



Stimulus Analysis

2009



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Unemployment Insurance Components of ARRA

1. Emergency Unemployment Compensation (EUC) Program Extension

This is a federally funded extension of benefits for claimants who exhaust their state-funded UI benefits and other federal EUC extensions granted in 2008. Would add 13 weeks to the 20 EUC weeks our recipients can receive now. Louisiana will not qualify for this unless our total unemployment rate reaches 6 percent.

- For claimants who file for the extension in 2009.
- Extends the final benefit payment date from August 29, 2009, to May 31, 2010.

Fiscal impact

- Programming/implementation cost: \$67,000
- Ongoing cost: Marginal
- Administrative funding: To be funded by the administrative distribution below (Item 3.)
- Net **benefit** to Louisiana

2. Increase in UI benefits

This is a federally funded increase of \$25 to all weekly benefit payments through May 31, 2010.

Fiscal impact

- Programming/implementation cost: \$134,000
- Ongoing cost: Marginal
- Administrative funding: To be funded by the administrative distribution below (Item 3.)
- Net **benefit** to Louisiana: \$71 million based on continuing claims paid in February 2009. \$9.6 million paid through 5/1/09.

3. Distribution for UI Administration

\$6.56 million will be distributed to Louisiana to fund the administration and implementation of other UI provisions in this stimulus package, such as Items 1 and 2 above. It also can be used for outreach services, such as Rapid Response, operational improvements in the administration of UI tax and benefit operations and for staff-assisted re-employment services.

It may not be used to fund routine operations or actual benefit payments.

Fiscal impact

Net **benefit** to La.: \$6.57 million, less implementation cost for other items.

4. Distribution for Modernization

This money is intended to encourage states to “modernize” their UI programs by expanding benefits for various categories of people. The application deadline is August 2011.

Louisiana’s potential share could range from \$0 to \$32.8 million to \$98.4 million, subject to certain provisions. Louisiana must change its law permanently under Provision 1, Establishment of Alternate Base Period, to receive the first \$32.8 million and to qualify for any portion of Provision 2 funding of up to another \$65.6 million.

Provision 1 – Establishment of Alternate Base Period

Currently Louisiana uses the first 4 of the last 5 completed calendar quarters of wages as the base period for computing a claimant’s eligibility. This provision would apply the use of an alternate base period — the last 4 completed calendar quarters of wages — for claimants who are ineligible using our existing base period.

This provision would require a permanent change in La. law.

Provision 1 Fiscal impact

- La. would receive a one-time disbursement of \$32.8 million if Provision 1 is met.
- Ongoing cost
 1. **Based on 2008 claims data:** Estimated **\$13 million per year** for benefits, plus 10 percent benefit payment increase in 2009; estimated 4,700 additional people would qualify for benefits; \$405,000 per year for administration.
 2. **Based on 1. weighted for 104% increase in claims costs for 2009 over 2008: \$26.52 million per year;** \$405,000 per year for administration.
- Net **cost** to La.: Stimulus would run out in less than 15 months. If unemployment increases, stimulus would run out faster and draw on the trust fund would increase. Unknown how many people never filed because they know this would disqualify them now from UI benefits.
- Net **cost** to businesses. USDOL officials say they will require a direct charge to employers as a result of federal law requiring experience rated UI tax system. They say adding to the social charge will not conform.

Only those employers whose layoffs qualify under the alternate base period would pay the increase because their experience would be affected. Taxes would increase for three years as a result, beginning the next time rates are set (January).

Provision 2 – Must meet at least two of the following:

Louisiana would have to meet the requirements of Provision 1 and any 2 of the following 4 components of Provision 2 to qualify for an additional \$65.6 million.

- i. No denial of benefits for seeking only part-time work if the majority of wages in the base period is made up of part-time employment. **Louisiana does this today but may require clarification in the law to receive the funding.**

Fiscal impact

No additional cost to the UI trust fund.

- ii. No disqualification for separating from work if separation is due to family reasons, such as domestic violence, leaving to follow a spouse or leaving to tend to a sick relative. This provision requires a change in Louisiana law.

Fiscal impact

- 1. **Based on 2008 claims: \$8.6 million in additional benefit payments annually** and \$134,000 annually to administer; based on actual claims denied because separation resulted from family/personal reasons. Unknown how many people never filed because they know this would disqualify them from UI benefits.
- 2. **Based on 1. weighted for 104% increase in claims costs for 2009 over 2008: \$17.54 million** and \$134,000 annually to administer.

- iii. Payment of 26 weeks of additional benefits to UI exhaustees if they were laid off from a declining industry and are participating in state-approved or WIA-funded training program for a high-demand occupation. This provision requires a change in Louisiana law.

Fiscal impact

- 1. **Based on UI recipients in 2008 who were in approved training: \$3.8 million in benefit payments** and \$134,000 annually to administer. Unknown how many people (and therefore the true cost) would enroll in training to continue benefits for up to 26 more weeks.
- 2. **Based on 1. weighted for 104% increase in claims costs for 2009 over 2008: \$7.75 million annually** and \$134,000 annually to administer.

- iv. Payment of dependent allowances to benefit recipients of at least \$15 per dependent per week with a minimum cap of the lesser of \$50 or 50% of the weekly benefit amount. This provision requires a change in Louisiana law.

Fiscal impact

- 1. **Based on 2008 claims: \$10 million in benefit payments annually** and \$268,000 annually to administer. Based on 2008 claims paid and LDR tax return data on dependents.
- 2. **Based on 1. weighted for 104% increase in claims costs for 2009 over 2008: \$20.4 million annually** and \$268,000 annually to administer.

Permanency Requirements for UI Stimulus Funding

USDOL has issued guidance to state UI agencies saying they will not try to recoup incentive payments if a state were to repeal modernization legislation later. States must apply for the incentive payments “in good faith,” intending to pay the expanded benefits called for in the legislation.

ARRA Section 2003 (4)(B)(i), specifically the wording highlighted in yellow below, relates to the permanency of the change that would be required in Louisiana law.

Paragraph 2 describes the requirements for the change in base period (approx. \$32 million) and Paragraph 3 describes the requirements for the rest of the money (approx. \$66 million for two of the following: covering part-timers, covering people who quit for family reasons, adding coverage for dependents of UI recipients, extending the period of coverage for people in approved training).

The highlighted wording in paragraph 4 means that in determining whether a state qualifies for the funding, the USDOL must disregard any state law provisions which are not currently in effect, which are not permanent and which are subject to discontinuation, such as a sunset provision. In other words, only permanent changes fully enacted into law would qualify Louisiana for the first portion of the funding.

The same requirements – that qualifying law is in effect and permanent – would apply to the provisions pertaining to the remaining \$66 million.

The section highlighted in blue says Louisiana (or any other state) must meet the requirements for Provision 1 (the \$32 million) as a precondition to be considered for Provision 2 (the \$66 million.)

From the stimulus act:

Section 2003 (4)(B)(i) If the Secretary of Labor finds that the State law provisions (disregarding any State law provisions which are not then currently in effect as permanent law or which are subject to discontinuation) meet the requirements of paragraph (2) or (3), as the case may be, the Secretary of Labor shall thereupon make a certification to that effect to the Secretary of the Treasury, together with a certification as to the amount of the incentive payment to be transferred to the State account pursuant to that finding. The Secretary of the Treasury shall make the appropriate transfer within 7 days after receiving such certification.

"(ii) For purposes of clause (i), State law provisions which are to take effect within 12 months after the date of their certification under this subparagraph shall be considered to be in effect as of the date of such certification.

"(C)(i) No certification of compliance with the requirements of paragraph (2) or (3) may be made with respect to any State whose State law is not otherwise eligible for certification under section 303 or approvable under section 3304 of the Federal Unemployment Tax Act.

"(ii) No certification of compliance with the requirements of paragraph (3) may be made with respect to any State whose State law is not in compliance with the requirements of paragraph (2).

Business Tax Implications

USDOL headquarters representatives Jerry Hildebrand, Chief of the Division of UI Legislation, and Bob Johnston, Supervisor of State Conformity and Compliance, say federal law requires that benefits expanded under Provision 1 must be included in employers' rate experience, even while we maintain a balance of incentive payments in our UI trust fund, because these benefits directly relate to service with the employer. Expanded benefits based upon compelling family reasons, training or dependents, all in Provision 2, could be non-charged because these benefits do not directly relate to service with the employer.

To comply and conform with federal law, a state's "experience rating plan must measure all of an employer's experience and not merely selected or partial experience, except under provisions of a State law, at the option of a State, providing for noncharging consistently with Federal law requirements." The USDOL representatives were very firm that not including the alternate base period benefits in experience rates would present nonconformity and noncompliance issues. Nonconformity issues could negate the 5.4% federal income tax credit to employers relating to their 6.2% FUTA tax. This would negate it for all employers in the state. Noncompliance would raise myriad other issues regarding our UI system and ability to administer it.

Workforce Development Components (\$67.4 million)

1. Workforce Investment Act Funding

Each category of WIA funding itemized below will be split 85% as a pass through for local Workforce Investment Areas and 15% for statewide activities. The 15% from each category can be pooled to implement our workforce development priorities, administer the programs, and invest in high-demand sectors and job categories that drive our economy, such as health care, energy, skilled trades, transportation and logistics, and film and digital media.

i. WIA-Youth: \$20.01 million

This funding is to support occupational and basic skills training to low-income youth ages 16-21 and summer youth employment and training for low-income youth ages 16-24.

Specifically, we will use portions of both the LWIA pass-through and statewide amounts to fund the Louisiana National Guard's Youth Challenge Initiative (\$875,000), and the work/internship component of EMPLoY (ballpark of \$5,000 per student for wages, support services such as transportation and child care, connecting students to jobs and administering payroll, etc.)

ii. WIA-Adult: \$8.70 million

This funding is to support employment and training for primarily low-income adults in demand occupations, and includes funding for support services (e.g. transportation to training.)

Specifically, \$1.09 million will be used to provide job skills training for Department of Corrections offenders in local re-entry jail facilities. Anticipates reaching 1,800 offenders within one year. Additional amounts will be used to grow training opportunities for and acceptance of the statewide Work Ready Certificate for adults.

iii. WIA-Dislocated Worker: \$9.26 million

This funding is to support employment and training for dislocated workers, including needs-related payments.

2. Employment Services: \$5.19 million

This funding is to support the Wagner-Peyser program, primarily state staff in Business and Career Solution Centers across the state who provide employment services. All of this funding will be administered by the LWC.

3. Community Services Block Grant: \$23.5 million

This funding is a pass through to community action agencies. CSBG grants require that no less than 90% of funds be distributed to local community action agencies that are responsible for delivering services.

The major focus of the funding is to help develop low-income individuals through rental assistance, employment and training assistance, emergency assistance and weatherization projects.

Other Components

The stimulus contains additional funding for workforce-related programs housed in other agencies, such as \$9.8 million for vocational rehabilitation within the Department of Social Services. LWC is engaged in strategy and implementation planning discussions with DSS leadership to integrate that program with LWC services.

We also are aware of \$120 million allocation nationally for community service employment for older Americans, with some portion flowing to the Governor's Office of Elderly Affairs. We intend to discuss the plans for that funding.

The stimulus makes available a 65% subsidy for COBRA Continuation Coverage for unemployed workers for nine months. Individuals who had annual incomes above \$125,000 (single) or \$250,000 (couples) would not be eligible. This program will be administered by the U.S. Treasury as a credit against payroll taxes.

The bill includes at least two Trade Adjustment Assistance (TAA) changes:

- It extends TAA benefits for at least 160,000 new workers nationally over the next two years who lose their jobs because of increased imports or factory shifts to certain foreign countries.
- It increases the TAA Health Care Tax Credit from 65% to 80%. The LWC helps administer the program but the benefits are federally funded for all who qualify and apply. The increase would sunset on December 31, 2010.