

Funding for State Unemployment Insurance Modernization in American Recovery and Reinvestment Act

Summary of Unemployment Insurance Modernization Transfers

- This provision allows States to draw down their share of \$7 billion if they institute specific Unemployment Insurance (UI) modernization reforms that expand access to UI for low-wage, part-time and other workers, all of whom have had unemployment taxes paid on their behalf.
- The provision offers a funded option for States to enact reforms designed to:
 1. count workers' most recent wages when determining UI eligibility;
 2. end discrimination against part-time workers who otherwise are eligible for benefits based on a predominantly part-time work history;
 3. allow separations from work for certain compelling family reasons;
 4. provide extended benefits during approved training for high demand employment;
 5. and provide weekly dependents allowances.
- Counting recent wages is required to receive any of this money, but only two of the other four provisions are required for a State to receive its full allotment.
- Dozens of States are already compliant with various provisions of the legislation, demonstrating that these policies are practical and effective.
- Based on the recommendations of the bipartisan Advisory Council on Unemployment Compensation, and analysis from the Government Accountability Office, this provision encourages States to remove anachronistic barriers to UI.
- The National Employment Law Project estimates that States will receive, on average, enough funding to fully fund the required reforms for about 7 years.
- A bipartisan group of 18 Governors wrote in support of this provision, saying it would “go a long way to help boost the economy” by increasing access to UI—one of the most stimulative policies during a recession. The letter also argued that this provision would “help States further expand benefits, build up their trust fund reserves at a time when claims are increasing, and reduce unemployment taxes.” Many States are expected to automatically trigger increased UI taxes under their State laws, and receiving modernization funds might help to forestall these increases.
- States must have in place or enact laws to implement these reforms, but States can revisit and change these laws without any penalty.