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Georgia Unemployment Benefits Under ARRA

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Recommendations for the Georgia Legislature:

- 1) Pass a version of HB 581 that contains the necessary legislation for Georgia to receive all available federal stimulus money to bolster the economy and unemployed workers.
- 2) Amend current legislation to ensure that unemployed Georgia workers can use federal COBRA healthcare subsidies, including those laid-off from small businesses.

The American Recover and Reinvestment Act (ARRA) contains several provisions to stimulate the economy by filling gaps in the safety net for millions of unemployed workers while they look for jobs. A U.S. Department of Labor (DOL) study found that every dollar paid out in unemployment benefits causes the economy to grow by \$2.15 as workers spend these dollars on basics like housing and food. Unemployment benefits also reduce the number of workers who end up in poverty and allow workers sufficient time to find a job.

With Georgia's unemployment rate at a staggering 8.6 percent this month (the national rate of 7.6 percent)¹, the ARRA will strongly impact Georgia's unemployed workers and economy. The Georgia Senate, following the Georgia House of Representatives' lead, should take full advantage of the federal stimulus funding available under ARRA and enact the necessary state legislation to:²

1. Align the unemployment system with today's labor market,
2. Provide help for long-term unemployed workers, and
3. Provide a COBRA subsidy to unemployed workers.

The remaining ARRA unemployment benefit provisions that do not require state legislation are already on track to:

4. Increase benefits,
5. Suspend federal taxation on a portion of unemployment benefits, and
6. Reauthorize and expand the Trade Adjustment Assistance program (TAA).

The following is a description of the mechanisms in place in the ARRA to reach these goals:

I. Align the unemployment system with today's labor market.

The unemployment program was created in 1935 and today reaches only 39 percent of unemployed workers nationally. Today's labor market includes more low-wage, part-time and women workers than it

ever has. Outdated unemployment benefit eligibility rules exclude many of these workers even though they pay into the unemployment system. Also, in the modern labor market today's workers are unemployed on average for longer periods of time (often attributed to globalization and the loss of manufacturing jobs).

Rectifying these disparities, the ARRA includes the Unemployment Insurance Modernization Act (UIMA). UIMA provides substantial incentives to states — \$7 billion overall — to provide benefits for 500,000 workers nationally who are not covered under the current unemployment system. It also allocates \$500 million among state agencies to serve the growing number of applicants.

The federal government will fully subsidize modernizing Georgia's unemployment benefit system, as described below, for more than 18 years.³

Georgia is in excellent position to qualify for one-third of its UIMA funding (\$73.4 million) because it currently has an "alternative base period" (ABP). An ABP allows recent work to be counted toward unemployment benefits eligibility by using a worker's earnings from the last four completed calendar quarters that immediately precede the benefit year. DOL guidelines indicate that the language in Georgia's Alternative Base Period 2002 law limiting available ABP funds to those provided under the 2002 Reed Act distribution are in conflict with ARRA requirements. Recently passed House Bill 581 strikes this language, thereby satisfying federal stimulus requirements.⁴

For Georgia to qualify for the remaining two-thirds of the UIMA incentive funding (\$146.7 million), the state has the flexibility to adopt two of the following four unemployment benefit system updates:

- Cover part-time workers;
- Accept compelling family reasons for leaving employment, including domestic violence;
- Pay a dependent allowance to qualified unemployment insurance beneficiaries; or
- Continue unemployment benefits to permanently laid-off workers who participate in retraining.⁵

Governor Perdue and Georgia DOL Commissioner Thurmond have endorsed implementing two UIMA changes, extending eligibility to part-time workers and continuing unemployment benefits to permanently laid-off workers who participate in retraining, in order to draw down the full \$220.1 million federal ARRA funds. HB 581 also contains legislation necessary for Georgia to enact these two qualifying provisions. If passed in the Senate, Georgia can draw down full UIMA federal funds.

2. Provide Help for Long-term Unemployed Workers.

The ARRA contains key measures to assist jobless workers who have exhausted state unemployment benefits through the Emergency Unemployment Compensation program (EUC) and the Extended Benefits program (EB).

Emergency Unemployment Compensation

The ARRA extends existing EUC from its scheduled expiration in March 2009 until December 31, 2009. Under EUC, workers in Georgia are receiving up to 33 weeks of benefit extensions when their state benefits run out. This change includes more than 100,000 Georgians who will be new EUC beneficiaries in the upcoming months.⁶

Extended Benefits:

The ARRA includes EB provisions for "high unemployment states," such as Georgia. Due to an unemployment rate greater than 6.5 percent, Georgia can receive up to 13 weeks (and potentially up to 20 weeks) of EB for workers who exhaust their EUC benefits. Under ARRA, the federal government pays 100

percent of EB during 2009 (possibly extending beyond December 31, 2009), eliminating the previous requirement that states pay 50 percent.⁷

Figure 1

**Duration of Unemployment Benefits with
ARRA Unemployment Insurance Provisions**

	State Unemployment (State)	Emergency Unemployment Compensation (Federal)	Potential Extended Benefits (Federal)
Duration of Unemployment Benefits for Eligible Georgia Workers	Up to 26 weeks	Up to 33 weeks	Up to 13 or 20 weeks

In order for jobless workers to receive potential EB, the Georgia legislature must amend state law to trigger “on” EB when the state total unemployment rate (TUR) — the standard unemployment rate published by the Bureau of Labor Statistics every month — exceeds 6.5 percent over a three-month period.⁸ The TUR also has to increase by 10 percent over each of the past two years. If the state unemployment rate over a three-month period exceeds the 6.5 percent TUR (Georgia’s current TUR is 7.5 percent), workers are entitled to an extra 13 weeks of EB.

If Georgia’s jobless rate rises to more than 8.0 percent in a three-month period, the extension extends to 20 weeks. Eleven states (including North Carolina) have adopted the TUR trigger rule to access EB. The trigger can include a sunset that ends the EB when 100 percent federal funding is no longer available.

The EB provision provides an additional 13 weeks of unemployment benefits for 40,752 Georgians who are expected to exhaust their EUC benefits between January and June 2009, as well as an additional 46,200 Georgians who will exhaust EUC between July and December 2009 — bringing a total of an additional \$315 million in ARRA funds for EB into Georgia to stimulate the state’s economy.

Further, EB is available to anyone who exhausts his or her EUC benefits during an EB high-unemployment period, not just those workers who applied for state unemployment benefits one year before the EB period began. Without this provision, large numbers of workers now collecting EUC would not qualify for any weeks of EB because they started collecting state unemployment benefits more than one year ago.

The Georgia Senate should act quickly to take up the EB option at federal expense. Large numbers of workers who qualified for the full 33-week extension of EUC benefits will begin running out of benefits in March and April 2009. By moving quickly and thoughtfully to pass the required state legislation, Georgia can ensure that these workers do not exhaust their unemployment benefits in the depths of an extremely difficult job market.

HB 581 also contains legislation necessary for Georgia trigger “on” ARRA EB benefits using TUR and includes a sunset provision that ends the EB when 100 percent federal funding is no longer available (which is currently late 2009, but could be extended with future federal legislation).⁹

3. Provide a COBRA subsidy to unemployed workers.

Under existing federal law, employers with health plans and 20 or more individuals must offer COBRA to employees who leave their job. COBRA allows these workers the choice to pay to continue their health insurance coverage, generally to 18 months. Regular COBRA payments are 102 percent of the group health rate for either the worker and/or family members, depending upon which option the individual elects.¹⁰

The ARRA recognizes that the current COBRA option is too expensive for most unemployed workers. In response, ARRA offers a temporary measure under COBRA to make health coverage more affordable by providing a subsidy of 65 percent of premium costs for up to nine months for employees losing health care coverage because they were involuntarily terminated from their jobs on or after September 1, 2008.¹¹

Georgia provides a shorter period (less than 9 months) of continued coverage for laid-off workers from small businesses than the ARRA requires.

Workers who qualify for this new subsidized COBRA provision will get notice from their employers or health plans of their COBRA option and must pay 35 percent of the premium costs within the enrollment period. The federal government will pay the 65 percent portion of the premium directly to the health care plan. Complete details of the COBRA subsidy plan have not yet been explained by U.S. DOL or Treasury officials, but workers who get a notice from their employers or health plans will need to respond timely.¹²

Some states, like Georgia, offer “state continuation” or “mini-COBRA” to help workers of employers with less than 20 employees continue their health coverage if they lose their jobs; however Georgia provides a shorter period (less than 9 months) of continued coverage for laid-off workers.

The Georgia legislature must amend state law to extend the required period of continuation coverage to at least nine months for businesses with less than 20 employees, so that workers who lost their jobs after September 2008 will be able to get the full nine months of ARRA federal premium subsidies as well as continued coverage until they find another position or 18 months has expired.¹³ HB 581 does not include these necessary COBRA provisions, nor does any current Senate legislation.

GBPI recommends that the Georgia legislature amend as necessary pending legislation during the last weeks of session to ensure that all eligible unemployed Georgia workers who lost their jobs after September 30, 2008 can access federal COBRA healthcare subsidies, including those laid-off from small businesses.

4. Increase Unemployment Benefits.

ARRA funds increase all unemployment benefits by \$25/week, including state benefits, EUC, and EB. Governor Perdue and Georgia DOL Commissioner Thurmond signed a memorandum of agreement on February 20, 2009 with the U.S. Secretary of Labor to accept these federal ARRA funds.

In Georgia, the first payable week for the increase was the week ending February 28, 2009. The last payable week in the week for the increase is the week ending July 3, 2010. The \$25/week increase is only paid on claims with a benefit year beginning date before January 1, 2010.¹⁴ This increase is fully funded with federal ARRA dollars¹⁵ and impacts over 500,000 Georgians from January through December 2009.¹⁶

5. Suspend federal taxation on a portion of unemployment benefits.

Normally, unemployment benefits are subject to federal income taxes. The ARRA suspends federal tax on the first \$2,400 of unemployment benefits. The Georgia legislature does not need to act to exempt Georgia beneficiaries.

6. Reauthorize and expand the Trade Adjustment Assistance program.

TAA helps workers who lose their jobs due to trade influences (i.e., a shift in production overseas or an increase in imports) receive income support and job training after dislocation. Prior to ARRA, TAA was outdated, underfunded, and reached far too few workers. ARRA includes the following updates:

- Nearly triple TAA training funds to \$575 million nationally for each of the next two years;
- Expand eligibility to service workers, workers who produce component parts of goods, and workers whose jobs are shifted to countries with which the United States does not have a free trade agreement;
- Expand training options;
- Eliminate restrictive deadlines for enrolling in TAA;
- Provide a Health Care Tax Credit of 80 percent, an increase from 65 percent;
- Establish a \$230 million fund to provide trade-impacted communities with strategic opportunity grants; and
- Provide states with increased administrative funding to serve TAA certified workers.¹⁷

Eligibility is determined on a facility-by-facility basis. Georgia DOL receives “rapid response funds” to determine if facility closings qualify. Groups¹⁸ of Georgia workers can petition the U.S. DOL for TAA. Once approved, the workers access training and other services through the GA DOL.

¹ Georgia Department of Labor <http://www.dol.state.ga.us/>

² HB 581 Georgia Works Job Creation and Protection Act of 2009 http://www.legis.ga.gov/legis/2009_10/sum/hb581.htm

³ National Employment Law Project (NELP) Estimated Years of Benefit Reforms Paid for with UIMA Incentive Funds <http://www.nelp.org/page/-/UI/uima.fact.sheet.jan.09.pdf?nocdn=1>

⁴ HB 581 - Georgia Works Job Creation and Protection Act of 2009 http://www.legis.ga.gov/legis/2009_10/sum/hb581.htm

⁵ NELP. Question & Answer The Unemployment Insurance Modernization Act: Filling the Gaps in the Unemployment Safety Net While Stimulating the Economy <http://www.nelp.org/page/-/UI/uima.fact.sheet.jan.09.pdf?nocdn=1> Updated February 17, 2009

⁶ ARRA 2009 Estimates of Jobless Workers Benefiting from Selected Unemployment Insurance Provisions <http://www.nelp.org/page/-/UI/RecoveryPlanEstimates.pdf>

⁷ NELP. Question & Answer The Economic Recovery Bill's New “Extended Benefits” State Option – 840,000 Workers May Qualify for An Extra 13 to 20 Weeks of Jobless Benefits when they Run out of the Federal Emergency Extension <http://www.nelp.org/page/-/UI/extended.benefits.feb.09.pdf?nocdn=1>

⁸ Georgia could also satisfy ARRA requirements by choosing the Insured Unemployment Rate Trigger. The insured unemployment rate (IUR) is the number of workers receiving state unemployment benefits in the past 13 weeks divided by the total number of employed workers. If a state's insured unemployment rate exceeds 5.0%, EB benefits trigger on. Under this requirement, which automatically applies to all states under the EB law, the state's insured unemployment rate must also be on the rise. A state can only trigger on EB if the current IUR is 20% higher than it was during the same period in both of the prior two years. The IUR trigger allows a state to receive 13 weeks of additional benefits. However, the TUR is more advantageous to Georgia because it allows for the possibility of up to 20 weeks of benefits.

Source: NELP. Question & Answer The Economic Recovery Bill's New “Extended Benefits” State Option – 840,000 Workers May Qualify for An Extra 13 to 20 Weeks of Jobless Benefits when they Run out of the Federal Emergency Extension <http://www.nelp.org/page/-/UI/extended.benefits.feb.09.pdf?nocdn=1>

⁹ HB 581 - Georgia Works Job Creation and Protection Act of 2009 http://www.legis.ga.gov/legis/2009_10/sum/hb581.htm

¹⁰ NELP Concise Guide to Assistance for Jobless Workers in the ARRA <http://www.nelp.org/page/-/UI/ARRAConcise.pdf>

¹¹ People who were eligible for COBRA, state continuation benefits, or continuation of a federal or state employees' health plan due to involuntary job loss between September 1, 2008 and December 31, 2009 and whose adjusted gross income does not exceed \$125,000 for individuals and \$250,000 for families are eligible for the full amount of premium assistance (65 percent of premiums). People with higher incomes—that is, adjusted gross incomes between \$125,000 and \$145,000 for individuals or between \$250,000 and \$290,000 for joint filers—can also get the subsidy, but they will need to repay a portion of the amount they receive. The subsidy can cover the worker and/or the worker's spouse, partner, or dependents that had coverage under the health plan. Those who are eligible for other group health coverage (such as a spouse's plan) or Medicare are not eligible for the premium reduction.

Source: Families USA. Understanding COBRA and Mini-COBRA Premium Assistance <http://www.familiesusa.org/issues/private-insurance/understanding-cobra-premium.html>.

¹² NELP. Concise Guide to Assistance for Jobless Workers in the ARRA <http://www.nelp.org/page/-/UI/ARRAConcise.pdf>

¹³ Families USA. Understanding COBRA and Mini-COBRA Premium Assistance <http://www.familiesusa.org/issues/private-insurance/understanding-cobra-premium.html>.

¹⁴ Georgia Department of Labor http://www.dol.state.ga.us/spotlight/sp_recover_reinvestment_act.htm

¹⁵ NELP Concise Guide to Assistance for Jobless Workers in the ARRA <http://www.nelp.org/page/-/UI/ARRAConcise.pdf>

¹⁶ ARRA 2009 Estimates of Jobless Workers Benefiting from Selected Unemployment Insurance Provisions <http://www.nelp.org/page/-/UI/RecoveryPlanEstimates.pdf>

¹⁷ NELP. Millions of Jobless Workers to get Critical Aid in American Recovery and Reinvestment Act.

http://nelp.3cdn.net/8dcffc4d1cea59f8b6_9im6bn1qh.pdf

¹⁸ Unions, managements or groups of workers themselves can petition U.S. DOL if their jobs are lost due to trade.

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