

Supplemental programs extend benefits when regular benefits are exhausted

Unemployment insurance supplemental benefit programs, in essence, provide additional weeks of benefits to claimants who have exhausted their regular benefit accounts. The supplemental programs come into effect during periods of high unemployment, or by an act of Congress during economic downturns. The supplemental programs give an added boost to the economy when it is needed most.

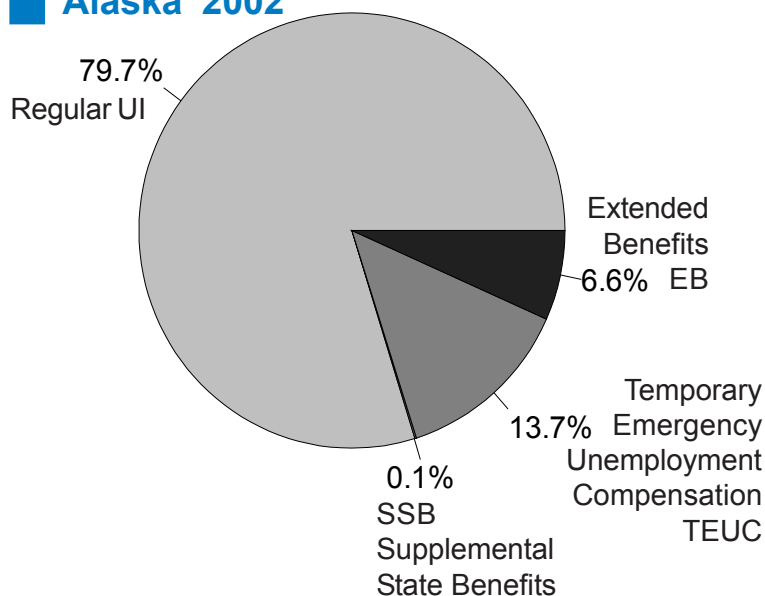
The Unemployment Insurance system – an overview

Unemployment insurance (UI) is an economic stabilization program that has been a part of the national economy for nearly seventy years. Workers receive temporary benefits during periods of unemployment, and employers are provided a more stable workforce of experienced workers who are available to return to work. Local economies benefit from the dollars spent by unemployment insurance claimants.

The foundation of the unemployment insurance system is the regular benefits program, which pays up to 26 weeks of benefit, depending on individual eligibility. From time to time, however, conditions in the economy are such that the regular benefits program is not sufficient to meet the objectives of the UI system. In such cases, a number of other UI programs supplement regular benefits. Supplemental UI programs provided 22.5% of total benefits paid during the year 2002.

Unemployment insurance can be viewed as a three-tier program. The first tier is regular benefits, financed and administered by each state. The second tier is a permanent supplemental program, extended benefits, which is triggered into effect by several unemployment rate mechanisms. The third tier is comprised of special or emergency benefit extensions enacted by Congress during periods of recession. The latest congressional extension program began March 2002 and ended for new claimants in December 2003.

1 UI Benefit Payments by Program Alaska 2002



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

The foundation – Regular Benefits

Regular benefits are funded by employer and employee payroll taxes deposited in the State of Alaska’s unemployment insurance trust fund. During 2002, \$123.6 million was paid to Alaska claimants through regular benefits. Regular benefits are available in every state under programs defined and administered by state governments. These programs vary greatly in eligibility requirements, benefit amounts, and non-monetary disqualification provisions. Alaska has the highest participation rate in the nation, allowing a greater percentage of unemployed workers to qualify for a benefit. However, Alaska’s average benefit amount, in terms of percentage of wages replaced, is one of the lowest.

In Alaska, unemployed workers can qualify for up to 26 weeks of regular benefits, depending on their qualifying wages. Eligibility for regular benefits is established by earning at least \$1,000 during a worker’s “base period,” the first four of the last five completed calendar quarters. At least \$100 must be earned outside of the quarter of highest earnings. When a worker first files to establish eligibility, this establishes a 12-month long “claim year”. If a worker has received benefits for the maximum number of weeks payable (exhausts benefits), no further regular benefits can be paid during the remainder of the claim year. A new claim year must be established using new base period wages.

It is not uncommon for Alaska claimants to be paid their maximum payable regular benefits and exhaust their account prior to the end of their benefit claim year. In 2002, forty-one percent of claimants filing for regular benefits exhausted their regular benefit entitlement, about average for the last ten years.

Permanent supplement – Extended Benefits (EB)

During past decades in periods of recession, it

was found, nationally, that an increasing proportion of unemployment benefit recipients were exhausting their benefit entitlements. Because this was a consequence of economic conditions, and workers were still involuntarily unemployed, action was taken to provide for additional relief through the existing UI system. In 1970 Congress created the extended benefits (EB) program, and required all states to adopt it, providing an additional 13 weeks of benefits to those who had exhausted their regular benefit accounts.

Funding for the extended benefits program is shared fifty/fifty. One-half is financed by the state’s unemployment insurance trust fund, and the other half by the federal general fund. During 2002, \$10.1 million was paid to Alaska claimants under the extended benefits program.

The ability to pay benefits under the extended benefits program is determined by economic conditions, specifically by a number of unemployment rate calculations that “trigger” the program into and out of effect. Alaska, because it has historically had a high degree of

Extended Benefits 2 Weeks paid 1984–2003

Year	Weeks Paid	Year	Weeks Paid
1984	27	1994	14
1985	35	1995	23
1986	52	1996	22
1987	35	1997	18
1988	24	1998	15
1989	16	1999	19
1990	18	2000	13
1991	31	2001	13
1992	*0	2002	21
1993	*0	2003	52

* 1992 & 1993, EUC on entire year

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

seasonality in its employment and higher than national average unemployment rates, expects to have an extended benefits program in effect during each year. Typically an extended benefits period begins in February and ends in June.

Due to unusual circumstances, Alaska began an extended benefits period in November 2002 that continued for the entire year of 2003. An alternate trigger mechanism came into effect for the first time.

EB safety net – Supplemental State Benefits (SSB)

In September 1982, federal law and conforming state law disallowed payment of extended benefits to low-wage earners who failed to earn at least forty times their weekly benefit amount during their base period. More than one thousand claimants could have been suddenly ineligible for extended benefits if their regular benefits were exhausted. The Alaska Legislature created the supplemental state benefits (SSB)

program to provide an alternative for these low wage claimants, many of whom were in rural areas of the state.

Under the SSB legislation, low-wage claimants who are ineligible for extended benefits solely because of the “forty times rule” are eligible for SSB whenever an EB period is in effect. During 2002, 307 unemployed workers received \$161,904 in supplemental state benefits. The average weekly benefit check was for \$102.94 and the average claim duration was 5.7 weeks. In terms of clients served and benefit dollars paid, SSB is the smallest of the UI supplemental programs. Its impact on the state UI trust fund and the financing system has to be considered negligible when viewed against the totality of the entire system.

Special federal programs

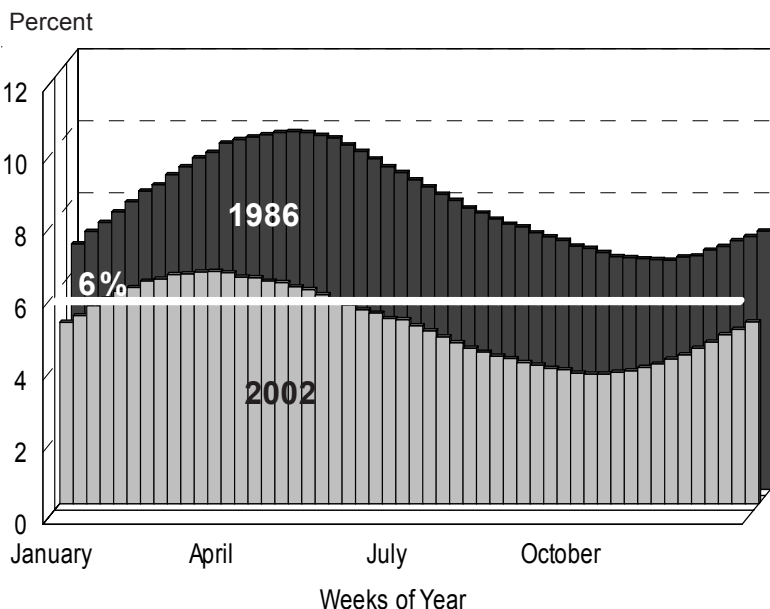
In the past few decades Congress has enacted temporary extension programs for the unemployment insurance program in its efforts to deal with the impact of economic recession. There have been many programs, each a product of its time, and here we will look at some of the more recent ones. Data on the oldest of these is somewhat sketchy and has been extracted from reports that were prepared close to that time.

1982 – Federal Supplemental Compensation (FSC)

The Federal Supplemental Compensation (FSC) Act of 1982 allowed additional weeks of benefits to be paid to claimants who were still unemployed but no longer eligible for regular benefits or extended benefits. The weekly benefit entitlement for FSC was the same as for regular benefits and extended benefits, while the duration of benefits varied according to the insured unemployment rate in the state of the claimant’s residency. The FSC program was in effect from September 30, 1982, through March 31, 1985.

In Alaska, when the extended benefits program was “triggered off” (was no longer in effect), most

3 Insured Unemployment Rate Alaska 1986 and 2002



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

claimants were automatically eligible for FSC. However, low-wage claimants receiving supplemental state benefits (SSB) were not eligible for FSC benefits. The impact of the FSC program was that with regular UI, extended benefits, and FSC combined, potential existed for some claimants to receive unemployment benefits continuously for a full year.

Benefit payment data for the first few months of the program (1982) and its first full year (1983) are not available to us some 20 years later. However, a nice snapshot is provided by descriptive information for 1984, the second full year of the program. In 1984, 13,712 persons received \$10,920,866 in federal supplemental compensation benefits, including \$1,176,658 in dependent benefits (9.4% of FSC paid). The average duration of claims was 11.6 weeks, and the average weekly benefit amount was \$141.82. Assuming that the 1982 and 1983 experience was similar to 1984, estimated FSC program payments to Alaska UI claimants were \$26 million from 1982 to 1985.

1991 - Emergency Unemployment Compensation (EUC)

The Emergency Unemployment Compensation (EUC) Act of 1991 established the emergency unemployment compensation program. Essentially, EUC temporarily superseded the permanent EB program during the period it was in effect. EUC gave an additional 20 weeks of assistance to claimants who had exhausted their regular benefits, or state supplemental benefits, or EB.

Under the provisions of the EUC program, the governor of Alaska chose to exercise the option of allowing claimants to receive EUC benefits instead of extended benefits. There were two reasons for the decision. First, the cost to the UI trust fund for benefits paid would be less because EUC benefits were to be fully federally funded, whereas more than 50 percent of EB payments come from state funds. The second reason was that the EUC program offered claimants a maximum of 20

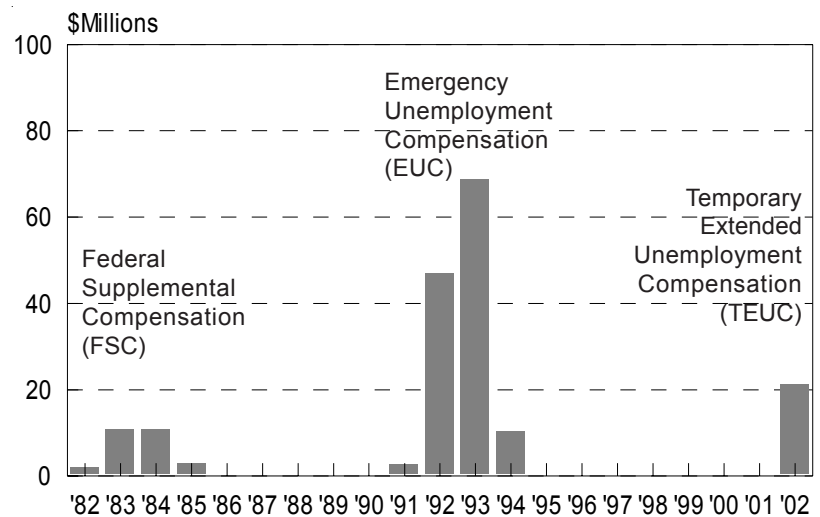
weeks payable, while EB offered from eight to thirteen weeks based on the duration of the regular UI claim.

EUC benefits were first payable for the week ending November 23, 1991, and the program continued until the week ending April 30, 1994. Alaska paid out \$2.8 million in EUC during its first few weeks in 1991. For 1992, an additional \$47.1 million was paid to 20,900 claimants. The greatest activity in the EUC program was in 1993 when \$68.7 million was paid in benefits. This substantial figure amounted to 38 percent of all benefit payments that year. During the final year of the EUC program, 1994, another \$10.5 million was paid. EUC was responsible for \$129 million in benefit payments to claimants who had exhausted their entitlement to regular UI benefits.

2002 – Temporary Extended Unemployment Compensation (TEUC)

In March 2002, Congress created the temporary extended unemployment compensation program (TEUC). At that time it was evident that the labor market had not recovered from the 2001 recession, or the impact of the 9/11 World Trade Center

Federal Supplemental Program 4 Benefit payments, by years in effect



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

attacks. It was noted in October of 2003, that 30 months after the start of the 2001 recession, only 15 states had more jobs than they had when the recession began. Alaska is one of them.

TEUC provides an additional 13 weeks of benefits to persons who have exhausted the regular benefits available to them. The first week payable under TEUC was the week ending March 23, 2002. The original TEUC program expired at the end of 2002, but was extended at the start of 2003 setting the last week payable at April 3, 2004. If an extended benefits period is in effect, claimants must first exhaust their EB entitlement before they can be paid under the TEUC program. Alaska is the only state currently paying extended benefits. During 2002, \$21.2 million in TEUC benefits was paid in Alaska, 13.6% of the total.

Summary

The supplemental unemployment insurance programs provide a valuable boost to Alaska during times of higher unemployment. The permanent extended benefits program becomes effective during Alaska's annual period of seasonally higher unemployment rates. During times of national economic downturn, special acts of Congress augment the existing unemployment insurance system. The supplemental programs have brought significant sums into Alaska, providing relief to individual workers, stability to an existing labor force, and economic stimulus to business enterprises.

5 UI Benefit Payments By program 1992-2002 Alaska

Year	Regular	EB	EUC/TEUC*	SSB	All Programs Total
1992	\$128,145,404	\$3,801	\$47,069,125	\$613,796	\$175,832,126
1993	110,636,005	579	68,737,851	813,931	180,188,366
1994	123,721,603	15,489,926	10,494,385	304,145	150,010,059
1995	119,152,311	7,508,648	46,043	136,008	126,843,010
1996	118,257,664	7,142,882	15,994	137,013	125,553,553
1997	112,795,464	5,588,037	0	90,726	118,474,227
1998	113,243,432	5,633,577	0	119,680	118,996,689
1999	122,026,178	7,071,703	0	136,217	129,234,098
2000	109,362,642	4,853,730	0	115,354	114,331,726
2001	112,751,856	4,656,951	0	106,195	117,515,002
2002	123,642,067	10,180,936	21,226,533	161,904	155,211,440

* The EUC program expired on April 30, 1994.
The TEUC program began March, 2002.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section