

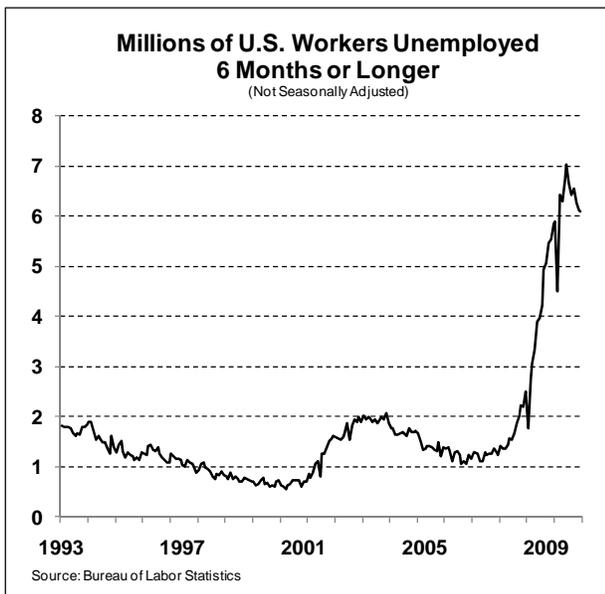


Emergency Unemployment Benefits: Economic Impact in New York State

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Although the national recession that began in December 2007 is over, the impact of the economic downturn persists. Unemployment remains high and millions of workers have been jobless for longer than six months. In response to worsening economic conditions, the Emergency Unemployment Compensation (EUC) program was created by the federal government in 2008.



However, authorization for EUC benefits ended on November 30, 2010. Those who qualified before this date may continue to be eligible for these benefits until May 1, 2011. Those who did not qualify will be limited to 26 weeks of benefits under the regular Unemployment Insurance (UI) program.

The New York State Department of Labor (DOL) estimates that approximately 200,000 recipients will lose their unemployment benefits by December 31, 2010. This number represents approximately 38 percent of all the State's UI beneficiaries. In addition, DOL estimates that, unless new legislation is

enacted, approximately 400,000 people will lose their benefits by May 1, 2011.

Emergency Unemployment Benefits

The Unemployment Insurance (UI) program was established by the Social Security Act of 1935. Unemployment insurance is a benefit workers earn by virtue of being employed, and is funded through a payroll tax paid by employers. The states administer the program for the federal government.

The federal UI Trust Fund is the repository of employer taxes collected by the states. The states forward these taxes to the federal government and then draw down funds to pay for benefits.

Congress created the EUC program as a federally-funded UI supplement to provide relief both for the long-term unemployed and for financially burdened state governments. There are currently four tiers of federal EUC benefits.

- Tier 1 provides up to 20 weeks of additional benefits in every state.
- Tier 2 provides another 14 weeks in all states.
- Tier 3 provides up to 13 additional weeks in states with a 3-month average seasonally adjusted total unemployment rate of at least 6 percent.
- Tier 4 provides an additional 6 weeks for states with a 3-month average seasonally adjusted total unemployment rate of 8.5 percent or more.

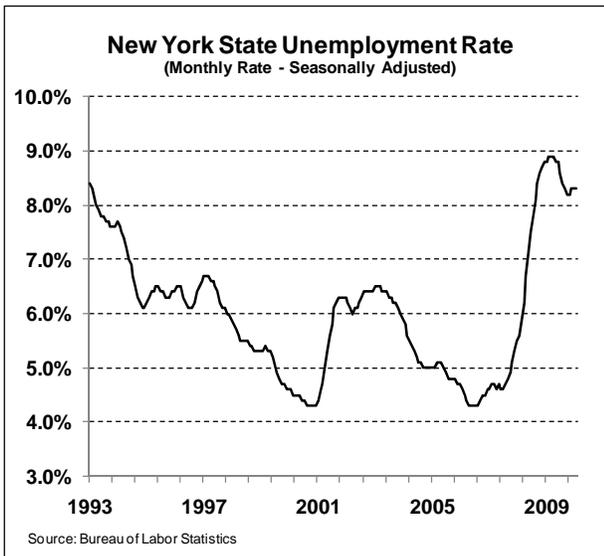
As of October, New York had an unemployment rate of 8.3 percent, and so qualifies for Tier 3 but not Tier 4. People who exhausted Tier 3 benefits after August 15,

2010 moved directly into an Extended Benefits (EB) program, which provides up to 20 weeks of benefits for those who exhaust their EUC benefits. EB expires the week ending December 5, 2010, so anyone whose UI benefits lapse after that date will no longer qualify for EB.

UI in New York State

Regular state-based unemployment benefits last for up to 26 weeks in New York. The average benefit is \$309.47 per week. The minimum benefit in New York is \$64 and the maximum is \$405. Twenty-eight states have higher maximum benefits.

There were a total of 526,949 benefit recipients in October. Of these, 217,804, or 41.3 percent, were on EUC while 100,568, or 19.1 percent, were on EB. Note that these numbers are lower than the Bureau of Labor Statistics' October adjusted unemployment estimate for New York of 797,835, or 8.3 percent of the State's 9,669,373 workers. According to DOL, approximately 60 percent of New York's unemployed workers received UI benefits in October.



Because of various eligibility provisions in State and federal law, the total periods for which unemployed workers have received benefits have ranged from 99 weeks for a claim that originated between 2006 and 2009

to just 26 weeks for any claim that originated after May 24, 2010. Anyone who became unemployed after that date will not receive any EUC benefits under current law. To qualify for any continuing EUC benefits, claimants must have exhausted their 26 weeks of regular UI benefits and entered the federal program by November 28, 2010.

UI Loans

New York currently owes the federal government \$3.176 billion in outstanding loans for the support of the State's regular UI program. Nationally, the states owe a total of \$40.7 billion.

A provision of the ARRA stimulus legislation of 2009 created a moratorium on state interest payments on these loans, but this expires on December 31, 2010. The states will then be required to pay interest due on their loans. New York will owe an estimated \$115 million in interest, due by September 2011.

Economic Impact

A recent study by the U.S. Department of Labor (USDOL) estimates that every dollar in UI benefits results in an increase of \$2 in economic activity. This high multiplier reflects the projection that nearly all UI benefits are quickly spent.

In New York State, \$10.2 billion in benefits were disbursed in State Fiscal Year (SFY) 2009-10. In SFY 2010-11, through November 30, \$6.3 billion has been paid. Based on USDOL's estimated multiplier effect, the negative annualized economic impact of the loss of EUC benefits in New York State could total \$12.9 billion.

The termination of the EUC program could hurt millions of workers who are experiencing long-term unemployment, as well as the economy as a whole. In addition, the expiration of the moratorium on interest payments will impose an additional fiscal burden on the State's employers, who pay for these benefits.