

Policy Change Would Extend Unemployment Benefits for Jobless West Virginians

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August 4, 2009

More than 6,100 jobless workers in West Virginia will run out of unemployment benefits by the end of 2009, according to estimates from the National Employment Law Project.¹ Of these workers, nearly 4,000 are expected to lose their benefits by the end of September. Their job prospects remain gloomy, as the state's unemployment rate has more than doubled over the past seven months.

West Virginia could provide additional help to jobless workers under provisions of the American Recovery and Reinvestment Act (ARRA). States with high unemployment rates may provide up to 20 more weeks of "Extended Benefits," fully paid by the federal government. All that West Virginia needs to do to take advantage of these federal funds is to enact a temporary change in the state's "trigger" for Extended Benefits. Doing so will generate an estimated \$33.6 million for West Virginia's workers and economy.

West Virginia's Current Unemployment Benefits Are Limited to 59 Weeks.

The loss of a job and the paycheck that goes with it often spells doom for working families. Created as a response to the Great Depression of 1935, when millions of American families lost their jobs and homes, the unemployment insurance program has become the primary safety net for jobless workers. In West Virginia, workers who qualify for unemployment benefits currently receive up to 59 weeks of regular and Extended Unemployment Compensation (EUC) benefits. (See Table 1.)

Table 1: State Unemployment Benefits for Jobless Workers

Benefit Program	# Weeks	When Available	% State-Federal
Regular Unemployment Insurance (UI)	26 Weeks	Jobless worker meets state UI program eligibility criteria.	100% State
Extended Unemployment Compensation (EUC) Tier I	20 weeks	Jobless worker exhausts regular UI benefits.	100% Federal
Extended Unemployment Compensation (EUC) Tier II	13 weeks	Jobless worker exhausts EUC Tier I benefits, plus state IUR reaches EUC Tier II trigger.	100% Federal
Extended Benefits	13-20 weeks	Jobless worker exhausts EUC Tier II benefits, plus state IUR or TUR trigger for Extended Benefits is reached. WV won't reach IUR trigger until Feb. 2010.	100% Federal if triggered by 12/31/09 (50% Federal & 50% State after 12/09)

The regular Unemployment Insurance program provides up to 26 weeks of cash payments to workers who qualify, making up about two-thirds of a worker's lost income. The benefit ceases once a claimant finds a new job. If the claimant remains unemployed after 26 weeks, Extended Unemployment Compensation (EUC) kicks in, providing up to 33 weeks of additional benefits.

There are two tiers of EUC benefits:

- Tier I refers to the first 20 weeks of additional benefits after regular benefits expire. The first 13 weeks were enacted in July 2008 and extended to 20 weeks in November 2008.
- Tier II (enacted in November 2008) provides an additional 13 weeks of benefits when the state reaches a 4-percent Insured Unemployment Rate (IUR), which it did in April 2009. The IUR is the percentage of workers covered by the state's UI program who are receiving UI benefits, whereas, the Total Unemployment Rate (TUR) refers to all workers.

Extended Benefits Would Add Up to 20 More Weeks.

There is an additional program available in states with high unemployment rates called Extended Benefits, which provide 13 to 20 more weeks of payments after other benefits end. The program is an important tool that enables states to assist jobless workers during recessions. There are two options states can use to trigger an Extended Benefits period:

- When the Insured Unemployment Rate (IUR) reaches 5 percent; or
- When the Total Unemployment Rate (TUR) reaches 6.5 percent (allowing claimants to receive an additional 13 weeks of benefits), or 8 percent (providing 20 additional weeks of benefits).

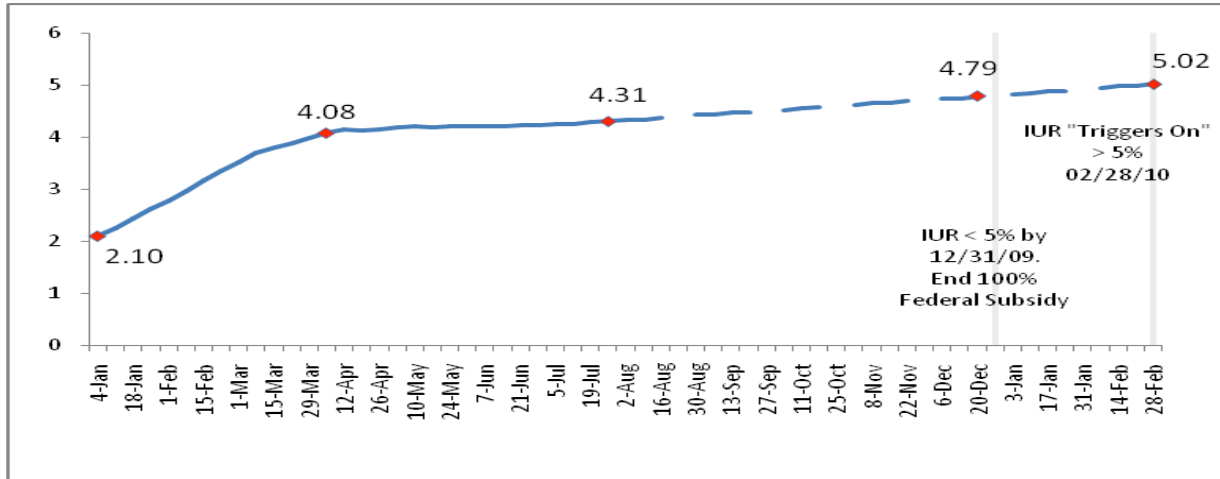
West Virginia currently uses the IUR as the trigger for Extended Benefits, rather than the more accommodating TUR trigger. The state's IUR, now 4.3 percent, must reach 5 percent before jobless claimants who have exhausted other benefits can collect Extended Benefits. If the state's TUR, now 8.4 percent, were used as the trigger instead and made retroactive, claimants who have exhausted other benefits could now be receiving Extended Benefits.

The TUR is calculated by using a 13-week average of the state's unemployment rate. While the U.S. unemployment rate doubled in eighteen months, it took West Virginia only five months to see its unemployment increase two-fold. Since the state's TUR is greater than 8 percent, claimants would receive benefits for potentially 20 weeks.

The passage of the American Recovery and Reinvestment Act (ARRA) provides states with a limited opportunity to maximize federal benefits under the Extended Benefits program. Typically, states and the federal government each pay 50 percent of the cost of Extended Benefits paid to jobless workers. As part of the fiscal relief provided to the states, ARRA authorizes the federal government to pay 100 percent of the Extended Benefits, but only for people living in states that provide these benefits by the end of 2009.

West Virginia's IUR will not reach 5 percent and trigger an Extended Benefits period until the end of February 2010, making the state ineligible for the enhanced federal match. Figure 1 below outlines the actual and estimated rates for West Virginia's IUR.

Figure 1: West Virginia's Actual and Estimated IUR Rates
Actual (solid), Estimated (dash)



Legislature Should Adopt Total Unemployment Rate (TUR) as Trigger for Extended Benefits.

There is a clear and compelling policy option available to the state to provide additional aid to West Virginia’s jobless workers in the midst of a national recession. By adopting the TUR as its trigger for Extended Benefits, the state would not only help jobless workers and their families, but would do so with full federal funding under ARRA if the Legislature acts before the end of this year. West Virginia’s 8.4 percent TUR qualifies claimants to receive the maximum 20 additional weeks of 100-percent federally subsidized benefits.

Currently, 22 states use the TUR as their trigger for Extended Benefits. Many of these adopted the trigger on a temporary basis through the end of the year. This reduces possible long-term costs to the state once the federal share drops back to 50 percent.

Unemployment insurance benefits are also good for the local economy. Changing the trigger for Extended Benefits would generate \$33.6 million for West Virginia workers and local economies.² Doing so before the end of the year would result in the federal government paying 100 percent of the cost. After December 2009, 50 percent (\$16.8 million) would be funded by state unemployment taxes paid by West Virginia businesses.

Moody’s.com estimates that each dollar spent on unemployment compensation generates a \$1.63 in local economic activity³. Unemployment compensation benefits, unlike tax cuts, are usually spent on immediate and essential needs such as house payments, utilities, groceries and car payments.

States must modify their unemployment laws in order to implement the TUR trigger option. While Kentucky initially made this change using an emergency administrative rule crafted by the executive branch,⁴ the most straightforward route in West Virginia would be for the Legislature to enact this change during a Special Session this fall. If enacted in September, nearly 6,100 jobless workers could be spared termination of benefits. If enacted retroactively, workers whose benefits expired earlier in the year could be reinstated for up to 20 weeks.

¹ National Unemployment Law Project. “NELP Analysis: Over Half a Million to Exhaust Benefits by End of September; 1.5 Million by End of ’09,” July 24, 2009.

http://nelp.3cdn.net/fc4bd4e4ad6f2e26c6_oqm6i2qrf.pdf

² Based on average weekly benefit of \$274, multiplied by 20 weeks (\$5,480/beneficiary), multiplied by estimated 6,136 beneficiaries = \$33,625,280. (Data source: Workforce West Virginia)

³Mark Zandi, Moodys.com. Written Testimony Before US Senate Budget Committee, Nov. 19, 2008,

http://www.economy.com/mark-zandi/documents/Senate_Budget_Committee_11_19_08.pdf

⁴ EKB NEWS. “Unemployment Benefits Extended in Kentucky for 13 Weeks,” July 03, 2009.

<http://www.wdhr.com/news/2008/07/unemployment-benefits-extended-in.html>

The West Virginia Center on Budget and Policy is a policy research organization that is nonpartisan, nonprofit, and statewide. It focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families. The Center is supported with funding from the W.K. Kellogg Foundation, Claude Worthington Benedum Foundation, Center on Budget and Policy Priorities, Sisters of Saint Joseph Charitable Fund, Annie E. Casey Foundation, Wider Opportunities for Women, Service Employees Union International 1199, and West Virginia Affiliated Construction Trades Foundation.