

DRAFT 9/17/91

DOLE ALTERNATIVE TO S. 1554 (BENTSEN PROPOSAL)

PROPOSAL

- o A two-tier program of federally-funded benefits that provides 6 weeks of benefits to all States and an additional 4 weeks (for a total of 10 weeks) in States whose insured unemployment rate (IUR), adjusted to include exhaustees, is at 5% or greater.
- o Program would be in effect from 10/1/91 through 6/30/92.
- o Program would reach back to cover UI claimants who have exhausted benefits since April 1991.
- o Benefits available under this program will be offset against benefits otherwise available when a State triggers on EB so that a beneficiary will receive a maximum of 39 weeks of benefits (26 weeks UI and 13 additional) in States on EB, a maximum of 36 weeks of benefits in States not on EB with 5% or more adjusted IUR, and 32 weeks in States not on EB with less than 5% adjusted IUR.
- o Unemployment compensation for ex-service personnel (UCX) will be liberalized to provide up to 26 weeks of benefits with only one waiting week (consistent with State law) for those who leave the service involuntarily. Personnel who leave voluntarily will not qualify for benefits, consistent with rules for civilian workers. These changes will be permanent.
- o A one-time, temporary change will be made to the UCX rules for the period of this law to provide benefits for reservists called up for 90 days or more. The 180-day minimum call-up period in permanent law will be retained unchanged.
- o Net cost will be \$2.4 billion, including administrative costs, all in FY 1992.

FINANCING

- o Auction frequencies of the electromagnetic spectrum for new communications use.
  - direct the Commerce Department, in designing the auction process, to study, and if appropriate, include procedures to ensure bidding access for small businesses, to extend the holding period for those awarded the frequency, and to expand review and enforcement procedures to ensure that those awarded frequency are meeting their obligations.

- o Loan reform and other debt management and collection enhancement provisions (for student loans):
  - extension of expiring tax provision: would permanently extend the IRS tax refund offset program, which allows the IRS to reduce the amount of any Federal refund due to taxpayer by the amount of debt owed (defaulted student loan) and pay that amount to the Federal agency owed; and
  - other reform proposals: would establish enhanced collection and default management activities, including requiring credit checks on borrowers over age 21; provide the Secretary the authority to obtain information from other government agencies concerning the most recent address of a student borrower; and requiring the borrower to provide identifying information at the time of loan application and exit from a school.
- o Total financing package of \$4.0 billion (excess funds raised would go towards deficit reduction).



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IMPACT OF DOLE ALTERNATIVE

- o Proposal is fiscally responsible -- it pays for itself with excess funds earmarked for deficit reduction. S. 1554 will increase the deficit \$5.8 billion.
- o All States receive at least 6 weeks of benefits; 7 jurisdictions will qualify under the 5% trigger as of 10/1/91 -- Alaska, Connecticut, Maine, Massachusetts, New Jersey, Puerto Rico, and Rhode Island. As of 3/31/91, a total of 21 jurisdictions will qualify under the 5% trigger.
- o Program minimizes administrative costs and opportunity for erroneous payments; more complex programs -- such as the four-tier approach in S. 1554 -- cost more and cause more errors.
- o Uses the IUR augmented by including exhaustees. IUR has always been used in additional benefits programs. TUR, which is used in S. 1554 and includes new entrants to the workforce, students between terms, and those who are fired or quit from their jobs, has never been used in such programs.
- o Costs of program are more modest than S. 1554 -- keeping in line with the scale of the problem and the point we have reached in recovering from the recession.
- o Program avoids creating disincentive effects that discourage workers from seeking employment in economic recovery.
- o UCX changes liberalize rules for ex-service personnel to parity with civilian workers, correcting the current inequity. Desert Storm reservists who returned to a recession economy would qualify for benefits if they served 90 days or more, instead of the usual 180 days. As with civilian workers, those who leave voluntarily would not qualify for benefits.

## SHORTCOMINGS OF THE THE BENTSEN UNEMPLOYMENT COMPENSATION PROPOSAL

Senator Bentsen's proposal, "The Emergency Unemployment Compensation Act of 1991," takes the wrong approach to providing additional benefits to unemployed workers.

### 1. TOTAL UNEMPLOYMENT RATE (TUR)

The bill proposes to utilize the total unemployment rate (TUR) as the mechanism to trigger a program of 100% federally funded benefits. This measure, which is determined by the Bureau of Labor Statistics from monthly household survey data, has never been used in the history of the unemployment insurance program as an indicator of need for added benefits. There are good reasons for this. The TUR is not a targeted measure. It includes new entrants to the labor force, such as college students who are between school terms, and new entrants to the labor force who have little work history. It also includes those who voluntarily quit or who have been fired from jobs. These groups would not typically receive regular UI benefits, and a measure which includes them is much too broad. A better measure, and the one in use in the current program, is a gauge of that portion of the labor force who are receiving unemployment insurance -- the insured unemployment rate (IUR). And for purposes of an extended benefits proposal, the rate could be modified to include those who have exhausted their benefits.

### 2. FOUR TIER PROGRAM

The bill put forward by the majority contains four tiers of benefits, ranging from 4 to 20 weeks, depending on unemployment levels. This is too costly and too complex to be properly administered, and creates an unnecessary burden on states, since it is possible to move within the tiers as individual state rates change. This recession has been a mild one compared to previous ones, and does not require so complex a response. The last time we initiated such a costly and complex program was in 1982 when the unemployment rate was 10.1%. That program ended in 1985 when the rate was 7.2%.

### 3. STATE ELECTION

The Bentsen bill would allow governors the option to move a state from the current joint state and federally funded extended benefits program to the new 100% federally funded emergency proposal. This option creates an unnecessary expense from the federal account. It is inconsistent with



the provisions of the Budget Enforcement Act because the 50% state share of the current extended benefits program does not count against the pay-as-you-go rules and a new program would count. Although only a few states are affected by this provision, it creates an unacceptable precedent for transferring costs.

4. EX-SERVICE MEMBERS

The Bentsen bill contains two permanent changes to the unemployment program for ex-service members.

- a. The first provision would repeal the changes made to the program in 1982, which required a four week wait for benefits, and which limited benefit receipt to 13 weeks. These benefit limitations were made to recognize the element of choice inherent in an all volunteer service. Those leaving the military often have a great deal of time to prepare for transition and do not require the same benefits as the regular state UI programs. While the majority argues that its amendments would make the program just like state programs, in reality they make the service members program more liberal than most state programs which deny or reduce benefits for civilians who voluntarily leave a job.

Example:

Terry Dale, a civilian master mechanic, works on a military base on contract to the government. She quits her job thinking she can earn more money in the private sector. Terry cannot find a job -- she would get no benefits.

Jim Collins, an E-5 master mechanic, decides not to re-enlist because he thinks he can earn more money in the private sector. Jim cannot find a job -- he could get up to 26 weeks of unemployment benefits.

- b. The second provision regarding ex-service members would apply to reservists and National Guard members who are called to active duty. Current law requires 180 days of continuous active duty before eligibility for ex-service member unemployment benefits. The Bentsen bill would reduce the active duty requirement in half. While this provision might make sense on a temporary basis -- to recognize the needs of reservists returning from the Persian Gulf at the time of economic downturn -- the permanent change makes no sense, and unnecessarily liberalizes the program.

5. ADVISORY COUNCIL

It is unclear why the Bentsen bill proposes to amend the current provisions of the Social Security Act to provide a role for the Congress in appointing members of an unemployment insurance advisory council. Such a Council has been authorized for some time, but has not been active in the past several years. This makes good sense in that there have been efforts to limit the proliferation of such councils, and to assure that they are only formed when they have explicit purposes. This provision represents an unnecessary cost and the politicization of a council which would be detrimental to its purpose. If the majority requires a report of some kind, they should request that, not establish yet another council on the subject.

6. FINANCING MECHANISM

One of the most serious issues in this bill is the attempt to sidestep the Budget Enforcement Act with respect to its pay-as-you-go requirements. Recovery is underway and efforts to undermine the discipline of the Budget Act by use of the emergency designation provisions will soon make true budget reduction illusory. We do not want to jeopardize the recovery by such actions. It makes no difference that this program is funded by trust funds. These trust funds were taken into account in the budget agreement, including their projected balances. Citing these large balances as the reason to spend without offsets is inconsistent with the budget agreement. The inevitable result of this legislation would be to require the government to sell more bonds to finance the additional debt.