a state's funding allotment can be received once a state has two of the following reforms: 1. Coverage for part-time workers who are denied benefits because they are required to seek full-time work; 2. dependent allowances of at least $15 per dependent; 3. extended UI benefits while claimants are in approved training programs; 4. UI benefits for workers who have to leave a job due to compelling family circumstances, including the illness or disability of a family member, a spouse who has to relocate because of work, and domestic violence. More information on the specifics of these provisions can be found here: http://www.nelp.org/page/-/UI/uimastatelegislation.pdf.

What follows are NELP's estimates of the annual amount of benefits distributed, as well as the number of workers to benefit, in states that have yet to receive their full ARRA incentive funding allotment. A brief description of the methodology is provided along with the estimates. Many states will also do their own estimates for these provisions, and advocates are encouraged to contact their state agency for any other information on modernization costs and benefits. Further questions on NELP's method or figures may be directed to Christine Riordan (criordan@nelp.org).

NELP's Estimates of ARRA Modernization Reforms

NELP's estimates are based on 2008 data on UI recipiency from the Department of Labor. 2008 claims levels are fairly consistent with what the DOL has projected in terms of UI recipiency over the next few years, and the estimates below should reflect near-term costs of modernization.

Alternative Base Period

NELP's estimates for the alternative base period (ABP) are based on the number of people in each state who are determined to be ineligible for benefits based on their wages – in other words, they have "insufficient wage credits" needed to meet the minimum wage qualifications set by the state for benefit eligibility. Evaluation of states with an ABP already in place shows that 40 percent of claimants who are denied benefits based on insufficient wages would be eligible for benefits with an ABP.[1] Using state-level data from the DOL, we estimate the number of people who would be brought into a state's system with an ABP.

There are additional factors to consider when estimating the benefit amounts distributed annually with an ABP. For example, claimants brought into the UI program through an ABP tend to have lower wages, and therefore will collect a lower benefit amount and for a lesser period of time, both of which are factored into the estimates.[2]

Part-Time Worker Coverage

Estimates for the number of people brought into a state's UI program are based on the number of unemployed, per state, that are looking for part-time work.[3] From this data element, the number of people who would be eligible for UI benefits is estimated by using the state's UI recipiency rate and accounting for monetary eligibility.[4] Also considered in the estimates are the limited part-time eligibility provisions that some states already have in place – such are not yet fully ARRA compliant, but do lower the cost of implementing complaint part-time worker coverage.

Additional UI While in Training

Benefits distributed through extended UI benefits during training is based on DOL data regarding the percent of UI claimants who are enrolled in approved training during their regular 26 weeks of state benefits. These state percentages are applied to the number of state exhaustees from the regular program – these are people who have run through their 26 weeks of state benefits, and would benefit from a training-related extension. The average weekly benefit amount is assumed in cost calculations, as well as a duration of 26 weeks (the number of weeks required by the ARRA). As with part-time coverage, partial implementation of training extensions (for example, some states have training extensions for less than the required 26 weeks) is accounted for in NELP's estimates.

Compelling Family Reasons for Leaving Work ("Quit with Good Cause")

Compelling family provisions include estimates for three different reforms: leaving work due to spousal relocation, illness or disability of a family member, and domestic violence. Since many states have one or two of these reforms – but not the needed three in order to be ARRA-compliant – existing provisions within each state are accounted for in NELP's estimates.

These estimates are based on DOL determinations regarding UI eligibility of claimants who had voluntarily quit their jobs. States that have policies allowing for personal or compelling circumstances for leaving a job have higher approval rates for voluntary quit cases, and thus award benefits to more claimants in this category. By assessing DOL data on voluntary quit determinations, we are able to estimate the effect of these provisions by comparing states with good cause in place to those with no or partial good cause. NELP estimates that enacting all three of these provisions would increase voluntary quit approval ratings by

8 percent. The average weekly benefit amount, per state, is assumed in the cost, and average duration is weighted by the number of new claimants subject to determinations.

Please note that due to the varied nature of dependent allowances in individual states, NELP has not produced comprehensive dependent allowance estimates for all states.

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[1] *Clearing the Path to Unemployment Insurance for Low-Wage Workers, An Analysis of Alternative Base Period Implementation,* National Employment Law Project and the Center for Economic and Policy Research, August 2005

[2] ABP claimants are estimated to receive 70 of the average weekly benefit amount for 70 of the average duration. *Methodology for Estimating Costs of Proposed Benefit Expansions*.US Department of Labor, June 26, 2000.

[3] This data is available from the Current Population Survey.

[4] Wander and Stettner, "Why are many jobless workers not applying for benefits?" Monthly Labor Review 2000.

Benefits of Key Reforms Paid for By Federal Modernization Funding

Workers Benefitting, and Benefits Paid, in States without Reform Provisions

Prepared by the National Employment Law Project, November 2009

State	Alternative Base Period		Part-Time Worker Coverage		Family Reasons for Leaving Work		Total	
	Workers Benefitting	Benefits Paid (in millions)	Workers Benefitting	Benefits Paid (in millions)	Workers Benefitting	Benefits Paid (in millions)	Workers Benefitting	Benefits Paid (in millions)
Alabama	17,117	$18.4	5,548	$4.6	2,199	$4.0	24,865	$27.0
Alaska	0	$0	1,656	$1.8	493	$1.2	2,149	$3.0
Arizona	13,908	$22.1	7,615	$9.3	0	$0	21,523	$31.4
District of Columbia	0	$0	0	$0	208	$1.2	208	$1.2
Florida	63,138	$112.1	9,973	$13.6	13,084	$39.4	86,194	$165.0
Indiana	27,053	$50.5	7,904	$11.3	1,772	$5.6	36,728	$67.4
Kentucky	7,871	$16.3	4,654	$7.4	1,692	$5.9	14,217	$29.6
Louisiana	15,040	$21.1	0	$0	1,685	$4.0	16,725	$25.1
Maryland	14,456	$32.6	0	$0	2,894	$11.1	17,350	$43.7
Michigan	0	$0	21,891	$36.9	5,084	$19.0	26,975	$55.9
Mississippi	6,310	$7.3	2,407	$2.1	1,604	$3.1	10,322	$12.6
Missouri	22,719	$37.8	8,181	$10.4	3,992	$11.2	34,893	$59.4
Nebraska	1,890	$2.6	0	$0	0	$0	1,890	$2.6
North Dakota	428	$0.6	829	$0.9	254	$0.6	1,511	$2.2
Ohio	0	$0	19,913	$33.7	3,615	$13.5	23,528	$47.2
Pennsylvania	48,821	$129.2	0	$0	3,052	$13.7	51,873	$142.9
Rhode Island	0	$0	0	$0	219	$1.1	219	$1.1
South Carolina	13,938	$21.8	4,637	$5.5	1,890	$5.0	20,465	$32.3
South Dakota	0	$0	0	$0	177	$0.4	177	$0.4
Texas	36,711	$73.0	13,454	$20.5	2,879	$9.7	53,044	$103.2
Utah	1,623	$3.4	2,593	$4.1	787	$2.8	5,002	$10.3
Virginia	0	$0	9,206	$12.0	1,218	$3.5	10,424	$15.5
Washington	0	$0	11,142	$19.4	0	$0	11,142	$19.4
West Virginia	0	$0	1,966	$2.4	720	$1.9	2,686	$4.3
Wyoming	1,014	$2.0	0	$0	158	$0.5	1,172	$2.6

Estimated Years of Benefit Reforms Paid for with Federal UI Modernization Funding

National Employment Law Project, November 2009

State	Remaining Share of the $7 billion UIMA Distribution (in millions)	Total Benefits Paid under Reforms (in millions)	Number of Years of State Reforms Paid with Federal Dollars
Alabama	$100.5	$27.0	3.7
Alaska	$15.6	$3.0	5.1
Arizona	$150.1	$31.4	4.8
District of Columbia	$18.4	$1.2	15.7
Florida	$444.3	$165.0	2.7
Indiana	$148.5	$67.4	2.2
Kentucky	$90.2	$29.6	3.0
Louisiana	$98.4	$25.1	3.9
Maryland	$126.8	$43.7	2.9
Michigan	$138.7	$55.9	2.5
Mississippi	$56.1	$12.6	4.5
Missouri	$133.3	$59.4	2.2
Nebraska	$43.6	$2.6	17.0
North Dakota	$14.6	$2.2	6.8
Ohio	$176.2	$47.2	3.7
Pennsylvania	$273.3	$142.9	1.9
Rhode Island	$15.7	$1.1	14.3
South Carolina	$97.5	$32.3	3.0
South Dakota	$11.7	$0.4	32.6
Texas	$555.7	$103.2	5.4
Utah	$61.0	$10.3	5.9
Virginia	$125.5	$15.5	8.1
Washington	$97.6	$19.4	5.0
West Virginia	$22.1	$4.3	5.2
Wyoming	$14.2	$2.6	5.6

States (including D.C.) that Receive Funding for:	
Over 3 Years	21 states
Over 5 Years	12 states
Median	**4.8 years**

ARRA Incentive Reform: Providing State Extended Benefits to Workers in

Workers Benefitting, and Benefits Paid, in States without Reform Provisions

Prepared by the National Employment Law Project

State	Workers Benefiting	Benefits Paid (in millions)
Alabama	595	$3.1
Alaska	346	$1.9
Arizona	238	$1.4
District of Columbia	68	$0.5
Florida	2,572	$16.0
Indiana	1,555	$12.4
Kentucky	478	$3.8
Louisiana	645	$3.5
Maryland	511	$4.1
Michigan	1,684	$13.2
Mississippi	482	$2.4
Missouri	828	$5.5
Nebraska	345	$2.2
North Dakota	70	$0.5
Ohio	2,261	$18.5
Pennsylvania	1,663	$15.0
Rhode Island	244	$0.7
South Carolina	791	$7.8
South Dakota	12	$0.1
Texas	2,118	$12.4
Utah	403	$3.2
Virginia	1,082	$8.5
Washington	1,387	$5.8
West Virginia	447	$3.3
Wyoming	93	$0.6