Date: March 22, 2011

Bill No: SB 882 **Committee:** Finance

Title: Unemployment Insurance - Federal Extended Benefits for the Long-Term Unemployed

Position: Favorable

Chairman Middleton and members of the Committee:

Thank you for this opportunity to submit written testimony today in **support** of Senate Bill 882 - Unemployment Insurance - Federal Extended Benefits for the Long-Term Unemployed. My name is Rebecca Dixon, and I am a Policy Analyst for the National Employment Law Project (NELP), a national non-profit research organization that advocates for state and federal policies that help low-income and unemployed workers. We have a long history of working to make sure that the federal-state unemployment insurance program provides meaningful economic protection for those working families who have been hit by recession and are struggling to find work in this tough job market.

In February 2009, the American Recovery and Reinvestment Act provided federal funding for two different unemployment benefit extension programs, Emergency Unemployment Compensation (EUC) and Extended Benefits (EB). While the EUC program with its Tiers I –IV of benefits has automatically taken effect in states that met certain unemployment thresholds, the EB program has required most states to enact temporary legislation that would enable them to draw upon federal funding. To date, 26 states have done so, which allows the federal government to pay for 100% of the costs of the program. In addition, 12 states already have the necessary qualifying provisions in their permanent unemployment laws. However, Maryland is one of just nine states that, despite having met the qualifying unemployment thresholds, has not yet acted to provide these available additional benefits to the state's longest-term unemployed.

The EB program provides 13 to 20 weeks of extended unemployment benefits to high unemployment states. The program, some form of which is permanently available in all states, historically has been paid for with 50 percent federal funding and the rest through state unemployment insurance funds. Under the Recovery Act, the federal government assumed the state's share of costs associated with the EB program, making the program 100 percent federally funded[1]. Under the Recovery Act, the program will continue to be fully federally funded through December 31, 2011.[2]

The current method for Maryland to "trigger on" to or qualify for EB makes use of the "Insured Unemployment Rate" (IUR), which is the number of those receiving regular state UI benefits compared to the total number of employed workers (those potentially eligible for UI benefits if they lost their jobs) over the most recent 13-week period. The IUR is a very high threshold to meet even during a recession due to the generally low percentage of the unemployed who collect benefits. For this reason, the IUR trigger is fairly restrictive and currently will not cause any state to trigger on to EB.

In contrast, SB 882 allows the state to "trigger on" to be EB using the "Total Unemployment Rate" (TUR) trigger. The TUR is based on a state's unemployment rate – the number of all unemployed compared to the labor force – which is the standard rate published by the Bureau of Labor Statistics every month. For the purposes of an EB trigger, state unemployment rates for the most recent three months are averaged together. If a state's TUR is 6.5 percent or higher, it qualifies for 13 weeks of EB. If the TUR is 8.0 percent or higher, the state qualifies for 20 weeks of EB. Because Maryland's TUR is currently 7.3%, passage SB 882 would qualify long-term unemployed Marylanders for an additional 13 weeks of benefits.

SB 882 is a common sense way for Maryland to leverage federal funds to aid workers most in danger of permanently losing their place in the middle class, while also providing an economic boost for Maryland businesses. Nationally, there is a shortage of jobs, with only enough job openings for one out of every five jobseekers. Consequently, the average worker's spell of unemployment *is* long-term unemployment, averaging just over 9 months in February.[3] Similarly, a record 44 percent of all unemployed workers are still jobless after 6 months. While Maryland's January unemployment rate of 7.2 percent is lower than the national rate, it is still double the rate it was in December 2007 when the recession began.[4]

As a result, even after receiving state benefits and EUC, an estimated 47,000 long-term unemployed workers in Maryland are prematurely running out unemployment benefits that allow them to support their families and find work. In addition, Maryland is losing out on an estimated $182.6 million in federal funding that would go a long way to help boost the state

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1 EB costs for unemployed individuals who formerly worked for state or local government are not covered under this Act or the Recovery Act because governmental employers are exempted from unemployment insurance taxes and instead reimburse benefit costs on a dollar-for-dollar basis.

2 For further information, see the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) and Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312).

3 The Employment Situation: February 2011, U. S. Bureau of Labor Statistics available at http://www.bls.gov/news.release/pdf/empsit.pdf

4 Maryland Local Area Unemployment Statistics, U. S. Bureau of Labor Statistics available at http://data.bls.gov/pdq/SurveyOutputServlet?data_tool=latest_numbers&series_id=LASST24000003

economy. In fact, a recent U.S. Department of Labor study of the economic impact of unemployment insurance benefits during the Great Recession showed that they produced an economic boost of $2 for every $1 of benefits paid.[5] In light of these important facts, we respectfully urge a **favorable** report on SB 882.

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[5] Wayne Vroman, The Role of Unemployment Insurance As an Automatic Stabilizer During a Recession, July 2010, available at http://wdr.doleta.gov/research/FullText_Documents/ETAOP2010-10.pdf .