CENTER ON BUDGET AND POLICY PRIORITIES

820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056 center@cbpp.org www.cbpp.org

Revised November 21, 2002

ALL UNEMPLOYED WORKERS WILL LOSE TEMPORARY FEDERAL HELP ON DECEMBER 29 UNLESS HOUSE ACTS ON FRIDAY

by Isaac Shapiro and Wendell Primus

On Friday, November 22, the House of Representatives will have one last chance to prevent the federal temporary unemployment benefits program from expiring on December 28. The Senate will adjourn for the year tonight, and the only option left for continuing this program will be for the House to adopt bipartisan Senate legislation to extend this program for three months. This is unlikely to occur unless the Administration, which largely has been missing from the debate over this matter in the past two weeks, exerts leadership on this issue and urges the House to act.

If the House fails to act, the consequences for the unemployed will be immediate and dramatic:

- At the end of the year an estimated *830,000 jobless workers* who will be receiving these benefits will have them cut off immediately.
- Starting on December 29, an additional *95,000 jobless workers per week* will run out of state unemployment benefits without finding a job and get *no* temporary federal unemployment assistance.[1]
- By the end of March, a total *of 2.1 million jobless workers* will not receive temporary benefits who would receive them under the Senate bill. (See Table 1 for state-by-state data.)

If the House fails to act, the TEUC program will only have been in effect for less than 10 months. By contrast, in the wake of the recession of the early 1990s a temporary federal benefits program was in place for 30 months, or three times as long. The TEUC program will expire even though the number of jobs in the economy has actually decreased in the past two months and even though by a number of indicators the current economic slump has hit workers as hard as the recession of a decade ago.

[1] The unemployed in a small handful of states might be eligible for additional UI benefits under the permanent extended benefits program, whose funding is split between the federal government and the states. Currently, three states are eligible for this program.

Finally, letting the TEUC program expire is precisely the wrong step to take when there is widespread agreement about the need for more, not less, economic stimulus. Letting the program expire will diminish economic demand among unemployed workers.

The House versus the Senate Bills

On November 14, the House and Senate each passed bills relating to the TEUC program, which is currently scheduled to expire on December 28. The bipartisan Senate bill, H.R. 3529, extends the entire program for another three months, while the House version, H.R. 5063, sharply cut backs the existing program and lasts for only five weeks. The Senate bill reflects a compromise worked out by Senate Minority Whip Nickles (R-OK) and Senator Clinton (D-NY), amongst others. It passed the Senate by unanimous consent. The approaches differ as follows:

- Under the House bill, unemployed workers who exhaust their regular benefits after December 28 would qualify for federal TEUC benefits only if they live in the very small handful of states determined to have "high unemployment"; only three states now meet the restrictive criteria used to categorize states as high unemployment. Further, even in those small number of states, those benefits would be cut off after February 2.

- The House bill would also provide some modest assistance to a subset of unemployed workers in other states — those who are already receiving TEUC benefits on December 28 but have not yet gotten their full 13 weeks of benefits — by postponing the cut-off date for their benefits until February 2.

- Under the Senate bill, the full TEUC program would continue for another three months, until March 29. As a result, everyone who exhausts regular benefits after December 28 would still be eligible for TEUC benefits. In addition, unlike the House bill, the Senate bill does not impose an arbitrary cut-off date; workers receiving TEUC benefits on March 29 would still continue to receive the full number of weeks for which they are eligible.

Unfortunately, neither bill would help the one million workers who have already exhausted all their TEUC benefits and have still been unable to find a job. Assistance to this category of workers was part of certain earlier Congressional proposals but was dropped in the crafting of the Senate bipartisan compromise.

This week House Republicans resisted overtures from the Senate to find a compromise between their bills. As late as today Senate Democrats offered to agree to scale back the Senate bill to five weeks, but this offer was rejected by House Republicans. The Senate is about to adjourn for the year. The House is in session on Friday and could adopt the Senate bill if the House leadership desired. If the House does not act, the TEUC program will expire on December 28.

If the House does not act, it is possible but by no means certain that Congress could act in early January to assist these unemployed workers retroactively. Such an approach would be administratively burdensome and confusing. At the end of December unemployed workers receiving TEUC benefits would need to be notified that these benefits are ending. A few weeks later they would all need to be notified again that they would be eligible for additional benefits. More importantly, it would add to the precarious financial plight and tricky financial planning of the unemployed. For the large number of long-term unemployed who have already likely exhausted or nearly exhausted their own financial resources, any week without benefits or a paycheck can create difficulties.

Moreover, it is also possible that Congress will *not* act in early January to assist some, most, or all of these workers. Action could be delayed well into January or February, further harming the unemployed, or might never happen at all.

Missed Opportunity for Providing Immediate and Well-Targeted Economic Stimulus

The failure to extend the TEUC program would also represent a missed opportunity to provide ongoing and effective economic stimulus. Unemployment insurance provides well-targeted economic stimulus; its benefits increase consumer spending in the hardest-hit areas and among the hardest-hit workers. Moreover, unemployment benefits go to workers who are likely to spend them quickly, as many of these workers are facing economic hardship and need additional income to meet immediate household needs. Boosting consumer spending quickly is widely viewed as one of the most effective ways (if not the most effective way) to sustain and strengthen the economic recovery.

Indeed, by letting the program expire on December 28, the unemployed will have less money to spend, thereby dampening demand in many of the nation's hardest hit areas. So less economic stimulus, not more, would be provided through unemployment insurance programs.

Table 1. Estimated Number of Workers who Would be Assisted by the Senate Plan (H.R. 3529) to Extend the TEUC Program Until March 31 and Eliminate the "Hard Cut-Off"*

	Estimated Number of Workers Who Would Be Cut Off TEUC at the End of December	Estimated Number of Workers Who Will Exhaust Regular UI Benefits Between December 28 and the End of March	Total Workers Assisted
Alabama	6,000	11,800	17,800
Alaska	5,200	7,500	12,700
Arizona	7,400	12,900	20,300
Arkansas	4,800	10,900	15,700
California	129,900	187,200	317,100
Colorado	14,500	19,700	34,200
Connecticut	10,600	13,700	24,300
Delaware	1,800	2,400	4,200
DC	1,700	3,600	5,300
Florida	40,500	52,700	93,200
Georgia	20,600	37,000	57,600
Hawaii	1,800	2,700	4,500
Idaho	2,700	6,400	9,100
Illinois	41,700	52,100	93,800
Indiana	13,300	25,200	38,500
Iowa	5,300	8,900	14,200
Kansas	4,600	9,600	14,200
Kentucky	6,700	8,900	15,600
Louisiana	7,900	11,600	19,500
Maine	3,000	2,900	5,900
Maryland	7,900	11,800	19,700
Massachusetts	23,700	37,300	61,000
Michigan	32,900	48,900	81,800
Minnesota	11,900	17,900	29,800
Mississippi	5,900	7,800	13,700
Missouri	12,600	20,200	32,800
Montana	1,200	3,200	4,400
Nebraska	2,700	5,900	8,600
Nevada	5,400	11,400	16,800
New Hampshire	800	1,800	2,600
New Jersey	40,700	57,500	98,200
New Mexico	2,000	4,600	6,600
New York	65,900	111,000	176,900
North Carolina	28,000	31,800	59,800
North Dakota	900	1,800	2,700
Ohio	22,900	29,700	52,600
Oklahoma	5,200	9,100	14,300
Oregon	28,800	21,200	50,000
Pennsylvania	35,600	52,700	88,300
Rhode Island	3,100	5,100	8,200
South Carolina	9,900	14,300	24,200
South Dakota	200	600	800
Tennessee	16,400	22,500	38,900
Texas	62,100	151,000	213,100
Utah	5,400	8,200	13,600
Vermont	1,000	1,400	2,400
Virginia	8,600	17,700	26,300
Washington	45,400	31,800	77,200
West Virginia	2,500	3,700	6,200
Wisconsin	13,200	20,500	33,700
Wyoming	400	2,100	2,500
Total	**833,200**	**1,252,200**	**2,085,400**

Note: *Currently, only Alaska, Oregon, and Washington qualify to provide the second tier of TEUC benefits. This table assumes that no other states meet the trigger requirement, and that these three states remain qualified.