

# UNEMPLOYMENT COMPENSATION



## Federal-State Partnership



### U.S. DEPARTMENT OF LABOR

Office of Unemployment Insurance  
Division of Legislation  
May 2024

## TABLE OF CONTENTS

Introduction.....	1
The Basic System.....	2
Approval for Normal Tax Credit .....	3
Approval for Additional Tax Credit .....	5
Approval for Grants for Costs of Administration.....	5
Financing the Program.....	7
Liable Employers.....	7
State Taxes.....	8
Provisions Relating to Advances.....	8
Interest on Advances.....	8
Penalty for Failure to Pay Interest .....	9
Limitation on Source of Interest Payments .....	9
Avoidance of Federal Tax Credit Reduction.....	9
Cap on the Reduction of the Federal Tax Credit .....	9
Experience Rating and the Federal Requirements.....	10
State Requirements for Experience Rating.....	10
State Taxable Wage Base and Rates.....	11
Coverage.....	11
Benefit Rights .....	11
Qualifying Wages and Employment.....	12
Benefit Eligibility and Disqualification.....	12
Benefit Computation.....	12
Other Benefit Programs .....	13
Federal-State Extended Benefits (EB).....	13
Unemployment Compensation for Federal Employees (UCFE).....	13
Unemployment Compensation for Ex-Servicemembers (UCX).....	13
Disaster Unemployment Assistance (DUA).....	14
Trade Readjustment Allowances (TRA) .....	14
Self-Employment Assistance (SEA).....	14
Short-Time Compensation (STC).....	15
Reemployment Services and Eligibility Assessment (RESEA) .....	15

## INTRODUCTION

The federal-state unemployment compensation (UC) program, created by the Social Security Act (SSA) of 1935, offers an economic line of defense against the ripple effects of unemployment. The UC program provides a temporary partial wage replacement for unemployed workers that have been attached to the labor force while they seek their next job. It maintains their purchasing power which also acts as an economic stabilizer in times of economic downturn. This occurs through payments made directly to eligible unemployed workers, which ensures that a significant proportion of the necessities of life can be met on a week-to-week basis while a search for work takes place.

Unemployment compensation is a social insurance program. It is designed to provide benefits to most individuals out of work, generally through no fault of their own, for periods between jobs. To be eligible for benefits, jobless workers must demonstrate workforce attachment, usually measured by amount of wages and/or weeks of work, must be able and available for work, and must be actively seeking work.

The UC program is a federal-state partnership based upon Federal law that is administered by state employees under state law. This structure makes the program unique among the country's social insurance programs. The UC program is also unique in that it is almost totally funded by employer taxes; only three states collect taxes from workers.

Federal law defines certain requirements for the program. The SSA and the Federal Unemployment Tax Act (FUTA) set forth broad coverage provisions, some benefit provisions, the federal taxable wage base and tax rate, and certain administrative requirements. The major functions of the Federal government are to:

- Ensure conformity and substantial compliance of state law, regulations, rules, and operations with Federal law;
- Determine administrative fund requirements and provide money to states for proper and efficient administration;
- Set broad overall policy for administration of the program, monitor state performance, and provide technical assistance as necessary; and
- Hold and invest all money in the unemployment trust fund (UTF) until drawn down by states for the payment of compensation.

Each state (defined as the 50 states, the District of Columbia, Puerto Rico, and the US Virgin Islands) designs its own UC program within the framework of the Federal requirements. The state statutes set forth the benefit structure (e.g., eligibility/disqualification provisions, benefit amount) and the state tax structure (e.g., state taxable wage base and tax rates). The primary functions of the state are to:

- Determine operation methods and directly administer the program;

- Take claims from individuals, determine eligibility, and insure timely payment of benefits to workers; and
- Determine employer liability, and assess and collect taxes.

The maximum number of weeks payable vary by state, but most frequently is 26 weeks. In one state the maximum number of weeks payable can exceed 26 weeks under certain circumstances. A few states establish uniform durations (generally at 26 weeks) for all individuals who are monetarily eligible. However, most states vary the number of weeks payable (e.g. duration) based upon the amount of earnings in the individual's base period. In recent years some states have adopted provisions that cap the maximum number of weeks payable based upon the state's unemployment rate.

Since 1970, Federal law has provided for the payment of extended benefits (EB) during periods of high and rising unemployment. When a state triggers on to EB (triggers are discussed more fully on page 13), eligible individuals may receive up to 13 additional weeks (20 in some cases). The EB program is funded on a shared basis – in general, half from state funds and half from Federal funds. In addition to the EB program, Congress has, from time to time during periods of national recession, enacted temporary federally-funded programs of supplemental benefits to provide additional weeks of benefits.

The UC program operates counter-cyclically to economic trends, paying out more benefits during recessionary times and building solvency during recovery periods. Provided below are estimates of program activity for fiscal year 2023.

• Number of workers covered	145.9 million
• Number of 1 <sup>st</sup> payments (State UC+UCFE+UCX)	5.03 million
• Benefits paid (all programs)	\$30.5 billion
• Number of subject employers	9.899 million
• State administrative costs (total)	\$4.46 billion
○ UC only	\$3.34 billion
• Payroll taxes – FUTA	\$7.3 billion
• Payroll taxes – State	\$41.5 billion

## THE BASIC SYSTEM

Almost all wage and salary workers are covered by the federal-state UC program. Railroad workers are covered by a separate Federal program. Ex-servicemembers with recent service in the Armed Forces and civilian Federal employees are covered by Federal programs, with the states paying benefits from Federal funds as agents of the Federal government.

If a state law meets minimum Federal requirements under FUTA and Title III of the SSA employers are eligible for certain credits against the 6.0 percent Federal unemployment tax.

- The normal tax credit – equal to the amount of the state unemployment tax paid by the employer up to an amount equal to 90 percent of the Federal tax (i.e. 5.4 percent).
- The additional tax credit – equal to the difference between amount of the state unemployment tax paid, and the amount that would have been paid at the highest state tax rate, or 5.4 percent, whichever is lower.

Additionally, provided the state is certified under FUTA, the state is eligible to receive Federal grants to cover the costs of administering the UC program.

### **Approval for Normal Tax Credit**

In order to be certified by the Secretary of Labor for the normal tax credit, section 3304, FUTA, requires that a state's law provide:

- All compensation must be paid through public employment offices or other approved agencies;
- All of the money received must be deposited in the Federal Unemployment Trust Fund (UTF) immediately upon receipt (Title IX of the SSA prescribes the distribution of the tax revenue among the various accounts of the UTF);
- All of the money withdrawn from the state unemployment trust fund account must be used solely to pay compensation, exclusive of expenses for administration, to refund amounts erroneously paid into the fund, or for other specified activities;
- Compensation may not be denied to anyone for refusing to accept work because the job is vacant as the direct result of a labor dispute, or because the wages, hours, or conditions of work are substantially less favorable than those for prevailing for similar work in the locality, or if, as a condition of employment, the individual would have to join a company union or resign from or refrain from joining any bona fide labor organization;
- Compensation must be payable to employees based on services for state and local governments and federally-recognized Indian tribes, in the same amount and on the same terms and conditions, as all other services;
- Compensation must be payable to employees of certain nonprofit organizations, including schools and colleges, who employ four or more workers in each of 20 weeks in the calendar year;
- Payment of compensation to certain employees of educational institutions operated by state and local governments, certain nonprofit organizations, and federally-recognized Indian tribes is limited during periods between and within academic years or terms;

- State and local governments, certain nonprofit organizations, and federally-recognized Indian tribes are permitted to elect to pay employer taxes or finance benefit costs by the reimbursement method;
- Compensation is not payable in two successive benefit years to an individual who has not worked after the beginning of the first benefit year;
- Compensation may not be denied to anyone solely because the individual is taking part in an approved training program;
- Compensation may not be denied or reduced because an individual's claim for benefits was filed, or because of their residence at the time of filing, in another state or Canada;
- Compensation may not be denied by cancelling wage credits or a total denial of benefit rights for any reason other than discharge for work-connected misconduct, fraud to receive benefits, or receipt of disqualifying income;
- Extended compensation must be payable as provided in the Federal-State Extended Unemployment Compensation Act of 1970 (federal-state EB program);
- Compensation may not be denied solely on the basis of pregnancy or termination of pregnancy;
- Compensation is not payable to a professional athlete between seasons who has a reasonable assurance of resuming employment when the new season begins;
- Compensation is not payable to an alien unless the alien was legally authorized to work at the time services were performed and remains eligible to work at the time benefits are claimed;
- The benefit amount of an individual is reduced, under certain conditions, by the portion of a pension or other retirement income (including Social Security and Railroad Retirement income) that is funded, in whole or in part, by a base period employer;
- Wage information is made available, upon request and on a reimbursable basis, to the state agency administering Temporary Assistance for Needy Families; and wage and UC information to the Secretary of Health and Human Services for the purposes of the National Directory of New Hires;
- Any interest required to be paid on Title XII advances is paid in a timely manner and is not paid, directly or indirectly (by an equivalent tax reduction in such state), from amounts in such state's trust fund account; and
- Upon request from a claimant, Federal individual income tax is deducted and withheld.

**Approval for Additional Tax Credit**

Section 3303, FUTA, allows an additional tax credit to employers with a reduced tax rate provided the rates are determined using an experience rating system approved by the Secretary of Labor. Reduced tax rates for employers are permitted only on the basis of their “experience with respect to unemployment or other actors bearing a direct relation to unemployment risk.”

**Approval for Grants for Costs of Administration**

Title III of the SSA provides payments from the Federal UTF to states in order to meet the necessary costs of administering the UC programs. These funds are restricted to those states that have a UC law approved under FUTA and that have been certified by the Secretary of Labor as providing (some of these provisions are also required for certification under FUTA):

- Methods of administration (including a state merit system) to insure full payment of UC when due;
- Payment of UC through public employment offices or through other approved agencies;
- Opportunity for fair and impartial hearings to individuals whose claims for UC have been denied;
- All of the money received must be deposited in the Federal UTF immediately upon receipt (Title IX of the SSA prescribes the distribution of the tax revenue among the various accounts of the UTF);
- All of the money withdrawn from the state trust fund account must be used solely to pay compensation, exclusive of administrative expenses, to refund amounts erroneously paid into the fund, or for other specified activities;
- Reports as required by the Secretary of Labor;
- Information to Federal agencies administering public works programs or assistance through public employment;
- Limits on expenditures to the amounts found necessary by the Secretary of Labor for proper and efficient administration of the state UC law;
- For repayment of any funds the Secretary of Labor determines were not spent for UC purposes or exceeded the amounts necessary for proper administration of the state UC law;
- That as a condition of eligibility, any claimant referred to reemployment services pursuant to the profiling system, participate in such services;

- Information to the Railroad Retirement Board as the Board deems necessary;
- Reasonable cooperation with every agency of the United States charged with the administration of any UC law;
- Information to the Department of Agriculture and state food stamp agencies with respect to employee wages, UC benefits, home address, and job offers;
- Information to any state or local child support enforcement agency with respect to employee wages;
- That a claimant disclose whether or not the claimant owes child support obligations; deductions from benefits shall be made for any such child support obligations, and the amount of such deduction paid by the state UC agency to the appropriate child support agency;
- Information be requested and exchanged for purposes of income and eligibility verification in accordance with a state system meeting the requirements of Title XI of the SSA; the UC wage record system may, but need not, be the required state system;
- Information to the Secretary of Health and Human Services on a reimbursable basis, with respect to employee wages, UC benefits, and home address for the purpose of establishing a National Directory of New Hires;
- Information to officers and employees of the Department of Housing and Urban Development and to representatives of public housing agency with respect to employee wages and UC benefits;
- For establishment and use of a system of profiling new claimants of regular compensation to identify those likely to exhaust such compensation and need reemployment services;
- That as a condition of eligibility for regular UC, claimants participate (unless exempt) in reemployment services if referred under the profiling system;
- Mandatory transfer of unemployment experience whenever there is substantially common ownership, management, or control of two employers, and one of these employers transfers its trade or business (including its workforce), or portion thereof, to the other employer (applies to total and partial transfers); and, under certain conditions, prohibition of transfer when a person who is not an employer acquires the trade or business of an existing employer;
- Work search requirements for claimants collecting state and Federal UC benefits;

- Reduction of current state and Federal UC benefits to recover prior overpayments of state and Federal UC benefits (including Federal Additional Compensation) and use of rules for recovering Federal overpayment that are just as aggressive as those states use to recover state UC overpayments; and
- Reemployment eligibility assessments for the long-term unemployed who begin collecting Federal UC benefits to determine what services and activities they need to return to work.

## **FINANCING THE PROGRAM**

Initially, the Federal tax under FUTA was 1.0 percent (0.1 percent effective tax) of the total wages of a worker. By 1940 it had increased to 3.0 percent (0.3 percent effective tax) on wages up to \$3,000. Since then, the rate has increased a number of times, occasionally on a temporary basis. In 1985, the Federal tax reached 6.2 percent (0.8 percent effective tax) on taxable wages. On July 1, 2011, the Federal tax was reduced to 6.0 percent. The taxable wage base similarly increased to \$4,200 in 1972, \$6,000 in 1978, and \$7,000 in 1983.

Under current FUTA provisions, a Federal tax is levied on covered employers at a rate of 6.0 percent on wages up to \$7,000 a year paid to an employee. However, Federal law provides credits up to a total of 5.4 percent to employers who pay state tax timely under approved state UC program. Accordingly, in states meeting the specified requirements, employers pay an effective Federal tax rate of 0.6 percent, or a maximum of \$42 per covered employee, per year.

This Federal tax is used to fund:

- Federal and state administrative costs associated with UC programs;
- The Federal share of benefits paid under the federal-state Extended Unemployment Compensation Act of 1970;
- Advances to states to pay UC; and
- Benefits under some of the Federal supplemental and emergency programs.

In addition, the FUTA tax is used to fund labor exchange services, employment services for veterans and disabled veterans, and some labor market information activities.

### **Liable Employers**

Employers are subject to the Federal unemployment tax if, during the current or preceding calendar year, they employed one or more individuals in each of at least 20 calendar weeks, or if they paid wages of \$1,500 or more during any calendar quarter of either the current or preceding calendar year.

Variations on these requirements relate to employers in agriculture and domestic service:

- In agriculture, employers who have at least ten or more workers in each of at least 20 calendar weeks in the current or preceding calendar year or a cash payroll of at least \$20,000 during any calendar quarter in either the current or preceding calendar year are subject to the tax; and
- In domestic service, employers who have a cash payroll of at least \$1,000 in any calendar quarter in the current or preceding calendar year are subject to the tax.

Taxable wages are defined as all remuneration from employment in cash or in kind with certain exceptions. The exceptions include earnings in excess of \$7,000 in a year, and payments related to retirement, disability, hospital insurance, or similar fringe benefits.

### **State Taxes**

All states finance UC primarily through taxes from subject employers on the wages of their covered workers. In addition, three states (Alaska, New Jersey, and Pennsylvania) collect taxes from employees. These taxes are deposited by the state to its account in the UTF in the US Treasury, and are withdrawn as needed to pay benefits. As of December 31, 2023, the aggregate reserve of the state trust fund accounts was \$65.7 billion. However, when taking into account outstanding advances to states under Title XII of the Social Security Act, the aggregate reserve is approximately \$40.1 billion.

### **Provisions Relating to Advances**

If it is anticipated that the balance in a state's unemployment fund will become insufficient to pay benefits during a specified period of time, the state's Governor (or designee) may request an advance from the Secretary of Labor. Such advances are made from the Federal Unemployment Account (FUA) in the UTF and must meet the requirements of Title XII of the SSA.

To assure that a state will repay any advances it secures from the fund, the law provides that when a state has an outstanding advance balance on January 1 for two consecutive years, the full amount of the advance must be repaid before November 10 of the second year, or the Federal tax credit employers receive will be decreased for that year and further decreased for each subsequent year that the advance has not been repaid. The additional taxes paid as a result of the reduced credit are used to repay the outstanding advances.

### **Interest on Advances**

Except for cash flow advances (advances obtained and repaid January through September) interest is charged on all advances made on or after April 1, 1982. The rate is the lesser of 10 percent or the rate at which interest was paid on the state reserve balance in the Federal UTF for the last quarter of the preceding calendar year. Interest paid by states is credited to the FUA in the UTF.

Interest is due and payable by the last day of the fiscal year (September 30) in which the advances are made. If a state receives an advance after September 30 in a calendar year in which a cash flow advance had been previously repaid without interest, interest is charged retroactively for the period that the state had outstanding advances.

Interest may be delayed, to December 31 of the following calendar year, for advances made in the last five months of the Federal fiscal year (May-September). Interest accrues on the delayed interest payment.

States with an average total unemployment rate of 13.5 percent or greater for the most recent 12-month period for which data are available may delay payment of interest for a grace period not to exceed nine months. Interest does not accrue on the delayed interest payment.

States with an average insured unemployment rate of 7.5 percent or greater during the first six months of the preceding calendar year may pay interest in four annual installments of 25 percent per year. Interest does not accrue on the deferred interest payments.

### **Penalty for Failure to Pay Interest**

Employers in the state will lose all tax credits (5.4 percent) for any year in which all interest due under law is not paid by the date on which such interest is required to be paid. The state would also lose all grants for the costs of administration until interest due has been paid.

### **Limitation on Source of Interest Payments**

Federal law requires, as a condition of certification of the state's laws for credit against the Federal tax and receipt of Federal grants, that interest payments may not be made from the state UC fund (directly or indirectly by diverting some part of UC taxes).

### **Avoidance of Federal Tax Credit Reduction**

States with outstanding advances may avoid the automatic increase in the Federal tax by transferring, on or before November 9, money from their unemployment accounts to the FUA. The following criteria must be met to avoid the credit reduction:

- Repay all advances for the one-year period ending November 9 plus any potential additional taxes (due by reason of the reduced credit amount);
- Have sufficient funds remaining after the transfer to pay benefits for at least three months after November 1 of the same year without receiving another advance under Title XII, SSA; and
- Have taken action to increase the solvency of its trust fund in an amount equal to at least the potential additional taxes that would otherwise be payable.

### **Cap on the Reduction of the Federal Tax Credit**

States with outstanding advances may seek relief from the automatic advance repayment provisions. If specific requirements are met, a cap (or limit) is provided on the reduction in tax credit at the higher of 0.6 percent or the reduction in effect in the state for the previous year. These requirements are:

- The state did not take any action (in the prior year ending on September 30) that would reduce the solvency of the state fund;
- The state did not take any action (in the prior year ending on September 30) that would decrease the state's unemployment tax effort;
- The average tax rate for the taxable year exceeds the five-year average benefit cost rate; and
- The state's outstanding advance balance as of September 30 of the tax year is not greater than that for the third preceding September 30.

### **Experience Rating and the Federal Requirements**

Experience rating is the system used by state unemployment agencies to assign tax rates based on objective factors bearing a direct relation to unemployment risk. The idea is that employers with the lowest risk of unemployment should pay the least amount of state unemployment taxes and employers with higher risk should have higher tax rates. While experience rating provisions of state laws vary, Federal law permits:

- Reduced rates (rates below the 5.4 standard or basic rate) may be assigned to employers with at least one year of experience based on the measurement of factors used bearing a direct relation to unemployment risk; and
- Reduced rates (but not less than 1.0 percent) may be assigned for newly subject employers on a reasonable basis.

An additional tax credit may be taken against the FUTA tax based upon the variation in tax rates, but in order to obtain the maximum credit the experience rating system must assign employers with the least favorable experience a tax rate of at least 5.4 percent.

### **State Requirements for Experience Rating**

All state laws provide for a system of experience rating under which individual employer's tax rates vary from the standard rate based on some measurement of unemployment risk. The type of experience rating systems and the factors used to measure unemployment risk vary from state to state. Whatever factors are used to measure unemployment risk must be measured in a uniform way so that all employers are treated equally and the measurement of all employers occurs over the same period of time.

The primary factor used to measure unemployment risk in state experience rating systems are the number of claims made by former employees against the employer's account in the state experience rating system. Other factors that measure unemployment risk include the size of the employer's payroll, contributions paid into the state unemployment fund minus benefit payments paid out of the account, and variations in payroll over time. At present there are four distinct experience rating systems used by

states, usually identified as reserve-ratio, benefit-ratio, benefit-wage-ratio, and payroll variation formulas. A few states have hybrid methodologies that combine the ones mentioned above.

### **State Taxable Wage Base and Rates**

48 states have adopted a higher taxable wage base than the \$7,000 now provided in FUTA. In all states, an employer pays a tax on wages paid to each worker within a calendar year, up to the amount specified in state law. In addition, most of the states provide an automatic adjustment of the wage base if Federal law is amended to apply to a higher wage base than that specified under state law. As a result of the many variables in state's taxable wage bases and rates, benefit formulas, and economic conditions, actual tax rates vary greatly among the states and among individual employers within a state.

## **COVERAGE**

As indicated previously, FUTA applies to employers who employ one or more employees in covered employment in at least 20 weeks in the current or preceding calendar year, or who pay wages of \$1,500 or more during any calendar quarter of the current or preceding calendar year. Also included are large employers of agricultural labor and some employment in domestic service. State legislatures tend to cover employers or employment subject to the Federal tax because, while there is no requirement to do so, failure to do so is of no advantage to the state and a disadvantage to the employers involved in terms of FUTA taxes due. While states generally cover all employment which is subject to the Federal tax, they also may cover some employment which is exempt from the tax, such as smaller employers of agricultural labor and domestic service. Employers who do not meet the specific monetary or number of employee requirements are excluded from liability for unemployment taxes.

Although the extent of state coverage is greatly influenced by the Federal statute, each state is, with a single exception, free to determine the employers who are liable for taxes and the workers who accrue rights under the laws. The exception is the Federal requirement that states provide coverage for employees of nonprofit organizations, services performed for federally-recognized Indian tribes, and employees of state and local governments, even though such employment is exempt from FUTA.

## **BENEFIT RIGHTS**

There are no Federal standards for benefits in terms of monetary qualifying requirements, benefit amounts, or duration of regular benefits. Hence, there is no common pattern of benefit provisions comparable to that in coverage and financing. The states have developed diverse and complex formulas for determining workers' benefit rights.

An individual's benefit rights are determined using wages and employment during a period of time called the base period. Base periods vary among states but generally cover a period of four consecutive completed calendar quarters. Benefits are paid during a period of time called the benefit year. Individuals who exhaust their benefits before the end of a benefit year must wait until a new benefit year is established before they can again qualify to receive benefits.

The qualifying wage or employment provisions attempt to measure the worker's attachment to the labor force. An insured worker must also be free from disqualification for causes which vary among the states. All but a few states require claimants to serve a waiting period before their unemployment may be compensable.

All states determine an amount payable for a week of total unemployment as defined in the state law. Usually, a week of total unemployment is a week in which the claimant performs no work and receives no pay. In most states workers are partially unemployed in a week of less than full-time work when they earn less than their weekly benefit amount. The benefit payment for such a week is the difference between the weekly benefit amount and the part-time earnings, usually with a small disregard as a financial inducement to take part-time work.

### **Qualifying Wages and Employment**

All states require that a claimant must have earned a specified amount of wages or must have worked a certain number of weeks or calendar quarters in covered employment, or must have met some combination of the wage and employment requirements within his/her base period, to qualify for benefits. The purpose of such qualifying requirements is to restrict benefits to covered workers who are genuinely attached to the labor force.

### **Benefit Eligibility and Disqualification**

All state laws provide that, to receive benefits, a claimant must be able to work, available for work, and actively seeking work. Additionally, a claimant must be free from disqualification for voluntarily leaving without good cause, discharge for misconduct connected with the work, or refusal of suitable work. The purpose of these provisions is to limit payments to workers who are unemployed through no fault of their own.

In all states, claimants who are held ineligible for benefits because of inability to work, unavailability for work, refusal of suitable work, or any other disqualification are entitled to a notice of determination and have the right to appeal the determination.

### **Benefit Computation**

Most states measure unemployment in terms of calendar weeks. Under all state laws a weekly benefit amount, that is, the amount payable for a week of total unemployment, varies with the worker's past wages. The amount payable is subject to certain minimum and maximum limits. The formulas for computing benefits from these past wages vary greatly among the states.

---

## OTHER BENEFIT PROGRAMS

### **Federal-State Extended Benefits (EB)**

Since 1970, Federal law has provided for the extension of the duration of benefits in periods of high and rising unemployment. When the insured unemployment rate in a state reaches certain specified levels, that state must extend by 50 percent the benefit duration normally allowed under that state's law. States may extend benefit duration up to a combined overall maximum of 39 weeks. There are also optional provisions for payment of EB. The Federal government finances, from Federal revenue, approximately half of the cost of EB paid during an EB period; this includes any state benefits paid in excess of 26 weeks.

The EB program has both mandatory and optional triggers.

- Mandatory – State must pay EB (13 weeks) if the insured unemployment rate (IUR) for the previous 13 weeks is at least 5.0 percent and is 120 percent of the rate for the same 13-week period in the two previous years.
- Optional – At its option, a state may pay EB (13 weeks) if the IUR for the previous 13 weeks is at least 6.0 percent, regardless of the experience in the previous years.
- Optional – At its option, a state may pay EB (13 weeks) if the average total unemployment rate (TUR), seasonally adjusted, for the most recent three months is at least 6.5 percent and is 110 percent of the rate for the same three-month period in either of the two previous years, if such rate is at least 8.0 percent and is 110 percent of the rate for the same three-month period in either of the two previous years, the duration increases from 13 to 20 weeks.

### **Unemployment Compensation for Federal Employees (UCFE)**

The UCFE program provides unemployment benefits to Federal civilian workers in the same amount and under the same general conditions as applied to UC for other workers. The program is administered on behalf of the Federal government by the state UC agencies. Costs of UCFE benefits are charged to the Federal agencies where the workers earned their base period wages.

### **Unemployment Compensation for Ex-Servicemembers (UCX)**

The UCX program provides unemployment benefits to recently discharged members of the Armed Forces in the same amount and under the same general conditions as applied to UC for other workers. States administer the UCX program on behalf of the Federal government under agreements with the U.S. Department of Labor (Department). States must follow the Department's guidance in operating the program, including the use of the Federal Schedule of Remuneration to determine UCX benefit eligibility. The Department issues an updated schedule yearly.

In general, ex-servicemembers must be honorably discharged and complete their first full term of service to qualify for UCX. However, certain ex-servicemembers who did not complete their first full

term of service and were separated under honorable conditions may qualify for UCX. Members of the National Guard and Reserves must have 180 days of continuous active service and be separated under honorable conditions to qualify for UCX benefits.

### **Disaster Unemployment Assistance (DUA)**

The Disaster Relief Act of 1974 authorizes the President to provide to any individual unemployed as a result of a major natural disaster such assistance as deemed appropriate while the individual is unemployed. In general, individuals living or working in those areas affected by a major natural disaster, who are unemployed because of the disaster, are eligible for DUA if they are not eligible for UC or other wage replacement payments and meet certain requirements. Assistance is available for a maximum of 26 weeks after the major natural disaster is declared.

### **Trade Readjustment Allowances (TRA)**

Trade Readjustment Allowances (TRA) are income support payments to individuals who have exhausted Unemployment Compensation and whose jobs were affected by foreign imports as determined by a certification of group coverage issued by the Department of Labor.

The Federal Trade Act provides special benefits under the Trade Adjustment Assistance (TAA) program to those who were laid off or had hours reduced because their employer was adversely affected by increased imports from other countries. These benefits include paid training for a new job, financial help in making a job search in other areas, or relocation to an area where jobs are more plentiful. Those who qualify may be entitled to weekly TRA after their unemployment compensation is exhausted.

### **Self-Employment Assistance (SEA)**

States have the option to establish SEA programs to help unemployed workers to create their own jobs by starting small businesses. To be eligible for the program an individual must be eligible for unemployment compensation, must have been permanently laid off from previous employment, must be identified through the profiling system as likely to exhaust benefits, and must participate in self-employment activities including entrepreneurial training and business counseling. Weekly SEA allowances are funded out of each state's account in the UTF at no additional cost to the UC program. No more than 5.0 percent of claimants may be part of an SEA program.

In 2012, Federal law amended the EB program, allowing states to establish an SEA program for individuals receiving EB. However, the requirement that participants must have been found by the state agency, through profiling, to be likely to exhaust regular benefits does not apply. The percentage of EB participants in SEA may not exceed 1.0 percent of the number of individuals receiving unemployment compensation. The requirement that SEA programs not result in increased costs to the state's account in the UTF is not applicable to SEA programs for EB recipients.

Currently there are ten states that have enacted SEA laws.

**Short-Time Compensation (STC)**

The STC program – commonly known as work-sharing – provides partial UC benefits to individuals whose work hours are reduced. STC is a program that allows an employer, faced with the need for layoffs because of reduced workload, to reduce the number of regularly scheduled hours of work for affected employees (also known as affected units) rather than incur layoffs. Benefits are payable to workers for the hours of work lost, as a proportion of the benefit amount for a full week of unemployment.

Federal law in 2012 modified the definition of STC. Under the 2012 law, states choosing to operate an STC program must operate their STC program consistent with the new definition of STC and the new requirements.

Currently, there are 30 states that have enacted laws to create STC programs.

**Reemployment Services and Eligibility Assessment (RESEA)**

The RESEA program is an evidence-based strategy that combines an assessment for continuing UC eligibility with the provision of reemployment services and referrals to other workforce partners. RESEA and its predecessor, Reemployment Eligibility Assessments (REA), previously have been funded and authorized from 2005 to 2018 via appropriations acts, and discretionary grants have been provided to states. Currently 52 states and territories offer RESEA. The Bipartisan Budget Act of 2018 made the RESEA program a permanent, but still voluntary, program to serve UI claimants. USDOL is working with states to implement the requirements of this new program.

**NOTE:** This document was prepared for informational purposes only. Explanations should not be considered as official interpretation of law.