Emergency Unemployment Compensation Legislation Includes More than Extension - Senate and House Likely to Disagree

President Obama has indicated support for an extension of EUC. Senate Majority Leader Harry Reid is scheduling extension legislation for a cloture vote (need 60 votes) on January 6th, and there is a concerted campaign of press releases, interviews, etc. ramping up the pressure to force Congress to "renew federal jobless aid".

The bill is more than an extension of EUC

The legislation, S 1845 sponsored by Senator Jack Reed (D-RI) and Senator Dean Heller (R-NV), that is slated for a cloture vote in the Senate on January 6th is a three month extension of unemployment related stimulus provisions, including the EUC program that expired for EUC claims the week ending December 28th. It includes more than an EUC extension See bill text at http://www.gpo.gov/fdsys/pkg/BILLS-113s1845pcs/pdf/BILLS-113s1845pcs.pdf Other items continued include

1) the 100% reimbursement of state unemployment trust funds for regular extended benefits from the federal extended unemployment compensation account
2) the "non-reduction" provision that conditions EUC funding on a state not enacting legislation that results in a reduction of the average weekly benefit amount of state unemployment compensation as compared to June 2, 2010
3) elimination of the requirement that individuals serve a non-compensated waiting week before being eligible for regular extended benefits
4) special provisions for individual weekly benefit amounts not to be reduced for individuals receiving EUC that would otherwise be reduced or discontinued because they had employment that qualified them for regular unemployment compensation
5) extension of provisions permitting states to reduce the unemployment rates at which regular extended benefits would trigger "on"
6) extension of temporary administrative funding for state reemployment services and reemployment and eligibility assessment activities
7) additional extended unemployment compensation under the Railroad Unemployment Insurance Act, and
8) a special provision (apparently designed to address the cancellation of EUC in North Carolina) enabling states that enacted laws before December 1, 2013 to be able to enter into an agreement to pay EUC.

The bill will cost a CBO estimated $6.414 billion and result in state UI tax increases

The bill is estimated by the Congressional Budget Office to cost a net $6.414 billion over the 10 year budget period. There is no "pay for" for this. The CBO projection found at http://www.cbo.gov/sites/default/files/cbofiles/attachments/s1845.pdf is that there will be an increased pay out of $6.555 billion in FY 2014 and additional federal revenue from an increase in state UI tax revenue of $141 million from 2015-2021. CBO assumes that there will be an increase in UI duration related to the availability of EUC. CBO further assumes that state UI revenues would rise to pay for that increase (over time). There is also a small reduction in state UI revenues (that obviously doesn't offset the increase) that is related to the 100% EB provision – states unemployment trust fund accounts save by not having to finance EB payments for those 3 months.

UWC – STRATEGIC SERVICES ON UNEMPLOYMENT & WORKERS' COMPENSATION
910 17th Street, N.W., Suite 1070, Washington, D.C. 20006
Phone (202) 223-8902 • Fax (202) 783-1616 • www.UWCstrategy.org

Administration will be difficult

The amendments generally take effect as if they had been included in the previous extension so that weekly claims for weeks beginning after December 28, 2013 could be paid if claimed based on state law. This will result in some claimants that chose not to continue filing weekly EUC claims when the program ended scrambling to file claims after the fact, states having to send out notices and permit retroactive claims, lack of good documentation of able, available and actively seeking work requirements before payments are made, and increased erroneous UI payments. The temporary provisions will end in just three months.

Senate and House Agreement is not likely

As of December 31st, there appeared to be no plan by the House to take up S 1845 if it were to pass the Senate. If S 1845 receives the 60 votes to avoid cloture on January 6th the Senate could move to take it up later next week, pushing Senate passage most likely to Wednesday, January 8th at the earliest. Because the House Speaker has indicated that any EUC extension must be "paid for" and such legislation be combined with job creation initiatives, it is not likely that the House would consider S 1845 without significant amendments that are also not likely to be developed until the following week at the earliest.

UWC Position on "Non-reduction" Provision

UWC has taken the position that the "non-reduction" provision, which is part of the EUC extension should not be continued because it restricts states from addressing state UI trust fund solvency. For many states that still have outstanding Title XII loans, the combination of the extension of the "non-reduction" provision with the Benefit Cost Rate (BCR) add on provisions that impact FUTA tax rates, would be to handcuff these states by requiring that they take no measures to reduce the net solvency of their UI trust funds in 2014 as a condition of having higher FUTA taxes imposed and on the other hand restrict them from enacting measures that would reduce the average weekly benefit amount.

We are discussing the provisions of S 1845 with the Senate sponsors and House congressional staff and will provide an update if this bill or an amended version gains traction in the coming weeks.