

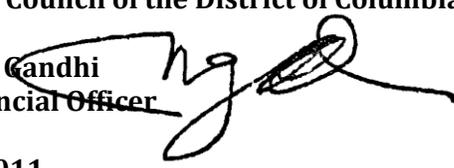
Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Kwame R. Brown
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: June 22, 2011

SUBJECT: Fiscal Impact Statement – “Unemployment Compensation Fund
Appropriation Authorization Emergency Act of 2011”

REFERENCE: Draft Legislation shared with the OCFO on June 17, 2011

Conclusion

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan period to implement the proposed legislation. The proposed legislation would authorize the use of \$27.6 million in federal grant funds to modernize the District’s unemployment compensation operating system.

D.C. Department of Employment Services (DOES) already received the grant from the U.S. Department of Labor (DOL), but per DOL directives, the District must appropriate the funds to modernization activities through local law before DOES can expend funds on the modernization project.¹

Background

The proposed legislation would authorize the use of \$27.6 million in federal grants the District received pursuant to the Assistance for Unemployed Workers and Struggling Families Act, Title II, Division B (“Stimulus Act”)² to modernize the District’s unemployment compensation operating system.

This new operating system would be required to link benefits, tax contributions, and reemployment services into a single operating platform.

¹Unemployment Insurance Program Letter No. 14-09, issued by the DOL on February 29, 2009. Available at <http://wdr.doleta.gov/directives/attach/UIPL/UIPL14-09.pdf>. Accessed on June 20, 2011.

² Public Law No. 111-5, approved February 17, 2009 (123 Stat 439 (42 U.S.C. § 1103)).

The Honorable Kwame R. Brown

FIS: "Unemployment Compensation Fund Appropriation Authorization Emergency Act of 2011," draft legislation shared with the OCFO on June 17, 2011

Financial Impact

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan period to implement the proposed legislation. The District already received \$27.6 million in modernization funds by enacting the necessary changes to its unemployment compensation laws as described below. This legislation would simply authorize the use of these funds for the modernization project.

In 2009, as a part of the stimulus program, the federal government set aside \$7 billion in modernization funds to distribute to all states, territories, and the District of Columbia. The DOL distributed the funds in two phases. First, in order to qualify for one-third of their maximum grant,³ the Stimulus Act required jurisdictions to include the most recent wage data possible in calculating unemployment benefits.⁴ Since the District already met the required criteria, it applied for the funds on May 6, 2009 and received approval for \$9.2 million shortly thereafter.

Second, to qualify for the remaining two-thirds, each state had to enact at least two of the four following provisions:

- Make unemployment compensation available to certain individuals seeking part-time work;
- Ensure individuals are not disqualified from receiving unemployment compensation if they leave their work for certain compelling family reasons;
- Provide extended benefits of at least 26 weeks to individuals in certain training programs; and
- Allow for dependent benefits.

On August 10, 2009, the District enacted the Unemployment Compensation Administrative Modernization Emergency Amendment Act of 2009,⁵ which provided for dependent benefits and extended benefits for those enrolled in certain training programs. The District applied for the remaining funds on September 3, 2010, and received approval for \$18.4 million on September 30, 2010.

In total, the District received \$27.6 million to modernize the District's unemployment compensation operating system. These funds were deposited in the Unemployment Trust Fund, and can only be used for modernization purposes.

³ The incentive payments are calculated by multiplying each jurisdiction's proportionate share of Federal Unemployment Tax Act taxable wages by \$7 billion.

⁴ The requirement was that the base period—the period over which benefits are calculated—should include the most recently completed calendar quarter before the start of the benefit year.

⁵ Enacted August 10, 2009 (D.C. Act 18-182, 56 DCR 6940). The permanent version of this legislation is the Unemployment Compensation Reform Act of 2009, July 23, 2010 (D.C. Law 18-192; 57 DCR 4500).