


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: December 16, 2011

SUBJECT: Fiscal Impact Statement – “Unemployment Compensation Federally Funded Extended Benefits Maximization Emergency Amendment Act of 2011”

REFERENCE: Draft legislation shared with OCFO on December 13, 2011

Conclusion

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the provisions of the proposed legislation.

Background

In the summer of 2011 the Council passed legislation¹ to temporarily modify² the “on” and “off” indicators for the District’s Unemployment Insurance Extended Benefits (“Extended Benefits”) program. The Extended Benefits program allows eligible recipients to draw unemployment benefits after their 26-week benefit period funded by the District’s unemployment tax collections expires. When the Extended Benefits program is “on,” or active, the District continues paying benefits after 26 weeks through its Unemployment Insurance Trust Fund, and then receives full reimbursement for these amounts from the federal government.³

¹ This previous legislation was known as the “Unemployment Compensation Extended Benefits Continuation Emergency Amendment Act of 2011.”

² By amending Section 7(g)(1) of the District of Columbia Unemployment Compensation Act, approved August 28, 1935 (49 Stat. 949; D.C. Official Code § 51-107 (g)(1)).

³ The duration of extended benefits depends on the federal policy at that time.

Prior to that change in law, to determine whether the Extended Benefits program is "on," or active, or "off," or inactive, the District would compare the current insured unemployment rate⁴ measured over the most recent 12-week period to the similar period in the past 2 calendar years. That legislation changed the calculation so that it considers the last three years, not just the last two, when determining the "on" or "off" status of the Extended Benefits program for the period between March 6, 2011 and December 31, 2011.⁵ The purpose of the change was to enable the Extended Benefits to remain in place for a longer period, through the end of calendar year 2011.

However, due to a technicality regarding the dates, the District must continue its revision of the Extended Benefits trigger into the first week of January 2012, to correctly synchronize it with the federal extended benefit program as originally intended. The proposed legislation would make the necessary technical change in the District's unemployment law⁶ to ensure that the District maximizes the benefits from the federal extension programs. According to estimates from the Department of Employment Services, this would allow fully federally-funded benefits valued at nearly \$2.3 million to be paid for the last week of December 2011, to over 11,000 recipients.

The proposed legislation would also ensure that at the end of the first week in January 2012, the Extended Benefits trigger would revert back to the two-year calculation method used previous to last summer's legislative change.

Financial Plan Impact

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation does not have an impact on the District's budget and financial plan.

Unemployment benefits received by District workers are paid out of the Unemployment Insurance Trust Fund, which is replenished by the unemployment tax paid by District employees. If the District does not pass this proposed legislation, half of the Extended Benefits paid to recipients for the last week of December 2011, would be charged to the Unemployment Insurance Trust Fund and receive no federal reimbursement.

⁴ Insured unemployment rate is the ratio of employees receiving unemployment benefits to the total number of employees for whom employers are making unemployment insurance payments.

⁵ The Federal Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, P.L. 111-312 has authorized states to amend their local "look-back" statutes to enable these states to stay on the extended benefits program for a longer period.

⁶ Again, the amendment is to the District of Columbia Unemployment Compensation Act, approved August 28, 1935 (49 Stat 949; D.C. Code § 51-107).