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SURVEY SHOWS MOST STATES WOULD *NOT* USE UNEMPLOYMENT INSURANCE FUNDS THEY WOULD RECEIVE UNDER HOUSE STIMULUS BILL TO EXPAND OR EXTEND UNEMPLOYMENT BENEFITS

by Wendell Primus

The House stimulus bill would accelerate the distribution to states of $9.3 billion in Federal Unemployment Insurance Trust Fund reserves that states otherwise are scheduled to receive over a period of years under a federal statute known as the Reed Act. House Ways and Means Committee chairman Bill Thomas often portrays this provision of the House bill as providing $9.3 billion in added assistance for unemployed workers.

Such a portrayal, however, is inaccurate. A new survey of states conducted by the National Association of State Workforce Agencies shows most states would *not* use any of these funds to expand or extend unemployment benefits.[1]

Background

The $9.3 billion in question would be transferred from the Federal Unemployment Insurance Trust Funds to state unemployment insurance trust funds. It is to be expected that most states would use a substantial share (or all) of these funds to strengthen the reserves in their state unemployment trust funds, rather than to expand or extend unemployment benefits. States have no way of knowing how long or deep the recession will be, and they understandably are concerned that their reserves be adequate to weather the recession.

Many states also would be expected to use a portion of the transferred funds to help cover their costs in administering the unemployment insurance program. State administrative costs for unemployment insurance increase during an economic downturn, when the number of people seeking unemployment benefits rises. In addition, in some states in which state unemployment trust fund reserves are low, states would be expected to use a portion of the transferred funds to avoid borrowing, increasing unemployment taxes or reducing unemployment benefits.

Survey Results

[1] The survey, "How Would Your State Use An Accelerated Reed Act Distribution? A Summary of A State Survey by the National Association of State Workforce Agencies" is available on the NASWA website (www.naswa.org).

A new survey by the National Association of State Workforce Agencies confirms these expectations. In the survey, to which 38 states responded, states were asked what use they would make of the $9.3 billion in accelerated Reed Act funds they would receive under the House bill. The survey findings include the following. (Note: Findings presented in quotations are taken verbatim from the NASWA report.)

- "Most responding states said they would not expand or extend benefits."

- "Most responding states said they would *not* create an extended benefit program for those exhausting regular benefits if they received the Reed Act Distribution."

- "Most responding states said they would *not* increase the weekly benefit amount if they received the Reed Act distribution."

- "Most responding states said they would *not* adopt an alternate base period that considers more recent wages in determining eligibility if they received the Reed Act distribution."

- Most states that do not cover part-time workers indicated they would not use the Reed Act funds to extend coverage to part-time workers.

In short, accelerating the transfer of these funds from the Federal Unemployment Insurance Trust Funds to state unemployment trust funds is *not* a substitute for the provisions in the Senate Finance Committee stimulus legislation (and in unemployment insurance legislation introduced in the House by Reps. Charles Rangel, Ben Cardin, and others) that would expand and increase unemployment benefits. Simply accelerating the transfer of funds to state unemployment accounts would do little to improve unemployment benefits in the months ahead.

This conclusion is borne out by Congressional Budget Office estimates, as well. CBO estimates that if the $9.3 billion in funds are transferred now, only $2.3 billion of these funds will actually be used in fiscal year 2002 either for benefit expansions or for administrative costs. Furthermore, it appears from the state responses to the NASWA survey that a sizeable share of the funds that would be spent this year would go for administrative costs rather than for strengthening benefits.