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Unemployment Benefits: Temporary Extended Unemployment Compensation (TEUC) Program

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Summary

The Temporary Extended Unemployment Compensation Act of 2002 (TEUC), was signed into law March 9, 2002, as a part of P.L. 107-147. TEUC provides up to 13 weeks of additional federally funded unemployment compensation (UC) to individuals in all states who exhaust their regular UC benefits. TEUC also provides a second 13 weeks of benefits to individuals who exhaust their benefits in a high-unemployment state. On January 8, 2003, Congress passed S. 23 (P.L. 108-1) extending the TEUC program through May 31, 2003, and phasing-out benefits through August 30, 2003. This report will be updated as events warrant.

Background

The federal/state unemployment compensation (UC) system is designed to provide temporary and partial wage replacement to workers who have become involuntarily unemployed for economic reasons. UC pays weekly cash benefits on the basis of past work. The Department of Labor (DoL) oversees the UC system, but each state designs and administers its own program. Each state establishes the laws that levy taxes to support regular benefit payments and pays half of the permanent extended benefit (EB) payments; sets eligibility rules; determines weekly benefit amounts (WBAs); and limits the duration of regular benefits. Federal law establishes the requirements for the approval of state programs, authorizes grants to states for UC administration, and establishes the Unemployment Trust Fund (UTF), a federal fund that accounts for both federal and state program revenues and spending.¹

¹ The Federal Unemployment Tax Act (FUTA) levies a tax on private employers. These taxes are paid into several accounts in the UTF. One of these accounts is the Extended Unemployment Compensation Account (EUCA), which provides financing authority for the federal half of EB and federally financed temporary UC benefits.

The UC system generally provides a sufficient duration of benefits during periods of economic prosperity, as most UC beneficiaries experience fewer weeks of unemployment than their maximum entitlement and return to work before their benefit rights are exhausted.² However, during periods of economic decline, people tend to remain unemployed longer because of greater difficulty finding new jobs, and a rising proportion of jobless workers exhaust their UC benefits without finding work. Thus, programs have been established to increase temporarily the duration of UC benefits during periods of high unemployment. Since 1958, Congress has passed eight separate programs to buttress the UC system during periods of economic decline.³

In November 2001, the National Bureau of Economic Research (NBER) determined that a recession began in March 2001. One unique feature of this economic decline was the added impact of the September 11, 2001 terrorist attacks. NBER maintained that the attacks may have been a significant factor in altering the nature of the economic decline from a contraction to a recession. The recession and the economic impacts of the attacks placed added pressure on the 107th Congress to legislate some form of emergency or supplemental extended benefits. A number of bills were introduced, containing varying degrees of economic stimulus elements, including proposals to enact a federal extension of unemployment benefits.

Temporary Extended Unemployment Compensation (TEUC)

The *Job Creation and Worker Assistance Act of 2002* was signed into law March 9, 2002 (P.L. 107-147). Title II of P.L. 107-147 is the Temporary Extended Unemployment Compensation (TEUC) Act of 2002.⁴ The TEUC program is fully federally financed by FUTA taxes that are added to the Extended Unemployment Compensation Account in the UTF. TEUC provides benefits equal to the amount of regular UC weekly benefits.

Eligibility. An individual is eligible for TEUC benefits if he or she (1) has filed an initial (new or additional) claim that was effective during or after the week of March 15, 2002; and (2) has exhausted regular UC benefits or had no benefit rights due to expiration of a benefit year ending during or after the week of March 15, 2001; (3) has no rights to regular or extended benefits under any state or federal law; and (4) is not receiving benefits under Canadian law.⁵ Individuals must also accumulate 20 weeks of work, or the equivalent in wages, in their base periods in order to qualify for TEUC.

² During 1993 (when the effects of the 1991 recession were reflected in the unemployment data), the national average exhaustion rate for regular UC benefits was 38.4%, compared to 31.3% in 1999; 32.6% in 2001; and 38.8% in the 2nd quarter of 2002.

³ For more information regarding the history and structure of temporary extended unemployment compensation programs see CRS Report RL31277, *Temporary Programs to Extend Unemployment Compensation*, by Jennifer E. Lake.

⁴ In 1961 Congress passed a program called Temporary Extended Unemployment Compensation. This program has no relationship with the TEUC program of 2002.

⁵ U.S. Department of Labor. Employment and Training Administration. *Unemployment Insurance Program Letter No. 17-02*.

Benefit Tiers. Under the TEUC program, an individual's benefit entitlement is based upon the regular UC entitlement. TEUC law is written so that an individual receives a total benefit over the life of the program that is equal to the lesser of 50% of the regular UC entitlement or 13 times the state's average weekly benefit amount.⁶

The TEUC program has two separate benefit tiers. The first tier, TEUC, provides up to 13 weeks of extended benefits in every state, thus, it does not contain a trigger mechanism or threshold requirement. This means that an eligible individual in any state can receive up to a maximum of 13 weeks of extended benefits. The key point is that individuals who are not eligible to receive the full 26 weeks (30 weeks in Massachusetts and Washington)⁷ of regular UC will receive a TEUC allotment equal to half of their regular UC benefit. For example, an individual who received 14 weeks of regular UC and exhausts those benefits, would be eligible for 7 weeks of TEUC.

The second tier of benefits, TEUC-X, provides up to yet an additional 13 weeks of extended UC benefits.⁸ This second extension is available only to those individuals who exhaust their initial 13-week TEUC extension in a state classified as a "high-unemployment" state at the time the individual exhausts the initial TEUC entitlement. TEUC-X employs a trigger mechanism to determine whether or not a state is considered a high-unemployment state.

A state is classified as a high-unemployment state if the state's insured unemployment rate (IUR) is at least 4%, and at least 120% of the average of the 13-week IUR in the prior 2 years for the same 13-week calendar period. DoL provides updated weekly trigger notices indicating when states have triggered on to the TEUC-X program.⁹ Once a state has triggered on to TEUC-X, that state remains classified as high-unemployment for 13 weeks, regardless of whether or not the state's IUR drops below the 4% criterion during that 13-week period. At the end of that 13 weeks, the state will trigger off TEUC-X if that state's IUR has fallen below 4%. If the state's IUR remains above 4% and continues to meet the 120% criterion, the state will continue to be classified as a high-unemployment state for an additional 13 weeks. This classification process proceeds in 13-week increments for the life of the TEUC program (currently slated to cease accepting new TEUC claims on May 31, 2003).

⁶ P.L. 107-147, Section 203(b)(1).

⁷ The "lesser of" segment of this provision also ensures that eligible individuals in Massachusetts and Washington do not receive a larger TEUC entitlement than comparably eligible individuals in other states. An individual who received a full 30 weeks of regular UC in Washington or Massachusetts would (without the lesser of provision) be eligible for 15 weeks.

⁸ The TEUC-X benefit amount is equal to the first tier of TEUC benefits. For example, an individual who exhausted an initial TEUC allotment of 7 weeks in a state classified as a high-unemployment state would receive an additional 7 weeks of TEUC-X benefits. This would mean that the individual in our example (above) would have received a total of 28 weeks of benefits (14 weeks of regular UC, 7 weeks of TEUC, and 7 weeks of TEUC-X). The pattern in a typical state would be up to 26 weeks of regular UC benefits, 13 weeks of TEUC, and 13 additional weeks of TEUC-X (in high unemployment states).

⁹ [<http://www.workforcesecurity.doleta.gov/unemploy/teuc.asp>].

The TEUC program had originally been scheduled to end December 28, 2002. Near the end of the 107th Congress members debated whether or not to extend and/or expand TEUC benefits. The 107th Congress adjourned without passing an extension of the program. The TEUC program technically expired December 28, 2002. However, 11 days later, the 108th Congress passed, and the President signed, S. 23 (P.L. 108-1) extending the program so that there would not be a lapse in benefits for eligible TEUC beneficiaries.

Legislative Developments in the 108th Congress

On January 8, 2003, **S. 23** (P.L. 108-1) was signed into law, extending the TEUC program through the week ending May 31, 2003, and including a gradual phase-out period through August 30, 2003. Those with existing TEUC or TEUC-X claims as of May 31, 2003, will be able to receive the remainder of their entitlement through the week ending August 30, 2003. No new TEUC claims will be accepted after May 31, 2003. P.L. 108-1 does not provide additional weeks of benefits to individuals once they have exhausted their initial TEUC entitlement.

Several other bills containing provisions to extend or expand the TEUC program were introduced on January 7, 2003 (**H.R. 17**, **S. 35**, **H.R. 162**, **H.R. 209**, **H.R. 228**). **H.R. 17** would extend the program through the week ending June 28, 2003, and proposes a phase-out period through December 31, 2003. **H.R. 17** would augment the first tier of TEUC benefits by providing 26 weeks of benefits to all individuals eligible for TEUC. This would include those individuals who have already exhausted 13 weeks of TEUC benefits. **H.R. 17** also would reduce the amount of TEUC-X benefits in high-unemployment states from 13 weeks to 7 weeks. **H.R. 17** proposes two additional triggers: an adjusted insured unemployment rate (AIUR) trigger; and a total unemployment rate (TUR) trigger that would apply to all states (including states that do not currently have the TUR trigger included in state law).¹⁰

S. 35 would extend the TEUC program to May 31, 2003, and proposes a phase-out period through December 31, 2003. **S. 35** would also provide 26 weeks of benefits to all individuals eligible for TEUC. Under **S. 35**, TEUC-X benefits for high-unemployment states would remain at a 13 week maximum. **H.R. 162** would provide all TEUC recipients who exhaust either (or both) their TEUC or TEUC-X benefits with another allotment of benefits equal to their original TEUC entitlement, and would extend the program to January 1, 2004. **H.R. 209** would extend the TEUC program through April 1, 2003. **H.R. 228** would extend the program to April 1, 2003, and proposes a new TUR trigger. This new trigger would allow states to trigger on to TEUC-X if the state's seasonally adjusted average TUR for fiscal year 2002 exceeds the seasonally adjusted average TUR in all states for the same period. **S. 106**, introduced January 9, 2003, would

¹⁰ The AIUR is calculated by adding the 13-week average number of insured unemployed, plus the number of exhaustees for the 3 most recent completed months, divided by the number of individuals in covered employment. The AIUR, because it includes exhaustees in the numerator, would thus be higher than the IUR, and could potentially allow more states to trigger on to TEUC-X. The TUR is calculated by dividing the number of unemployed by the civilian labor force. For additional discussion on various "triggers" used in temporary extended unemployment programs, see CRS Report RL31277, *Temporary Programs to Extend Unemployment Compensation*, by Jennifer E. Lake.

extend the TEUC program to July 1, 2003 and proposes a phase-out period through the week ending September 27, 2003.

Legislative History in the 107th Congress

Several bills were introduced late in the 107th Congress (now expired with the end of that Congress) that would have amended various aspects of TEUC. S. 2714 was introduced July 9, 2002, and H.R. 5089 was introduced July 10, 2002. Both bills would have increased the first tier of TEUC benefits to equal the lesser of the number of weeks of regular UC benefits an individual had received, or 26 times the individual's average weekly benefit amount. Both S. 2714 and H.R. 5089 would have left the TEUC-X benefit at 13 weeks and would have extended the TEUC program's authorization by another 6 months, through June 30, 2003.

S. 2892 was introduced August 1, 2002. Among various other provisions affecting the regular UC program and the permanent extended benefit (EB) program, S. 2892 would have: (1) extended TEUC by 6 months through June 30, 2003; (2) provided all eligible TEUC recipients with 26 weeks of benefits; (3) reduced the TEUC-X benefit duration from 13 weeks to 7 weeks; (4) instituted additional AIUR and TUR triggers; and (5) repealed the TEUC eligibility requirement that individuals must have worked the equivalent of 20 weeks of full-time insured employment during the relevant base year.

S. 3009 and H.R. 5491 were introduced September 26, 2002. Both bills would have provided all eligible TEUC recipients with 26 weeks of first-tier benefits and would have reduced the TEUC-X benefits in high-unemployment states to 7 weeks. Both S. 3009 and H.R. 5491 would have created an AIUR by adjusting the IUR to include individuals who had exhausted their regular benefits in the most recently completed quarter. This AIUR would have allowed states to trigger on to TEUC-X if their AIUR was equal to or greater than 4% and 120% of the prior 2-year average AIUR for the same period. S. 3009 and H.R. 5491 would have also provided an additional trigger mechanism allowing states to trigger on to TEUC-X if their TUR was equal to or greater than 6% and 110% of the TUR for the same period in either or both of the past 2 years. Both bills would have extended the TEUC program through the last week of June 2003.

H.R. 5587 was introduced October 9, 2002. This bill proposed extending the TEUC program for high-unemployment states, and gradually phasing out benefits for individuals whose TEUC or TEUC-X entitlement would otherwise be cut off by the December 28, 2002, expiration date of the original TEUC legislation. The bill would have allowed those who had exhausted their TEUC allotment after December 28, 2002, in high-unemployment states to receive an additional 13 weeks of benefits. The bill would not have provided additional weeks to individuals who had exhausted regular UC, TEUC, or TEUC-X benefits after December 28, 2002, in states that had not met the high-unemployment triggers established by the original TEUC legislation (P.L. 107-14). H.R. 5587 would not have provided benefit payments for any weeks of unemployment after the week of April 1, 2003.

On November 14, 2002, the Senate passed an amended version of H.R. 3529 that would have extended the TEUC program through March 31, 2003, and gradually phased-out benefits through the week ending June 28, 2003. The phase-out period would have allowed anyone who was eligible for, or receiving benefits before March 31, 2003, to

receive their full TEUC entitlement. Under H.R. 3529, individuals exhausting either their regular UC, or the first tier of TEUC after March 31, 2003, would not have been eligible to receive any further TEUC or TEUC-X benefits.

H.R. 5063 was passed by the House on November 14, 2002. This bill contained provisions that were nearly identical to the TEUC provisions in H.R. 5587. H.R. 5063 would have extended the TEUC program only in high-unemployment states and allowed individuals whose TEUC or TEUC-X entitlement would have been cut off by the December 28, 2002, expiration date of the original TEUC legislation to continue to receive their TEUC allotment until February 2, 2003. Under H.R. 5063, individuals who would have exhausted their regular UC, in a state not classified as a high-unemployment state, after December 28, 2002 would not have been eligible for any additional weeks of benefits under the TEUC program.

H.R. 5731 was introduced in the House November 14, 2002, and contained provisions that would have extended the TEUC program through April 1, 2003, and introduced an alternative trigger mechanism for states to qualify for the TEUC-X benefit tier. This trigger mechanism would have compared a state's seasonally adjusted TUR with the average seasonally adjusted rate in all states during the same fiscal year. Under the bill, if an individual state's seasonally adjusted TUR was greater than the average of the national average seasonally adjusted TUR, then the state would have been considered a high-unemployment state and triggered TEUC-X.