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:	**May 2, 2011**
SUBJECT:	**Fiscal Impact Statement – "Unemployment Compensation Extended Benefits Continuation Emergency Amendment Act of 2011"**
REFERENCE:	**No bill number, draft legislation shared with the OCFO on April 28, 2011**

Conclusion

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan period to implement the proposed legislation.

Background

The proposed legislation would temporarily modify[1] 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 unemployment tax collections is over. When the Extended Benefits program is "on," or active, the District would continue paying benefits after 26 weeks through its Unemployment Insurance Trust, and then receive full reimbursement for these amounts from the federal government.[2]

Current law requires that when determining whether the Extended Benefits program is "on," or active, or "off," or inactive, the District would compare the current insured unemployment rate[3] measured over the most recent 12-week period to the similar period in the past 2 calendar years.

[1] 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)).
[2] The duration of extended benefits depends on the federal policy at that time.
[3] 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.

The Extended Benefits program is considered to be "on" if the insured unemployment rate is at least 5 percent,[4] or if the average insured unemployment rate is at least 120 percent of the rate that prevailed in the corresponding 12 week periods in the past two calendar years.

The proposed legislation would require that this calculation would consider the last three years, and not the last two, for the period between March 6, 2011 and December 31, 2011 when determining the "on" or "off" status of the Extended Benefits program.[5]

Financial Plan Impact

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan period to implement the proposed legislation. The proposed legislation does not affect the District's budget and financial plan. Since Extended Benefits are fully funded by the federal government, this legislation also does not impact the District's Unemployment Insurance Trust Fund, into which employers in the city make unemployment tax payments, and from which eligible unemployed workers draw benefits.

The proposed legislation would keep the Extended Benefits program in place through December 31, 2011. As a result, eligible unemployed workers (residents and non-residents) would continue to collect extended benefits, funded by the federal government.

In the last quarter of 2010, the average weekly benefit collected by workers eligible for unemployment benefits in the District was approximately $295. According to the District's Department of Employment Services, in the absence of this legislation, approximately 10,000 recipients would fall off the extended benefits rolls during the 29 weeks this legislation would cover (through December 31, 2011). The proposed legislation would allow these individuals to continue to receive unemployment benefits, fully funded by the federal government. The District's Department of Unemployment Services estimates that these benefits could equal up to $8.7 million.

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[4] The insured unemployment rate is generally much lower than 5 percent in the District. Since April 2010, for example, insured unemployment rate hovered between 2.5 percent to 3 percent. The reason this rate is lower than the unemployment rate is because the District's unemployment rate only considers residents (comparing unemployed workers actively seeking work as a ratio of the labor force) whereas covered unemployment rate considers all those who work in the District, including non-residents (which constitute for than 60 percent of the total workers in the District).

[5] 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" statues to enable these states stay on the extended benefits program for a longer period. This authority expires on December 31, 2011. For further details, please see UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 04-10, Change 7, available at http://wdr.doleta.gov/directives/attach/UIPL04-10_Ch7acc.pd. (Accessed on April 28, 2011),