States' Decisions to Adopt Unemployment Compensation Provisions of the American Recovery and Reinvestment Act

Final Report

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November 18, 2015

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Any remaining errors or omissions are solely the responsibility of the authors.

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EXECUTIVE SUMMARY

The recession that began in late 2007 posed major challenges for the U.S. labor market, including a high unemployment rate and a steep increase in unemployment durations. The federal policy response to the recession and the lingering weak labor market included substantial changes to the unemployment compensation (UC) system, which is administered as a partnership between states and the federal government. Twelve pieces of federal legislation affected the UC system from June 2008 to January 2013, the most comprehensive of which was the American Recovery and Reinvestment Act of 2009 (ARRA). ARRA included financial inducements to encourage states to adopt several provisions intended to increase the recipiency rate of unemployment benefits among the unemployed. These inducements included 100 percent federal funding of most of the benefits paid through the Extended Benefits (EB) program. The long-standing EB program automatically provides additional weeks of benefits to some unemployed workers who exhausted all of their entitlements to regular unemployment benefits. Before ARRA, the costs of EB benefits were typically split on a fifty-fifty basis between states and the federal government. Other UC-related provisions within ARRA aimed to revise states' unemployment benefit programs by encouraging states to make permanent modifications, which are referred to as modernization provisions. The U.S. Department of Labor (DOL) offered financial incentives of $7 billion to states to implement the modernization provisions.

In June 2010, DOL awarded Mathematica Policy Research and its subcontractor, the Urban Institute, a contract to conduct the Evaluation of the UC Provisions of the ARRA. The evaluation's overarching objective is to determine the efficiency and effectiveness of the UC provisions. One component of the evaluation, which is the focus of this report, is to learn about states' decisions to adopt six optional UC-related provisions of ARRA for which the federal government provided monetary incentives: the total unemployment rate (TUR) trigger for EB and five modernization provisions requiring states to (1) use an alternative base period (ABP) to establish monetary eligibility; (2) permit, under a broader set of circumstances, the payment of benefits to claimants seeking part-time work; (3) allow benefits payments to claimants who left previous employment for compelling family reasons; (4) provide dependents' allowances; and (5) provide for additional weeks of benefits for UC exhaustees enrolled in approved training. The ABP was required to receive any modernization incentive funds. When a state demonstrated to DOL that it had an ABP in place, it received one-third of the funds available to the state. Then, if the state also demonstrated to DOL that it had two of the four remaining provisions in place, the state received the remaining two-thirds of available incentive funds.

Of the 53 UI jurisdictions, (consisting of the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands) that were eligible for the 100 percent federal financing of EB, 39 either already had or newly adopted the TUR trigger for EB. In addition, 41 jurisdictions already had or newly adopted an ARRA-conforming ABP and 36 already had or newly adopted two of the four other modernization provisions. Thus, unlike other components of the ARRA legislation that were implemented uniformly by all states, such as the extension of federally funded emergency unemployment benefits, states varied in their responses to the incentives tied to the six optional UC-related provisions. An analysis of decision factors sheds light on the effectiveness of the incentives in encouraging states to adopt the provisions. In this report, we describe which factors were important to states when they decided to adopt provisions. In addition, and importantly, we also present explanations for why some states did not adopt the provisions and accept the incentives that were available to them when it might have appeared to have been in their financial interest to do so. Although the report focuses primarily on states' decision making, it also discusses states' preliminary implementation experiences and the effects on regular unemployment benefits and EB first payment receipt. To conduct the analysis, we relied

primarily on two types of data: (1) responses to a survey we administered to the 50 states and the District of Columbia (referred to collectively as states) and (2) national and state data available from public sources. Puerto Rico and the Virgin Islands were not included in the survey sample. The Survey of Unemployment Insurance (UI) Administrators collected information on states' decisions about whether to adopt the six provisions and, if they adopted them, their early experiences implementing them. Forty-nine of the 51 states (all except New York and Texas) responded to the survey, yielding a 96 percent response rate. Publicly available sources of information used in the analysis include the Comparison of State UI Laws, states' applications for modernization incentive funds (for states that had applied) to determine when relevant legislation was passed and applications for incentive funds were approved, and data on state partisanship from the National Conference of State Legislatures. The study produced two main findings indicating that increased federal financing and the use of incentive funds encouraged the adoption of the UC-related provisions of ARRA:

1. **The 100 percent federal financing of most EB benefits spurred adoption of the TUR trigger in almost all of the states that would have qualified for the EB program using this trigger.** Among the 48 states that responded to questions about the TUR trigger on the survey, 25 reported newly adopting or modifying prior use of the TUR trigger for the EB program. These 25 states supplemented the 13 states that reported already having the TUR trigger in place before ARRA. Among the 10 states that did not adopt or already have in place the TUR trigger, 5 responded in the survey that they had such low unemployment rates that EB would not have been activated even under a TUR trigger.

2. **The modernization incentive funds spurred adoption of the ABP and other modernization provisions.** Of the states that responded to these questions on the survey, 39 received modernization funds for the ABP provision; of these, 34 also received modernization funds for having in place two of the four other modernization provisions. The survey responses, combined with information on the size of each state's potential incentive payment, indicated that, for the most part, states for which the incentive payments would be expected to exceed the estimated costs of enacting the ABP and other modernization provisions did adopt them. (The cost estimates were generated by states and might include both administrative and benefit payments costs.) Survey responses also indicated that philosophical objections to accepting the incentive funds were of relatively little importance for the adoption decision, affecting few states.

We also examined whether we could detect an increase in UI first payments due to the ARRA-induced adoptions of the modernization provisions that might be expected to have a strong influence on first payment receipt. Our simulations of the effect of these ARRA-induced provisions on the number of regular UI first payments suggest that these provisions might have increased UI first payments by about 6 to 10 percent in 2012. However, we caution that there is considerable uncertainty about this finding given limitations in the analysis, and we could not reject the hypothesis that there were no effects of the provisions on the number of first payments. It is possible that that the broader changes to the UC system during this time overwhelmed the effects of the modernization provisions.

Finally, we examined the portion of EB payments during years 2008 through 2013 that could be attributed to the new adoptions of the TUR trigger for EB as a result of the recent ARRA and related legislation. We found that ARRA-induced adoptions of the TUR trigger had a large effect on the number of EB first payments. We estimate that almost 4.5 million EB first payments (68 percent of the national total of about 6.6 million first payments) were made based on a newly adopted TUR trigger. The remaining EB first payments were attributable roughly equally to the IUR trigger and adoption of the TUR trigger by states prior to ARRA (about 15 and 17 percent, respectively).

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I. INTRODUCTION AND BACKGROUND

The recession that began in late 2007 posed major challenges for the U.S. labor market. At its peak, the unemployment rate reached 10 percent—the highest rate since 1983—and it remained at or above 7 percent until November 2013, more than four years after the end of the recession.[1] A related detrimental effect was the steep increase in unemployment durations. The median duration of unemployment spells rose from 7 to 9 weeks in 2007 to more than 20 weeks throughout 2010 and 2011. Similarly, the percentage of unemployed people who experienced spells longer than 26 weeks rose from about 18 percent in 2007 to more than 43 percent in 2010 and 2011; it dropped only slightly, to 41 percent, in 2012.[2]

The federal policy response to the recession and the lingering weak labor market included changes to the unemployment compensation (UC) system, which is administered as a partnership between states and the federal government.[3] The UC system was affected by 12 pieces of federal legislation from June 2008 to January 2013 (Whittaker and Isaacs 2013), the most comprehensive of which was the American Recovery and Reinvestment Act of 2009 (ARRA). At the federal level, one ARRA-based change was to promote the availability of UC benefits through the Extended Benefits (EB) program by changing the way in which the program is activated in a state. The long-standing EB program automatically provides additional weeks of benefits to unemployed workers who have exhausted all of their benefit entitlements to regular, state-funded unemployment insurance (UI) benefits. The EB program is triggered in a state when the unemployment rate exceeds a specific threshold. Through ARRA, the federal government offered to bear a greater portion of the costs of EB benefits, which have historically been shared on a fifty-fifty basis by the federal government and the states in which the EB program is triggered. This arrangement was expected to increase the likelihood that states would choose to adopt a trigger with a threshold that was relatively easier to meet, as doing so would increase the availability of benefits to long-term unemployed workers.

Other UC-related provisions within ARRA were intended to revise states' regular UI programs by encouraging the states to make specific permanent modifications to their UI programs. The U.S. Department of Labor (DOL) offered financial incentives to states to implement certain provisions—commonly referred to as modernization provisions. States had until August 22, 2011, to apply for the incentive funds. ARRA included other important provisions pertaining to the federally financed emergency unemployment benefits (referred to as *EUC08 benefits*, because the June 2008 legislation

[1] See http://data.bls.gov/timeseries/LNS14000000, accessed July 15, 2014.

[2] The statistics about the median unemployment duration are available from Series ID LNS13008276, available at http://data.bls.gov/cgi-bin/surveymost?ln, accessed September 12, 2013. The statistics about the percentage of unemployed who have been unemployed longer than 26 weeks are available at http://www.bls.gov/cps/cps_aa2007.htm, accessed September 12, 2013.

[3] Throughout this report, we use the term *UC* to refer to the overall system of unemployment compensation and the term *unemployment insurance* (UI) to refer specifically to the federal-state programs that provide entry into the UC system and, generally, the first 26 weeks of benefits. The UC system includes UI and additional federal or federal-state programs such as Extended Benefits (EB) and congressionally legislated temporary benefits programs. We frequently use the term *state* to refer to a UI-administering jurisdiction. There are 53 UI jurisdictions, consisting of the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. Puerto Rico and the Virgin Islands generally were not included in the analysis in this report.

that established those benefits was called the Emergency Unemployment Compensation Act of 2008 [EUC08]), the federal taxation of UC benefits, and other aspects of the UC system that are not the focus of this study.

In June 2010, DOL awarded Mathematica Policy Research and its subcontractor, the Urban Institute, a contract to conduct the Evaluation of the UC Provisions of the ARRA. The evaluation's overarching objective is to determine the efficiency and effectiveness of these provisions. One component of the evaluation, which is the focus of this report, is to learn about states' decisions to adopt six optional UC-related provisions of ARRA for which the federal government provided monetary incentives.[4] Unlike other components of the ARRA legislation that were implemented uniformly by all states, states varied in their responses to the incentives tied to these six optional provisions. Thus, analysis about whether and how states decided to adopt these provisions will shed light on the federal-state UI partnership in a way that is not possible through examination of provisions that were uniformly adopted by states. We ascertained factors that were important to states when they decided to adopt provisions. In addition, and importantly, we also investigated why some states did not adopt the provisions and accept the incentives that were available to them when it might have appeared to have been in their financial interest to do so.

We relied on two types of data: (1) data from the Survey of UI Administrators from the 50 states and the District of Columbia (the states) and (2) national and state data available from public sources. Mathematica and the Urban Institute developed the Survey of UI Administrators, which is described in greater detail in Chapter III, to collect information on states' decisions about whether to adopt the six provisions and to gather limited information about early implementation experiences of states that adopted the provisions. Forty-nine of the 51 states (all states except New York and Texas) that were asked to complete a survey did so, yielding a 96 percent response rate.[5] Publicly available sources of information used in this report include the Comparison of State UI Laws, an annual publication by DOL's Employment and Training Administration that records the number of UI jurisdictions with particular UI laws in place. We also examined states' applications for modernization incentive funds (when available) to determine when relevant legislation was passed and applications for incentive funds approved. In addition, we determined the partisan composition of states' legislative and executive branches using data from the National Conference of State Legislatures.

Most of the data analysis in this report consists of descriptive statistics. For example, based on the survey data, we tabulated the frequencies with which states listed certain factors as important in their decision making about adoption. When appropriate, we also looked at subgroups of states—typically those that did adopt a policy and those that did not—to determine whether patterns or themes could emerge based on different decisions. In some cases, we also conducted regression analyses to supplement the findings from the descriptive analysis and determine the statistical significance of identified relationships. However, we used regression techniques sparingly because the statistical benefits of this approach are constrained by the small number of observations in analyses, such as these, that use states as the units of observation. Therefore, when interesting patterns of

[4] Through the evaluation, we also will examine the characteristics of UC recipients during the recessionary and postrecessionary periods, and we will assess the relationship between benefit receipt and recipients' outcomes. We will present results from these analyses in a separate report.

[5] Puerto Rico and the Virgin Islands were not asked to participate in the survey.

findings emerged—including apparent contradictions—we probed further by conducting cross-question analyses and describing individual states' survey responses and actions.

A. Overview of the UC-Related Provisions Examined in This Report

We discuss six UC-related provisions in this report.[6] The first pertains to the total unemployment rate[7] (TUR) trigger for the EB program, which provides additional weeks of benefits to UI recipients who have exhausted their entitlements to benefits available through the regular state UI programs and, in most states when the EUC08 program was in effect, to EUC08 benefits, as well. The remaining five provisions, which are the focus of this report, are referred to as modernization provisions, because they are mechanisms by which states' UI programs could be adapted to be more responsive to the needs of unemployed workers, given changes in the labor market and technological capabilities over time.[8]

B. The TUR Trigger for EB

As part of ARRA, the federal government offered, in most cases, to pay 100 percent of the benefit costs of EB for states that qualified for EB using either a TUR or an insured unemployment rate (IUR) trigger.[9] Conceptually, the TUR reflects the supply of individuals unable to find employment and the overall conditions of the labor market within a geographic area. Based on Bureau of Labor Statistics data collected in the monthly Current Population Survey, the TUR is defined as a ratio with (1) the numerator equaling the average number of individuals 16 years of age or older who do not have a job but are available for work and actively seeking work sometime in the four-week period ending with the week that contains the 12th day of the month, including people who are on layoff and those waiting to start a new job within 30 days and (2) the denominator equaling the total civilian labor force, which is the number of employed (one or more hours of paid employment) plus unemployed individuals during the week that contains the 12th day of the month.[10] In contrast, the IUR can be

[6] The ARRA legislation included other UI provisions not examined in this report. Five other ARRA provisions were (1) interest-free loans to states with trust fund deficits; (2) $500 million of additional funding for UI program administration; (3) extension of the Emergency Unemployment Compensation, which provided benefits to exhaustees of the regular (26-week) UI program; (4) a supplement to weekly UI benefits of $25, known as Federal Additional Compensation or Federal Additional Unemployment Compensation; and (5) a temporary suspension of the federal income tax on the first $2,400 of UI benefits. The individual provisions had differing durations in ARRA and in subsequent federal legislation. An overview of ARRA workforce and UI provisions is given in Chapter 1 and Table 1.3 of Barnow et al. (2012).

[7] The TUR is described in more detail in the next section.

[8] Throughout the report, we refer to these provisions as "modernization" provisions to be consistent with other research and the information DOL provided to the states about the incentive funds. It is possible that policymakers have different perspectives about whether the provisions are consistent with the purposes of the UI program and reflect modernization per se.

[9] Possibly the most important exception is the prohibition on any federal sharing of EB benefit costs based on employment with state and local governments and federally recognized Indian tribes. There is also generally no federal sharing of the portion of EB benefit costs paid because a state does not have a waiting week for benefits or because a state rounds up to a whole dollar (rather than rounding down) for the benefit payment; however, the waiting week prohibition was temporarily waived during the period that is the focus of this research.

[10] See http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum05/3rdqtr/gloss.asp, accessed January 27, 2014.

thought of conceptually as representing the rate of UI benefit collection among workers in UI-covered employment. The IUR is computed from administrative data collected weekly by the UI system. It is defined as the number of unemployed people filing for benefits from the UI program divided by total (including reimbursable) employment covered by the UI program. The numerator of this ratio consists of people who claim continued weeks of UI benefits, which includes individuals with UI waiting weeks (a week at the beginning of the UI collection period during which someone must meet UI eligibility criteria but will typically not receive benefits) and potentially some people who claimed weekly benefits but were disqualified.

The ARRA financing arrangement differed from the traditional arrangement in that EB is typically financed jointly by the federal government and the states on a fifty-fifty basis; with ARRA, it was generally funded fully by the federal government (with a few exceptions).[11] The 100 percent financing by the federal government provided an indirect incentive for states to use the TUR trigger for the EB program (in addition to the IUR trigger) because the conditions for the TUR are almost always easier to meet. In particular, the TUR trigger is activated when two conditions are met: the TUR equals or exceeds (1) 6.5 percentage points and (2) 110 percent of the three-month rate for the same period in at least one of the previous two years. The IUR trigger is activated when the IUR equals or exceeds both (1) five percentage points and (2) 120 percent of the average IUR in the similar 13-week periods during the previous two years. Given significant declines in the IUR during the 1980s and early 1990s, eligibility for EB became less common, and EB triggers based on the IUR have been regarded as too stringent (Blank and Card 1991; Nicholson and Needels 2004). The 100 percent financing of most EB benefits was available to a state regardless of whether it triggered onto EB through the TUR or IUR trigger. By removing almost all of the shared costs, the provision could encourage states to use the TUR trigger to extend benefits to UI claimants more readily.

Because it is generally easier to qualify for EB using a TUR trigger than an IUR trigger, and because states otherwise share the benefit costs of EB with the federal government, only 12 states had adopted a permanent TUR trigger before ARRA.[12] As a group, these 12 states appear to have had labor markets and/or UI program policies that led to higher recipiency rates than states that had not adopted the TUR trigger prior to ARRA. States with a pre-ARRA TUR trigger in place had in their regular UI programs an average recipiency rate (weekly beneficiaries divided by weekly unemployment) of 37.0 percent in 2007 compared with an average of 29.8 percent for the other 39 UI programs.

As part of ARRA, states that adopted the TUR trigger for EB were allowed to include a sunset provision specifying a time frame for its expiration. All states newly establishing a TUR trigger included an expiration at the end of the 100-percent federal financing of EB, which ended on December 31, 2013.

[11] In either case, both before and during ARRA, the federal funding was provided through distributions to the states from the Extended Unemployment Compensation Account, which is an account maintained by the U.S. Treasury.

[12] This finding is according to publicly available data sources. Thirteen states reported already having a TUR trigger on the survey.

C. The Modernization Provisions

In an initiative that was conceptually distinct from the TUR trigger initiative, the federal government apportioned $7 billion in modernization incentive funds across states for the adoption of specific permanent policies designed to increase access to UI benefits or the generosity of these benefits for certain types of unemployed workers.[13] As a special distribution from the Federal Unemployment Account of the Unemployment Trust Fund, the incentive program began upon passage of ARRA in February 2009. Each state's share of the funds was based upon its proportionate share of Federal Unemployment Tax Act (FUTA) taxable wages multiplied by the $7 billion authorized for the modernization incentives (Small February 26, 2009). Therefore, states with larger shares of the FUTA taxable wages (which are related to, but not the same as, states' populations) were offered larger incentive fund amounts. California, for example, was offered more than $838 million in incentive funds, whereas Vermont and Wyoming were offered about $14 million each (Appendix A shows the allocation amounts for each state). The incentive funds for qualifying states were deposited into the states' unemployment compensation accounts. A state could use its incentive payment for UI benefits or, upon appropriation of its state legislature, to pay UI and Employment Services (ES) administrative costs.

The incentives were structured such that a state was required to have an ARRA-specified alternative base period (ABP, described further below) in place to receive any modernization incentive funds. If a state demonstrated to DOL that it had such an ABP, the state could receive one-third of its allocated share of the incentive funds. The state could receive the remaining two-thirds of its share of incentive funds by demonstrating to DOL that it had two of the four remaining modernization provisions in place. The one-third payment could precede the two-thirds payment if DOL approved the ABP before approving the two other modernization provisions. If a state had two of the four remaining modernization provisions in place but no ABP, it could not receive any modernization incentive funds. These one-third and two-thirds amounts were lump-sum distributions that a state could receive regardless of whether the provisions were already part of a state's UI laws or administrative practice based on interpretation of the laws, or were newly adopted. In addition, the lump-sum distributions could be received regardless of the extent to which adoption of the provisions affected the number of UI recipients in a state or the benefits paid to them.

An important condition for eligibility for the incentive funds was that provisions had to be part of a state's permanent law; the state legislation and/or statutes upon which the application was based could not have expiration dates, sunset provisions, or other conditions that would limit, suspend, or nullify the provision. Examples of conditions that would disqualify a state from receipt of incentive funds were having activation of the provision contingent upon state legislative appropriation of funds or the balance in the state's UI trust fund. However, states could not be prevented from later repealing the legislation, and in fact some states did so.

Details of the ARRA legislation set the time period for state applications for the funds and, ultimately, the implementation of the modernization provisions. The funds had to be disbursed by September 30, 2011, and DOL had to rule on state applications within 30 days of their receipt. Thus, DOL allowed states to apply for the incentive funds until August 22, 2011. However, to facilitate a

[13] The information in this section is based in large part on Unemployment Insurance Program Letters (UIPLs) that DOL provided to state workforce agencies: specifically, UIPL 12-09 (Small February 23, 2009); UIPL 12-09, Change 1 (Small May 4, 2009); UIPL 14-09 (Small February 26, 2009); UIPL 14-09, Change 1(Small March 19, 2009); UIPL 14-09, Change 2 (Oates October 22, 2009); and UIPL 14-09, Change 3 (Oates November 30, 2009).

smooth implementation of provisions, DOL allowed states to take up to one year after certification of a state's eligibility for the incentive funds to implement the provisions. Therefore, the latest allowable effective date for a provision that would qualify a state for incentive funds was September 21, 2012. The earmarked incentive funds that were not disbursed to states remained in the Federal Unemployment Account of the Unemployment Trust Fund.

Alternative base period. In recent decades, UI monetary eligibility was typically established using a traditional base period that includes the unemployed worker's earnings in the first four of the last five completed calendar quarters. This time frame became the norm after states began requiring employers to routinely report quarterly wages. However, the need to allow time for employers to report the information to the state and for the state to process the information led to lags between the end of a base period and the time an unemployed worker filed for UI benefits; depending on when during a calendar quarter he or she files for benefits, the use of the traditional base period can result in a lag of up to about six months.

With increased use of electronic data processing, the length of time between the end of a calendar quarter and the availability to the state of data to use in determining a UI claimant's eligibility has diminished. An ABP takes advantage of this timeliness by determining eligibility using a base period of the four most recently completed calendar quarters of earnings. Often, states with ABPs have retained the use of the traditional base period as the primary base period but allowed use of an ABP when an unemployed worker is not monetarily eligible for benefits under the traditional base period.

Before ARRA, some states already included an ABP provision in their laws, but the ARRA incentives aimed to encourage more states to adopt one. Allowing unemployed workers to qualify for UI benefits through an ABP is presumed to increase the likelihood of meeting eligibility for UI benefits, because the inclusion of the most recently completed quarter in the eligibility calculations would help some unemployed workers better meet the threshold for earnings than would be the case using the traditional base period. Other unemployed workers might qualify for a higher level of benefits through an ABP than through a traditional base period. A recent analysis conducted by Lindner and Nichols (2012) found that under an ABP, increased eligibility was disproportionately realized by young and low-wage workers and people with irregular past employment.

To qualify for its one-third incentive payment for having an ARRA-specified ABP, a state could either (1) use a base period that includes the most recently completed calendar quarter before the start of the benefit year (typically, the one-year period during which UI claimants are able to collect the benefits for which they are eligible) for all monetary determinations or (2) provide for the use of this base period in cases when claimants did not qualify for benefits under a traditional base period that did not include the most recently completed calendar quarter before the start of the benefit year. All states that qualified for incentive funds used the second approach.

Part-time work provision. In the years shortly before ARRA, many states required UI benefit recipients to be available for and actively seeking full-time work, although some states allowed workers to be available for and actively seeking part-time work under some circumstances (such as a history of part-time work, a medical reason or disability that limits the worker to part-time work, or another good cause). Under this modernization provision, states were not permitted to disqualify from eligibility for UI benefits individuals seeking only part-time work, as defined by state UI law, when

they had a history of part-time work.[14] DOL defined "seeking only part-time work" as situations in which a claimant is willing to work at least 20 hours per week, he or she is willing to work a comparable number of hours as he or she worked during the base period, or he or she is willing to work a comparable number of hours as was done at the time of job separation before the filing of the UI claim. A state could qualify for incentive funds if its law used any one of these definitions for part-time work, a combination of them, or a broader definition. However, the state had to ensure that the definition of "seeking only part-time work" was not so broad as to allow people to qualify for benefits if they had, effectively, withdrawn from the labor market. A state could deny benefits to an individual if the majority of the weeks of work in his or her base period did not include part-time work. Thus, a state could require unemployed workers who worked full-time during most of the base period to look for full-time work in order to be eligible for UI benefits. The Lindner and Nichols (2012) analysis found that increased eligibility due to adoption of this provision has also been realized disproportionately by younger and low-wage workers and people with irregular past employment.

Compelling family reasons provision. Traditionally, eligibility for UI benefits hinged upon whether a worker lost a job through no fault of his or her own. Thus, historically, workers who quit their jobs without good cause were not eligible for UI benefits. However, the reasons for quitting a job that states deemed as good cause for UI purposes have varied considerably. Some states restricted the good cause reasons to job-related situations that are the fault of the employer (such as hazardous work conditions, a request by the employer for the worker to commit an illegal act, or sexual harassment on the job). Other states allowed good cause for non-work-related reasons, such as illness or to accept another job.

This ARRA modernization provision expanded the definition of what constitutes an acceptable reason for voluntarily quitting a job to include "compelling family reasons," thereby limiting disqualifications for UI benefits. The state could not disqualify individuals who (1) quit their jobs to take care of an ill or disabled immediate family member; (2) follow a spouse who is relocating due to a change in the location of the spouse's employment, when commuting without relocation is impractical; or (3) leave a job because of verifiable domestic violence that causes the individual to believe that continued employment would jeopardize the individual or his or her immediate family. However, adoption by the state of this broad definition of acceptable reasons for quitting due to compelling family reasons does not hinder a state for disqualifying an individual for other reasons, such as if he or she is unavailable for work. The Lindner and Nichols (2012) analysis for this provision showed that increased eligibility among those who left jobs for compelling family reasons was realized disproportionately by women, high-wage workers, and those with substantial past work histories.

Dependents' allowance provision. Under this modernization provision, eligible recipients may collect an allowance of at least $15 per week per dependent, in addition to regular UI benefits; states may impose a cap on the dependents' allowances of $50 per week or 50 percent of the individual's weekly benefit amount (the amount of benefits to which an individual is entitled if he or she has neither earnings nor other causes of deductions in benefits for the week). State law governs who qualifies as a dependent. The average weekly benefit amount nationwide in 2012 was about $300, so

[14] Other factors, such as the reason for unemployment and whether the worker is able and available for work, continue to affect whether an individual is eligible to be paid benefits.

the allowance—even if capped at $50 per week—could represent a sizable percentage increase (more than 15 percent) for recipients.[15]

Training for UI exhaustees provision. Under this provision, benefits are extended for 26 weeks for UI exhaustees who are enrolled and making satisfactory progress in certain training programs, which include state-approved programs and those authorized under the Workforce Investment Act. However, the state is not required to provide the additional weeks of benefits if the individual is receiving similar stipends or another type of training allowance that can be used for nontraining costs. Furthermore, the state may limit the training programs that warrant the extra weeks of benefits to those programs that prepare an individual for a new, high-demand occupation if he or she has (1) been separated from a declining occupation or (2) been indefinitely and involuntarily separated from employment as a result of a permanent reduction of operations at the prior place of employment. These benefits are to be paid only after the claimant has exhausted federally funded extensions of unemployment benefits. States do not have to offer the training-related benefits indefinitely to each claimant, however. States could impose certain restrictions on the time period for which training-related benefits are available. If state policymakers desired to do so, they could require a claimant who wanted to receive benefits while participating in training to begin the training before the end of the claimant's benefit year. In addition, states could limit a claimant's eligibility for benefits during training to a predetermined time frame, such as between the start of the benefit year and one year after the end of his or her benefit year.

D. States' Adoptions of the TUR Trigger and Modernization Provisions

Table I.1 displays the adoptions of the TUR trigger for EB and of the modernization provisions for each of the 53 UI jurisdictions. Thirty-nine jurisdictions either already had or newly adopted the TUR trigger for EB. In addition, 41 jurisdictions already had or newly adopted an ARRA-conforming ABP and 36 already had or newly adopted two of the four other modernization provisions.

Table I.1. Adoption of TUR Trigger and ARRA-Specified Modernization Provisions Based on an Analysis of Publicly Available Documents

			Other Provisions			
State	TUR Trigger	ABP	Part-Time Work	Compelling Family Reasons	Dependents' Allowance	Training for UI Exhaustees
Alabama	New	No	No	No	No	No
Alaska	Had	New	No	New	Had	No
Arizona	New	No	No	No	No	No
Arkansas	No	New	New	New	No	No
California	New	New	Had	Modified	No	No
Colorado	New	New	Modified	New	No	No
Connecticut	Had	Modified	No	New	Had	No
Delaware	New	New	New	New	No	No
DC	New	Had	Had	No	No	New
Florida	New	No	No	No	No	No
Georgia	New	Modified	New	No	No	New
Hawaii	No	Had	Modified	New	No	No
Idaho	New	New	New	No	No	New
Illinois	New	Had	No	Modified	Modified	No
Indiana	New	No	No	No	No	No

[15] http://www.ows.doleta.gov/unemploy/hb394.asp.

State	TUR Trigger	ABP	Other Provisions: Part-Time Work	Other Provisions: Compelling Family Reasons	Other Provisions: Dependents' Allowance	Other Provisions: Training for UI Exhaustees
Iowa	No	New	New	No	No	New
Kansas	Had	New	New	No	No	New
Kentucky	New	No	No	No	No	No
Louisiana	No	No	No	No	No	No
Maine	New	Had	Had	No	No	Modified
Maryland	New	New	Modified	No	No	New
Massachusetts	New	Had	No	No	Had	Modified
Michigan	New	Had	No	No	No	No
Minnesota	Had	Modified	Modified	New	No	No
Mississippi	No	No	No	No	No	No
Missouri	New	No	No	No	No	No
Montana	No	New	New	No	No	New
Nebraska	No	New	Modified	No	No	New
Nevada	New	New	Had	Had	No	No
New Hampshire	Had	Had	Had	New	No	No
New Jersey	Had	Had	Had	No	No	Modified
New Mexico	Had	Had	Had	No	Had	No
New York	New	Had	New	New	No	No
North Carolina	Had	Had	Modified	Modified	No	No
North Dakota	No	No	No	No	No	No
Ohio	New	Had	No	No	No	No
Oklahoma	No	Modified	New	Modified	No	No
Oregon	Had	New	No	Modified	No	Modified
Pennsylvania	New	No	No	No	No	No
Puerto Rico	No	Modified	Modified	Modified	No	No
Rhode Island	Had	Had	No	New	Modified	No
South Carolina	New	New	New	New	No	No
South Dakota	No	New	Modified	No	No	New
Tennessee	New	New	Modified	No	New	No
Texas	New	No	No	No	No	No
Utah	No	New	No	No	No	No
Vermont	Had	Had	Had	No	No	New
Virgin Islands	No	New	New	New	No	No
Virginia	New	Had	No	No	No	No
Washington	Had	Had	No	Modified	No	Modified
West Virginia	New	New	No	No	No	No
Wisconsin	New	Had	No	New	No	New
Wyoming	No	No	No	No	No	No

Key	
No	Did not adopt an ARRA-specified provision[a]
Modified	Had a similar provision in place and made small changes to meet ARRA specifications
New	Newly adopted ARRA-specified provision
Had	Already had a provision meeting ARRA specifications in place and made no changes

Note: We were not able to obtain information on modifications for the TUR trigger, only whether the state had one that conformed to DOL's specifications.

ABP = alternative base period; n.a. = not applicable. TUR = total unemployment rate

[a]State might have had a similar provision in place.

E. Structure of the Rest of the Report

The rest of the report consists of eight chapters. In Chapter II, we document the legislative efforts to enact these provisions and their prevalence across states before the enactment of ARRA. In Chapter III, we describe the features of the Survey of UI Administrators. We also discuss the factors states were hypothesized to take into account as they decided whether to adopt the provisions. In Chapters IV through VI, we explore the reasons state UI administrators reported on the survey for why they did or did not adopt the TUR trigger for EB, ABP, and other modernization provisions, respectively. Next, in Chapter VII, we report states' preliminary implementation challenges to assess whether some of the factors they had reported considering in favor of and against adoption, particularly with respect to costs, were borne out. In Chapter VIII, we conduct a state-level analyses of (1) the effects of some of the UC-related provisions on UI first payments using publicly available data and (2) the portion of EB benefits paid during 2008 through 2013 that were as a result of new adoptions of the TUR trigger. We summarize and conclude in Chapter IX.

II. BACKGROUND ON THE PROVISIONS SPECIFIED IN ARRA

Generally, the provisions examined in this report were not newly developed for ARRA; rather, they had been promoted by various groups over the 30 or so years preceding ARRA. In this chapter, we discuss a few of the closely related initiatives that preceded ARRA.[16] We then describe trends in adoption of these provisions; the pre- and post-ARRA patterns of adoption provide evidence that ARRA-based federal financing of EB and modernization incentive funds increased adoption of the six provisions that are the focus of this study.

A. Pre-ARRA Legislative Initiatives Related to Six Select UC-Related ARRA Provisions

The ARRA modernization provisions were, for the most part, not completely new ideas as ways to revise the UI program, and some had a history dating back to the National Commission on Unemployment Compensation (NCUC) report of 1980. Created by the UC amendments of 1976 (P.L. 95-566), the NCUC undertook a thorough review of the UC system about 45 years after the program's establishment in 1935. Its final report included recommendations in all major areas of the UC system, including several that addressed UC benefits.

Of particular relevance to this study were the NCUC recommendations related to UC eligibility for part-time workers and those who quit for family-related reasons. The NCUC Final Report, published in 1980, included a chapter that discussed the growing importance of women in the labor market and their treatment by the UC system (NCUC 1980, Chapter 10, "Women and Program Policy"). The report noted that states "should not interpret job search and suitable work as to automatically require availability for full-time work." This note was an early recommendation in favor of a part-time work provision such as the one later proposed as part of ARRA. In addition, in its recommendations related to state benefit statutes, the NCUC stated that there should be "no disqualification for voluntary leaving with good cause, including compelling family obligations and sexual harassment." This recommendation is a precursor to the compelling family reasons provision in ARRA. Therefore, in both areas, the NCUC recommendations predated the ARRA modernization provisions by nearly 30 years.

The next major milestone in the history of provisions that were later incentivized under ARRA was the meetings of the Advisory Council on Unemployment Compensation (ACUC) from 1994 to 1996. These meetings also culminated in a set of recommendations, in particular related to EB, the ABP, and part-time work provisions. With respect to EB, the ACUC recommended efforts to reform the EB program so that it could be active during economic downturns; this recommendation was due to inefficiencies in the timing and targeting of congressionally legislated emergency unemployment benefits programs. Although the ACUC recognized that no perfect triggering mechanism existed, the majority of the council recommended use of the state TUR (ACUC 1996, see recommendation 1994-2).

The ACUC also made two benefit-related recommendations. One was that all states should offer an ABP and better communicate to monetarily ineligible claimants both when they might subsequently

[16] The UI system has had a long history of legislative initiatives—some at the federal level and some at the state level—because the system was established in the 1930s. Our intent with the review of legislative initiatives in this chapter is to focus narrowly on initiatives that are closely related to the provisions under examination in this report and not to provide a more comprehensive examination of the initiatives either in recent decades or across a broader range of topics.

qualify for benefits and how much additional earnings would be needed. The summary document containing the ACUC recommendations states, "The Council finds that advances in technology have made it feasible for all states to use the most recently completed quarter when determining benefit eligibility, and that using this quarter is consistent with the legislative requirement that states ensure full payment of Unemployment Insurance when due." Another benefit-related recommendation was that claimants should not be precluded from eligibility merely because they are seeking part-time rather than full-time employment (see recommendations 1995-17 and 1995-20).

After release of the ACUC recommendations, UI stakeholders (representatives of claimants, employers, and other interested parties) conducted a series of meetings that extended into 2000. The Unemployment Insurance and Employment Services (UI-ES) Reform Working Group endorsed a set of 13 core reform proposals drawn largely from the ACUC recommendations. These wide-ranging recommendations were designed to improve the financing, benefit adequacy, and administration of the UI program and the services provided by employment services programs. Two proposals affecting UI benefits supported by a majority of the working group were to enact an ABP using wages from the most recently completed calendar quarter for individuals initially determined to be monetarily ineligible for benefits and to permit unemployed people otherwise eligible based upon a history of part-time work and seeking part-time work to receive UI benefits. The UI-ES Reform Working Group package of suggested reforms was included in the Employment Security Reform Act of 2000, which was introduced in the House of Representatives, Subcommittee on Human Resources, in September 2000 (ICESA 2000). However, the UI-ES Reform Working Group effort ended in 2000.

The next important development was the Reed Act distribution of March 2002, which disbursed $8 billion to state UI trust fund accounts at the U.S. Treasury. A study of the use of these monies concluded that states primarily used them to add to the balances in UI trust funds, reduce UI taxes, and improve the information technology systems of the UI and ES programs (Booz Allen Hamilton 2003). The study authors noted that the infusion of the distribution monies into the trust funds leads to an improvement in trust fund solvency, which often leads automatically to a reduction in employer taxes—a cycle that self-corrects when needed if the trust fund balance declines again. Thus, in effect, the majority of the Reed Act distribution lowered employer taxes, either through direct cuts or over the longer run through the enhancement of UI trust fund balances.

In addition, the study authors found that in the nine states studied, using the Reed Act distribution for additional benefits to unemployed workers was more likely to require special state legislative action. This likelihood is because a state's law typically specifies benefit amounts as either a specific dollar amount or as a function (such as a certain percentage) of the average weekly wage in a state; thus, providing additional benefits as a result of the Reed Act distribution would typically require new legislation to modify the existing rules around benefit amounts. Furthermore, some states perceived that if the distribution were used for payment of additional benefits, it would be difficult politically to return benefits to predistribution levels after exhaustion of the funding from the Reed Act. Thus, one potential implication of the study's findings is that additional legislative efforts would be needed to bring about systematic changes to the generosity of benefits or the criteria states use to determine eligibility of claimants for benefits.

Legislation proposed by Representative Jim McDermott in 2007 took a step toward spurring states to undertake these legislative efforts to expand benefit access and generosity. Representative McDermott, then chair of the Subcommittee on Income Security and Family Support of the U.S. House of Representatives Committee on Ways and Means, introduced legislation that included several features identical to those later included in the ARRA modernization legislation. His proposed bill authorized $7 billion in incentive funds to encourage states to revise their UI programs. Like the later

ARRA legislation, one-third of the total was for states to establish an ABP and two-thirds to establish family-friendly and UI-training reforms. The three family-friendly provisions were eligibility for those seeking part-time jobs (if they had previously worked part-time), eligibility for those who quit to care for family members with an illness and/or disability, and eligibility for those who quit jobs due to domestic violence. Thus, McDermott's proposed bill included versions of three of the five provisions that were later included as ARRA's modernization provisions; those provisions not included were the dependents' allowance and training for UI exhaustees.

This legislative proposal formed the basis for the Unemployment Insurance Modernization Act introduced by McDermott on January 8, 2009.[17] The bill specified that $7 billion be allocated among the states, the formula for doing so, and the requirements states had to meet before receiving the funds. In addition to the provisions specified in the 2007 legislative proposal, the bill included the dependents' allowance and the training for the UI exhaustees provision. Interestingly, it specified using the incentive payments made to states for the payment of unemployment benefits to individuals and, under certain circumstances, to pay administrative costs of the UI and ES programs, perhaps because of the previous experience with Reed Act distributions, which primarily benefited employers. The Unemployment Insurance Modernization Act was folded into ARRA.

B. Descriptive Analysis of Extra Adoptions Caused by ARRA

Examining the prevalence of ARRA's UC-related provisions in the period before ARRA gives some indication of why federal legislators thought it would be useful to offer states financial incentives to adopt these policies, as many states were not doing so in the absence of an incentive. Few states had adopted these provisions absent incentives (in the pre-ARRA period), but many adopted them after the incentives were offered (Figure II.1). For instance, only 12 states had the TUR trigger as of January 2009 (immediately preceding ARRA), which represented an increase of only 2 states over the previous 5-year period. The ABP was more prevalent, at 21 states, but this increase was only 4 states over the previous 5-year period.

The trend in adoptions increased sharply immediately after ARRA was enacted in 2009. For example, the number of states with a TUR trigger jumped from 12 in January 2009 to 36 in January 2010. An additional three states adopted the TUR trigger later. Similarly, ABP adoption jumped from 21 to 32 states from January 2009 to January 2010, with 7 additional states adopting it before the application deadline for modernization incentive funds.

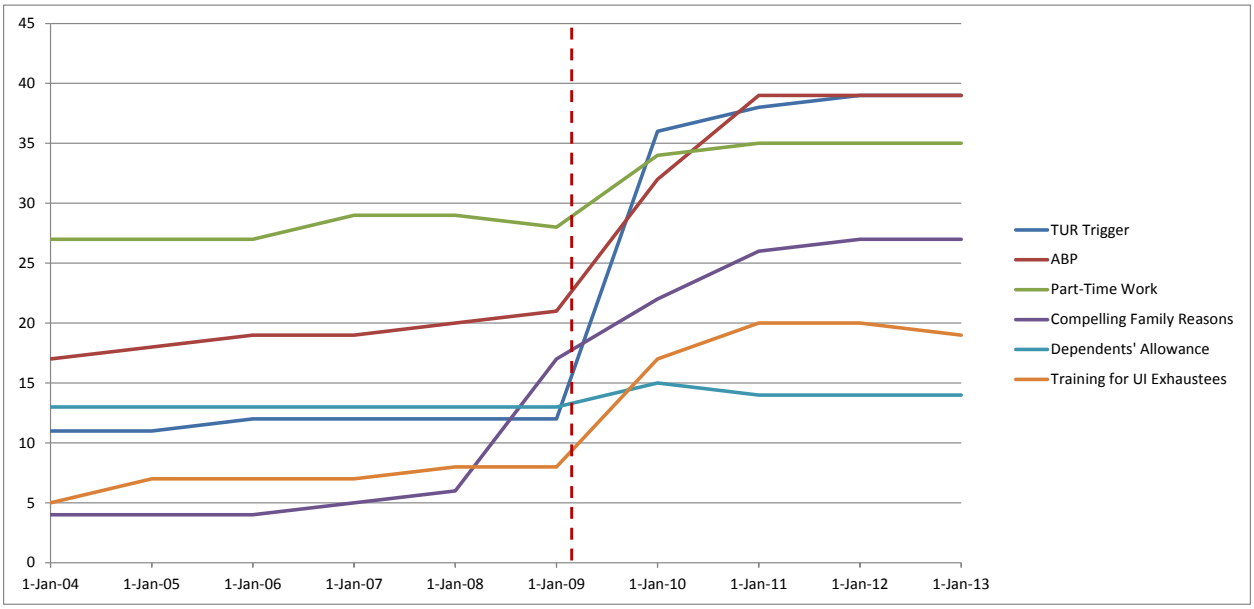
Adoption of other modernization provisions exhibited similar increases, with two exceptions. First, the compelling family reasons provision shows a sharp rise from 2008 to 2009, with a smaller increase from 2009 to 2010.[18] The other exception to the general trend exhibited in the figure is the dependents' allowance provision, which is shown in the figure as having been adopted by two states but discontinued by one of them in 2010. Overall, the sharp rise in the number of states with the TUR trigger and modernization policies in place from January 2009 to January 2010 suggests that the offer

[17] Text of the bill can be found at http://beta.congress.gov/111/bills/hr290/BILLS-111hr290ih.pdf.

[18] The study team reviewed each state's application for modernization incentive funds, as available. The applications included a narrative description of the legislative actions undertaken by the states to adopt or modify provisions to receive incentive funds. Copies of the relevant legislation were often included. There were some discrepancies between what was reported in the applications and the 2009 counts in the Comparison of State UI Laws. Based on this analysis, the study team believes that compelling family reasons provisions enacted by states after January 2009 were mistakenly included in the tabulations in the Comparison of State UI Laws for 2009. Nevertheless, we present the data as reported in the Comparison of State UI Laws.

of 100 percent federal financing of most EB benefits and the incentives for modernization provisions were effective at increasing adoption of the related policies.

Figure II.1. Counts of Adopting UC-Related Provisions Before and After ARRA



Source: *Comparison of State Unemployment Insurance Laws* for various years. Counts are determined as of January 1 of the year in question.

Note: Figure II.1 does not include Puerto Rico and the Virgin Islands. See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

ABP = alternative base period; ARRA = American Recovery and Reinvestment Act of 2009; TUR = total unemployment rate; UC = unemployment compensation; UI = unemployment insurance.

Projections based on regression analysis (Table II.1) confirm that states adopted provisions after ARRA at a much higher rate than would be predicted based on historical trends preceding the offer of modernization incentive funds.[19] The rows in the table show results of regressions that describe the adoption of provisions fitted as a linear trend over time periods before ARRA. The three columns at the right of the table display prediction errors for 2010, 2011, and 2012, respectively. These errors represent the difference between cumulative actual adoptions and the number of adoptions that would have been predicted given the before-ARRA linear trend (that is, preceding the offer of modernization funds). Therefore, they are estimates of the number of ARRA-induced adoptions—the number of policies in place during 2010, 2011, and 2012 that were above and beyond what could have been expected to occur given the trend over time.

[19] Years of data before 2004 are available for the TUR trigger, ABP, and dependents' allowance. We used a before-after analysis to predict the adoption rate in the absence of the incentive funds, because all states were offered the incentive funds. There are no states that could be used to form a comparison group, which would allow for an examination of the effects of the incentive funds in states offered the funds above and beyond changes that might occur over time as a result of other influences on states' UI legislation.

Table II.1. Regression Analysis of ARRA Modernization Adoptions

	Constant	Linear Trend	Data Period	Adj. R^2	Std. Error	Error 2010	Error 2011	Error 2012
TUR Trigger	7.667***	0.515***	2000–2009	0.880	0.57	22.67**	24.15**	24.64**
ABP	-0.573	0.899***	1987–2009	0.961	1.12	10.99**	14.09**	16.19**
Part-Time Work	26.467***	0.486***	2004–2009	0.818	0.42	4.13**	4.65**	4.16**
Compelling Family Reasons	6.100***	0.500***	2004–2008	0.708	0.48	16.40**	18.90**	19.40**
Dependents' Allowance	13.637***	-0.065**	1990–2009	0.219	0.67	0.67	2.74	1.80
Training for UI Exhaustees	4.250***	0.500***	2002–2009	0.854	0.50	8.25**	10.75**	10.25**

Source: Regressions explaining data shown in Figure II.1.

Note: In the case of the compelling family reasons provision, the regression data period extends only to 2008 because of concerns that the 2009 data might reflect state activities occurring after January 1, 2009, (and linked to ARRA), not during 2008. Statistically significant coefficients are indicated by * ($p < 0.10$); ** ($p < 0.05$); or *** ($p < 0.01$).

ABP = alternative base period; ARRA = American Recovery and Reinvestment Act of 2009; TUR = total unemployment rate; UI = unemployment insurance.

From 2000 to 2009, the pace of adoptions of the TUR trigger was 0.515 adoptions per year based on the linear trend coefficient, or about one adoption of the TUR trigger every two years. The projection errors suggest that state adoptions of TUR triggers accelerated after ARRA; the 2012 error of about 25 is interpreted to mean that about 25 more states adopted the TUR trigger than would have been predicted based on before-ARRA trends. The ABP coefficients tell a similar story: the linear trend coefficient of 0.899 indicates almost one adoption per year from 1987 to 2009, whereas the 2012 error for the ABP of about 16 is interpreted to mean that about 16 more states adopted an ABP than would have been predicted had previous trends in adoption continued. This finding is consistent with Figure II.1; it shows there were 18 actual adoptions after ARRA, which includes about 2.7 (= 0.899 × 3) adoptions that would have been predicted based on the linear trend in adoptions from 2010 to 2012 plus the 16.2 shown as the 2012 error from the trend line.

Similarly, the analysis suggests there were large differences in actual adoption of the part-time work, compelling family reasons, and training for UI exhaustees provisions compared with what would have been expected based on previous trends. Linear trend coefficients for these provisions are statistically significant and close to 0.50, indicating about one new adoption every two years. Prediction errors for the part-time work provision are in the range of 4 to 5 adoptions per year, whereas prediction errors for the compelling family reasons and training for UI exhaustees provisions were much larger (16 to 19 and 8 to 11, respectively), again suggesting that many more states adopted these provisions after ARRA than would have been predicted based on historical trends.

The exception to these general findings is the dependents' allowance, which exhibited a statistically significant, negative linear trend coefficient and had the smallest change in adoption of all of the ARRA modernization provisions. The increase was from 13 in January 2009 to 15 in January 2010, with adoptions by the District of Columbia (DC) and Tennessee. However, the DC adoption of 2009 was reversed in 2010. Tennessee's was reversed in mid-2013 (not shown in the figure). Because DC also had or adopted two other modernization provisions, the elimination of the dependents' benefit in 2010 did not adversely affect its receipt of the two-thirds share of its modernization incentive payment.

Overall, the descriptive analysis shows the relationship between the incentives and adoption of UC-related provisions specified in ARRA. The presence of ARRA incentives was associated with large increases in the number of states that adopted the TUR trigger, ABP, and three of the four other modernization provisions.

III. FACTORS INFLUENCING THE DECISION TO ADOPT ARRA'S UC-RELATED PROVISIONS

In this chapter, we discuss the factors states might have considered when making their adoption decisions, particularly if they did not already have the provisions in place. These factors influenced the design of the Survey of UI Administrators and, thus, the data available for analysis. We then provide some information about the survey itself, and turn to a discussion of the adoption decisions of states, as reported on the survey.

A. Factors States Considered

Through ARRA legislation, the federal government provided financial incentives to states to implement six UC-related policies. One of these—the TUR trigger for EB—was allowed to expire after the end of the incentive period, but the other five modernization provisions had to be made permanent features of state law (though later repeal could not be prevented; see Appendix D). In this section, we briefly explore the monetary and nonmonetary factors we theorized states would take into consideration when deciding whether to adopt the TUR trigger for EB, ABP, and two of the four other modernization provisions.

TUR trigger for EB. States could be attracted to adopting the TUR trigger in order to provide extended assistance to UI exhaustees, particularly when the federal government would fully finance most of the costs of benefits. Because the IUR trigger threshold was too high for most states to trigger onto EB, we hypothesized that the factors in favor of adopting the TUR trigger for EB could include a desire to become eligible for EB in general, especially during the period when most of the EB benefits would be federally financed. Because states could allow their TUR triggers to expire when the federal government ceased the more generous financing of EB benefits, the long-term implications of adopting the TUR trigger for paying future extended benefits were limited.

The potential factors against adopting the TUR trigger that states might consider when making an adoption decision could include administrative costs not compensated by the federal government, increased benefit costs, and other objections. Although this study did not examine in detail the administrative costs that could be associated with adoption of the TUR trigger, the costs might include having to manage the work search requirements of EB recipients or the additional financial burden the state would incur if it was not fully compensated for the costs associated with administering the benefit payments. Increased UI benefit costs could arise due to an effect of longer potential benefit eligibility on actual regular UI benefit receipt or the fact that some types of EB payments, such as those to former state and local government workers, were not fully federally financed (as discussed in Chapter I). Generally, administrative costs are relatively small compared with benefit payments, and states might have considered the combination of administrative costs and benefit payments, when they assessed whether to adopt the TUR trigger. In addition to these costs, or regardless of potential cost overruns, states might have perceived that the set of UC programs in place at the time of the decision making (that is, UI, EB, and EUC08) offered too many weeks of benefits to claimants given that UC benefits are designed to be available on a temporary basis only.

ABP. If a state did not already have an ABP, we hypothesized that its decision to adopt the ABP was complex because it was required to be permanent and, therefore, involved a longer-term

perspective than that of adopting the TUR trigger.[20] The factors in favor of adopting include the one-time lump-sum incentive distribution, which could be used to bolster states' UI trust funds and cover administrative costs. (Appendix A presents the incentive payments available to each state for adopting an ARRA-specified ABP.) States also might have considered increased access to the UI program for workers not covered by the traditional base period as a factor in favor of adoption. In addition, states might have considered that adopting an ABP reduces an artificially induced lag between a good work history and eligibility for benefits. That is, base periods are used to determine a worker's recent attachment to a job, but technological limitations had historically led to a lag between the end of the base period and filing for benefits. An ABP reduces this lag, thus one might expect that it provides a better assessment of an unemployed worker's recent involvement in and attachment to the labor market in determining UI benefit receipt than the traditional base period.

The potential factors against adopting the ABP for those that did not already have one include the need to change state law, philosophical objections, and short- and long-term costs. States that did not already have an ABP had to go through a potentially challenging and lengthy legislative process to adopt the policy. States newly adopting the ABP also would have to incur administrative costs such as reprogramming computer systems, revising documents provided to claimants, and training UI program staff on the change. The timing of these changes posed additional problems, because the UI systems of many states at the time of ARRA's passage were strained by the extraordinarily large number of claimants induced by the recession. In addition, states might have had philosophical objections to accepting the federal incentive funds, such as a concern that accepting the funds might cede a portion of the state's autonomy to the federal government in determining the features of its UI program.

Costs were also a potential factor against adoption because the ABP had to be enshrined in permanent law for states to receive the one-third share of incentive funds, and therefore states had to take into account the likelihood and potential size of permanently higher costs of future benefits. These higher costs might arise because claimants who would qualify through an ABP might collect more benefits overall because they can start collecting benefits more quickly after the start of the unemployment spell. The ultimate percentage of claimants affected and, thus, the costs of adopting the ABP would be expected to vary across states depending on their existing UI laws and characteristics of their labor force. Previous literature has estimated that the likely effect of a change from having a traditional base period only to also having an ABP ranges from around a 1 percent to an 8 percent increase in total costs (Vroman 1995; Stettner et al. 2005). Other research has found no association between the adoption of an ABP and UI receipt among all unemployed workers but an approximate 3 percentage-point increase in recipiency among part-time workers with less than a high school degree (Gould-Werth and Shaefer 2013).[21]

[20] Although the ARRA legislation required the newly adopted ABP and other modernization provisions to be made part of states' permanent laws, states could not be prevented from later repealing them, nor would states that repealed one or more modernization provisions have to return any incentive funds they had received. See Appendix D for further details.

[21] We asked survey respondents from states that did not already have the provisions in place to report their estimates of the number of affected claimants and associated costs of adopting the provisions. In addition, in Chapter VIII, we present results from an analysis of the relationship between adoption of the ABP and some of the other modernization provisions and the number of UI first payments. Appendix E contains state-specific comparisons of (1) incentive payments and (2) estimates of ARRA-induced benefits paid out, based on the Chapter VIII estimates of ARRA-induced increase in the number of UI first payments and assumptions about the benefits paid per first payment.

Other modernization provisions. We hypothesized that states faced largely the same set of considerations in favor of adopting the other modernization provisions as they did when considering adopting the ABP, with one key exception noted. In sum, factors in favor of adoption include the sizable incentive payment for putting two more of the remaining four provisions in place and increasing access to the UI program by a set of workers (in the case of the part-time, compelling family reasons, and training provisions for UI exhaustees) who either would not previously have been able to access benefits or would have exhausted all their benefits in the absence of the new provision.

In addition to the factors that could influence adoption of a particular provision, states faced an additional consideration because they had to adopt two provisions to qualify for the two-thirds share of their incentive payments. Specifically, states that already had parts of one or two provisions in place would presumably face much lower implementation costs than states that did not have parts of any qualifying provisions in place. For example, it might have been possible for some states to make only minor changes to one or two already-existing provisions to qualify for the two-thirds incentive payment, even if these changes had almost no practical consequences in terms of expanding eligibility, benefit generosity, or total benefits paid.

As with the ABP, the primary factors against adoption of two of the four other modernization provisions were costs of additional benefits paid and philosophical objections. The costs could include one-time administrative costs associated with adapting data systems to handle the different eligibility requirements, ongoing staffing costs, or, perhaps most importantly, ongoing costs associated with additional benefits payments. The part-time work, compelling family reasons, and training for UI exhaustees provisions would be expected to draw additional claimants into the UI system. The impact of these provisions on states' costs of benefits paid out would depend on each state's existing UI laws and the composition of its labor force. For example, states that triggered onto EB and/or higher EUC08 tiers available would not be faced with paying benefits to UI exhaustees enrolled in acceptable training programs until well into those individuals' unemployment spells because all benefit eligibility had to be exhausted before this provision kicked in. States that did not trigger onto EB and/or EUC08 tiers would have borne those costs earlier in a worker's unemployment spell, and potentially for more weeks. Similarly, states whose labor forces had relatively high proportions of workers with discontinuous work histories or part-time workers (for example, younger workers) would likely see a higher increase in claimants upon adopting the part-time work provision than states with lower proportions of those workers.

The dependents' allowance would primarily serve to increase the weekly benefit amount to existing UI claimants, rather than draw claimants into the system. If a dependents' allowance of $30 per week were paid out on a weekly benefit average of $300, it implies an increase in benefits payments of 10 percent. Even if only a third of claimants were affected, it would result in an increase of about 3.3 percent to the total benefits payments, a sizable amount, particularly because the provision was to be enacted permanently.[22]

Potential philosophical objections to the modernization provisions could vary across the provisions. For example, a policymaker might perceive philosophically that a relaxation of the

[22] Although the ARRA legislation required the newly adopted provisions to be made part of states' permanent laws, states could not be prevented from later repealing them, nor would repealing states have to return any incentive funds they had received. See Appendix D for information about states' repeals of the modernization provisions.

requirement that a claimant is able, available, and looking for full-time work might lead to inappropriate subsidization of people who are not strongly attached to the labor market. A policymaker might philosophically object to allowing someone who quit a job for a personal reason, such as following a spouse who relocates, to be eligible for benefits because of a view that the job separation arose through the choice of the claimant.[23] In addition, some state policymakers might philosophically object to dependents' allowances because they weaken the relationship between a worker's prior employment and earnings history and his or her benefit entitlement amount. If a state has a dependents' allowance, a worker with a certain level of base period earnings and no dependents would receive a different weekly benefit amount than a worker with the same base period earnings and a dependent. Thus, the dependents' allowance could be perceived as deviating from a traditional view of UI as offering insurance for lost earnings only. A policymaker might have a philosophical objection to the training-related provision because it might be perceived to encourage claimants to delay participation in training until UI benefits are about to end. Finally, for any of these provisions, a policymaker might have preferred not to accept modernization incentive funds because of a concern that doing so would weaken a state's autonomy, regardless of the specific details of the provisions.

B. The Survey of UI Administrators

To learn about state considerations in adopting the UC-related provisions of ARRA, we conducted a Survey of UI Administrators in all 50 states and the District of Columbia. The survey topics addressed the set of considerations we hypothesized that states would take into account when making their adoption decisions, including their estimated costs. We also asked for general information about states' implementation experiences. The survey captures information as reported by each state's UI director or designee. Although responses to any survey may not be fully accurate—for example, because of recall bias—they can still reflect valid information. Moreover, the survey was designed to capture more-nuanced information than could be ascertained using publicly available data. Further details about the survey (including the pre-tests of the instrument) are presented in Appendix B. The main set of survey topics included the following:

- **The decision to adopt.** The survey included questions about states' decisions to adopt the TUR trigger for EB, the ABP, and the other modernization provisions covering the following themes:
  - Key factors in favor of adoption
  - Key factors against adoption
  - Prevalence of intense debate about adopting
  - How far the state got in the adoption discussion (for those that did not adopt)
- In addition, for the ABP and other modernization provisions, we asked about the following:
  - Developing cost estimates
  - Factors included in cost estimates
  - Amount of estimated costs
  - Developing estimates of claimants affected

[23] Often, the benefits that a claimant collects after a voluntary quit for good personal cause are not charged to the former employer through the UI tax system because the employer was not responsible for the job separation. Nevertheless, some policymakers might still think that it is inappropriate to grant eligibility to people who quit for personal reasons.

- Estimated number of claimants affected

Finally, for the other modernization provisions, we asked about why a state had adopted the two (of four possible) chosen provisions rather than other provisions.

- **Implementation challenges.** For states that adopted the TUR trigger, ABP, and other modernization provisions, the survey asked about key challenges to implementing the provisions. In addition, for the ABP and other modernization provisions, the survey asked about the following:
  - How estimated costs compared with actual costs
  - Reasons for differences between estimated and actual costs (lower or higher)
  - Likelihood of repeal of the provisions[24]

Most of the information collected through this survey was based on closed-ended questions to facilitate statistical analysis of responses, such as frequencies across states. Some questions warranted a simple yes or no response, whereas others required selection of one or more answers from a longer set of response options. Questions about factors in favor of or against adoption of the provision requested that respondents rank the top three most important factors from among a specified list of factors, although respondents could also specify a factor not on the list. In a similar way, questions about challenges the states faced in implementing provisions included a specified list of potential challenges (as well as a field for an open-ended answer) and asked respondents to rank the three most important ones.

The survey was self-administered and completed by the UI director or his or her designee(s) within each state. Of the 51 states that were asked to complete the survey (all 53 UI jurisdictions excluding Puerto Rico and the Virgin Islands), we received responses from 49 of them from November 2012 to July 2013, yielding a 96 percent response rate. New York and Texas did not return completed surveys.

C. Types of Policy Adoptions

As noted in the previous chapter, some states already had policies in place that were identical to those specified in ARRA legislation and had only to apply for incentive funds to receive them. Other states put the policies in place after the legislation; these states might have had parts of some of the provisions in place and had only to modify them, or they might have had to adopt completely new legislation. Thus, the amount of effort states had to put forward to implement ARRA-specified provisions, and the associated implementation costs, varied substantially across states.

To further explore this issue, we tabulated the number of states in four categories determined by the provisions they had in place before ARRA and their subsequent actions, as reported on the Survey of UI Administrators (Table III.1). States that reported already having the provision in place—or, for the other modernization provisions, already having two ARRA-specified provisions in place—were categorized as *Already Had*. States that reportedly did not have the provision in place—or, in the case of other modernization provisions, did not have either of two ARRA-specified provisions in place—but adopted them were categorized as *Newly Adopted*. For the TUR trigger and ABP, states that reported having a similar policy in place that had to be modified to conform to ARRA specifications were categorized as *Modified Existing*. For the other modernization provisions, states that reported

[24] Information on states' repeals of modernization provisions, as of December 2014, is presented in Appendix D.

having all or parts of one provision and had to make modifications to one or both or newly adopt one were categorized as *Modified Existing*. States that reportedly did not adopt the provision (or two of the four, in the case of the other modernization provisions) were categorized as *Did Not Adopt*.

The study team checked the validity of the states' responses about their adoption decisions by performing an independent analysis of each state's action using publicly available records, including EB trigger notices and states' applications for modernization incentive funds. Overall, we do not believe the few inconsistencies we identified affect the main findings in this report. There were some generally small inconsistencies between states' actions as reported on the survey and those noted in the publicly available records. However, because states' responses to these questions determined which later questions in the survey they were eligible to answer, we categorize states according to their survey responses throughout the remainder of this report. Appendix C contains a full set of inconsistencies we identified, and, when appropriate, we also identify them in the text.

Table III.1. States' Adoption Decisions, by Category

	TUR Trigger	ABP	Two of the Four Other Provisions
Already Had	13	15	2
Newly Adopted	22	19	8
Modified Existing	3	4	25
Did Not Adopt	10	10	14
Number of Respondents	48	48	49

Source: Analysis of Survey of UI Administrators.

Note: New York and Texas did not respond to the survey. In addition, some states did not respond to specific items in the survey, further reducing the number of respondents. See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

ABP = alternative base period; ARRA = American Recovery and Reinvestment Act of 2009; TUR = total unemployment rate.

Already had ARRA-specified provision. Thirteen states indicated that they already had an ARRA-specified TUR trigger in place and did not have to change it. For the modernization incentive funds, several states already had policies in place that met ARRA requirements and did not have to do anything beyond submit an application for incentive funds. In particular, 15 states indicated that they already had an ARRA-specified ABP in place and had to make no changes to be eligible for the one-third share of modernization monies. All of these states submitted applications and received the one-third share of their allocated incentive funds. For these states, the modernization incentive funds could be perceived as windfalls.[25] Only two states reported already having two other ARRA-specified

[25] Throughout the report, we sometimes refer to the incentive payments as windfalls for states that reported already having the provisions in place; that is, these states had neither to modify existing provisions nor adopt new provisions, although they did need to apply for the incentive funds. However, this term is not intended to connote a value judgment about the structure of the incentives. From a practical perspective, it might have been very challenging and/or inequitable for federal legislators to offer incentives to states that did not have specific provisions in their laws or statutes while not offering the same incentives to states that already had the provisions in their laws or statutes. In addition, regardless of whether the offer of incentives induced legislative or statutory changes, the incentives could be perceived as having provided financial relief to some states' UI programs and stimulated the economy. This report does not explore these latter issues.

provisions fully in place to qualify for the two-thirds share of incentive funds. The two states applied for and received the full incentives.

Newly adopted ARRA-specified provision. At the other extreme were states that did not have conforming policies in place and had to adopt completely new legislation. For instance, 22 states reported newly adopting a TUR trigger, whereas 19 reported newly adopting an ABP. Thus, for these two provisions, the number of states newly adopting legislation exceeded those that already had them in place. In contrast, for the other modernization incentive provisions, only eight states reported that they newly adopted two provisions that would qualify the states for the two-thirds balance of the incentive funds.[26]

Had to modify existing legislation. Very few states reported having a nonconforming TUR trigger or ABP in place and having to modify it to meet ARRA specifications: three states and four states, respectively. Modification of existing legislation was much more common for the other modernization provisions required to receive the two-thirds share of incentive funds; 25 states reported modifying one or two existing provisions to meet ARRA requirements.[27]

Did not adopt. According to responses to the survey, 10 states did not adopt an ARRA-specified TUR trigger, 10 did not adopt an ARRA-specified ABP, and 14 did not adopt two other ARRA-specified modernization provisions. Of the 14 states that reported not adopting other ARRA-specified modernization provisions, 6 indicated that they already had some but not all of the requirements for one or two provisions in place but did not modify them to meet ARRA requirements; the other 8 neither had any of the provisions in place nor adopted them (not shown).

The incentives did not exclusively reward states that already had the policies in place. Some states already had the TUR trigger, and they benefited from the 100 percent federal financing of most EB benefits when they were triggered onto EB. However, the number of states that had a TUR trigger in place more than doubled after the offer of 100 percent federal financing, which boosted the number of states that triggered onto EB at all. In the case of the ABP, states that already had this provision in place received windfalls in the form of the incentives. But, other states newly adopted an ABP or modified an existing one. This finding was also true of the other modernization provisions.

[26] The newly adopted numbers for ABP and other modernization provisions include one state that did not receive incentive funds because its ABP included a sunset clause. This clause made it ineligible for both the one- and two-thirds shares of its allocated incentive funds.

[27] The Survey of UI Administrators was not intended to gather rich detail about the type or extent of modifications that states would have had to make to be eligible for modernization incentive funds.

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IV. THE DECISION TO ADOPT THE TUR TRIGGER FOR EB

Overall, the responses to the state UI administrators' survey suggest that the incentive of 100 percent federal financing of most EB benefits spurred many states to adopt the TUR trigger, as almost all of the adopting states cited it as a key and, often, primary factor considered in their decision to adopt. This finding is further bolstered by the fact that most of the adopting states indicated on the survey that the adoption was not permanent; in other words, they wanted to take advantage of the EB program during the time they would not bear half the costs of benefits. All states that adopted a TUR trigger did trigger onto EB. However, 10 states indicated that they did not adopt the TUR trigger, despite the offer of federal financing of most EB benefits.[28]

Becoming eligible for EB while the benefits were more generously federally financed was overwhelmingly the primary reason states reported for newly adopting the TUR trigger. The large majority of states (21 of 24) that answered this question and reported adopting an ARRA-conforming TUR trigger on the survey indicated it was the primary factor discussed in favor of adopting the trigger. Another three states listed it as the second or third most important factor in their decisions (Figure IV.1, top panel). Consistent with this finding, only one state reported that it made the TUR permanent; 20 states indicated the TUR trigger was set to expire when 100 percent federal financing of EB benefits ended, and 3 other states indicated other sunset dates were established.[29] Other prominent considerations for adopting the TUR trigger included becoming eligible for EB in general and extending eligibility for EB.

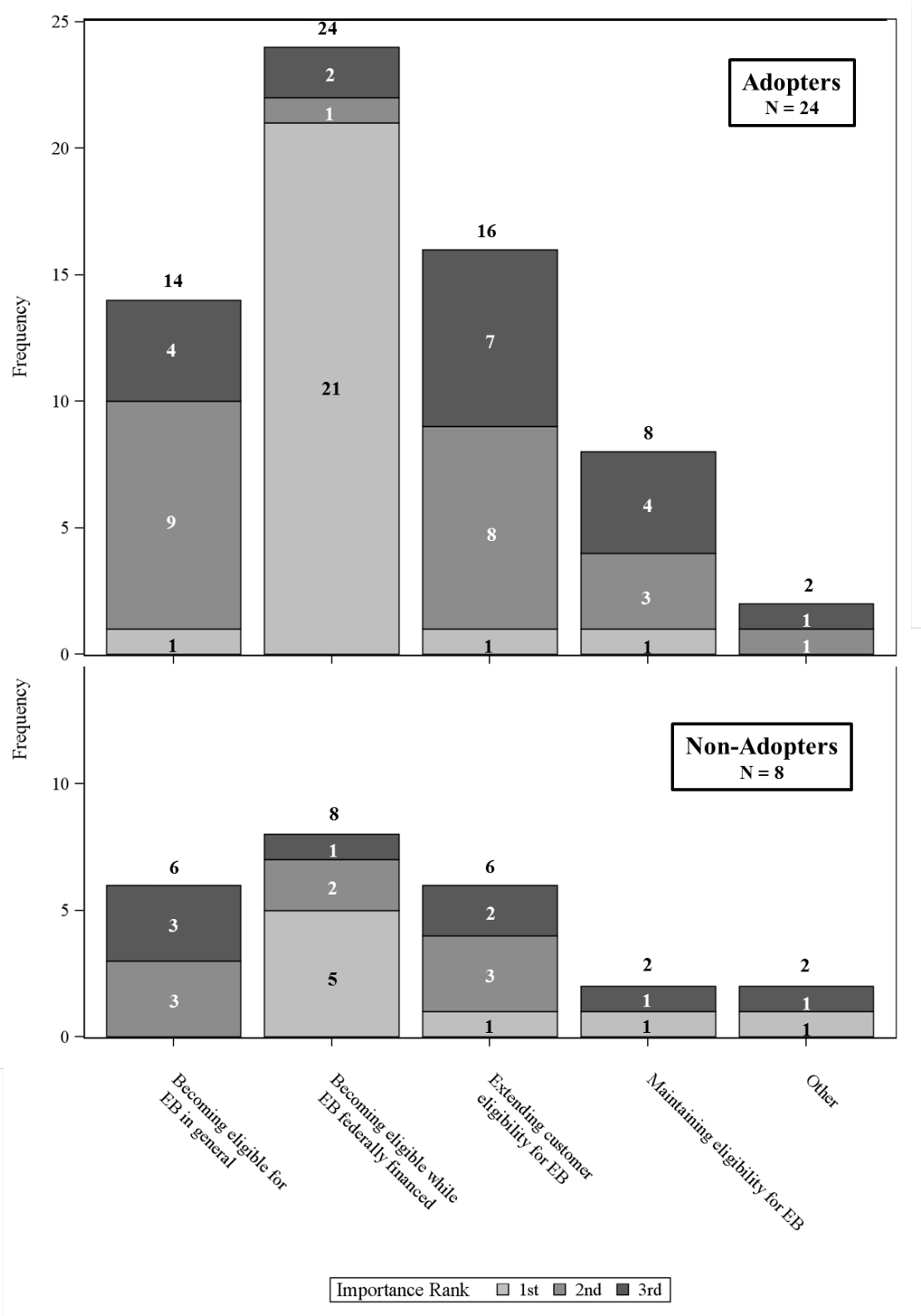
Notably, these same factors in favor of adoption were reported by states that did not ultimately adopt the TUR trigger (Figure IV.1, bottom panel). Becoming eligible while most EB benefits were 100 percent federally financed was the primary consideration in favor of adopting the TUR trigger; in fact, all eight of the responding states that did not adopt the trigger indicated this was a top three consideration in favor of adopting the TUR trigger. Becoming eligible for EB in general and extending eligibility for EB were again prominent second and third key factors considered in favor of the TUR for those states that did not ultimately adopt the policy.

Some differences between states that did or did not adopt the TUR trigger emerge when examining the factors considered against adopting the trigger. Eight of the 13 states that adopted a TUR trigger and responded to this question identified concerns about increased employer costs and one-time administrative costs as their primary considerations against adopting the TUR trigger (Figure IV.2, top panel). As explained in Chapter II, some employers might incur additional costs because EB benefits arising from work for state and local governments, as well as federally-recognized Indian tribes, were not fully federally financed. The one-time costs might include costs related to adapting existing data systems or revising documentation. Concern about lengthening the duration of UI claims was the most frequently reported second key factor against adoption among states that ultimately adopted the trigger. In general, the responses reflected a broad range of considerations against adopting the TUR trigger among states that ultimately decided to adopt it, including five states with philosophical objections and three concerned with increasing federal deficits.

[28] An independent analysis performed by the study team found that two states—Oklahoma and Utah—indicated that they already had a TUR trigger, but in fact they did not. Because these states responded that they had a TUR trigger in place, the skip patterns in the Survey of UI Administrators directed them to skip the remainder of the questions about adoption of the TUR trigger; therefore, these states are not included in the analysis of TUR adoption using survey data.

[29] Arizona indicated that it made the TUR trigger permanent, but its TUR trigger is no longer in place.

Figure IV.1. Factors Considered in Favor of Adopting the TUR Trigger

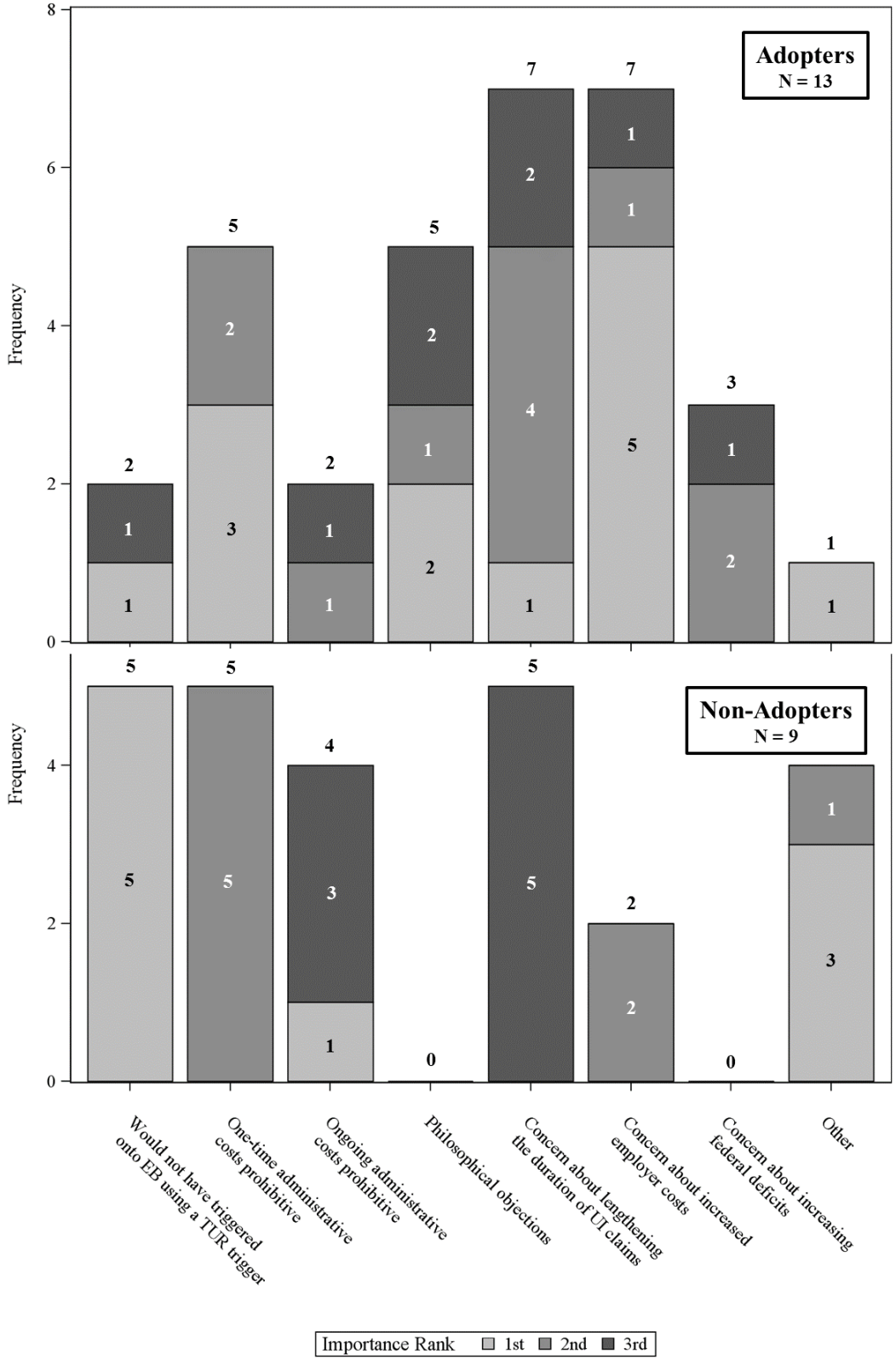


Source: Analysis of the Survey of UI Administrators.

Note: Excludes states that already had the TUR trigger. Of the 25 states that reported adopting a TUR trigger, 24 responded to this item on the survey. Of the 10 non-adopters, 8 responded to this item on the survey.

ARRA = American Recovery and Reinvestment Act of 2009; EB = Extended Benefits; TUR = total unemployment rate; UI = unemployment insurance.

Figure IV.2. Factors Considered Against Adopting the TUR Trigger



Source: Analysis of the Survey of UI Administrators.

Note: Excludes states that already had the TUR trigger. Of the 25 states that reported adopting a TUR trigger, 13 responded to this item on the survey. Of the 10 non-adopters, 9 responded to this item on the survey.

ARRA = American Recovery and Reinvestment Act of 2009; TUR = total unemployment rate; UI = unemployment insurance.

The nine states that did not adopt a TUR trigger and responded to this question indicated a different set of main considerations against adopting the TUR trigger. Five of the nine states listed the fact that they would not have triggered onto EB using a TUR trigger as the primary factor considered (Figure IV.2, bottom panel); these states would have had little motivation to enter into the legislative process of adopting the trigger given that they were unlikely to benefit from it. Five states reported one-time administrative costs as the second most important factor considered, with two states citing concerns about increased employer costs. Five states reported a concern about lengthening the duration of UI claims as the third most important factor, and four states reported ongoing administrative costs as an important factor. None of the states that did not adopt a TUR trigger reported philosophical objections or concerns about increasing federal deficits as one of the three most important factors considered against adopting a TUR trigger, although two of them selected "Other" and wrote in responses that suggest philosophical considerations, such as what the appropriate trigger for EB is.

The study team estimated regressions to investigate more rigorously whether adoption of the TUR trigger correlated with the factors in favor of and against adopting the trigger discussed in this chapter (see Appendix F for further details and results). The vast majority of specifications yielded statistically insignificant coefficients—that is, that there was not a statistically significant correlation between states' adoption decisions and their responses about their top three factors in favor of or against adoption. The one statistically significant finding was in an unexpected direction: states indicating that philosophical objections were a top-three consideration against adopting the TUR trigger were 35.4 percent *more* likely to adopt the TUR trigger, all else being equal ($p < 0.05$). However, we urge caution when interpreting this result because of the small sample size ($n = 22$).

We also looked into the relationship between adoption of the TUR trigger and indicators of the generosity of states' UI programs, UI tax rates, the solvency of their trust funds, and unemployment rates (see Appendix G). We did not find statistically significant ($p < 0.05$) relationships between these characteristics and adoption of the TUR trigger for EB, with the exception that having a low high-cost multiple[30] was positively associated with adopting the TUR trigger. The difference in pre-recession high-cost multiples between states that did not (0.93) and did (0.34) have to take federal loans to pay benefits was -0.59. The regression indicated that states that did have to take federal loans were 46 percent more likely to adopt the TUR trigger for EB than those that did not, on average.

To complement these statistical analyses, we qualitatively examined the partisan composition of the legislative and executive branches in states that did or did not adopt the TUR trigger to identify potential patterns in adoption decisions (Table IV.1). Among the 25 states that reported newly adopting or modifying an existing TUR trigger, 10 were under Democratic control in 2009, 4 were under Republican control, and 11 experienced divided control. Among the 10 non-adopting states, 2 were under Democratic control, 3 under Republican control, and 5 under divided control in 2009. Stated another way, of the 12 states that did not already have a TUR trigger and were under Democratic control in 2009, 10 adopted the TUR trigger and 2 did not; of the 7 states that did not already have a TUR trigger and were under Republican control, 4 adopted and 3 did not; and of the

[30] The high cost multiple is measured as the calendar year reserve ratio (or total funds as a percentage of total wages) divided by the average of the three highest calendar year benefit cost rates in the last 20 years (or a period including three recessions, if the 20-year period does not do so). Benefit cost rates are benefits paid (including the state's share of EB but excluding reimbursable benefits) as a percentage of total wages in taxable employment.

16 states that did not already have a TUR trigger and were under divided control, 11 adopted and 5 did not.

These qualitative findings suggest that Democratic-controlled states might have been more likely to adopt the TUR trigger than Republican-controlled states, because approximately 83 percent of them (= 10/12) adopted compared with only 57 percent (= 4/7) of Republican-controlled states. Meanwhile, the adoption rate of divided states fell between the two, at about 69 percent (= 11/16). It is difficult to draw conclusions from the states under divided control, which make up the largest group, because there is no clear pattern relating the relative partisanship of the legislative and executive branches within divided states in 2009 to the adoption decision.[31]

Table IV.1. Legislative, Executive, and Overall State Partisan Composition for States That Did or Did Not Adopt the TUR Trigger

State	State Senate Control 2009	State House Control 2009	Governor Party 2009	State Control 2009	State Control 2011	Control Change 2009–2011	Control Change Direction
States That Did Adopt the TUR Trigger							
Alabama	D	D	R	Divided	R	YES	R
California	D	D	R	Divided	D	YES	D
Colorado	D	D	D	D	Divided	YES	R
Delaware	D	D	D	D	D	NO	
District of Columbia	D	N/A	D	D	D	NO	
Florida	R	R	R	R	R	NO	
Georgia	R	R	R	R	R	NO	
Idaho	R	R	R	R	R	NO	
Illinois	D	D	D	D	D	NO	
Indiana	R	D	R	Divided	R	YES	R
Kentucky	R	D	D	Divided	Divided	NO	
Maine	D	D	D	D	R	YES	R
Maryland	D	D	D	D	D	NO	
Massachusetts	D	D	D	D	D	NO	
Michigan	R	D	D	Divided	R	YES	R
Missouri	R	R	D	Divided	Divided	NO	
Nevada	D	D	R	Divided	Divided	NO	
Ohio	R	D	D	Divided	R	YES	R
Oregon	D	D	D	D	Divided	YES	R
Pennsylvania	R	D	D	Divided	R	YES	R
South Carolina	R	R	R	R	R	NO	
Tennessee	R	R	D	Divided	R	YES	R
Virginia	D	R	D	Divided	Divided	NO	

[31] We performed regressions using the state partisan control in 2009 and change in control from 2009–2011 presented in Table IV.1 to predict adoption of the TUR trigger. There was no statistically significant relationship between the partisanship variables and adoption of the TUR trigger. In addition, we performed a similar analysis using three continuous measures of citizen and government ideology from the political science literature (see Berry et al. 1998) and the full sample of states (not just survey responders). There was no statistically significant relationship between states' ideologies or change in ideology and adoption of the TUR trigger in models including a control for lagged TUR. However, we note that for all these analyses, the explanatory power of the models was very low.

State	State Senate Control 2009	State House Control 2009	Governor Party 2009	State Control 2009	State Control 2011	Control Change 2009–2011	Control Change Direction
West Virginia	D	D	D	D	D	NO	
Wisconsin	D	D	D	D	R	YES	R
States That Did Not Adopt the TUR Trigger							
Arkansas	D	D	D	D	D	NO	
Hawaii	D	D	R	Divided	D	YES	D
Iowa	D	D	D	D	Divided	YES	R
Louisiana	D	D	R	Divided	Divided	NO	
Mississippi	D	D	R	Divided	Divided	NO	
Montana	R	No majority	D	Divided	Divided	NO	
Nebraska	N/A	N/A	R	R	R	NO	
North Dakota	R	R	R	R	R	NO	
South Dakota	R	R	R	R	R	NO	
Wyoming	R	R	D	Divided	R	YES	R

Key	
D	Democratic control
R	Republican control
Divided	State Senate, House, Governor not of same party
No majority	Neither party had a majority
N/A	Not applicable; see table notes

Source: National Conference of State Legislatures. Partisan control as of January 26, 2009, and January 31, 2011. Downloaded from http://www.ncsl.org/documents/statevote/LegisControl_2009.pdf and http://www.ncsl.org/documents/statevote/LegisControl_2011.pdf, respectively.

Notes: The District of Columbia has a city council and mayor. For the purposes of this table, these two bodies are treated as the state senate and the governor, respectively. Nebraska's legislative branch is unicameral and nonpartisan. See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

Finally, we examined the change in state partisan composition from early 2009 to early 2011. Of the 25 adopting states, 11 states switched partisan control, 10 of which became more Republican. Of the 10 non-adopting states, 3 switched partisan control, 2 of which became Republican-controlled. Thus, among both adopters and non-adopters, the predominant change in partisanship was to become more Republican; of the 12 states that became more Republican, 10 adopted the TUR trigger and 2 did not.

We hypothesized that the decision to adopt the TUR trigger might have been characterized by intense debate for some states, particularly those that did not adopt the TUR trigger. However, according to the survey responses, the decision to adopt the TUR trigger does not appear to have been contentious among responding states, including those that did not adopt the trigger (Table IV.2). Twenty-five states somewhat or strongly disagreed that the decision to adopt was characterized by intense debate, with only nine states somewhat or strongly agreeing; six of them either newly adopted or modified an existing TUR trigger. Of the states that did not adopt the TUR trigger, only two somewhat agreed that the debate was intense, whereas the other seven that did not adopt and responded to this question disagreed.

Table IV.2. States' Agreement That Decision to Adopt TUR Trigger Was Characterized by Intense Debate

	Newly Adopted	Modified Existing	Did Not Adopt	Total
Strongly Agree	2	1	0	3
Somewhat Agree	3	0	2	6
Somewhat Disagree	7	1	2	10
Strongly Disagree	10	0	5	15
Number of Respondents	22	2	9	34

Source: Analysis of the Survey of UI Administrators.

Note: Excludes states that already had a TUR trigger. The number of potential respondents is 35.

ARRA = American Reinvestment and Recovery Act of 2009; TUR = total unemployment rate.

Given the nearly full funding of EB benefit costs provided by the federal government, it seems counterintuitive that some states would not have adopted a TUR trigger, and more so that the debate was not intense. We explore this issue in Table IV.3, which includes the 10 states that indicated they did not adopt a TUR trigger, the main reported reason why, along with whether the state would have triggered onto EB using a two-year look back and the number of months the state would have been eligible for EB based on the TUR. (The option for a three-year look-back period became available in 2010. The availability of this option tended to allow states that had adopted a TUR trigger to stay on EB for longer than was the case with only the two-year look-back period. Thus, the numbers of months on EB shown in Table IV.3 should be viewed as lower bounds for the number of months that could have been available to the states that did not adopt the TUR trigger.)

Table IV.3. States That Did Not Adopt the TUR Trigger

State	Primary Reason for Not Adopting	Would State Have Triggered on?	Hypothetical Number of Months on EB[a]
Arkansas	"IUR is the proper trigger"	Yes	27
Hawaii	"Data systems programming"	Yes	16
Iowa	Would not have triggered onto EB anyway	Yes	18
Louisiana	Would not have triggered onto EB anyway	Yes	27
Mississippi	n.r.	Yes	36
Montana	"State issue regarding triggers"	Yes	32
Nebraska	Would not have triggered onto EB anyway	No	n.a.
North Dakota	Would not have triggered onto EB anyway	No	n.a.
South Dakota	Would not have triggered onto EB anyway	No	n.a.
Wyoming	Ongoing administrative costs prohibitive	Yes	17

Source: Analysis of the Survey of UI Administrators and EB trigger notices.

Note: Oklahoma and Utah indicated on the survey that they had adopted a TUR trigger (and therefore did not respond to this question) but had not, according to trigger notices; calculations suggests that the hypothetical numbers of months they would have been on EB are 19 and 17, respectively. Mississippi did not respond to this question on the survey. Responses in quotations present written-in responses. Whether a state would have triggered on and the hypothetical number of months on EB is based on a two-year look back. States were given the option in 2010 to use a three-year look-back period, which in practice allowed states with the TUR trigger to stay on EB longer. See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

n.a. = not applicable.

n.r. = no response.

[a]The table shows the hypothetical number of months that a state that did not adopt the TUR trigger would have been on EB had it adopted the TUR trigger. However, some of these states were on EB due to the IUR trigger. This was the case for 5 and 9 months in Arkansas and Montana, respectively. Therefore, had these states adopted the TUR trigger,

the numbers of additional months with EB that they would have had were 22 and 23, respectively. For all states that would have triggered onto EB, the reported numbers of hypothetical months on EB were rounded to a whole number.

Five of the 10 states that did not adopt the TUR trigger for EB indicated in the survey that they would not have triggered onto EB even with a TUR trigger; using a two-year look back, this finding turned out to hold true for four of the five states. The exception—Louisiana—would have triggered onto EB, even though the survey response indicated the main reason against adopting the TUR trigger was that it would *not* have triggered onto EB. Louisiana's TUR was not high enough to trigger onto EB until June 2009, a few months after the passage of ARRA; perhaps the state decided early on not to adopt the trigger and did not revisit that decision after the TUR rose. It is also possible that the staff responding to the Survey of UI Administrators was not present during those discussions and did not have an accurate picture of the reasons why the TUR trigger was not adopted.

The other five states that did not adopt the TUR trigger would all have triggered onto EB had they adopted the trigger. These states gave reasons for non-adoption that included difficulty implementing the provision, costs, and other reasons. Hawaii's primary factor considered against adoption was difficulty with data systems programming, perhaps to administer the benefits payments of EB recipients. Wyoming indicated that ongoing administrative costs would be prohibitively large; these expenses could include data systems programming costs and costs associated with managing work search requirements of EB. Arkansas and Montana listed primary factors against adoption that could be categorized as philosophical objections. The survey respondent from Arkansas wrote that "IUR is the proper trigger," suggesting a fundamental disagreement with use of the TUR trigger for EB. The respondent from Montana indicated there was a "state issue regarding triggers," but it is difficult to interpret what this response means without further information. We also note that Arkansas and Montana triggered onto EB using an IUR trigger.

Interestingly, if these states had adopted the TUR trigger and triggered onto EB, they would have been active in EB for fewer months than the national average of around 48 months. This finding suggests that the unemployment rates were lower in these states than the national average, perhaps implying that the onus to qualify for EB was not as large.

The four states that would not have triggered onto EB even if a TUR trigger were in place indicated their states had little discussion of adopting the TUR trigger (Table IV.4). The six other states reported having at least some discussion, though in only one state discussion resulted in the introduction of legislation, which was not subsequently passed.

Table IV.4. How Far States Got in Adopting the TUR Trigger (for those that did not adopt)

	Number of States
Not Far; There Was Little Discussion of Adopting	4
Adopting Was Considered, but No Legislation Was Introduced	5
Legislation Was Introduced, but Not Passed by State Legislature	1
Legislation Passed, but the Governor Did Not Sign It	0
Other	0
Number of Respondents	10

Source: Analysis of Survey of UI Administrators.

Note: Only states that indicated on the survey that they did not adopt the provision were asked this question, so the number of potential respondents is 10. (Oklahoma and Utah responded that they had adopted the TUR trigger, so they skipped this question.)

TUR = total unemployment rate.

Summary of TUR trigger adoptions. From the survey responses, we conclude that the offer of federal financing of most EB benefits enticed states to adopt the TUR trigger, and most states set the TUR trigger to expire once federal financing ended. A plurality of the states that did adopt were under divided partisan control, closely followed by Democratic-controlled states, and then Republican-controlled states. However, despite the offer of federal financing of most EB benefits, 10 states reported that they did not adopt the TUR trigger. Of these states, four cited the fact that they would not have triggered onto EB even with the trigger as the primary reason for not adopting; another reported this factor as the reason for not adopting although, in fact, it would have triggered onto EB based on our calculations. For the five other states, one did not provide information on the survey to allow us to examine its decision, one indicated cost concerns, one indicated implementation concerns, and two indicated objections to triggers in general or the TUR specifically; these reasons against adopting largely mirror those given by states that did adopt the TUR trigger, although states that did adopt the TUR trigger were less likely to report that they would not have triggered on than did non-adopting states. Although we did not generally find statistically significant results in regression analyses that explored the relationship between adoption of the TUR trigger and measures of state unemployment rates and UI system characteristics (the generosity of their programs, tax rates, the solvency of their trust funds), there was one exception. Having a low high cost multiple was positively associated with adopting the TUR trigger.

Furthermore, according to survey responses, the decision to adopt the TUR trigger was not intensely debated. In most of the non-adopting states, no legislation was introduced, perhaps implying few supporters of adoption. Thus, it is unclear whether any additional financial incentives could have induced these non-adopting states to adopt the TUR trigger.

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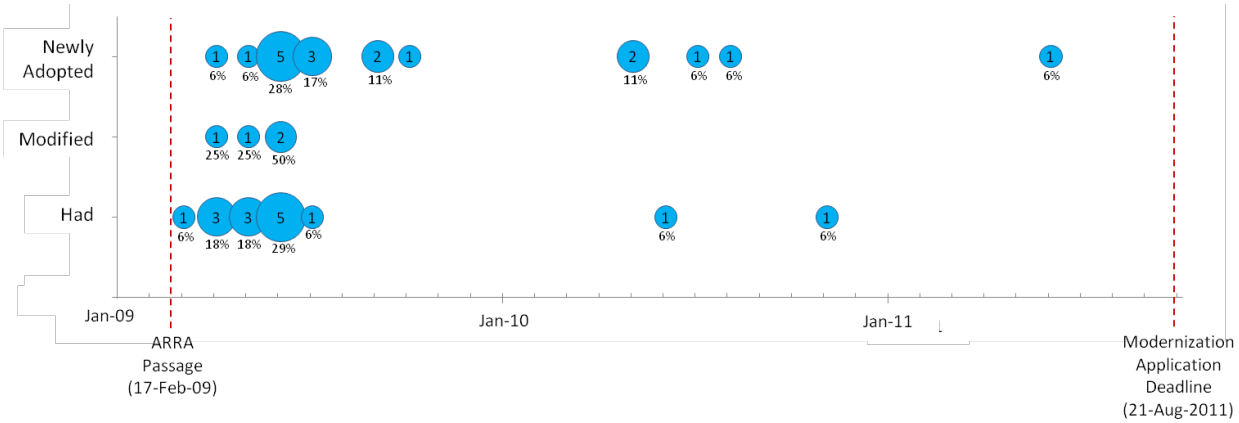
V. THE DECISION TO ADOPT THE ABP

The responses to the Survey of UI Administrators present compelling evidence that the modernization incentives provided by the federal government were effective in encouraging states to adopt the ABP. With one exception, all the states whose estimated costs over a 5- to 10-year period were less than or about equal to the one-third incentive payments adopted the ABP. Some adopted the ABP even though they expected costs to exceed the incentive amount; these states often reported that accessing the modernization funds and a desire to increase access to the program by workers who were new to the labor force were important factors influencing their decision to adopt the ABP.

States that already had ARRA-conforming ABP policies in place—and, thus, where the costs were largely already realized—were quick to apply for the one-third share of modernization incentive funds for the ABP (Figure V.1). With only two exceptions, the 15 states that reported already having ARRA-conforming ABPs in place applied for the funds within about six months of the enactment of ARRA; the other two applied later. Although states that already had an ARRA-conforming ABP in place were not asked on the survey to indicate reasons for and against adoption, they faced a simple choice: apply for incentive funds to receive a lump-sum incentive payment to be applied to their UI trust funds or administration, or do not apply and receive no additional monies.

Figure V.1. Timing of Applications for One-Third Incentive Funds Based on ABP Provision, by States' Actions



Source: Analysis of the Survey of UI Administrators. Timing of applications data collected by the study team by examining states' applications for incentive funds (available at http://www.doleta.gov/recovery/).

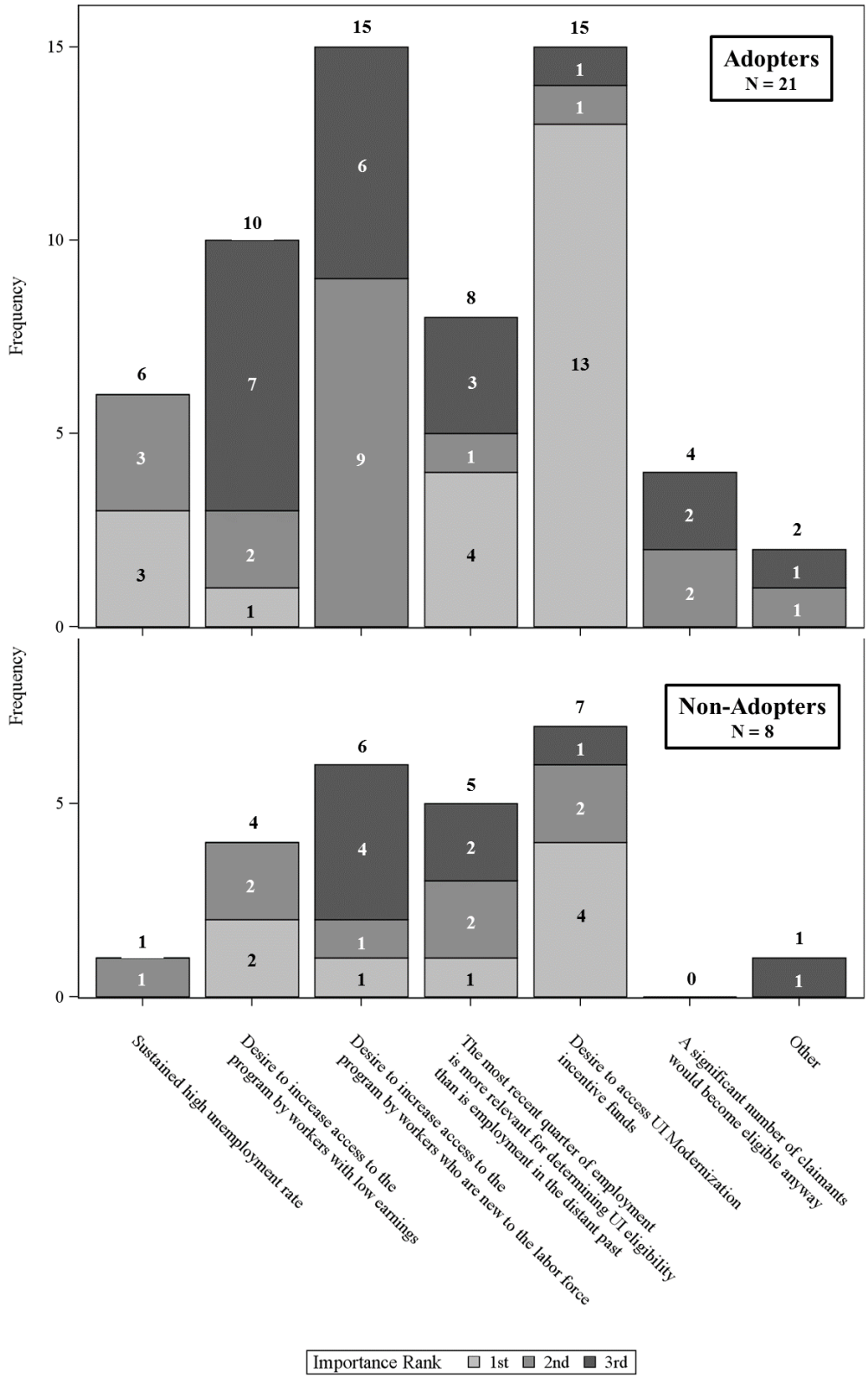
Note: Fifteen states already had an ABP and made no changes to it; 4 states had an ABP and modified it to meet ARRA specifications; 19 adopted a new ABP (one state is not displayed because its ABP was not approved by DOL). See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

ABP = alternative base period; ARRA = American Recovery and Reinvestment Act of 2009; DOL = U.S. Department of Labor; UI = unemployment insurance.

States that would have to newly adopt or modify an existing ABP potentially faced a more complicated set of considerations. Although they would receive the incentive payment, adopting a new ABP could have entailed additional payments to newly eligible claimants, administrative costs to implement the new ABP, changes to data systems, and other implementation considerations. These states had to weigh the costs of adoption against the size of the incentive payment.

Of the 21 states that responded to the survey and reported having newly adopted or modified an existing ABP to qualify for incentive funds, 13 cited a desire to access incentive funds as the primary factor considered in favor of adopting the policy (Figure V.2, top panel). Two additional states indicated that this consideration was a second or third most important factor in the decision

Figure V.2. Factors Considered in Favor of Adopting an ARRA-Specified ABP



Source: Analysis of the Survey of UI Administrators.

Note: Excludes states that already had an ARRA-specified ABP. Of the 23 states that reported adopting an ARRA-specified ABP, 21 responded to this item on the survey. Of the 10 states that reported not adopting an ARRA-specified ABP, 8 responded to this item.

ABP = alternative base period; ARRA = American Recovery and Reinvestment Act of 2009; UI = unemployment insurance.

to adopt. Four states reported their primary consideration was that the most recent quarter of employment is more relevant for determining UI eligibility than employment in the distant past, and a sustained high unemployment rate was the primary consideration for three additional states. Another commonly cited factor in favor of adoption was a desire to increase access to the program by new entrants to the labor force; this factor was cited by 15 states as a second or third most important consideration.

The reasons in favor of adopting the ABP for states that did not ultimately adopt it were largely the same as for those that did adopt it: of the eight states that responded to this item and did not adopt an ARRA-conforming ABP, four indicated a desire to access incentive funds as their primary consideration, with three others indicating it was a second or third most important consideration (Figure V.2, bottom panel). Six states cited a desire to increase access to the program by workers who are new to the labor force as a top-three consideration, whereas five states cited using the most recent quarter of employment to determine UI eligibility.

The reasons against adoption were also largely the same for states that did and did not adopt the ABP (Figure V.3). The three most frequently cited reasons against adoption for both types of states were one-time administrative costs, ongoing administrative costs, and the costs of benefits paid to claimants. About half of responding states that reported adopting, and one-third of those that reported not adopting an ARRA-specified ABP, cited the fact that most claimants would become eligible anyway when the next quarter began as a reason for not adopting. Few responding states (eight total: four adopters and four non-adopters) indicated philosophical objections to adopting an ABP as one of the top three factors against adoption.[32] We conclude from the survey responses that states that ultimately did and did not adopt the ABP were considering largely the same set of factors in their decision making.

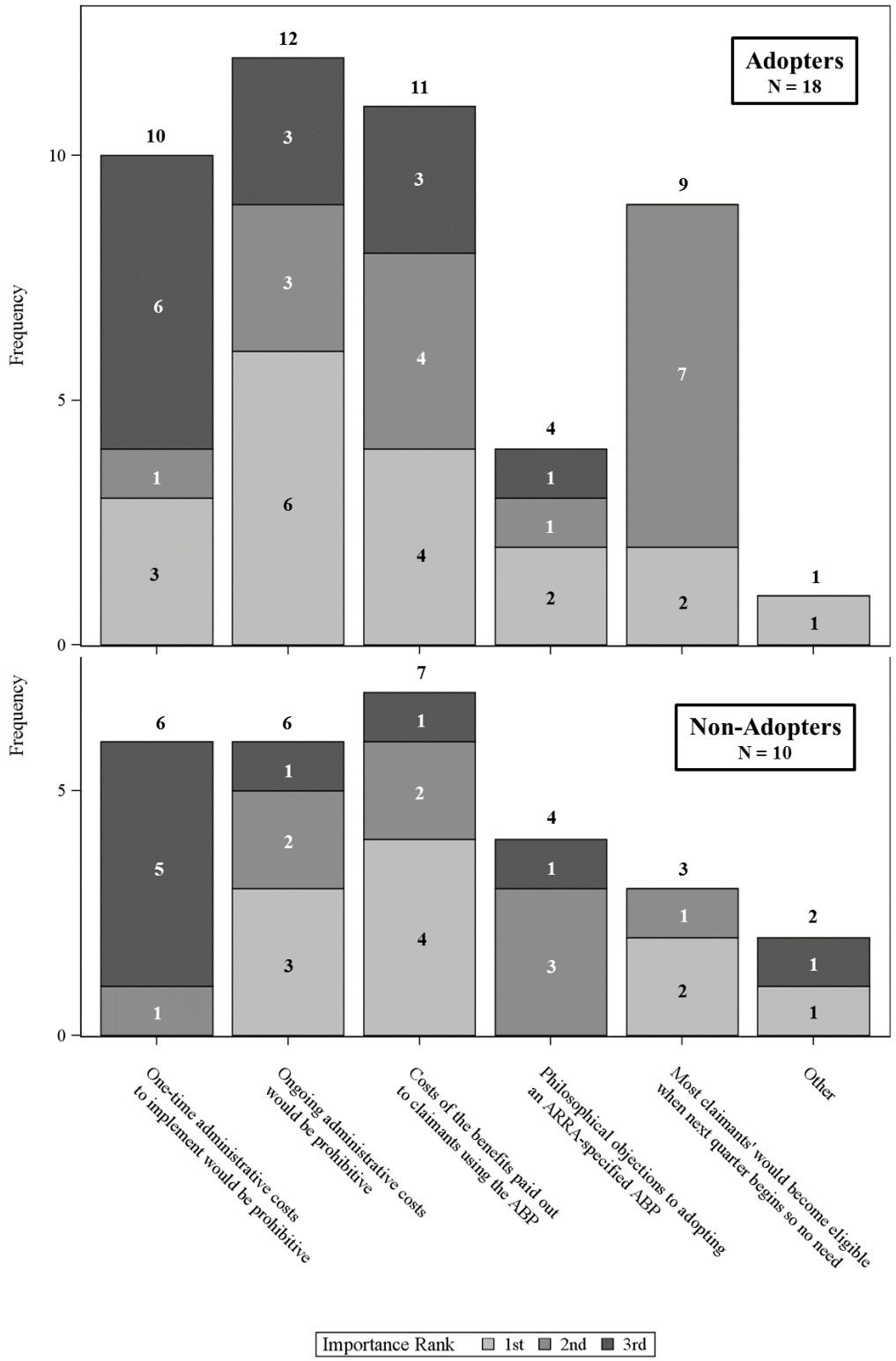
As we did with the TUR trigger, we investigated whether there were any patterns to the adoption decision based on the partisanship of the states' legislative and executive branches (Table V.1).[33] Of the 23 states that reported newly adopting or modifying an ARRA-specified ABP, 7 were under Democratic control in 2009, 6 under Republican control, and 10 under divided control. Meanwhile, none of the 10 non-adopting states were under Democratic control while 3 were under Republican control and 7 under divided control. Stated another way, of the 7 states that did not already have an ARRA-specified ABP and were under Democratic control in 2009, all adopted an ARRA-conforming ABP. Of the 9 states that did not already have an ARRA-specified ABP and were under Republican control in 2009, 6 adopted an ARRA-conforming ABP and 3 did not; of the 17 states under divided control in 2009, 10 adopted an ARRA-specified ABP and 7 did not.

text continued on page 40

[32] The results of regressions predicting adoption of the ABP based on the responses to the questions of factors in favor of and against adopting it do not shed much additional light on the descriptive findings. Of the six factors states listed as a top-three consideration in favor of adopting an ARRA-specified ABP, only one—that a significant number of claimants would become eligible anyway—was a statistically significant ($p < 0.01$) predictor in favor of adopting the ABP. There were no statistically significant factors against adoption. See Appendix F for further details and results.

[33] Also as with the TUR trigger analysis, we explored the relationship between adoption of the ABP and indicators of the generosity of states' UI programs, UI tax rates, the solvency of their trust funds, and unemployment rates. Additional detail of the analysis in provided in Appendix G. We did not find any statistically significant relationships between these characteristics and adoption of the ABP.

Figure V.3. Factors Considered Against Adopting an ARRA-Specified ABP



Source: Analysis of Survey of UI Administrators.

Note: Excludes states that already had an ARRA-specified ABP. Of the 23 states that reported adopting an ARRA-specified ABP, 18 responded to this item on the survey. Of the 10 states that reported not adopting an ARRA-specified ABP, all responded to this item.

ABP = alternative base period; ARRA = American Recovery and Reinvestment Act of 2009; UI = unemployment insurance.

Table V.1. Legislative, Executive, and Overall State Partisan Composition for States That Did or Did Not Adopt an ARRA-Specified ABP

State	State Senate Control 2009	State House Control 2009	Governor Party 2009	State Control 2009	State Control 2011	Control Change 2009–2011	Control Change Direction
States That Did Adopt an ARRA-Specified ABP							
Alaska	No majority	R	R	Divided	Divided	NO	
Arkansas	D	D	D	D	D	NO	
California	D	D	R	Divided	D	YES	D
Colorado	D	D	D	D	Divided	YES	R
Connecticut	D	D	R	Divided	D	YES	D
Delaware	D	D	D	D	D	NO	
Georgia	R	R	R	R	R	NO	
Idaho	R	R	R	R	R	NO	
Iowa	D	D	D	D	Divided	YES	R
Kansas	R	R	D	Divided	R	YES	R
Maryland	D	D	D	D	D	NO	
Minnesota	D	D	R	Divided	Divided	NO	
Missouri	R	R	D	Divided	Divided	NO	
Montana	R	No majority	D	Divided	Divided	NO	
Nebraska	N/A	N/A	R	R	R	NO	
Nevada	D	D	R	Divided	Divided	NO	
Oklahoma	R	R	D	Divided	R	YES	R
Oregon	D	D	D	D	Divided	YES	R
South Carolina	R	R	R	R	R	NO	
South Dakota	R	R	R	R	R	NO	
Tennessee	R	R	D	Divided	R	YES	R
Utah	R	R	R	R	R	NO	
West Virginia	D	D	D	D	D	NO	
States That Did Not Adopt an ARRA-Specified ABP							
Alabama	D	D	R	Divided	R	YES	R
Arizona	R	R	R	R	R	NO	
Florida	R	R	R	R	R	NO	
Indiana	R	D	R	Divided	R	YES	R
Kentucky	R	D	D	Divided	Divided	NO	
Louisiana	D	D	R	Divided	Divided	NO	
Mississippi	D	D	R	Divided	Divided	NO	
North Dakota	R	R	R	R	R	NO	
Rhode Island	D	D	R	Divided	Divided	NO	
Wyoming	R	R	D	Divided	R	YES	R

Key	
D	Democratic control
R	Republican control
Divided	State Senate, House, Governor not of same party
No majority	Neither party had a majority
N/A	Not applicable; see table notes

Source: National Conference of State Legislatures. Partisan control as of January 26, 2009, and January 31, 2011. Downloaded from http://www.ncsl.org/documents/statevote/LegisControl_2009.pdf and http://www.ncsl.org/documents/statevote/LegisControl_2011.pdf, respectively.

Notes: Nebraska's legislative branch is unicameral and nonpartisan. See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

Based on these simple tabulations, 100 percent of states that did not already have an ARRA-conforming ABP in place and experienced Democratic control of both legislative and executive branches of government adopted an ARRA-conforming ABP. Meanwhile, two-thirds (= 6/9) of Republican-controlled states adopted an ARRA-conforming ABP, as did 59 percent (= 10/17) of states under divided control. As we saw with the TUR trigger, many states became more Republican from 2009–2011: 6 of the 23 adopting states and 3 of the 10 non-adopting states.[34]

We turn next to a more detailed examination of the costs associated with adopting and implementing the ABP. As reported on the survey, costs of benefits payments and administrative costs were a particular concern in weighing whether to adopt the ABP, and the survey explored this issue in greater detail by asking states whether they had estimated a dollar amount for the costs associated with ABP adoption. Of the 33 states responding to this question, 27 indicated they had estimated the costs associated with adopting an ABP, 4 indicated they were unsure whether the state had estimated costs, and 2 indicated they had not estimated costs. Of the 2 states that did not estimate costs, one indicated it had to make only a minor revision to its existing ABP and the other indicated that it had done the calculation "years ago" and that the costs were negligible.

Those states indicating they had estimated costs were further asked to identify the cost factors that formed the basis of the cost estimates and the dollar amount of the estimates. In the list of possible cost factors that were pre-specified in the survey, we included costs that are administrative in nature and costs due to benefit payments, because states could have taken into account both types of costs even though their funding mechanisms are very different.[35] Furthermore, states could identify more than one cost factor, and some of the factors could overlap; for instance, labor costs could be considered a subset of either one-time or long-term administrative costs, or both. Twenty-five states estimated costs associated with expanded eligibility and benefits payments under the ARRA-specified ABP (Table V.2); this cost factor was the most frequently identified. Other less frequently identified cost factors included costs to update data systems, administrative costs (both one-time and ongoing), and labor costs.

[34] We performed regressions using the state partisan control in 2009 and change in control from 2009–2011 presented in Table V.1 to predict adoption of the ABP. Being a Democrat-controlled state was associated with a 39.7 percent greater chance of adoption than being a Republican-controlled state, and this difference was statistically significant at $p < 0.10$. There were no statistically significant differences between being in a Republican-controlled or divided control state and adoption of the ABP, or between Democrat-controlled and divided control states. In addition, we performed a similar analysis using three continuous measures of citizen and government ideology from the political science literature (see Berry et al. 1998) and the full sample of states (not just survey responders). There was no statistically significant relationship between states' ideologies or change in ideology and adoption of the ABP. However, we note that for all these analyses, the predictive power of the models was very low.

[35] Through an experience rating process, high benefit payouts to the former employees of a specific employer in one year will, generally speaking, lead to a higher UI tax payments required of the employer in future years. However, this process is not perfect. That is, some benefit payouts are not charged to the former employers of the UI recipients.

Table V.2. Cost Factors Included in Cost Estimates for States Adopting the ABP

Cost Factors	Number of States
One-Time Administrative Costs	12
Labor Costs	9
Other Long-Term Administrative Costs	10
Expanded Eligibility/Benefits Payments	25
Costs to Update Data Systems	13
Other Capital Improvements	1
Other	3
Don't Know	7
Number of States That Responded	27

Source: Analysis of Survey of UI Administrators.

Note: Excludes states that already had an ARRA-specified ABP. The sample size is the 27 states that did not already have an ARRA-specified ABP in place and estimated the costs of adopting such a provision. All 27 states identified at least one cost factor, and states could identify more than one factor.

ABP = alternative base period; ARRA = American Reinvestment and Recovery Act of 2009; UI = unemployment insurance.

We asked states that had made cost estimates to provide the dollar amount of the estimate because states' own estimates of the costs they faced were the most relevant to their decisions to adopt the ABP.[36] To provide context for the size of these cost estimates, we standardized them to the size of each state's UI program, as measured by the total benefits paid in 2007 (Figure V.4).[37] As noted above, states' cost estimates could have included a mix of administrative and benefits costs, which was the case for many of the states that provided cost estimates. Nevertheless, using year 2007 benefit payments as a reference point, we found that most states' cost estimates were less than 5 percent of total benefits paid. For seven states, the estimate was less than one percent of total benefits paid. Interestingly, the outlier state, whose cost estimate was more than 14 percent of total benefits paid in 2007, did adopt the ABP.

The ABP cost estimates provided by the states are consistent with results from previous studies about the ABP.[38] Vroman (1995) examined the added costs in two states with ABP arrangements similar to those of the states that adopted the ABP under ARRA. He found costs increased by 3.8 and

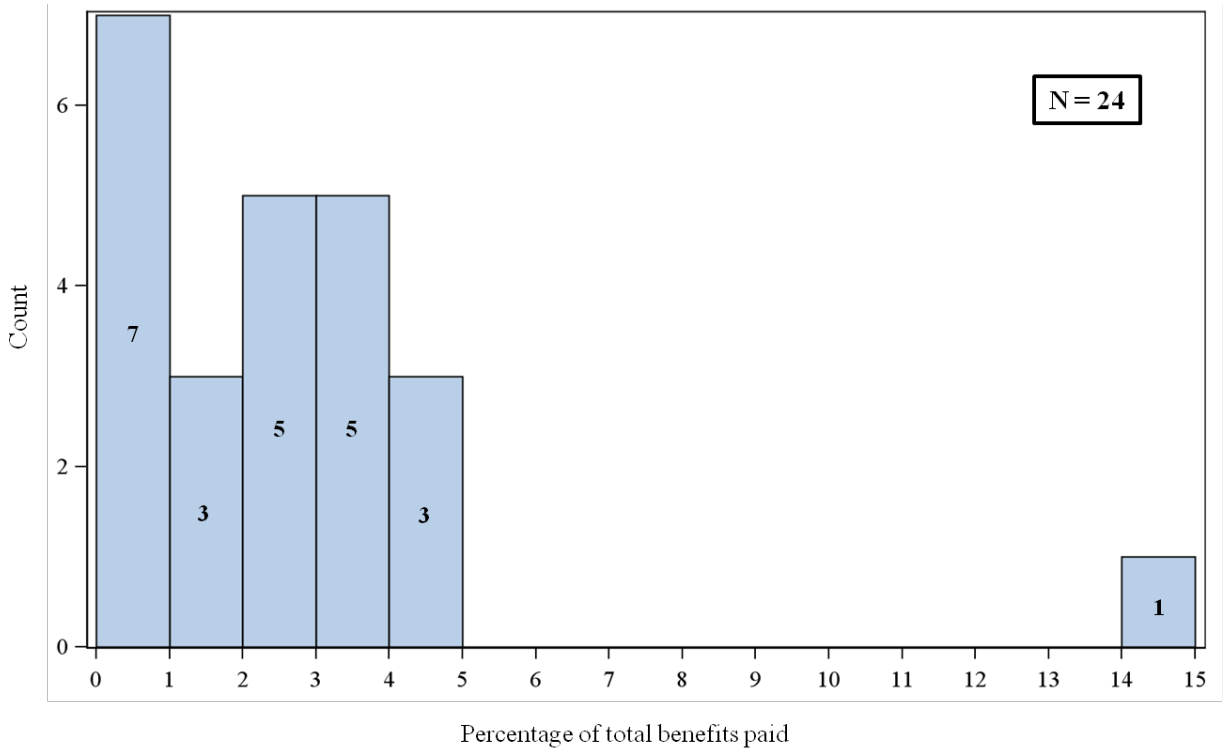
[36] In addition to the 22 states that indicated they had estimated costs and provided a dollar amount, one state had not answered the question about developing a cost estimate but did provide a dollar amount, and another state indicated that it did not estimate costs because it already had an ABP that required only a minor revision. This state was included in the analysis with an estimated cost of zero.

[37] We asked states to provide the estimated dollar amount as either an annual figure or a cumulative figure computed over a number of years. We annualized cumulative figures by dividing the total estimate by the number of years over which it was estimated. To get a sense of the size of these costs relative to the size of the state's UI program, we normalized the annual dollar values by dividing them by the total benefits paid in 2007. We chose that year for normalizing the estimated costs because it is the most recent full year before the large increase in unemployment arising from the economic downturn. As a check on the results, we also normalized the figures using benefits paid in 2009. Because the amount of benefits paid in 2009 was larger than in 2007, the ABP cost estimate was less than 2 percent of benefits paid for all states except the outlier (not shown).

[38] We did not directly verify the accuracy of states' cost estimates for adopting the ABP or other modernization provisions; doing so would require knowledge of the characteristics of each state's labor force to estimate the costs of expanded eligibility and benefits payments, requiring microlevel data that are not included in the scope of this report. It would also require some knowledge of states' existing data systems, the changes that would have to be made to those systems, and the administrative changes needed.

5.9 percent. A study of 18 states by the National Employment Law Project (Stettner et al. 2005) found that the ABP increased costs by 1.1 to 5.2 percent. The cost estimates for most of the states as summarized in Figure V.4 fall into roughly the range of the estimates from the two earlier studies.

Figure V.4. Distribution of States' Annual Cost Estimates of Adopting the ABP as a Fraction of the Percentage of Benefits Paid in 2007



Source: Analysis of Survey of UI Administrators.

Note: Excludes states that already had an ARRA-specified ABP. Twenty-two states provided a cost estimate. One additional state provided a cost estimate even though it did not indicate having estimated costs. Finally, one state indicated that it already had an ABP that required only a minor revision; this state is included as having an estimated cost of zero. Data on UI benefits paid in 2007 are from ETA-5159 reports from the states.

ABP = alternative base period; ETA = Employment and Training Administration; UI = unemployment insurance.

To get a sense of how the estimated costs compared with the size of the one-third share of incentive payments, we used states' annual estimated costs to forecast expected costs over time horizons of 3, 5, and 10 years.[39] For this analysis, we categorized states into three main groups: (1) those whose incentive amounts exceeded estimated costs, (2) those whose incentive amounts were about equal to costs, and (3) those whose estimated costs exceeded the incentive amount.[40] Each of the 24 states that responded to the cost estimate question was categorized into one of these three categories for each of the 3-, 5-, and 10-year periods.

[39] We computed estimated costs over the time horizon in question by simply multiplying annual costs by the number of years. This method is not perfect, because the annual costs estimated by states likely included one-time costs such as administrative costs and costs to update data systems. It also is not clear how states would have amortized long-term costs. Finally, this method does not factor in inflation.

[40] States whose potential incentive payments were within 5 percent of estimated costs in either direction over the period of interest were categorized as *Incentive Funds About Equal to Costs;* states whose potential incentive payment was less than 95 percent of costs were categorized as *Costs Exceed Incentives;* states whose potential incentive payment was more than 105 percent of costs were categorized as *Incentives Exceed Costs.*

According to this analysis (Table V.3), the majority of states for whom incentives would be expected to exceed or be about equal to costs in each period adopted the ABP, suggesting that the incentives were effective at spurring adoption under these circumstances. Although six states that did not adopt the ABP had incentives that would be expected to exceed or be about equal to costs over a three-year time horizon, over a five-year horizon, the costs would have exceeded estimated incentives for five of these states. It seems plausible that a larger incentive payment might have been needed to spur adoption of the ABP among these five states. One state—Louisiana—indicated on the survey that its estimated costs of adoption were zero, yet it did not adopt the ABP. However, its responses on other questions suggested more complex issues were relevant. Its primary factor against adoption was that most claimants (who would qualify for benefits through an ABP but not through a traditional base period) would become eligible when the next quarter began, so there was no need to legislate the ABP; this finding is consistent with zero estimated costs. However, the state's second and third factors against adoption were the administrative costs that would be incurred on an ongoing basis and the costs of benefits paid out to claimants using the ABP. Thus it is unclear whether the zero cost estimate provided by the state included the full range of potential costs that the state reported considering when making its decision about whether to adopt the ABP.

Table V.3. Comparison of ABP Incentive Payments and Estimated Costs Over 3, 5, and 10 Years

	3 Years			5 Years			10 Years		
	Adopted	Did Not Adopt	Total	Adopted	Did Not Adopt	Total	Adopted	Did Not Adopt	Total
Incentives Exceeded Costs	11	3	14	8	1	9	6	1	7
Incentives About Equal to Costs	2	3	5	0	0	0	0	0	0
Costs Exceeded Incentives	4	1	5	9	6	15	11	6	17

Source: Analysis of Survey of UI Administrators. Incentive payment amounts from http://wdr.doleta.gov/directives/attach/UIPL/UIPL14-09g.pdf.

ABP = alternative base period; ARRA = American Reinvestment and Recovery Act of 2009; UI = unemployment insurance.

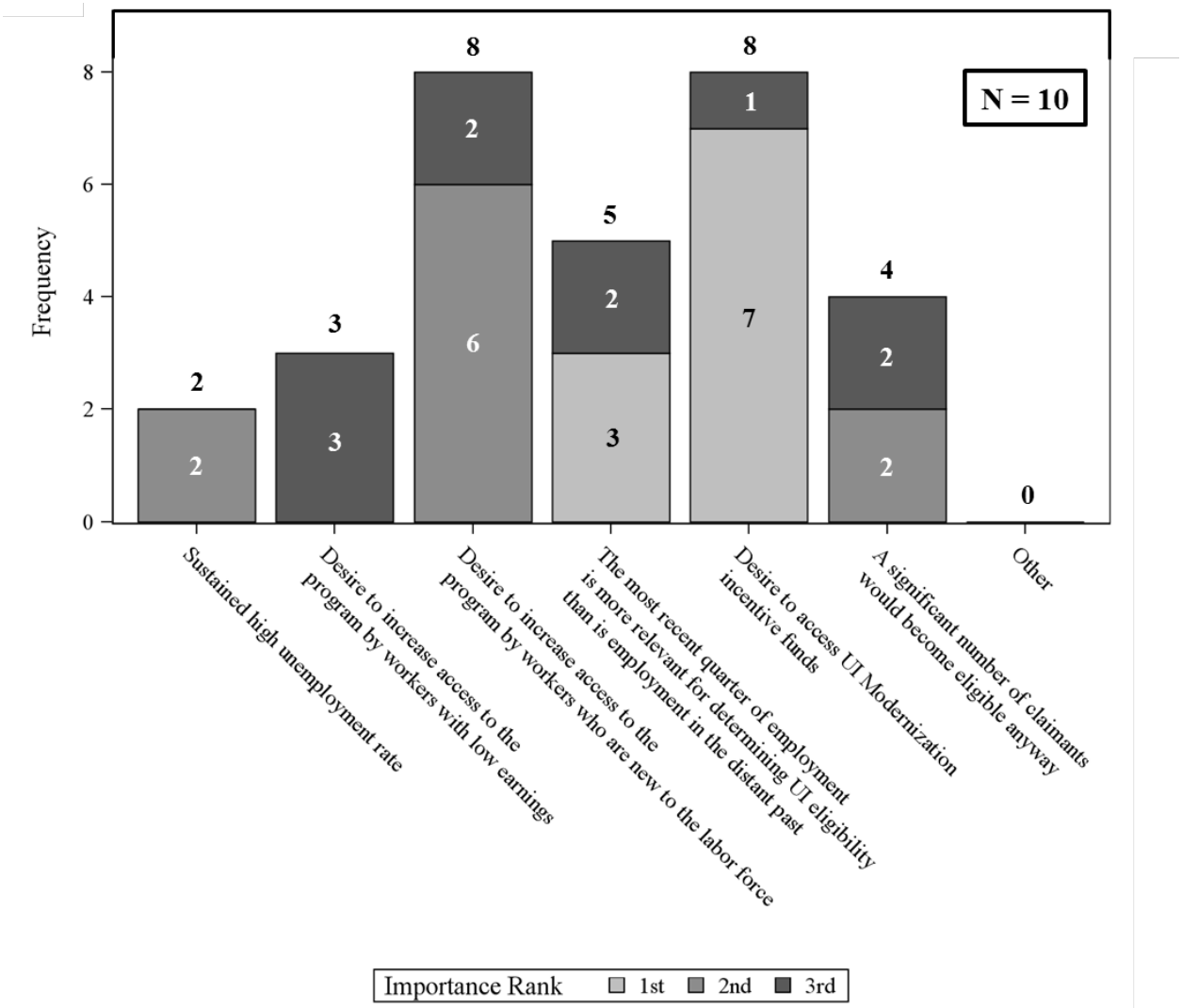
Paradoxically, a number of states for which estimated costs would be expected to exceed incentives adopted the ABP anyway. Over a five-year horizon, the incentives would be expected to exceed the estimated costs of implementing and sustaining the ABP for 15 of the 24 states included in this analysis; 9 adopted the ABP (Table V.3, middle panel, bolded entry). Over a 10-year horizon, 11 states' estimated costs would be expected to exceed incentive payments, but they adopted the ABP (Table V.3, right panel, bolded entry).[41]

We cross-checked these 11 states' responses on the factors in favor of adoption to determine whether perhaps factors other than access to incentive funds—such as a desire to increase access to the UI program—might have driven their decisions to adopt the ABP. This possibility was not supported by the data (Figure V.5). Rather, the states whose estimated costs exceeded incentives over a 10-year horizon, that answered this question, considered a desire to access modernization funds (7 states) and the rationale that the most recently completed quarter of employment is the most relevant for determining eligibility (three states) as the primary factors in favor of adopting the ABP. Thus,

[41] We estimated regression models predicting adoption of an ARRA-specified ABP as a function of how incentives compared to estimated costs over 3, 5, and 10 years. These regressions yielded statistically insignificant findings, most likely due to the small number of observations and the fact that some states adopted the ABP even when their estimated costs exceeded incentives over a 10-year period. See Appendix F for results.

incentives factored heavily in their decisions to adopt. It could be that these states estimated costs over a shorter time horizon, anticipating that an economic recovery would attenuate

Figure V.5. Factors Considered in Favor of Adopting an ARRA-Specified ABP Among States Whose Estimated Costs Over 10 Years Exceeded Incentives



Source: Analysis of Survey of UI Administrators.

Note: Includes the states that adopted the ABP even though the estimated costs of adoption over a 10-year period exceeded the value of the modernization incentive funds. Of the 11 states for which estimated costs exceeded the incentive payment, 10 answered this question.

ABP = alternative base period; ARRA = American Recovery and Reinvestment Act of 2009; UI = unemployment insurance.

the long-term effects of adoption. Regardless of the rationale, states whose incentives exceeded costs were more likely to adopt the ABP than states whose costs exceeded incentives: 89 percent (= 8/9) of states whose incentives exceeded costs over a five-year horizon adopted the ABP whereas only 60 percent (= 9/15) of those whose costs exceeded incentives adopted. [42]

[42] We also examined the relationship of states' decisions to adopt the ABP with the characteristics of states' UI systems (including measures of generosity, tax rates, and solvency) and the TUR. (See Appendix G for details.) Regression analysis did not detect any statistically significant relationships between these characteristics and the probability that states would adopt the ABP. However, the explanatory power of these models was quite low.

We also investigated the partisan composition of the legislative and executive branches in the states where the incentives would not be expected to exceed estimated costs (Table V.4). Out of the 11 states that adopted the ABP even though their estimated costs exceeded the incentive payment over 10 years, 5 had Democratic control of both branches of legislature and the governorship in 2009, 2 had Republican control of both, and 4 had divided control. Of the 6 that did not adopt the ABP, and whose estimated costs exceeded the incentives over 10 years, 2 were under Republican control and 4 under divided control in 2009. By 2011, 3 of the 11 states that adopted the ABP even though estimated costs would be expected to exceed incentives experienced a change in partisanship, with one becoming more Democratic and two more Republican. Out of the 6 non-adopting states facing the same situation, five were under full Republican control by 2011. Thus, there is some indication that states under Democratic control were more likely to adopt the ABP even when estimated costs would be expected to exceed the incentive payment over a 10-year period.[43] States that did not adopt the ABP when costs exceeded incentives were more likely to be under Republican or divided control in early 2009, or to become so by 2011.

Similar to the decision to adopt the TUR trigger, the decision to adopt the ABP does not seem to have been characterized by intense debate in most states. Of the 19 states that reported newly adopting an ABP—and where debate could be expected to be most intense—12 disagreed somewhat or strongly that the discussion was characterized by intense debate, 6 agreed somewhat or strongly, and one did not know (Table V.5). Among the 9 states that responded to this item and reported they did not have and did not adopt an ARRA-specified ABP, 5 somewhat or strongly disagreed, and 4 somewhat agreed that there was intense debate (one did not respond). Consistent with this notion, it is evident from Figure V.1 that even states that had to newly adopt an ABP were able, in general, to move fairly quickly to put the provisions in place and submit applications for modernization incentive funds to DOL. For example, 13 of the 18 states that newly adopted an ARRA-conforming ABP passed the relevant legislation and submitted their applications for the one-third share of incentive funds within nine months of the enactment of ARRA.

[43] Recall that, although states had to enshrine the ABP in permanent law to receive the modernization incentive payment, they could not be prevented from later repealing it (see Appendix D for information on states' repeals, as of December 2014).

Table V.4. Legislative, Executive, and Overall State Partisan Composition for States Whose Costs of the ABP Exceeded Incentives Over 10 Years

State	State Senate Control 2009	State House Control 2009	Governor Party 2009	State Control 2009	State Control 2011	Change Control 2009–2011	Control Change Direction
States That Did Adopt an ARRA-Specified ABP							
Alaska	No majority	R	R	Divided	Divided	NO	
Arkansas	D	D	D	D	D	NO	
California	D	D	R	Divided	D	YES	D
Iowa	D	D	D	D	Divided	YES	R
Maryland	D	D	D	D	D	NO	
Missouri	R	R	D	Divided	Divided	NO	
Montana	R	No majority	D	Divided	Divided	NO	
Oregon	D	D	D	D	Divided	YES	R
South Dakota	R	R	R	R	R	NO	
Utah	R	R	R	R	R	NO	
West Virginia	D	D	D	D	D	NO	
States That Did Not Adopt an ARRA-Specified ABP							
Alabama	D	D	R	Divided	R	YES	R
Florida	R	R	R	R	R	NO	
Kentucky	R	D	D	Divided	Divided	NO	
North Dakota	R	R	R	R	R	NO	
Pennsylvania	R	D	D	Divided	R	YES	R
Wyoming	R	R	D	Divided	R	YES	R

Key	
D	Democratic control
R	Republican control
Divided	State Senate, House, Governor not of same party
No majority	Neither party had a majority

Source: National Conference of State Legislatures. Partisan control as of January 26, 2009, and January 31, 2011. Downloaded from http://www.ncsl.org/documents/statevote/LegisControl_2009.pdf and http://www.ncsl.org/documents/statevote/LegisControl_2011.pdf, respectively.

Note: See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

ABP = alternative base period.

Among the nine states that did not adopt the ABP and responded to the survey question about the intensity of the debate, four states—Florida, North Dakota, Pennsylvania, and Wyoming—somewhat agreed that the debate was intense, while five of the non-adopting states disagreed somewhat or strongly with this characterization. In Florida and North Dakota, the states somewhat agreed that the debate about adopting the ABP was characterized as intense even though Republicans held control of the state legislative and executive branches in early 2009 through 2011 (see Table V.4). In addition, among these four states, one had estimated costs that would be expected to exceed incentives, and the other three had estimated costs that would be expected to be about equal to incentives over a three-year horizon (not shown). However, at a five-year or longer horizon, all had estimated costs that would be expected to exceed incentives. Thus, although we do not know for sure from the survey data, it is possible that a factor influencing the intensity of the debate was over which time horizon it was more appropriate to estimate costs.

Table V.5. States' Agreement That Decision to Adopt ABP Was Characterized by Intense Debate

	Newly Adopted	Modified Existing	Did Not Adopt	Total
Strongly Agree	2	0	0	2
Somewhat Agree	4	0	4	8
Somewhat Disagree	10	0	4	14
Strongly Disagree	2	2	1	5
Don't Know	1	0	0	1
Number of Respondents	19	2	9	30

Source: Analysis of Survey of UI Administrators.

Note: Excludes states that already had an ARRA-specified ABP. The number of potential respondents is 33: 19 that reported newly adopting, 4 that reported modifying an existing ABP, and 10 that reported not adopting.

ABP = alternative base period; ARRA = American Reinvestment and Recovery Act of 2009; UI = unemployment insurance.

The 10 states that did not adopt the ABP were fairly evenly split on how far they got in discussions to adopt the ABP: 3 reported that there had been little discussion of adopting, 3 indicated some discussion, but no legislation was introduced, and 3 indicated that legislation was introduced but did not pass (Table V.6). One other state simply responded "Other" but did not provide further explanation.

Summary of the decision to adopt the ABP. The survey results show that the federal incentive payments spurred adoption of the ABP. The majority of responding states listed accessing incentive funds as their primary consideration when deciding whether to adopt the ABP. In addition, all but one state in which the incentive payment would be expected to exceed the estimated costs of adopting the provision over a five-year or longer time horizon adopted the ABP; this finding held regardless of the partisan composition of the state legislative and executive branches. This state's responses to survey questions provide a mixed story and suggest that the state's estimate of costs might not have included all of the potential costs it considered when making its adoption decision. So, it is unclear whether the state could have been influenced to adopt with a larger incentive payment.

Table V.6. How Far States Got in Adopting the ABP (for those that did not adopt)

	Number of States
Not Far; There Was Little Discussion of Adopting	3
Adopting Was Considered, but No Legislation Was Introduced	3
Legislation Was Introduced but Not Passed by State Legislature	3
Legislation Passed, but the Governor Did Not Sign It	0
Other	1
Number of Respondents	10

Source: Analysis of Survey of UI Administrators.

Note: Only states that did not adopt the provision were asked this question, so the number of potential respondents is 10 for the ABP.

ABP = alternative base period; UI = unemployment insurance.

The incentives spurred adoption even among some states for whom the incentives would not have been expected to exceed estimated costs in the long term, with the majority of these states reporting that the incentive payments were the primary factor in their decisions to adopt. It is possible that these states considered a relatively short time horizon in examining costs when making their adoption decisions. Regardless of the rationale, states whose incentives exceeded costs were more likely to adopt the ABP than states whose costs exceeded incentives during the time periods we examined. They were also more likely to have Democratic control of one or both branches of government, although two states with complete Republican control also adopted the ABP under these circumstances.

VI. THE DECISION TO ADOPT OTHER MODERNIZATION PROVISIONS

For two reasons, states' decisions about adopting two of the four other modernization provisions to qualify for the two-third incentive funds were potentially more complex than their decisions about adopting the ABP. First, states needed to have an ARRA-conforming ABP in place before becoming eligible for these incentive funds, even if they already had two other ARRA-conforming modernization provisions in place. Second, unlike with the ABP, most states did not already have two conforming provisions in place; only two states reported already having two of the four other ARRA-specified modernization provisions fully in place before ARRA (Table VI.1). Another 31 reported that they had parts of one or two provisions in place; of these, 25 modified and/or adopted at least one policy to qualify for the incentive funds and 6 did not make changes to qualify for the incentives. Sixteen states reported not having parts of any of the four policies in place; of these, half newly adopted two ARRA-specified provisions to qualify for the incentive funds and half did not. Thus, although many fewer states could have received the incentives based on having the modernization provisions in place before ARRA, states that reported needing to make fewer or less significant changes were more likely to complete full adoption of the provisions than states that had to adopt them from scratch to qualify for the two-thirds share of incentive funds. In addition, because having an ABP was a necessary condition to being eligible to receive the two-thirds share of incentive funds, states that did not already have or adopt an ARRA-specified ABP were much less likely to adopt the other modernization provisions. Of the 10 states that did not have and did not adopt an ABP, none adopted the other modernization provisions.[44]

Table VI.1. States' Actions Regarding Adoption of Other Modernization Provisions

State Action	Number of States	Already had ABP	Newly Adopted ABP	Modified Existing ABP	Did Not Adopt ABP
Already Had Two Provisions	**2**	**1**	**1[a]**	**0**	**0**
Had Parts of One or Two Provisions	**31**	**11**	**11**	**3**	**6**
Modified	25	11	10[b]	3	1[c]
Did Not Modify	6	0	1	0	5
Did Not Have Any of Four Possible Provisions	**16[d]**	**3**	**7**	**1**	**4**
Newly Adopted	8	1	6[e]	1	0
Did Not Adopt	8[d]	2	1	0	4
Number of Respondents	**49[b]**	**15**	**19**	**4**	**10**

Source: Analysis of Survey of UI Administrators.

Note: For the other modernization provisions, one state indicated it already had the policy, but it modified existing policies according to the study team's review of public documents. Five states indicated they modified existing policies; but three of them newly adopted two policies, one already had them, and the other did not actually adopt the two policies according to the study team's review. Finally, one state indicated that it newly adopted the policies but, according to the study team's review of public documents, modified existing policies. See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

UI = unemployment insurance.

[a]Alaska indicated it already had two other provisions, but it modified existing policies, according to the study team's review of public documents.

[44] Although the table shows that one state that did not adopt the ABP did adopt the other modernization provisions, this finding appears to be a mistaken response on the survey. Wyoming indicated on the survey that it adopted the other modernization provisions, but it did not, according to a review of public records.

[b]Five states indicated they modified two other modernization provisions, but three of them (Arkansas, Iowa, and Kansas) newly adopted two policies, one (Nevada) already had them, and the other (Missouri) did not actually adopt the two policies, according to the study team's review.

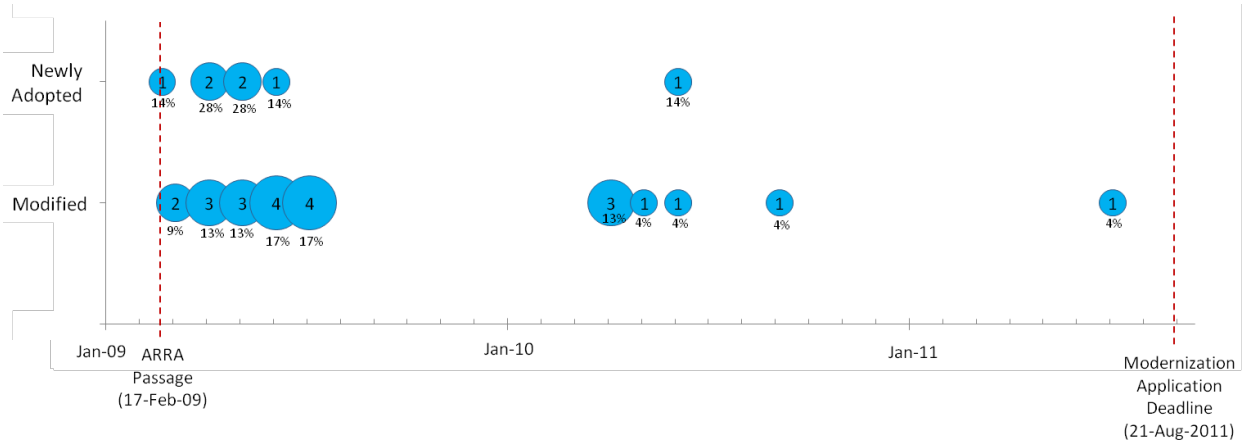
[c]Wyoming reported adopting two other modernization provisions on the survey but did not, according to our examination of public records.

[d]Ohio reported not adopting two other modernization provisions but did not respond to the survey question about ABP adoption. Our examination of public records showed that Ohio had a conforming ABP before ARRA passage.

[e]Tennessee indicated that it newly adopted two other modernization provisions but, according to the study team's review of public documents, modified existing policies.

Despite the lower potential for windfalls than for the ABP adoption, states that newly adopted and modified existing policies to conform to ARRA specifications for the other modernization incentive funds did so fairly quickly, with all but 8 of the 33 states that eventually adopted two of the four other ARRA-specified provisions doing so within about nine months of ARRA (Figure VI.1).[45]

Figure VI.1. Signing Dates of Legislation for Other Modernization Provisions



Source: Analysis of Survey of UI Administrators. Timing of applications data collected by the study team by examining states' applications for incentive funds (available at http://www.doleta.gov/recovery/).

Note: Twenty-five states reported modifying existing or adopting new provisions to meet ARRA specifications. One state is not included in the figure because its provisions did not conform to ARRA specifications; another is not included because, although it reported modifying existing provisions to comply, it did not, according to the study team's analysis of public documents. Eight states reported adopting two new provisions, but one of these had the provisions before ARRA, according to the study team's analysis, and its legislative signing dates therefore precede ARRA. See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

ARRA = American Recovery and Reinvestment Act of 2009; UI = unemployment insurance.

Turning to states' decisions to adopt, among states that did and did not ultimately adopt modernization provisions, a desire to access modernization incentive funds was the most important consideration cited in the states' decisions. Of the 32 states that responded to this survey item and did adopt two provisions, 29 indicated accessing incentive funds was one of their top three considerations (Figure VI.2, top panel). The second most frequently cited factor in favor of adoption was that the state already had parts of one or two provisions in place. Sixteen states that adopted the provision indicated that offering increased access to the program to certain segments of the population was also a top-three consideration.

[45] The Survey of UI Administrators was not designed to collect rich detail on the type or extent of modifications made to existing legislation. In practice, some of the needed modifications might have been quite small in terms of their one-time or ongoing administrative costs or benefit payments. In these cases, the incentive payments could be perceived as partial windfalls to the states that made the modifications.

Results about the most important factors favoring adoption were similar for the states that did not complete full adoption of other modernization provisions, with one notable exception. Nine states indicated a desire to access modernization incentive funds as a top-three consideration favoring adoption, a roughly similar proportion as that among adopting states (Figure VI.2, bottom panel). Seven indicated offering increased access to the program by certain segments of the population was a key consideration, which is again roughly similar to the proportion of adopters reporting this as a key consideration. However, only four of the responding states that did not adopt the provisions indicated that already having all or parts of one or two provisions in place was a key consideration in favor of adopting. This proportion of responses is much lower (4 of 12, compared with 25 of 33) than among adopters and unsurprising, given that adoption likely required less effort and lower costs for those states that already had parts of one or two provisions in place; thus, those that did not have parts of provisions already in place were less likely to adopt.

Cost considerations were the key factors reported in the survey as weighing against adoption of the additional modernization provisions. The majority of the states (20 of 22) that responded to this question and did adopt the policy indicated that the costs of the benefits that would be paid to claimants was a top-three consideration against adopting the policies, with 13 of them indicating that this factor was their primary consideration (Figure VI.3, top panel). Ten states that ultimately adopted reported that ongoing administrative costs were a top-three consideration, followed by one-time administrative costs, as reported by eight states. Four states indicated that philosophical objections to accepting federal incentive funds were a top-three consideration, whereas seven states indicated that other philosophical objections were a top-three consideration. Although we did not ask states to write in these other philosophical objections, they could have included considering the other modernization provisions an inappropriate expansion of the UI program, given their understanding of the program's goals and structure.

The costs of the benefits paid were reported as the main consideration against adopting for states that did not ultimately adopt the other modernization provisions, with 10 of the 13 responding states indicating that it was a top-three factor (Figure VI.3, bottom panel). However, the same number of states in total indicated that ongoing administrative costs were a top-three consideration, although it was more likely to be a second or third most important factor. Philosophical objections other than those related to accepting federal incentive funds were mentioned as being among the second or third most important considerations in six states, with one-time administrative costs mentioned in five states. Thus, the factors considered against adoption by states that ultimately did and did not adopt differed somewhat. A large proportion of non-adopters (77 percent = 10/13) considered ongoing administrative costs a top-three consideration compared with 45 percent (= 10/22) of adopters. This finding was similar for considering philosophical objections as a top-three consideration: 46 percent (=6/13) of non-adopters versus 32 percent (= 7/22) of adopters did so. The difference is also apparent when examining philosophical objections to accepting federal incentive funds: this factor was cited as a top-three consideration against adopting in 31 percent (= 4/13) of non-adopting states but only 18 percent (= 4/13) of adopting states.

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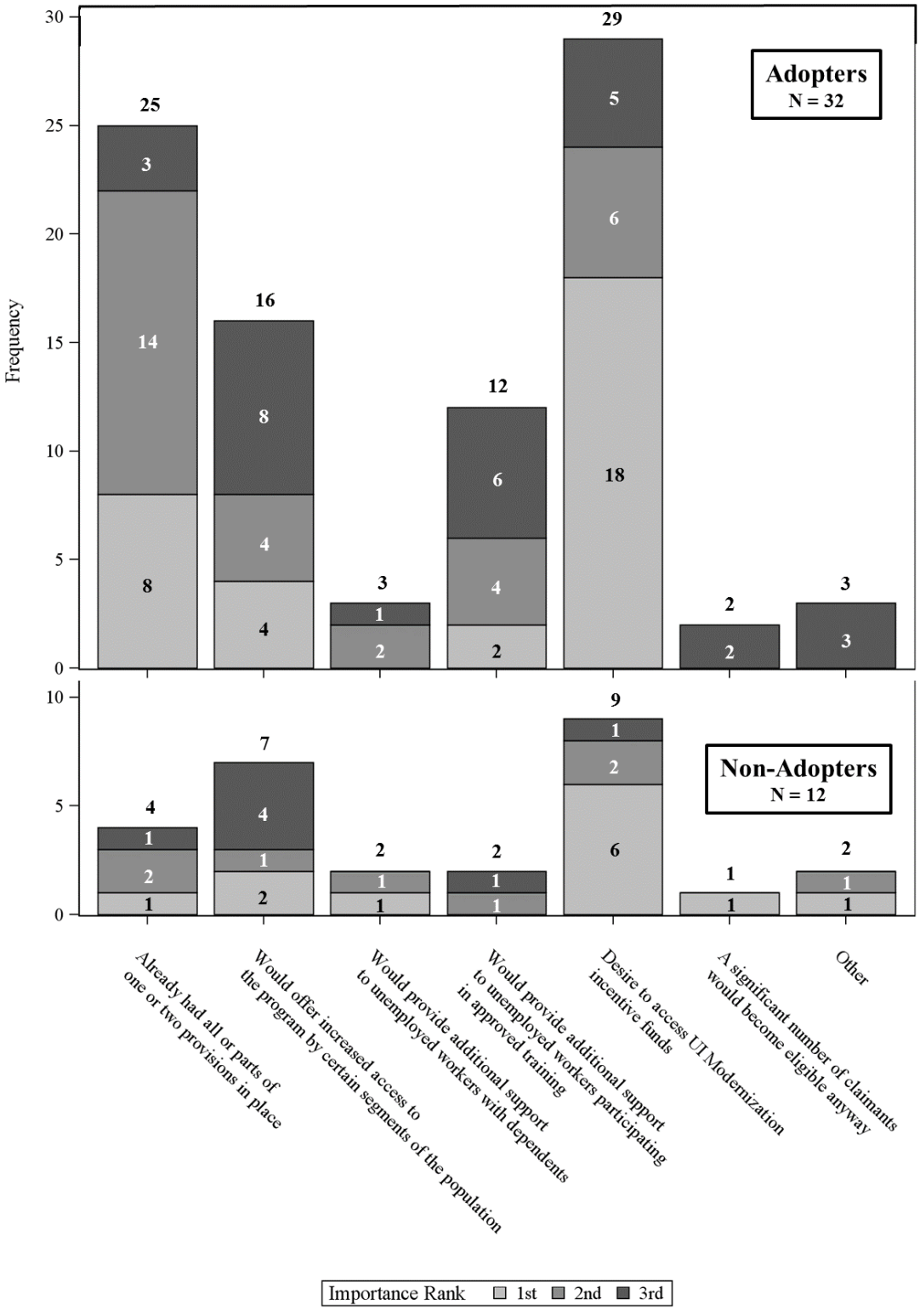
Figure VI.2. Factors Considered in Favor of Adopting Other Modernization Provisions

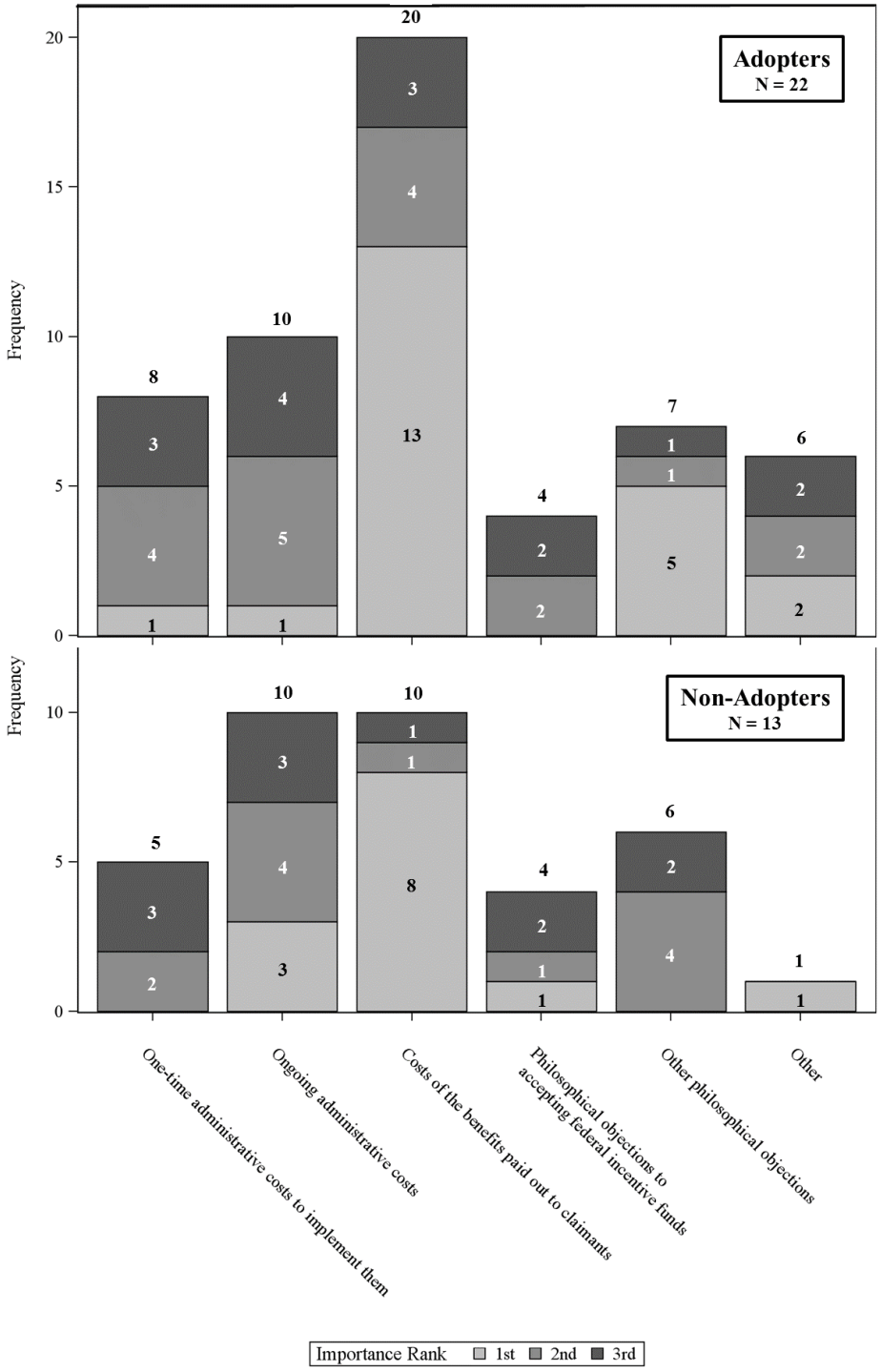


Source: Analysis of Survey of UI Administrators.

Note: Excludes states that already had two ARRA-specified other modernization provisions. Of the 33 states that reported fully adopting two other modernization provisions, 32 responded to this survey item. Of the 14 that reported not adopting two other modernization provisions, 12 responded to this item.

ARRA = American Reinvestment and Recovery Act of 2009; UI = unemployment insurance.

Figure VI.3. Factors Considered Against Adopting Other Modernization Provisions



Source: Analysis of Survey of UI Administrators.

Note: Excludes states that already had two ARRA-specified other modernization provisions. Of the 33 states that reported adopting two other modernization provisions, 22 responded to this survey item. Of the 14 that reported not adopting two other modernization provisions, 13 responded to this item.

ARRA = American Reinvestment and Recovery Act of 2009; UI = unemployment insurance.

As with the TUR trigger and the ABP, we used regressions to predict adoption of two of the four other modernization provisions based on the responses to the questions of factors in favor of and against adopting them (see Appendix F for details and full results). Although most of the specifications yielded statistically insignificant coefficients, one factor was a statistically significant predictor ($p < 0.01$) of adopting two of the four provisions: already having parts or all of one or two provisions in place, which was the second most frequently cited factor in favor of adoption among those states that did ultimately adopt. All else equal, states that indicated already having all or parts of one or two provisions in place was a top-three factor in favor of adopting were 33.7 percent more likely to complete adoption of two modernization provisions than those that did not. Ranking ongoing administrative costs as a top-three factor against adopting the provisions was a statistically significant predictor ($p < 0.05$) of not adopting two of the four provisions; states indicating this factor was a top-three consideration against adopting were 34.7 percent less likely to complete adoption of two of the four provisions than states that did not, all else equal.

As we did with the TUR trigger and the ABP, we investigated the partisan composition of states' legislative and executive branches of government in 2009 to determine whether there were any patterns in the adoption decisions of states that did not already have the provisions (Table VI.2). Of the 33 adopting states, 15 were under Democratic control, 5 under Republican control, and 13 under divided control as of 2009. Of the 14 non-adopting states, one was under Democratic control, 4 under Republican control, and 9 under divided control in 2009. Stated another way, of the 16 Democratic states that did not already have two of the four other modernization provisions and responded to the survey, about 94 percent (= 15/16) adopted the other modernization provisions; of the 9 Republican states, about 56 percent (= 5/9) adopted; and of the 22 divided states, about 59 percent (= 13/22) adopted. Thus, there is some indication that Democratic-controlled states were more likely to adopt two of the four other modernization provisions than states under Republican or divided control. Twelve of the adopting states and 5 of the non-adopting states became more Republican by 2011, whereas 4 of the adopting states and none of the non-adopting states became more Democratic by 2011.[46]

In addition, the far-right column of the table indicates that all of the states that did not adopt the modernization provisions would have needed to newly adopt or modify two provisions to qualify for incentive funds. However, there also were some states among the group that did adopt the two-of-four provisions that needed to newly adopt or modify two provisions to qualify for incentive funds. But, in contrast to the group of non-adopting states, the group of states that adopted the two-of-four provisions also included some states that needed to newly adopt or modify no provisions or one provision only to qualify for the incentive funds.

[46] We performed regressions using the state partisan control in 2009 and change in control from 2009–2011 presented in Table VI.2, and a control for having a pre-ARRA ABP to predict adoption of the other modernization provisions. There was no statistically significant difference between being a Democrat-controlled state, a Republican-controlled state, or a divided control state and adoption of the other modernization provisions. In addition, we performed a similar analysis using three continuous measures of citizen and government ideology from the political science literature (see Berry et al. 1998) and the full sample of states (not just survey responders). There was no statistically significant relationship between states' ideologies or change in ideology and adoption of the other modernization provisions. However, we note that for all these analyses, the predictive power of the models was very low.

Table VI.2. Legislative, Executive, and Overall State Partisan Composition for States That Did or Did Not Adopt ARRA-Specified Other Modernization Provisions

State	State Senate Control 2009	State House Control 2009	Governor Party 2009	State Control 2009	State Control 2011	Control Change 2009–2011	Control Change Direction	Provisions Needed to Modify or Adopt for Incentive Funds
States that Did Adopt Other Modernization Provisions								
Arkansas	D	D	D	D	D	NO		2
California	D	D	R	Divided	D	YES	D	1
Colorado	D	D	D	D	Divided	YES	R	2
Connecticut	D	D	R	Divided	D	YES	D	1
Delaware	D	D	D	D	D	NO		2
District of Columbia	D	N/A	D	D	D	NO		1
Georgia	R	R	R	R	R	NO		2
Hawaii	D	D	R	Divided	D	YES	D	2
Idaho	R	R	R	R	R	NO		2
Illinois	D	D	D	D	D	NO		2
Iowa	D	D	D	D	Divided	YES	R	2
Kansas	R	R	D	Divided	R	YES	R	2
Maine	D	D	D	D	R	YES	R	1
Maryland	D	D	D	D	D	NO		2
Massachusetts	D	D	D	D	D	NO		1
Minnesota	D	D	R	Divided	Divided	NO		2
Missouri	R	R	D	Divided	Divided	NO		2
Montana	R	No majority	D	Divided	Divided	NO		2
Nebraska	N/A	N/A	R	R	R	NO		2
Nevada	D	D	R	Divided	Divided	NO		0
New Hampshire	D	D	D	D	Divided	YES	R	1
New Jersey	D	D	D	D	Divided	YES	R	1
North Carolina	D	D	D	D	Divided	YES	R	2
Oklahoma	R	R	D	Divided	R	YES	R	2
Oregon	D	D	D	D	Divided	YES	R	2
Rhode Island	D	D	R	Divided	Divided	NO		2
South Carolina	R	R	R	R	R	NO		2
South Dakota	R	R	R	R	R	NO		2
Tennessee	R	R	D	Divided	R	YES	R	2
Vermont	D	D	R	Divided	D	YES	D	1
Washington	D	D	D	D	D	NO		2
Wisconsin	D	D	D	D	R	YES	R	2
Wyoming	R	R	D	Divided	R	YES	R	2
States that Did Not Adopt Other Modernization Provisions								
Alabama	D	D	R	Divided	R	YES	R	2

State	State Senate Control 2009	State House Control 2009	Governor Party 2009	State Control 2009	State Control 2011	Control Change 2009–2011	Control Change Direction	Provisions Needed to Modify or Adopt for Incentive Funds
Arizona	R	R	R	R	R	NO		2
Florida	R	R	R	R	R	NO		2
Indiana	R	D	R	Divided	R	YES	R	2
Kentucky	R	D	D	Divided	Divided	NO		2
Louisiana	D	D	R	Divided	Divided	NO		2
Michigan	R	D	D	Divided	R	YES	R	2
Mississippi	D	D	R	Divided	Divided	NO		2
North Dakota	R	R	R	R	R	NO		2
Ohio	R	D	D	Divided	R	YES	R	2
Pennsylvania	R	D	D	Divided	R	YES	R	2
Utah	R	R	R	R	R	NO		2
Virginia	D	R	D	Divided	Divided	NO		2
West Virginia	D	D	D	D	D	NO		2

Key	
D	Democratic control
R	Republican control
Divided	State Senate, House, Governor not of same party
No majority	Neither party had a majority
N/A	Not applicable; see table notes

Source: National Conference of State Legislatures. Partisan control as of January 26, 2009, and January 31, 2011. Downloaded from http://www.ncsl.org/documents/statevote/LegisControl_2009.pdf and http://www.ncsl.org/documents/statevote/LegisControl_2011.pdf, respectively.

Notes: The District of Columbia has a city council and mayor. For the purposes of this table, these two bodies are treated as the state senate and the governor, respectively. Nebraska's legislative branch is unicameral and nonpartisan. See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

We also conducted a cross-question analysis of the partisan composition of those states that indicated they had philosophical objections to accepting federal incentive funds or other philosophical objections to adopting the provisions: Alabama, Arizona, Florida, Indiana, Michigan, North Dakota, Ohio, and Utah.[47] All eight states were under full Republican control in 2011; of these states, four had been under full Republican control in 2009 and four were divided between Democratic and Republican control.

As with the ABP, we asked states that did not have two ARRA-specified modernization provisions in place prior to ARRA whether they had estimated the costs associated with adopting

[47] The responses to philosophical objections to accepting incentive funds and other philosophical objections on the survey were not mutually exclusive, which is why these responses represent only 8 states, rather than 10 (as might be inferred from Figure VI.3).

them, separately for each provision (Table VI.3). Because states had to adopt only two of the four possible provisions, and many already had all or parts of at least one provision in place, it is not surprising that most states did not estimate the costs associated with adopting all four provisions. For instance, 26 states reported not computing costs of adopting the part-time work provision, and 22 did not estimate costs of adopting the compelling family reasons provision. In total, 30 states (including 9 of the 14 that did not ultimately adopt modernization provisions) estimated costs for at least one provision, and 26 states (including 8 of those that did not ultimately adopt modernization provisions) estimated costs for at least two provisions (not shown in the table).

Table VI.3. Did States Estimate Costs Associated with Other Modernization Provisions?

	Part-Time Work	Compelling Family Reasons	Dependents' Allowance	Training for UI Exhaustees
Yes	17	22	17	21
No	26	22	29	21
Don't Know	3	3	1	4
Number of Respondents	46	47	47	46

Source: Analysis of Survey of UI Administrators.

Note: Excludes states that already had two ARRA-specified other modernization provisions. Two other states did not respond to the survey. Therefore, the potential number of respondents is 47.

ARRA = American Reinvestment and Recovery Act of 2009; UI = unemployment insurance.

We asked states for more details about why they did not estimate costs associated with the given provisions (Table VI.4). For the **part-time work provision**, 13 states reported that they already had a provision in place, so they did not estimate costs. This response was by far the most common and is suggestive of the view that, in some cases, the provision might have little or no additional effect on benefit payouts after ARRA compared with the pre-ARRA period. The next most frequent response was that the respondent did not know why costs were not estimated, followed by "Other," which included responses such as "the benefits were already allowed" under the specified conditions. Four states responded that they expected the changes to be cost neutral, potentially because enacting the provision would require only minor, technical changes to an existing part-time work provision to conform to ARRA specifications.

The responses for the **compelling family reasons provision** followed a similar pattern, with eight states indicating they already had the provision in place, eight indicating "other" reasons such as "much of the provision allowed by past practice," six states indicating that they did not know, and five states indicating that they expected the changes to be cost neutral. Again, states reporting that the compelling family reasons provision was expected to be cost neutral could have made only a very minor change to an existing policy that would not significantly increase the number of claimants meeting nonmonetary eligibility criteria.

Table VI.4. Reasons States Did Not Estimate the Costs of Adopting Other Modernization Provisions

	Part-Time Work	Compelling Family Reasons	Dependents' Allowance	Training for UI Exhaustees
Expected That Making Changes to Other Provisions Would Be Easier and/or Less Costly	2	2	12	10
Political and/or Philosophical Considerations Made Adoption Infeasible	2	4	8	3
Already Had a Conforming Provision in Place	13	8	5	2
Lacked an Appropriate Methodology to Compute Estimates	2	2	2	1
Changes Were Expected to Be Cost Neutral	4	5	0	0
Other	5	8	5	6
Don't Know	6	6	18	6
Number of Respondents	25	21	29	21

Source: Analysis of Survey of UI Administrators.

Note: Excludes states that already had two ARRA-specified other modernization provisions. Only states that indicated they did not estimate costs of the provision were eligible to answer this question. The number of states eligible to respond to this question was 26 for the part-time work provision, 22 for the compelling family reasons provision, 29 for the dependents' allowance, and 21 for the training for exhaustees provision.

ARRA = American Reinvestment and Recovery Act of 2009; UI = unemployment insurance.

This general pattern differed for the **dependents' allowance** and the **training for UI exhaustees provisions**, for which the most frequently reported reason for not making cost estimates was that states thought it would be easier and/or less costly to make changes to other modernization provisions to qualify for incentive funds. As noted previously, the dependents' allowance was expected to be the most expensive provision to implement because it would raise the weekly benefit amount for all qualifying recipients. In addition, states might have had difficulty coming up with an estimate of the likely costs of implementing the training for UI exhaustees provision because of the uncertainty surrounding such an estimate.

Examining the data on cost estimates that were provided by some states indicates that these states expected costs to be a small fraction of total benefits paid in 2007 for the part-time work and compelling family reasons provisions (Table VI.5).[48] For instance, 24 of 30 states expected costs for the part-time work provision to be less than one percent of total benefits paid in 2007; 18 of them expected the costs to be zero (not shown). Similarly, 19 of 28 states expected the costs for the compelling family reasons provision to be less than one percent of total benefits paid in 2007; 11 of them expected the costs to be zero (not shown).

[48] For the analyses in this section, we assumed an estimated cost of zero for those states that indicated they did not estimate costs because they either already had the provision in place or expected any needed changes to be cost neutral.

Table VI.5. Distribution of States' Estimated Costs as a Percentage of 2007 Benefits Paid

	Part-Time Work	Compelling Family Reasons	Dependents' Allowance	Training for UI Exhaustees
Less Than 1 Percent	24	19	9	7
1 to 3 Percent	3	5	2	5
3 to 5 Percent	1	0	3	4
5 Percent or More	2	4	7	3
Number of Respondents	30	28	21	19

Source: Analysis of Survey of UI Administrators.

Note: Excludes states that already had two ARRA-specified other modernization provisions. States that did not estimate costs because they already had a provision in place or expected any needed changes to existing provisions to be cost neutral were assumed to have estimated costs of zero. Data on UI benefits paid in 2007 are from ETA-5159 reports.

ARRA = American Reinvestment and Recovery Act of 2009; ETA = Employment and Training Administration; UI = unemployment insurance.

However, consistent with the finding that many states did not compute cost estimates of the dependents' allowance and training provisions (figuring that it would be less costly or easier to implement other provisions), the state-estimated costs for those provisions tended to be higher. For instance, only 9 of 21 states indicated the costs would be less than one percent of total benefits for the dependents' allowance provision, and seven of 19 indicated this for the training provision for UI exhaustees.

We used states' annual estimated costs, as reported on the survey, to forecast expected costs over 3, 5, and 10 years to get a sense of how the estimated costs compared with the size of the two-thirds share of incentive payments.[49] The fact that states often estimated costs for only one policy or more than two policies complicates this analysis. To keep the analysis tractable, we summed the two lowest estimated costs the state reported (including zeros when states indicated that they did not estimate costs because they already had a provision in place and/or considered any needed changes to be cost neutral) and then multiplied by the number of years in question. States that only estimated costs associated with one provision but did not already have another provision were not included in the analysis.

In each time frame examined, the majority of states for which the incentive payment could be expected to exceed or be approximately the same as the estimated costs of fully adopting two provisions did adopt the two provisions (Table VI.6). This finding is particularly true when considering a longer time frame over which costs were estimated. For instance, over a three-year

[49] We also used an approach to compare the size of the incentive payments to benefit costs. This approach multiplied for each state an estimated increase in first payments that was attributable to ARRA-induced modernization provisions (based on analysis described in Chapter VIII) with the state's average weekly benefit amount and average duration of benefit collection to come up with an annual increase in benefit payments induced by the ARRA modernization provisions. We then compared the incentive amounts to this estimate to determine the number of years of benefit payments that would be covered by the ARRA incentive. These calculations and the results of the analysis are described in more detail in Appendix E. However, we note that, because of limitations in the analysis presented in the appendix, we have more confidence in the results based on survey data.

Table VI.6. Comparison of Other Modernization Provision Incentive Payments and Estimated Costs Over 3, 5, and 10 Years

	3 Years			5 Years			10 Years		
	Adopted	Did Not Adopt	**Total**	Adopted	Did Not Adopt	**Total**	Adopted	Did Not Adopt	**Total**
Incentives Exceeded Costs	23	7	**30**	21	4	**25**	20	2	**22**
Incentives About Equal to Costs	0	0	**0**	1	0	**1**	0	0	**0**
Costs Exceeded Incentives	1	1	**2**	2	4	**6**	4	6	**10**

Source: Analysis of Survey of UI Administrators. Incentive payment amounts from http://wdr.doleta.gov/directives/attach/UIPL/UIPL14-09g.pdf.

Note: States responding that they did not estimate costs because they already had a provision or needed to only make a minor change to an existing provision were assumed to have estimated costs of zero for those provisions. For states with estimated costs for more than two provisions, the sum of the two lowest estimated costs was used in this analysis. The analysis excludes states that had no cost estimates or estimates for only one provision. Thirty-two states are included in this analysis.

UI = unemployment insurance.

horizon, 30 states would have incentive payments expected to exceed their estimated costs; of those, 23 adopted two ARRA-conforming provisions and 7 did not. However, over a longer time horizon of 10 years, 22 states would have incentives expected to exceed costs, but only 2 did not complete adoption of two ARRA-conforming provisions. The majority of non-adopting states—six of the eight non-adopters when considering a 10-year horizon—could have expected their costs of adopting two provisions to exceed the incentive amount. This finding suggests that, for the most part, the incentives were effective at spurring adoption of the provisions.[50]

Similar to what we observed with the ABP, there were a few states in which estimated costs would be expected to exceed the incentive amounts, but the state adopted the provisions anyway. For example, over a 10-year horizon, 10 states would have expected the costs of adopting the provisions to exceed the incentive amount; of these states, 4 adopted the provisions.

We examined the responses to the survey questions about factors considered in favor of adoption for the four states that adopted the provisions even though their estimated costs would be expected to exceed the two-thirds incentive payment. One did not respond to the question, but two of the others indicated that offering increased access to UI by certain segments of the population was the primary factor considered; the other indicated that accessing modernization incentive funds was the primary factor in favor of adoption.

We also examined the partisan composition of the legislative and executive branches of government in the states for which estimated costs would be expected to exceeded incentives over a 10-year time horizon (Table VI.7). As of early 2009, none of the states that adopted the modernization provisions even though their estimated costs would be expected to exceed incentives were under Democratic control, one was under Republican control, and three were under divided control; one of

[50] We investigated this finding more systematically through regression analysis predicting adoption of two of the four modernization provisions as a function of how the incentive payment compared to estimated costs over 3, 5, and 10 years. Although the coefficient of interest was not statistically significant in the analysis over a three year horizon, it was statistically significant at both the 5- and 10-year horizons ($p < 0.10$ and $p < 0.01$, respectively). States whose incentive payment would be expected to exceed estimated costs over a 10-year horizon were 64.2 percent more likely to complete adoption of two of the four modernization provisions than states for which this was not the case. See Appendix F for full results.

the divided states switched to Republican control by 2011. States whose estimated costs would be expected to exceed incentives and did not adopt included one under Democratic control as of early 2009, two under Republican control, and three under divided control; all three divided states had become Republican by 2011. Stated differently, the one Democratic-controlled state whose cost estimates would be expected to exceed incentives did not adopt; of the three Republican-controlled states whose cost estimates would be expected to exceed incentives, one-third adopted and two-thirds did not; and of the six divided states, half adopted and half did not. Based on these patterns, it seems that among states where estimated costs would be expected to exceed incentives, those under divided control were more likely to adopt the modernization provisions. [51]

Table VI.7. Legislative, Executive, and Overall State Partisan Composition for States Whose Estimated Costs Exceeded Incentives for Other Modernization Provisions Over 10 Years

State	State Senate Control 2009	State House Control 2009	Governor Party 2009	State Control 2009	State Control 2011	Change Control 2009–2011	Control Change Direction
States That Did Adopt							
Missouri	R	R	D	Divided	Divided	NO	
Montana	R	No majority	D	Divided	Divided	NO	
South Dakota	R	R	R	R	R	NO	
Wyoming	R	R	D	Divided	R	YES	R
States That Did Not Adopt							
Michigan	R	D	D	Divided	R	YES	R
North Dakota	R	R	R	R	R	NO	
Ohio	R	D	D	Divided	R	YES	R
Pennsylvania	R	D	D	Divided	R	YES	R
Utah	R	R	R	R	R	NO	
West Virginia	D	D	D	D	D	NO	

Key	
D	Democratic control
R	Republican control
Divided	State Senate, House, Governor not of same party
No majority	Neither party had a majority

Source: National Conference of State Legislatures. Partisan control as of January 26, 2009, and January 31, 2011. Downloaded from http://www.ncsl.org/documents/statevote/LegisControl_2009.pdf and http://www.ncsl.org/documents/statevote/LegisControl_2011.pdf, respectively.

Note: See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

In addition to the states listed in the lower panel of the table, eight other states did not adopt the provisions. Looking across all eight states, two of the eight were under Republican control as of 2009 and six were under divided control; by 2011, four of the eight states were under Republican control (Table VI.8). The states listed in the table include a mix of those whose estimated costs of adoption

[51] We also examined the relationship between (1) the characteristics of states' UI systems, including measures of generosity, tax rates, solvency, and the TUR; and (2) states' decisions to adopt the other modernization provisions. (See Appendix G for details.) Regression analysis did not detect any statistically significant relationships between these characteristics and the probability that states would adopt the modernization provisions. However, the explanatory power of these models was quite low.

did not exceed incentives—Alabama and Florida—and those that did not provide cost estimates. We explored the reasons for non-adoption to the extent possible based on states' responses to other survey questions. Alabama and Arizona reported on the survey that they did not estimate costs of the training for UI exhaustees provision because political/philosophical objections to the provision made adoption infeasible (though Alabama's estimated adoption costs for two other provisions were reportedly zero); they also both indicated they lacked an appropriate methodology for computing costs of at least one other provision. Florida expected its costs of adopting two modernization provisions to be exceeded by the incentive payments, according to its survey responses, but did not adopt them. Kentucky noted that it wouldn't make any cost estimates until "after the structural Unemployment Insurance Trust Fund Imbalance is addressed." Mississippi and Virginia indicated that they did not make cost estimates because they had no plans to adopt the provisions. No additional information from responses to these questions sheds light on the decisions of Indiana and Louisiana.

Table VI.8. Legislative, Executive, and Overall State Partisan Composition for States That Did Not Adopt Other Modernization Provisions and Whose Estimated Costs Did Not Exceed Incentives or Were Missing

State	State Senate Control 2009	State House Control 2009	Governor Party 2009	State Control 2009	State Control 2011	Change Control 2009–2011	Control Change Direction
Alabama	D	D	R	Divided	R	YES	R
Arizona	R	R	R	R	R	NO	
Florida	R	R	R	R	R	NO	
Indiana	R	D	R	Divided	R	YES	R
Kentucky	R	D	D	Divided	Divided	NO	
Louisiana	D	D	R	Divided	Divided	NO	
Mississippi	D	D	R	Divided	Divided	NO	
Virginia	D	R	D	Divided	Divided	NO	

Key	
D	Democratic control
R	Republican control
Divided	State Senate, House, Governor not of same party

Source: National Conference of State Legislatures. Partisan control as of January 26, 2009, and January 31, 2011. Downloaded from http://www.ncsl.org/documents/statevote/LegisControl_2009.pdf and http://www.ncsl.org/documents/statevote/LegisControl_2011.pdf, respectively.

Note: See Appendix Table C.1 for the full set of UI jurisdictions' adoptions.

In summary, 14 states did not adopt the other modernization incentive provisions. Six could have expected the costs of adoption to exceed incentives; two could have expected incentives to exceed estimated costs, yet they did not adopt; four states had other kinds of objections; and reasons for non-adoption are uncertain for the other two. We speculate that a larger incentive payment might have induced adoption among the six states whose estimated costs of adopting the policies would be expected to exceed the incentive payment, but it is unclear whether larger incentives would have induced adoption among the states that either already expected the incentive payment to cover the costs or had other kinds of objections to adoption.

Choosing Which Provisions to Adopt. Because states had to implement two of the four possible provisions to qualify for incentive funds, we asked respondents in states that had applied for

two-thirds modernization incentive funds to indicate the top three reasons they had adopted each provision (Figure VI.4). These questions differed from the more general questions about factors considered because they asked specifically about why the state adopted the particular provisions it chose.

The responses indicate that states tended to focus on those provisions that required the least legislative action because all or most of the provisions were already in place. The top reason for adopting the two provisions the state chose was that the state already had all or parts of the provision in place. As noted previously, it is possible that the modifications that were taken by some states to qualify for the incentive funds were fairly minor and low in cost, either in terms of administrative costs or benefit payouts. The second most common reason was that the costs of benefits to be paid were expected to be the lowest for the adopted provisions. Requiring the least staff retraining and fewest changes to data systems followed as the third most common reason. States indicated less frequently that they had adopted the provisions because, taking both provisions together, the two-thirds share of the incentive payment outweighed estimated costs.

Once again, we analyzed the adoption decision in more detail by examining states' responses that the decision to adopt was characterized by intense debate and how far states got in adopting one or two provisions. The process of adopting the other modernization provisions seems to have been characterized as being more intense than was seen for the TUR trigger and the ABP (Table VI.9). Fourteen states strongly disagreed that the discussion about adoption had been characterized by intense debate, and another 14 somewhat disagreed, but 13 somewhat agreed and 3 strongly agreed. Examining the responses of only those states that did not ultimately complete full adoption of two of the four provisions shows that they were more likely to agree that the debate was intense, with 7 of the 13 respondents somewhat agreeing with the statement.

State discussion seems to have advanced further in the non-adopting states than it did for the TUR trigger and ABP. Seven of the 14 states that reported not completing full adoption reported that adoption was considered, but no legislation was introduced (Table VI.10). An additional six states reported introducing legislation that did not pass the state legislature. Only one state indicated that there was little discussion of adopting.

Summary of other modernization provisions. Modernization incentive funds spurred states to adopt two of the four other modernization provisions. Most states whose two-thirds incentive payment would be expected to exceed its estimated costs of adopting the provisions over a 10-year period completed adoption of two of the four provisions. Even some states for which costs would not be expected to be covered by the incentive payment in the long term adopted the provisions. States indicated that accessing incentive funds and already having parts of one or both provisions in place were primary considerations in favor of completing full adoption of the provisions. Almost all the states that reported not completing full adoption of two of the four modernization provisions did have some discussion about adoption, with some states indicating the debate surrounding adoption was intense. Cost considerations typically were the top factor in the decision to not adopt

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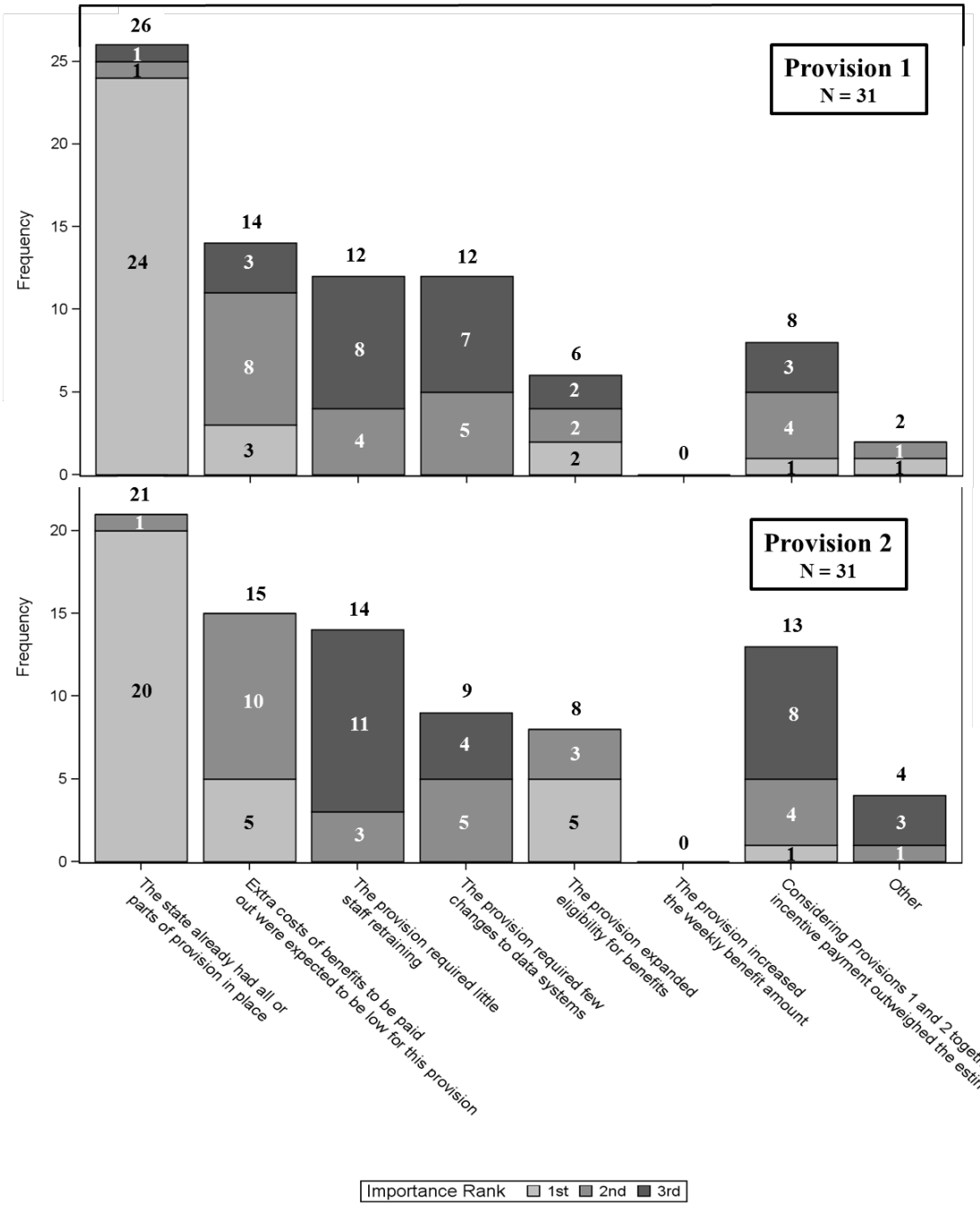
Figure VI.4. Reasons for Adopting the Two Other Modernization Provisions



Source: Analysis of Survey of UI Administrators.

Note: Excludes states that already had two ARRA-specified other modernization provisions. Of the 33 states that reported adopting two other modernization provisions, 31 responded to this survey item.

ARRA = American Recovery and Reinvestment Act of 2009; UI = unemployment insurance.

Table VI.9. States' Agreement That Decision to Adopt Other Modernization Provisions Was Characterized by Intense Debate

	Newly Adopted Two Provisions	Modified Existing Provision(s)	Did Not Adopt	Total
Strongly Agree	0	3	0	3
Somewhat Agree	3	3	7	13
Somewhat Disagree	3	6	5	14
Strongly Disagree	1	12	1	14
Don't Know	0	0	0	0
Number of Respondents	7	24	13	44

Source: Analysis of Survey of UI Administrators.

Note: Excludes states that already had two ARRA-specified other modernization provisions. The number of potential respondents is 47: eight that reported newly adopting two provisions, 25 that reported modifying one or two existing provisions, and 14 that reported not completing adoption of two provisions.

ARRA = American Reinvestment and Recovery Act of 2009; UI = unemployment insurance.

Table VI.10. How Far States Got in Adopting Other Modernization Provisions (for those that did not adopt)

	Other Modernization Provisions
Not Far; There Was Little Discussion of Adopting	1
Adopting (one or two) Was Considered, but No Legislation Was Introduced	7
Legislation Was Introduced, but Not Passed by State Legislature	6
Legislation Passed, but the Governor Did Not Sign It	0
Other	0
Number of Respondents	14

Source: Analysis of Survey of UI Administrators.

Note: Only states that did not adopt the provisions were asked this question, so the number of potential respondents is 14 for other modernization provisions.

UI = unemployment insurance.

the policies, according to the survey responses. It is possible that either additional incentive funds or providing additional assistance to states to reduce the costs of adopting the provisions could have induced some states to adopt the remaining provisions. However, there was a small set of states for which philosophical objections reportedly made adoption infeasible; it is unclear whether a large incentive payment would have helped spur adoption among these states.

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VII. STATES' IMPLEMENTATION CHALLENGES AND REALIZED COSTS

The main purpose of administering the Survey of UI Administrators was to gather information on states' decision making. In particular, we were tasked with exploring the factors states considered for and against adoption and whether and how costs figured into their decisions. As a complement to this analysis, we asked the states that did adopt the policies about their preliminary implementation challenges to assess whether some of the factors they had reported considering in favor of and against adoption, particularly with respect to costs, were borne out.

The greatest reported challenge to implement each of the provisions was reprogramming data systems. Of the 25 states that responded to this question for the TUR trigger, 24 indicated it was an implementation challenge; 17 of the 22 responding states reported reprogramming data systems was a challenge for the ABP (Table VII.1). It was also the most frequently mentioned implementation challenge for each of the other modernization provisions.

Table VII.1. The Biggest Challenges States Faced in Implementing the Applicable Provision

	TUR Trigger	ABP	Part-Time Work	Compelling Family Reasons	Dependents' Allowance	Training for UI Exhaustees
Reprogramming Data Systems	24	17	6	8	2	10
Hiring/Retraining Additional Staff	8	8	5	6	0	6
Communicating the Changes to Eligible Claimants	10	7	4	4	1	4
Communicating the Changes to Employers	n.a.	3	2	4	0	1
Processing EB Payments	7	n.a.	n.a.	n.a.	n.a.	n.a.
Increased Volume of Claimants	12	8	1	1	0	6
Tracking Claimants' Job Search Activities as Required by EB	12	n.a.	n.a.	n.a.	n.a.	n.a.
Redistributing Staff to Cover Needed Areas Temporarily	n.a.	1	0	0	0	1
Getting Timely Information to Determine Eligibility from Employers	n.a.	16	n.a.	n.a.	n.a.	n.a.
Other	1	2	2	2	2	4
No Challenges	0	1	13	4	0	0
Number of Respondents	25	22	16	20	3	15

Source: Analysis of Survey of UI Administrators.

Note: Not all implementation challenges are relevant for all types of provisions and, therefore, some challenges were presented as response options only for relevant provisions. The table indicates *n.a.* when the implementation challenge was not a possible response for a given provision. Values in the table's columns indicate how many states listed a choice as one of their top three implementation challenges. The number of potential respondents was 25 for the TUR trigger, 23 for the ABP, 24 for the part-time work provision, 20 for the compelling family reasons provision, 5 for the dependents' allowance, and 16 for the training provision.

ABP = alternative base period; EB = Extended Benefits; TUR = total unemployment rate; UI = unemployment insurance.

n.a. = not applicable.

Other challenges varied depending on the specific provision examined. For the TUR trigger, the next most frequent responses about implementation challenges were handling the increased volume of claims and keeping track of claimants' job search activities as required by EB, with 12 states indicating each as a challenge. For the ABP, getting timely information to determine eligibility from employers was frequently mentioned (16 of 22 states), whereas the two next most frequently cited implementation challenges were hiring/retraining additional staff and the increased volume of claims (eight states each). For the other modernization provisions, reprogramming data systems, hiring/retraining additional staff, communicating changes to eligible claimants, and handling the increased volume of claims were the most frequently mentioned implementation challenges. Other research conducted by the National Association of State Workforce Agencies, which examined a broader set of UC-related ARRA provisions, also found significant administrative challenges to implementation.[52] However, 13 of the 16 responding states indicated that there were no challenges to implementation of the part-time provision, most likely reflecting that they already had a similar provision in place.

In addition to asking about implementation challenges, we asked states that had adopted an ABP or two of the four other modernization provisions to indicate whether their actual costs were roughly in line with, more than, or less than their estimated costs (Table VII.2), and what factors were responsible for differences between estimated and actual costs. For the ABP, it appears that not enough time had elapsed for states to make this determination: 10 of the 23 states responded that either they did not know, not enough time had elapsed to make a determination, or they did not estimate costs. Seven other states indicated that actual and estimated costs were roughly in line, five indicated actual costs exceeded estimated costs, and two indicated actual costs were less than estimated costs. The five states whose actual costs were higher than had been estimated indicated benefits payments (four states) and long-term administrative costs (one state) had been higher than anticipated. Of the two states for which actual costs were less than estimated, one attributed this discrepancy to long-term administrative costs being lower than expected and the other did not know why costs were lower than anticipated.

Responses for the other modernization provisions also show large proportions of respondents indicating they did not know how actual and estimated costs compared. However, although the sample size of respondents to these questions is low, it is interesting to note that none of the responding states reported that their actual costs were more than those they had estimated. Of the six states that responded to this question and estimated costs for the part-time work provision, four indicated that they either did not know or not enough time had passed to make a determination; the other two responded that actual and estimated costs were roughly in line. Similarly, seven of the nine responding states that adopted a compelling family reasons provision and made cost estimates did not know how actual and estimated costs compared; the other two states indicated that actual and estimated costs were roughly in line. Only one state that adopted the dependents' allowance provision reported knowing how its actual and estimated costs compared; it indicated the actual costs were less than had been estimated. Six of the 11 respondents for the training provision indicated that they either did not know or not enough time had passed to determine how actual and estimated costs compared.

[52] Barnow et al. (2012), Chapter 10 and Table 10.1. In telephone interviews with 20 states, the National Association of State Workforce Agencies report found the following six administrative challenges were mentioned most frequently: (1) ARRA reporting requirements, (2) tight timing deadlines for reports, (3) funding issues, (4) staffing issues, (5) the bad economy and associated high claims volume, and (6) lack of timely guidance from the national office on specific administrative questions and challenges.

However, five states were able to make this determination, with three indicating actual costs were less than estimated and two indicating they were roughly in line.

Table VII.2. How Actual Costs Compared with Estimated Costs

	ABP	Part-Time Work	Compelling Family Reasons	Dependents' Allowance	Training for UI Exhaustees
Actual Costs Greater Than Estimated Costs	5	0	0	0	0
Actual Costs Less Than Estimated Costs	2	0	0	1	3
Actual Costs Roughly in Line with Estimated Costs	7	2	2	0	2
Not Enough Time Has Passed to Determine How Actual Costs Will Compare with Estimated Costs	1	1	0	0	2
Don't Know/State Did Not Estimate Costs	9	3	7	1	4
Number of Respondents	24	6	9	2	11

Source: Analysis of Survey of UI Administrators.

Note: The potential number of respondents was 24 for the ABP, 7 for the part-time work provision, 12 for compelling family reasons, 12 for the dependents' allowance, and 12 for the training provision.

ABP = alternative base period; UI = unemployment insurance.

Finally, because states responded to the survey up to two years after adoption of the provisions in question, we asked those that newly adopted or modified the ABP and each of the modernization provisions the likelihood that they would repeal the provisions. Of the 23 states that newly adopted or modified an ABP, 21 responded to this question, with 20 indicating it was not likely that the state would repeal the ABP and one indicating it was somewhat likely.

Ten states answered the questions about the potential of repeal for both of the other modernization provisions; seven states indicated that repeal of both provisions was not likely, one indicated that repeal of both was somewhat likely, and two states indicated that repeal of one was not likely but repeal of the other was somewhat likely. Twelve additional states answered this question for only one provision. Of those, eight indicated that repeal was not likely, three indicated it was somewhat likely, and one indicated it was very likely. In total, seven states (Georgia, Kansas, Montana, New Hampshire, North Carolina, South Carolina, and South Dakota) indicated repeal was somewhat or very likely for one or both provisions. Georgia, South Carolina, and South Dakota were under Republican control in both 2009 and 2011, and all had estimated costs of adoption suggesting that incentives would have exceeded costs over a three-year or longer period. Kansas, New Hampshire, and North Carolina were under Democratic or divided control in 2009 but became under more Republican control by 2011. None of these three states provided cost estimates on the survey. Montana's costs were expected to exceed the incentives even over a short three-year horizon, and it had divided state control in both 2009 and 2011. However, as shown in Table VI.2, there were other states that had similar partisan composition (and change in composition) to these seven states but did not indicate in the survey data that repeal was somewhat or very likely.

To supplement the analysis of the likelihood of repeal based on Survey of UI Administrators data, we assessed the prevalence of repeals as of December 2014. (See Appendix D for further details.) This information is based on a review of publicly available data and information provided by either staff from the Office of UI within DOL or the National Employment Law Project. As of December 2014, six states had repealed some or all of the modernization incentive provisions for which they received

incentive funds.[53] The most common provision to be repealed was the training for UI exhaustees provision, which was repealed by four states (Georgia, Kansas, South Dakota, and Wisconsin). Kansas repealed the ABP and Tennessee amended it. North Carolina and Tennessee repealed the part-time work provision, and North Carolina also repealed coverage for quits due to illness or disability of family members and restricted spouse relocations only to military spouses. In addition to its other changes, Tennessee also repealed the dependents' allowance. We examined these states' responses to the questions about estimated costs and how they had compared with actual costs to determine whether the states had learned that, for instance, costs would be much higher than anticipated, prompting a repeal of the legislation. Unfortunately, we found that in general these states either hadn't estimated costs in the first place or did not know how actual costs had compared to estimated costs. There were two exceptions. One was Tennessee, where the responses for the ABP and dependents' allowance indicated that actual costs were lower than had been estimated; both of these provisions and the part-time work provision were repealed. The respondent from Tennessee had also indicated at the time of survey completion that repeal was not likely for these provisions. The other exception was South Dakota, which repealed the provision about benefits for exhaustees during training; for this provision, the state reported that its actual costs were less than the estimated costs.

For the six states that, as of December 2014, repealed one or more provisions for which the state received an incentive payment, we also examined the state's partisan compositions in 2009 and change in partisan composition to 2011. Four of these states were under greater Republican control from 2009 to 2011. Kansas and Tennessee were under divided control in 2009 but full Republican control by 2011; North Carolina and Wisconsin went from full Democratic control in 2009 to divided or full Republican control by 2011.[54] The other two states, Georgia and South Dakota, were under Republican control in both 2009 and 2011. However, as shown in Table VI.2, these types of partisan composition (and change in composition) were not unique to states that, as of December 2014, repealed one or more of the modernization provisions.

[53] A seventh state, Colorado, repealed a modernization provision, the training benefits for exhaustees, but the state had not received incentive funds for having this provision on its books. In addition, it is possible that, over time, more modernization provisions might be repealed by states that received incentive funds for the adoption of the provisions.

[54] Colorado, which repealed a modernization provision for which it did not receive incentive funds, also went from Democratic control in 2009 to divided control in 2011.

VIII. RECIPIENCY ANALYSIS

As shown in Figure II.1, the numbers of states with the TUR trigger for EB and the modernization provisions in their UI laws increased substantially after the passage of ARRA. These ARRA-induced changes could be expected to have increased receipt of unemployment benefits, although the mechanisms for how they did so likely varied across the provisions. The ABP, part-time work provision, and compelling family reasons provision were intended to expand the population of unemployed workers who were eligible for benefits. The training benefits for UI exhaustees primarily offered additional weeks of benefits payments for certain types of workers who would otherwise have exhausted them. The dependents' allowance could be expected to make benefits more generous for workers with dependents who already collect benefits. The federal government's offer to reimburse states for 100 percent of the EB benefit costs (in most cases) could be expected to increase EB first payments and benefits paid due to the temporary adoption of the TUR trigger for EB by states that previously had only the IUR trigger for EB. And, it is possible that increased generosity of the unemployment compensation system at any stage, such as through the training provision, dependents' allowance, or EB benefits, might also encourage more unemployed workers to file for and collect benefits when they would not otherwise do so—even if these provisions do not directly change the initial eligibility criteria for regular benefits.

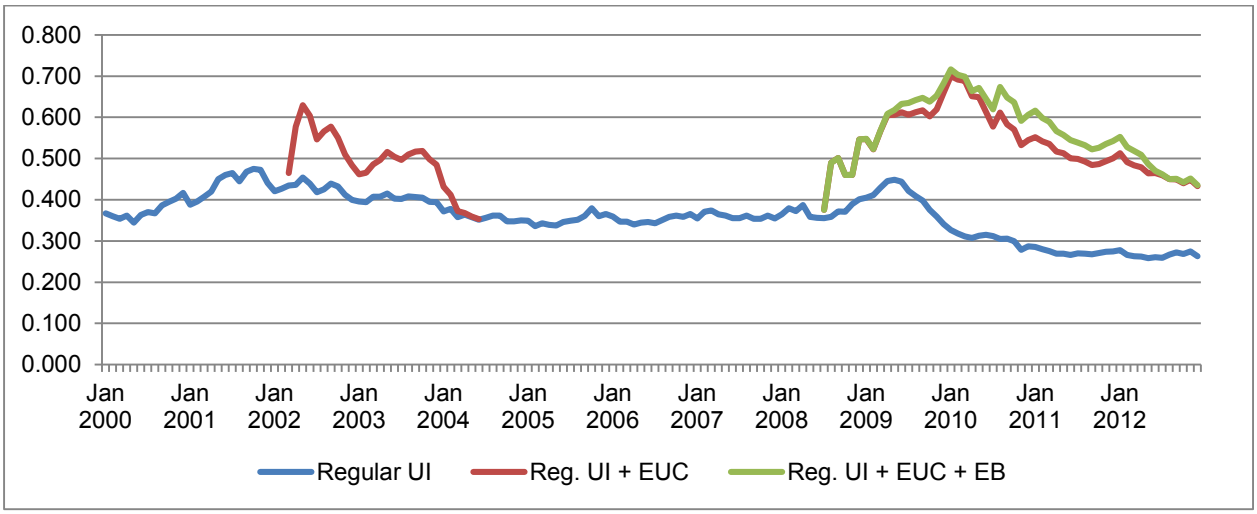
Although the primary focus of this report is states' decisions whether to adopt some of the UC-related provisions of ARRA, we use aggregate data in this chapter to provide added evidence on the extent to which the ARRA-induced adoption of provisions affected benefit receipt. For both the modernization provisions and the TUR trigger for EB, we focus on first payments—for regular UI and EB benefit receipt, respectively. The chapter is organized into three sections. In Section A, we look briefly at national trends in UI recipiency; they show that the dynamics of the UI program are quite complicated, especially during periods of rapidly increasing unemployment such as those experienced during 2008–2009. With this background, we then turn in Section B to a more detailed examination of UI first payments and how they might have been affected by some of the modernization provisions. We conclude that the provisions might have had an effect on expanding entry into the UI program but that providing a precise estimate is difficult using state-level aggregate data. In Section C, we document historical patterns in EB activity and present an analysis of EB first payments due to ARRA-induced adoptions of the TUR trigger. In Section D, we offer conclusions about the ability of the modernization provisions to increase UI receipt and the extent to which EB activity increased as a result of ARRA and related legislation.

A. Historical Trends in UI Recipiency

To provide an overall perspective for our examination, Figure VIII.1 records the fraction of unemployed workers receiving regular UI benefits, any type of congressionally legislated emergency unemployment benefits (EUC), and Extended Benefits (EB) over the period 2000–2012. This figure, which is based on monthly data, shows that about 35 to 40 percent of unemployed workers are active claimants of regular UI benefits during nonrecessionary periods. During recessions, that fraction tends to rise initially as layoffs increase among UI-eligible workers. Following this initial rise, however, regular UI receipt among the unemployed tends to fall as claimants exhaust their regular UI benefit entitlements. This falloff was especially pronounced after the Great Recession, which ended in June 2009, primarily because of very long unemployment spells. By 2012, fewer than 30 percent of the unemployed were receiving regular UI benefits.

Implementation of extended and emergency benefits during recessions caused the proportion of unemployed workers receiving unemployment benefits to rise, as those who had exhausted their regular entitlements became eligible for added benefits (see Figure VIII.1). This trend was especially pronounced around the Great Recession, when the combination of the EUC08 and EB programs greatly expanded UC availability. According to these data, 70 percent of the unemployed were receiving some type of unemployment benefit in early 2010. This fraction fell dramatically during the next three years, however, as claimants exhausted their entitlements to extended and emergency benefits and the programs themselves were scaled back.

Figure VIII.1. UC Recipiency Rates, 2000–2012



Source: Monthly recipiency data from the Office of Unemployment Insurance. All series measure recipiency as a proportion of total unemployment from the Current Population Survey. Vertical distances show the share of the unemployed in receipt of regular UI benefits (blue line), regular UI plus emergency unemployment compensation (EUC) benefits (red line), and regular UI plus EUC plus Extended Benefits (EB) benefits (green line).

These historical trends suggest that the presence of long-term unemployed workers drove a decline in the proportion of unemployed workers receiving regular UI benefits over the same period that the modernization provisions potentially acted to increase UI receipt.[55] This finding indicates the difficulty of measuring the effect of the modernization provisions on the overall levels of UI receipt among the unemployed and why we decided to focus our analysis of the effects of the ARRA modernization provisions on entry into the regular UI program.

B. Modernization Provision Adoptions and UI First Payments

In this section, we report on the results of examining the effect of some of the UI modernization provisions on first payments through the regular UI program. To put our findings in context, we begin by providing a brief summary of the findings from other research; we follow with descriptions of our analysis approach and findings.

[55] For example, some initial experimentation using an annual/state pooled data set to examine the conventionally defined UI recipiency rate as a dependent variable for the analysis described in the next section yielded implausible negative effects from many of the modernization provisions.

1. Findings from Other Research about the Effects of the Modernization Provisions

Prior research provides mixed conclusions about the size of the effects of the provisions for which modernization incentives funds were offered. For example, based on calculations using the Survey of Income and Program Participation (SIPP), Lindner and Nichols (2012) concluded that the various UI eligibility modernizations specified in ARRA could increase the proportion of the unemployed who were eligible for UI benefits from less than 50 percent to nearly 70 percent if they were implemented in all states.[56] Similarly, Vroman (1995) used UI claims experiences from six states that were early adopters of the ABP to conclude that this provision alone expanded UI eligibility by 6 to 8 percent in those states. On the other hand, Gould-Werth and Shaefer (2013) used the Current Population Survey to examine the effect of 35 states' enactment of an ABP from 1987 to 2011. They found that those enactments had no significant effect on UI receipt among all the unemployed, on average, although it increased the entry rate among low-educated unemployed workers by a little less than 3 percent. Hence, research using microdata so far has yielded conflicting views about the extent to which the ARRA modernization provisions could have affected UI receipt. In one study based on aggregate data, Bleemer (2013) focused on the possibility that some of the ARRA-induced adoptions might have been in response to specific labor market weaknesses, thereby exaggerating the estimated effect of the provisions. His overall estimate was that, after adjusting for such effects, UI receipt increased by about 8 percent as a result of the provisions.

2. Focus on the Eligibility-Related Modernization Provisions

In our analysis, we used UI first payments as our primary dependent variable. Therefore, we included in our model only provisions that were expected to affect first payments directly through their effect on UI eligibility: the ABP, part-time work, and two of the three components of the compelling family reasons modernization provision (quitting for family obligations and to follow a spouse to a new job). We refer to these provisions as the eligibility-related modernization provisions. We did not include the third component of the compelling family reasons provision, quitting due to domestic violence, because of limitations in the data used for the analysis.[57] Nor did we include the provisions related to training or dependents' allowances because, even though these provisions increased the generosity of the UI program (and therefore might have prompted more unemployed workers to file for benefits), they are not hypothesized to have a direct effect on initial eligibility for UI benefits. To conduct our analysis, we used an annual[58] pooled data set across 51 UI jurisdictions during the period 2005– 2012. We chose this time period, rather than a longer one, so that we could

[56] The authors estimated that implementing the ABP, part-time work, and compelling family reasons provisions in all states would increase from about 54 to 76 percent the proportion of unemployed workers eligible for UI benefits; the part-time work provision has the largest effect by far. However, this expectation is likely a significant overestimate of the effects of the ARRA modernization incentives, because not all states—including some large ones—enacted these provisions, and other states had them in place before the period of examination. Moreover, the authors cannot verify in their data set UI eligibility—especially for nonmonetary reasons. They classified all job-losers as potentially UI-eligible, and the extent to which this misclassification might bias their estimates is not known. The authors also were unable to impose the active search requirement in their analysis, because the job search data they used were not sufficiently precise.

[57] Although the Comparison of UI Laws contains data on whether states deemed quitting due to domestic violence as meeting "good cause" standards for quitting, the pattern over time in these data suggests coding of the domestic violence provisions changed during the time period covered by our analysis, which would make using this information in the analysis problematic.

[58] Although monthly data at the state level were available for some of the series we used, they were not available for all such series. This fact, in combination with the difficulties of controlling for the seasonal components in the monthly series, led us to focus only on the annual data.

focus estimation more tightly on a pre-recessionary period in which extended benefits were not available and postrecessionary periods surrounding ARRA.

Developing the model to explain first payments over this time period involved two types of decisions: (1) how to model the modernization provisions and (2) variable specifications for the model. In the next two subsections, we discuss these issues, then discuss the estimation results. We conclude with some simulations that show that the modernization provisions might have increased UI first payments by about 6 to 10 percent in 2012, although there is considerable uncertainty about this finding given limitations in the analysis.

3. Modeling the Modernization Provisions

A potential problem with modeling the modernization provisions is that (as discussed in prior chapters) many states already had some form of the provisions in their laws. For example, as shown in Table III.1, 15 respondents to the Survey of UI Administrators indicated that their states already had an ABP that would meet the ARRA requirements for the one-third modernization incentive payment; another 4 indicated that they modified an existing ABP to attain the incentive. Thus, it was important for our analysis of the effects of the ARRA-induced provisions on UI first payments to make a distinction between the effect of a provision, such as the ABP, and the effect of ABP adoptions under (or induced by) the ARRA.[59] To do so, we developed a model that indicated whether each state/year observation had in place an eligibility-related provision, regardless of whether the provision was adopted in response to ARRA incentives.[60] Implicitly, therefore, we assumed that the effect of each eligibility provision on UI first payments would be the same regardless of whether those provisions existed prior to ARRA or were ARRA-induced. After obtaining such estimates, we then simulated the effect of the ARRA-induced provisions for UI first payments in 2012 based on whether the provisions were prompted by the availability of ARRA incentive funds.[61,62] Ultimately, this analysis provides us with an estimate of the effect of the change in UI first payments that could be attributed to the ARRA-induced adoption of the eligibility-related modernization provisions.

[59] This distinction was determined by a review of the Comparison of UI Laws and states' applications for incentive funds.

[60] We experimented with different ways of modeling the first two years of implementation of these provisions to account for part-year or partial implementation effects. The results did not seem very sensitive to how these years were specified. We present results in which the modernization provision variable took the value of the proportion of the year in which the provision was implemented. For example, a provision that was implemented on April 1 of the year took the value of 0.75 for that year, because the provision was in place for 9 of the 12 months in the year, a value of 0 in earlier years, and a value of 1 in later years. We obtained similar results using an alternative coding method in which we assumed that provisions operate at half of their effect during the first 12 months following implementation.

[61] This approach might overstate the effect of the ARRA incentives to the extent that some states might have adopted the provisions anyway during this time period and simply accepted the incentive payments as a windfall. Table II.1 shows that there was a trend for states to adopt the modernization provisions that we include in this analysis (the ABP, part-time work, and compelling family reasons provisions), but the post-ARRA adoption rates for the provisions were substantially larger than the pre-ARRA rates.

[62] As discussed in earlier chapters of the report, many states had in place before ARRA UI benefit eligibility provisions that were similar, but not identical, to the specific provisions for which ARRA offered incentive payments. Given the complexity of UI eligibility criteria, we had to use some judgment about how close the pre-ARRA provisions were to what ARRA required. Modifications that states made to implement the provisions might or might not have had significant practical implications. Thus, we implicitly assumed that, at each point in time, states either had a provision fully in place or had no component of the provision in place; that is, there is no partial implementation of a provision that would lead to a partial effect on regular UI first payments. As a result, there likely is some imprecision in our conclusions.

4. Variable Specifications for the Model

Our preferred regression specifications used the natural logarithm of UI first payments as the dependent variable. This approach enables us to interpret the coefficients on the modernization provision-dependent variables as indicating percentage changes in the number of first payments in response to the various control and policy variables. It also helps to control for the varied sizes of states in the pooled data set.

Our primary goal in selecting control variables was to include ones that were expected to affect the level of UI first payments in a state. Ultimately we settled on five such variables:

1. The TUR—a measure of general labor market strength
2. The lagged TUR—included to reflect a possible lag in the response of layoffs to worsening labor market conditions
3. The number of new unemployment spells—measured by the number of spells fewer than five weeks in duration, intended to provide a proxy measure for recent layoffs
4. The change in total employment—another proxy for layoffs that might not be completely reflected in the new unemployment spells data
5. The fraction of UI claims filed by telephone or over the Internet—intended to measure the ease of filing and, in particular, to reflect the changes during our study time period in the prevalence of use of the different filing methods

Because the dependent variable was in logarithmic form, we also specified the number of new unemployment spells and the change in total employment in logarithmic form.

5. Results

We summarize our results in Tables VIII.1 and VIII.2, which show the ordinary least squares (OLS) results and the results obtained when we included state-fixed effects, respectively.[63] The fixed-effects approach is used to control for state-specific influences on the levels of first payments that are constant over time. These tables show, as expected, that labor market conditions played a significant role in affecting UI first payments. For example, a 1 percentage point increase in the TUR was associated with a 7 to 13 percent increase in UI first payments. Interestingly, the coefficient of the lagged TUR rate was negative and, often, significantly so. This finding illustrates the complex dynamics of the UI system during this time period, as discussed in Section A. High unemployment rates in one year tended to reduce UI first payments in the next year. This finding could likely be the result of long-term unemployed workers not regaining UI eligibility through new and unstable employment because they collected benefits under the extended and emergency benefits programs. Other measures of the business cycle were also statistically significant in the regressions. In the OLS regressions, the data on new unemployment spells suggested an elasticity of UI first payments with respect to such spells of just under 1.0. That is, each 10 percent increase in new unemployment spells was associated with a

[63] We also estimated similar models using time-fixed effects and state-specific time trends. The results became increasingly difficult to interpret as correlations between the modernization provision variables and the additional control variables became larger. Nevertheless, it is possible that the effects of the provisions included in this analysis could be confounded with the effects of other UC-related changes, such as legislation that allowed claimants who faced a significantly reduced weekly benefit amount through a new benefit year to continue collecting an EUC08 benefit entitlement at a higher weekly benefit amount from an earlier benefit year.

9.3 to 9.5 percent increase in UI first payments. (A smaller increase, of around 2.6 to 3.1, was found through the fixed-effects regressions.) The coefficient on the change in the log of employment indicates that a similar percentage increase in employment was associated with a 2 to 5 percent reduction in UI first payments.

Table VIII.1. Ordinary Least Squares Regressions with the Natural Log of the Number of UI First Payments as the Dependent Variable (robust standard errors in parentheses)

	(1)	(2)	(3)	(4)	(5)
Alternative Base Period Provision	0.163**	--	--	--	0.135**
	(0.062)				(0.065)
Part-Time Work Search Provision	--	0.061	--	--	0.004
		(0.069)			(0.071)
Quits for Family Obligations Provision	--	--	0.095	--	-0.006
			(0.075)		(0.115)
Quits to Follow Spouse for New Job Provision	--	--	--	0.163***	0.129
				(0.058)	(0.100)
Total Unemployment Rate	0.0787***	0.0735**	0.0629**	0.0707**	0.0777***
	(0.027)	(0.028)	(0.029)	(0.028)	(0.029)
Lagged Total Unemployment Rate	-0.0370*	-0.022	-0.019	-0.031	-0.0426*
	(0.021)	(0.022)	(0.023)	(0.023)	(0.023)
Log of New Unemployment Spells	0.948***	0.943***	0.934***	0.936***	0.944***
	(0.033)	(0.034)	(0.033)	(0.033)	(0.030)
Change in the Log of the Number of Employed People	-3.672**	-4.362**	-4.985**	-4.173**	-3.525*
	(1.803)	(1.895)	(1.951)	(1.930)	(1.952)
Proportion of Initial UI Claims Filed by Telephone or Internet	-0.131	-0.142	-0.141	-0.137	-0.131
	(0.097)	(0.095)	(0.094)	(0.093)	(0.092)
State-Fixed Effects	No	No	No	No	No
R-squared	**0.933**	**0.929**	**0.930**	**0.932**	**0.936**
Probability > F for the Full Model	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Probability > F for the Modernization Provision Variables	**--**	**--**	**--**	**--**	**0.016**
Number of States	**51**	**51**	**51**	**51**	**51**
Number of Records	**408**	**408**	**408**	**408**	**408**

Sources: Analysis of data from the UI Financial Handbook ET Handbook 394, the Bureau of Labor Statistics Local Area Unemployment Statistics and Current Employment Statistics (CES) programs, Office of UI Benefit Accuracy Measurement, the Comparison of State UI Laws, and states' applications for incentive funds.

Note: The regressions include the 50 states and the District of Columbia. The analysis did not include Puerto Rico and the Virgin Islands because it was not possible to construct for those jurisdictions one of the explanatory variables for the regressions.

The data include years 2005 through 2012. The reported standard errors are robust and take into account clustering at the state level. Statistically significant coefficients are indicated by *($p < 0.10$); **($p < 0.05$); or ***($p < 0.01$).

Table VIII.2. State-Fixed Effects Regressions with the Natural Log of the Number of UI First Payments as the Dependent Variable (robust standard errors in parentheses)

	(1)	(2)	(3)	(4)	(5)
Alternative Base Period Provision	0.0675* (0.036)	--	--	--	0.056 (0.039)
Part-Time Work Search Provision	--	-0.010 (0.051)	--	--	-0.028 (0.054)
Quits for Family Obligations Provision	--	--	0.0911** (0.041)	--	0.066 (0.053)
Quits to Follow Spouse for New Job Provision	--	--	--	0.0720* (0.040)	0.020 (0.050)
Total Unemployment Rate	0.133*** (0.017)	0.133*** (0.016)	0.126*** (0.015)	0.131*** (0.016)	0.128*** (0.015)
Lagged Total Unemployment Rate	-0.0793*** (0.013)	-0.0741*** (0.013)	-0.0744*** (0.013)	-0.0784*** (0.013)	-0.0783*** (0.013)
Log of New Unemployment Spells	0.264 (0.186)	0.263 (0.185)	0.310* (0.182)	0.287 (0.182)	0.308 (0.185)
Change in the Log of the Number of Employed People	-1.948* (1.104)	-2.051* (1.093)	-2.185** (1.062)	-1.906* (1.091)	-2.052* (1.081)
Proportion of Initial UI Claims Filed by Telephone or Internet	-0.096 (0.062)	-0.088 (0.060)	-0.071 (0.058)	-0.073 (0.061)	-0.084 (0.062)
State-Fixed Effects	Yes	Yes	Yes	Yes	Yes
R-squared	**0.987**	**0.987**	**0.985**	**0.987**	**0.988**
Probability > F for the Full Model	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Probability > F for the Modernization Provision Variables	**--**	**--**	**--**	**--**	**0.214**
Number of States	**51**	**51**	**51**	**51**	**51**
Number of Records	**408**	**408**	**408**	**408**	**408**

Source: Analysis of data from the UI Financial Handbook ET Handbook 394, the Bureau of Labor Statistics Local Area Unemployment Statistics and Current Employment Statistics (CES) programs, Office of UI Benefit Accuracy Measurement, the Comparison of State UI Laws, and states' applications for incentive funds.

Note: Regressions included the 50 states and the District of Columbia. The analysis did not include Puerto Rico and the Virgin Islands because it was not possible to construct for those jurisdictions one of the explanatory variables for the regressions. The data include years 2005 through 2012. The reported standard errors are robust and take into account clustering at the state level. Statistically significant coefficients are indicated by *(p < 0.10); **(p < 0.05); or ***(p < 0.01).

When a regression specification includes only one of the modernization provisions, as in regression specifications (1) through (4) in Tables VIII.1 and VIII.2, the results are difficult to interpret. Some indicate implausibly large estimated effects. For example, the OLS estimates suggest that an ABP provision increased first payments by 16 percent as did the provision that allows for eligibility of those workers who quit to follow a spouse to a new job (Table VIII.1). These effects are smaller in the fixed-effects regressions but still of a relatively large magnitude (Table VIII.2). Such findings probably resulted from some degree of correlation among the provisions in state laws. For example, states having an ABP might also have the part-time work provision. Thus, in the model that includes only the ABP, the estimated effect of that provision might be capturing effects of other provisions that were excluded from the model, as well as the effects of the provision that was included in the model. For this reason, we prefer the regressions that included all four of the modernization provision variables at the same time—that is, regression specification (5) in each table.

Although inclusion of all of the provisions in a single regression yielded more reasonable point estimates, few of the individual coefficients were statistically significantly different from zero. We attributed this finding also to possible correlations among the provisions. One support of this explanation is that the coefficients on the modernization provision variables were statistically significant as a group in the OLS regression (as can be seen from the results of the F-test of their joint statistical significance). The coefficients for these variables were not, as a group, statistically significant in the fixed-effect regressions, possibly because of further correlations between the provision variables and the fixed effects themselves—that is, the effects of the provisions (especially those in effect for the entire time period) might be incorporated into a positive state-fixed effect in the first payments measure. In most cases, the point estimates of the modernization provision coefficients implied that each of the provisions increased UI first payments,[64] though we stress that there is considerable uncertainty about the precise size of these estimates. In addition, it is important to keep in mind that the estimates in Tables VIII.1 and VIII.2 measure the effect of the various provisions of UI laws on UI first payments and not the effect of the ARRA incentives on UI first payments.

6. Assessing the Effect of the ARRA Modernization Incentives

To assess the effect of the provisions induced specifically by the ARRA modernization incentives, we incorporated into the analysis whether the state provisions arose from the ARRA incentives. Specifically, we developed a simple simulation model that sought to estimate the overall effect of the induced adoptions on UI first payments in calendar year 2012, which is the final year in our regression estimation. That is, we used the point estimates of the coefficients for the eligibility-related provisions in the fifth model specification shown in Tables VIII.1 and VIII.2 together with our assessment of whether the provision was incorporated after the ARRA incentives to estimate the effects of the newly implemented provisions on UI first payments. We did so because the point estimates are the best estimates of the provisions' effects, even though we cannot reject the hypothesis for Table VIII.2 that these coefficients are all equal to 0.

Simulations based on the OLS coefficients from Table VIII.1's specification 5 suggested that the ARRA-induced provisions increased UI first payments in 2012 by about 10.5 percent. This increase represents about 812,000 first payments in 2012 over what would have occurred in the absence of any ARRA-induced adoptions of provisions. Simulations based on the fixed-effects model shown in Table VIII.2's specification 5, which we generally believed to be more reliable, imply that UI first payments in 2012 were increased by about 469,000 (5.8 percent). Of course, given the imprecision of our estimated effects of the ARRA-induced provisions, as well as other limitations in the analysis, these results also are inherently imprecise. They are intended to provide a sense of the magnitude of the effects of the ARRA-induced incentives on UI first payments shortly after states adopted them. Although the imprecision of the estimates means that we cannot rule out a zero effect, taken at face value, they imply that the changes in states' UI laws induced by the modernization provisions caused a positive but relatively small increase in the number of first payments made in 2012. Changes in UI

[64]The part-time work provision had a negative coefficient in many of the regressions we ran when other provisions were included. It is possible that this finding reflected the composition of the unemployed population in the states and their interaction with the ABP provision (as indicated in Gould-Werth and Shaefer 2013). However, we had no direct evidence of that possibility.

laws at the state and federal level over time, as well as changes in the labor market, are likely to influence whether this conclusion will hold true in future years.[65]

We did not estimate through this type of regression analysis the effects of the modernization provisions on regular UI benefit costs, given that those provisions focus on access to the UI system and not benefit collection per se. However, for illustrative purposes, we provide in Appendix E a range of estimates for potential benefit payouts as a result of these estimates of the ARRA-induced increases in first payments; we also compare these estimates with the incentive funds that states received, finding that most states would have only a few years of benefits, at most, covered by the incentive payments. To do so, we assume that each UI recipient who receives an ARRA-induced first payment is eligible for a weekly benefit amount equal to each state's average weekly benefit amount and that he or she collects benefits for the same number of weeks as the state-specific average of weeks of benefits collected. Ultimately, and in contrast to the analysis shown in the appendix, we think it is more reasonable to expect that benefit costs would have increased by a smaller percentage than the increase in the number of UI recipients shown through these regressions. This expectation is due to the likelihood that workers newly eligible for UI benefits as a result of the provisions would have lower weekly benefit amounts (and, in some states, shorter entitlements and weeks of benefits collected) than would UI recipients overall. As shown by Gould-Werth and Shaefer (2013), it is possible that some subgroups of unemployed workers or potential UI recipients were more affected by the provisions than others.

C. TUR Trigger Adoption and EB First Payments

In this section, we examine the implications on the number of EB first payments of the increased number of states with the TUR trigger for EB in place. We begin by providing context for the historical size of EB during time periods in which there were congressionally-legislated emergency benefits programs. We then summarize our analysis approach to estimate the portion of EB first payments during the 2008 through 2013 period that can be attributed to new state adoptions of the TUR trigger after ARRA, as well as our findings.

1. Historical Perspective on the Importance of EB

As described in Nicholson and Needels (2011), the EB program was much more active during the 1970s and 1980s than it has been following that period and up to the most recent recession. During the mid-1970s, when the Federal Supplemental Benefits emergency benefits program was active, EB payments accounted for about 16 percent of the dollars in benefits paid through the regular UI, EB, and emergency benefits program. In contrast, during the early 1980s, when the Federal Supplemental Compensation emergency benefits program was active, EB accounted for about 5 percent of dollars paid. During periods in the early 1990s and early 2000s, when other emergency benefits programs were active, EB accounted for less than one-half of 1 percent of benefits paid. Although many factors are likely to have influenced this pattern in EB use over time, two related ones are especially

[65] As explained in Chapter VII, as of December 2014, six states had repealed one or more of the modernization incentive provisions for which they received incentive funds. The law changes in three of these states pertained only to the additional weeks of benefits available for exhaustees of regular UI benefits who were participating in approved training; this provision is not one of the eligibility-related provisions that this chapter examines.

important.[66] First is the secular decline in the IUR that occurred during the 1980s and persisted into the early 1990s. Second is low prevalence of states' adoptions of the optional TUR trigger.

The recent availability of 100-percent federal financing of EB benefits was intended to help restore the usage of EB by fostering states' adoption of the TUR trigger for the program. As we show in Section II.B, the offer of 100-percent financing was effective at encouraging states to adopt this trigger: only 12 states had it in place in January 2009, immediately prior to ARRA, while the number jumped to 36 as of January 2010. In the next section, we examine the implications of the increased number of states with the TUR trigger for EB in place on the number of EB first payments.

2. Analysis of EB First Payments Due to ARRA-Induced Adoptions of the TUR Trigger

To understand the potential impact on the overall size of the EB program of the ARRA-induced adoptions of the TUR trigger, we estimated the EB payments from 2008 through 2013 that were made based on the IUR and TUR triggers. Using published weekly trigger notices from this time period, we determined the trigger mechanism by which EB was on in each week and jurisdiction using two steps. First, we determined whether the IUR would have been sufficient to activate EB based on the applicable laws in that jurisdiction for that week. This calculation took into account the 5 percent threshold with a two-year look-back period; optional use of (1) a fixed, 6 percent IUR trigger and/or (2) a three-year look-back period; and the requirement that the length of each period in which EB is either on or off must be at least 13 weeks.[67] We then assumed that any additional weeks during which the EB program was on, but not accounted for by the IUR trigger, were due to the TUR trigger. Additional details of the analysis approach, including how this information was scaled up for use with monthly EB payments data, can be found in Appendix H.

In our analysis, we differentiated results between states that previously had TUR triggers in place and those that newly adopted TUR triggers after the passage of ARRA. In addition, we focused on EB first payments rather than other payment measures, such as weeks paid or benefits paid. One reason for this approach is that measures of weeks and benefits paid were more likely to take nonzero values during months in which the EB program was off in a given states (possibly due to situations in which the data show payments made in a month after the calendar week in which claimants were eligible for a payment); in contrast, first payments measures exhibited a closer relationship over time with the status of the EB program. In addition, the results for the other payment measures were similar to those for first payments. The approach of focusing on EB first payments is consistent with the analysis of UI recipiency presented earlier in this chapter.

Our calculations show that the TUR trigger was responsible for a substantial majority of EB activity from 2008 to 2013. Overall, almost 5.6 million EB first payments were made in weeks when the EB program was on in UI jurisdictions only because of a TUR trigger that was put in place either before or after ARRA. The EB first payments due to any type of TUR trigger correspond with 85 percent of the 6.6 million total EB first payments made during that period.

ARRA-induced adoptions of the TUR trigger had a particularly large effect. We estimate that almost 4.5 million EB first payments (68 percent of the national total) were made based on a newly

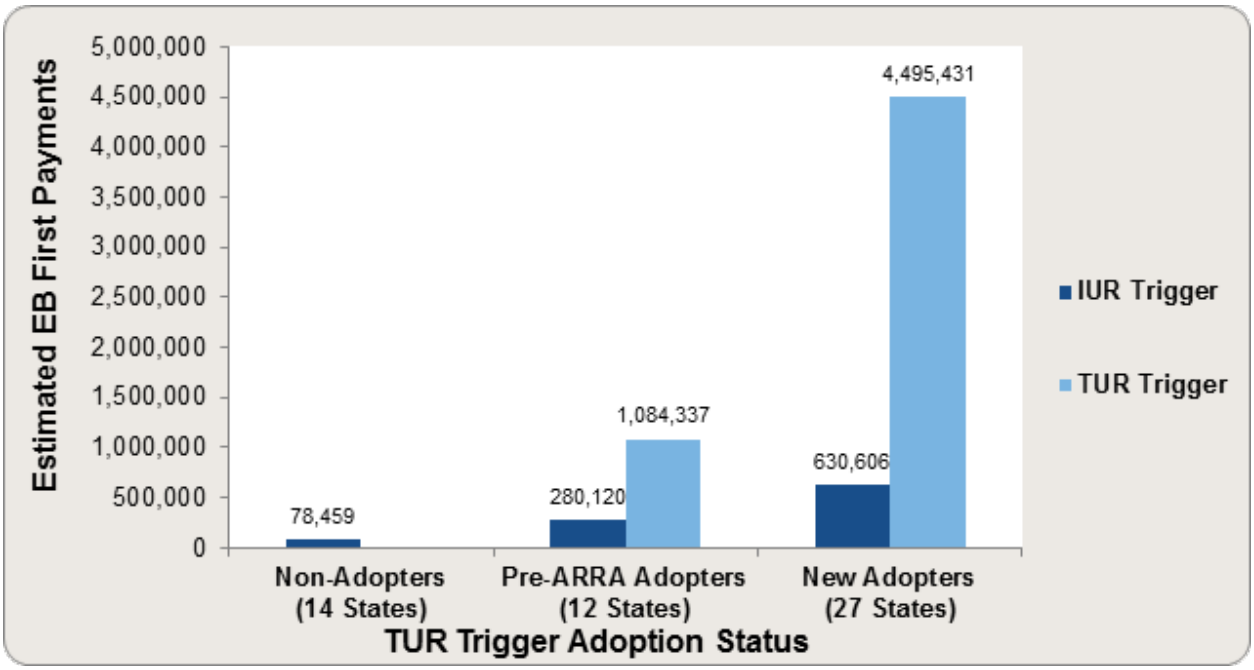
[66] Differences in the scales of these emergency benefits programs influence the percentages of dollars in benefits paid: all else equal, a larger emergency benefits program will lead to a lower share of total dollars paid through the EB program. However, alternate measures of the size of the EB program that are not dependent upon this or similar mechanical relationships show similar patterns over time.

[67] Chapter I Section B provides more information about the conditions through which a state can qualify for EB.

adopted TUR trigger. Among the 27 states that newly adopted the TUR trigger, the TUR trigger accounted for about 4.5 million out of 5.1 million, or about 88 percent, of EB first payments (Figure VIII.2). Additionally, the TUR trigger accounted for all EB first payments in 16 of these jurisdictions.

We found similar results for other measures of EB activity (results not shown). For example, approximately 69 percent of the total dollar value of EB weekly benefit payments made during 2008 through 2013 period ($29.5 billion) were paid during weeks in which states had the program triggered on only because of a newly adopted TUR trigger. Estimates of EUC08 and regular UI benefits during this time are $230.1 and $290.2 billion, respectively. EB accounted for about 5.4 percent of all benefits paid—a percentage that is comparable to the share of benefits paid during the 1980s, when the Federal Supplemental Benefits program was active.

Figure VIII.2. Estimated EB First Payments Between 2008 to 2013, by Trigger Mechanism and TUR Adoption Status



Note: See the text for additional details about these calculations.

D. Conclusions

Previous research on the effects of the modernization provisions on UI receipt had mixed conclusions about whether these provisions would have significant effects on UI receipt if they were adopted nationally. Lindner and Nichols (2012) estimated that the provisions might increase UI receipt by up to 20 percentage points among the unemployed, whereas Gould-Werth and Shaefer (2013) found that one of the major provisions (adoption of an ABP) would have almost no effect on the general population of unemployed workers. But these studies suffer from a variety of limitations, including an inability in the microlevel data to identify UI-eligible subgroups in their samples and to conduct the sort of state-by-state simulation required to reflect accurately the effect of the modernization provisions in inducing changes to UI laws. In contrast, Bleemer (2013) used aggregate

data and found that UI receipt increased by about 8 percent as a result of the provisions.[68] Although our simulations based on state-level aggregate data had a number of assumptions and other limitations of their own, they are consistent with Bleemer's finding that UI first payments increased by about 6 to 10 percent as a result of the ARRA inducements to implement the provisions. This estimate seems to be a middle ground relative to other estimates, which were based on either the analysis of the effect of only one modernization provision or an assumption that all states would adopt the ARRA provisions.

Overall, 42 of the 53 states had some EB first payments from 2008 through 2013. Of the approximately 6.6 million first payments, about 4.5 million (68 percent) were attributable to ARRA-induced adoptions of the TUR trigger, about another 1.1 million (17 percent) and 1.0 million (15 percent) were attributable to the presence of a TUR trigger prior to ARRA and to the IUR trigger, respectively. Among the 27 states that newly adopted the TUR trigger, the TUR trigger accounted for about 4.5 million out of 5.1 million, or about 88 percent, of EB first payments. In 16 states, an ARRA-induced TUR trigger accounted for all EB first payments.

[68] The focus of this paper is the possible endogeneity of the ARRA adoptions (that is, that the adoptions occurred because of a state's labor market characteristics). To identify these effects, the author had to make a number of untestable assumptions and use a fairly sophisticated econometric methodology.

IX. CONCLUSION

The federal government's offer to provide states financial incentives to encourage them to adopt policies that would increase benefit eligibility and recipiency rates among the unemployed successfully drove adoption of the incentivized policies. We developed several conclusions based on our analysis.

First, there was widespread adoption of the (temporary) TUR trigger for the EB program, with all adopting states setting the trigger to expire when full federal financing of most EB benefits ended. All states that adopted the TUR trigger did in fact qualify for EB benefits. Although 12 states did not adopt the TUR trigger for EB, 4 would not have triggered onto EB even with the trigger, and one became eligible for EB through the IUR trigger. Three others indicated cost or implementation concerns, or philosophical objections.[69] In most of the non-adopting states that would have qualified for EB had they adopted the TUR trigger, control of the legislative and executive branches was divided between the Democratic and Republican political parties. Furthermore, some of the non-adopting states reported having little discussion of adopting the TUR trigger and, in most cases no legislation was introduced, perhaps implying few supporters of adoption. Thus, it is unclear whether any additional financial incentives could have induced these non-adopting states to adopt the TUR trigger.

Of the approximately 6.6 million EB first payments from 2008 through 2013, about 4.5 million (68 percent) were attributable to ARRA-induced adoptions of the TUR trigger. Although 42 of the 53 states had some EB first payments, an ARRA-induced TUR trigger accounted for all EB first payments in 16 states.

Second, the modernization incentive funds spurred adoption of the ABP, with most responding states listing access to incentive funds as their primary consideration when deciding whether to adopt it. In addition, almost all states in which the incentive payment would be expected to exceed the states' estimated costs of adopting the provision over a five-year or longer time horizon adopted the ABP; this finding held regardless of the partisan composition of the state legislative and executive branches. The incentives spurred adoption even among some states for which the incentives would not have been expected to exceed estimated costs in the long term, with most of these states reporting that the incentive payments were the primary factor in their decisions to adopt. It is possible that these states considered a relatively short time horizon in examining costs when making their adoption decisions. They were also likely to have Democratic control of one or both branches of government, although two states with complete Republican control also adopted the ABP under these circumstances. In general, states that did not adopt the ABP and provided cost estimates did not expect the incentive payments to cover their estimated costs over a 10-year time horizon.

Furthermore, almost all states for which the incentives would be expected to exceed the estimated costs of adopting two of the four other modernization provisions did adopt those provisions. Most states whose two-thirds incentive payment would be expected to exceed its estimated costs of adopting the provisions over a 10-year period completed adoption of two of the four provisions. Even some states for which costs would not be expected to be covered by the incentive payment in the long term adopted the provisions. States indicated that accessing incentive

[69] None of the non-adopters selected on the survey our pre-specified option of philosophical objections as one of their top three considerations against adoption, as can be seen in Figure IV.2. However, they did select "Other" objections and wrote those in. Those responses, presented in Table IV.3, indicate that some of the states had what could be considered to be philosophical objections.

funds and already having parts of one or both provisions in place were primary considerations in favor of completing full adoption of the provisions. Almost all the states that reported not completing full adoption of two of the four modernization provisions had some discussion about adoption, with some states indicating the adoption debate was intense. Cost considerations typically were the top factor in the decision to not adopt the policies, according to the survey responses. It is possible that either additional incentive funds or providing additional assistance to states to reduce the costs of adopting the provisions could have induced some states to adopt the remaining provisions. However, there was a small set of states for which philosophical objections reportedly made adoption infeasible; it is unclear whether a large incentive payment would have helped spur adoption among these states.

Finally, we estimated that ARRA-induced adoption of the ABP provision, the part-time work provision, and two of the three components of the provision about quitting related to compelling family reasons might have increased UI first payments by about 6 to 10 percent in 2012. Our analysis was motivated by an expectation that state adoption of these provisions in response to ARRA might increase entry to the UI program, because the provisions are intended to remove barriers to accessing the program. (Some of the other provisions, which were not part of our analysis, might have an indirect effect on program entry, and we could not include in our analysis the third component of the compelling family reasons provision because of data limitations.) Our analysis was based on state-level administrative data, which enabled us to estimate the effects across all states in the nation. We caution that there is considerable uncertainty about our estimate of the effects of the provisions used in our analysis on the number of first payments, given limitations in the analysis, and we could not reject the hypothesis that the effects of the provisions were zero. It is possible that that the effects of the modernization provisions were overwhelmed by the broader changes to the UC system during this time.

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APPENDIX A

STATES' MODERNIZATION INCENTIVE FUNDS ALLOCATIONS

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Table A.1. States' Modernization Incentive Funds Allocations (dollars)

State	Distribution	One-Third Share	Two-Thirds Share
Alabama	100,473,351	33,491,117	66,982,234
Alaska	15,619,234	5,206,411	10,412,823
Arizona	150,096,885	50,032,295	100,064,590
Arkansas	59,969,332	19,989,777	39,979,555
California	838,680,283	279,560,094	559,120,189
Colorado	127,469,762	42,489,921	84,979,841
Connecticut	87,811,338	29,270,446	58,540,892
Delaware	21,868,398	7,289,466	14,578,932
District of Columbia	27,632,982	9,210,994	18,421,988
Florida	444,275,516	148,091,839	296,183,677
Georgia	220,286,144	73,428,715	146,857,429
Hawaii	30,526,725	10,175,575	20,351,150
Idaho	32,260,831	10,753,610	21,507,221
Illinois	301,150,687	100,383,562	200,767,125
Indiana	148,498,323	49,499,441	98,998,882
Iowa	70,814,387	23,604,796	47,209,591
Kansas	68,970,143	22,990,048	45,980,095
Kentucky	90,175,943	30,058,648	60,117,295
Louisiana	98,385,331	32,795,110	65,590,221
Maine	28,231,263	9,410,421	18,820,842
Maryland	126,750,124	42,250,041	84,500,083
Massachusetts	162,683,341	54,227,780	108,455,561
Michigan	208,282,572	69,427,524	138,855,048
Minnesota	130,063,620	43,354,540	86,709,080
Mississippi	56,136,656	18,712,219	37,424,437
Missouri	133,308,082	44,436,027	88,872,055
Montana	19,525,764	6,508,588	13,017,176
North Carolina	205,063,552	68,354,517	136,709,035
North Dakota	14,552,205	4,850,735	9,701,470
Nebraska	43,625,769	14,541,923	29,083,846
Nevada	76,937,412	25,645,804	51,291,608
New Hampshire	31,401,220	10,467,073	20,934,147
New Jersey	206,823,364	68,941,121	137,882,243
New Mexico	39,022,582	13,007,527	26,015,055
New York	412,742,107	137,580,702	275,161,405
Ohio	264,508,588	88,169,529	176,339,059
Oklahoma	75,886,483	25,295,494	50,590,989
Oregon	85,574,641	28,524,880	57,049,761
Pennsylvania	273,299,496	91,099,832	182,199,664
Puerto Rico	41,247,756	13,749,252	27,498,504
Rhode Island	23,460,578	7,820,193	15,640,385
South Carolina	97,459,490	32,486,497	64,972,993
South Dakota	17,647,634	5,882,545	11,765,089
Tennessee	141,808,031	47,269,344	94,538,687
Texas	555,671,344	185,223,781	370,447,563
Utah	60,997,206	20,332,402	40,664,804
Vermont	13,917,898	4,639,299	9,278,599
Virgin Islands	2,002,911	667,637	1,335,274
Virginia	188,453,049	62,817,683	125,635,366
Washington	146,593,828	48,864,609	97,729,219
West Virginia	33,176,630	11,058,877	22,117,753
Wisconsin	133,934,079	44,644,693	89,289,386
Wyoming	14,245,130	4,748,377	9,496,753
Total	**7,000,000,000**	**2,333,333,331**	**4,666,666,669**

Source: http://wdr.doleta.gov/directives/attach/UIPL/UIPL14-09g.pdf.

Note: Puerto Rico and the Virgin Islands are not included in the analyses of the Survey of UI Administrators. Excluding these UI jurisdictions, the totals are $6,956,749,333 for the Distribution column; $2,318,916,444 for the One-Third Share column; and $4,637,832,889 for the Two-Thirds Share column.

Table A.2. Number of UI Jurisdictions Receiving Two-Thirds Incentive Payments, by Provision

	Part-Time Work	Compelling Family Reasons	Dependents' Allowance	Training for UI Exhaustees
Count of States	27	21	7	16

Source: Review of state applications for modernization incentive funds.

Note: These counts include all UI jurisdictions, even if they were not part of the analyses of the Survey of UI Administrators.

UI = unemployment insurance.

APPENDIX B

DESCRIPTION OF THE SURVEY OF UI ADMINISTRATORS

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In November 2012, we emailed a copy of the survey questionnaire to Unemployment Insurance (UI) jurisdictions in the 50 states and the District of Columbia (the states). We also sent a hard copy through regular mail. We received responses from 49 of the 51 states from November 2012 to July 2013, yielding a 96 percent response rate. New York and Texas did not return completed surveys. The survey was completed by the UI director within each state or his or her designee(s) and could be returned via a prepaid business reply envelope, email, or fax. The state staff were not compensated for completing the survey, because the action was considered part of their work-related responsibilities.

The expected effort to complete the survey varied based on the state's legislative experiences related to the provisions. The survey began with an introduction that included definitions of terms and a brief background on each provision being addressed, to ensure a consistent understanding of terms throughout the survey and across survey respondents. It next presented prefilled state-specific information about the state's provisions and (if applicable) when legislation putting the provisions into place was passed. The information in this section was collected from the public domain and was designed to act as a trigger in reminding survey respondents about the details of their states' legislative actions. The survey then followed with three modules that covered (1) the total unemployment rate (TUR) trigger for Extended Benefits (EB), (2) the alternative base period (ABP), and (3) the other modernization provisions. Because the survey was self-administered, we do not have information on how long the surveys took to complete. However, based on pre-tests of the survey with three former UI administrators, we expected that completing the survey would take about 50 minutes for states that had an extensive amount of legislative action regarding the Unemployment Compensation (UC)-related provisions of American Recovery and Reinvestment Act of 2009 (ARRA). Completing the survey was expected to take only about 20 minutes for states that had less legislative action about which to report, because staff from these states could skip large portions of the survey.

More generally, the results of the pre-tests with former UI administrators indicated that no major changes to the draft survey instrument were required, although some minor adjustments to response categories and question phrasing were made. The three states that the pre-test respondents represented had different adoption experiences, which meant that two respondents had to complete all the modules, whereas the other could skip an entire module that did not pertain to his state's experiences. The pre-tests focused on respondents' ability to provide the requested information and identified some problems with specific questionnaire items including question clarity, skip errors, and question flow. However, respondents generally understood the questions and were able to provide appropriate responses; the skip patterns were clear, and the general flow worked well. The pre-tests were conducted sequentially, with lessons learned in the first pre-test incorporated into subsequent pre-tests of the survey. Mathematica conducted debriefing calls with each respondent following survey completion. As former UI administrators, the pre-test respondents did not have access to some of the specific information requested on the questionnaire, such as the states' cost estimates for various provisions. However, the respondents estimated how much time it would take to look up the requested information and reported it to Mathematica during debriefing sessions.

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APPENDIX C

DISCREPANCIES OBSERVED BETWEEN RESPONSES ON THE SURVEY OF UI ADMINISTRATORS AND PUBLICLY AVAILABLE INFORMATION

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The study team checked the validity of the states' responses about their adoption decisions by performing an independent analysis of each state's action using publicly available records. These records included Extended Benefits (EB) trigger notices and states' applications for modernization incentive funds. The applications for incentive funds contained copies of the legislation, often noting places it had been changed, and a narrative description of the legislative changes the state had undertaken. We used this information to determine whether a state that applied for incentive funds already had a given policy in place before the American Recovery and Reinvestment Act of 2009 (ARRA) and, if so, whether it already conformed to ARRA or had to be modified (Table C.1).

Although we found some inconsistencies between states' reported actions and those actions revealed through analysis of public records, we do not believe they affect the main findings in this report.

Summary of discrepancies about the adoption decision:

- Three states reported already having a total unemployment rate (TUR) trigger in place when they did not, according to the study team's analysis; one of those states newly adopted a TUR trigger, and the other two did not adopt a TUR trigger. One state indicated modifying an existing trigger, but it already had a conforming trigger in place.
- One state (Missouri) reported newly adopting an alternative base period (ABP) and two of the four other modernization provisions, but these provisions did not conform to ARRA specifications to qualify for the incentive payments.
- For the other modernization provisions, one state indicated it already had two ARRA-conforming policies, but it modified existing policies according to the study team's review of the public documents. Five states indicated they modified existing policies, but three of them newly adopted two policies, one already had them, and the other did not actually adopt the two policies, according to the public documents. Finally, one state indicated that it newly adopted the policies but, according to the public documents, it modified existing policies.

Table C.1. Adoption of TUR Trigger and ARRA-Specified Modernization Provisions Based on an Analysis of Publicly Available Documents

State	TUR Trigger	ABP	Other Provisions			
			Part-Time Work	Compelling Family Reasons	Dependents' Allowance	Training for UI Exhaustees
Alabama	New	No	No	No	No	No
Alaska	Had	New	No	New	Had	No
Arizona	New	No	No	No	No	No
Arkansas	No	New	New	New	No	No
California	New	New	Had	Modified	No	No
Colorado	New	New	Modified	New	No	No
Connecticut	Had	Modified	No	New	Had	No
Delaware	New	New	New	New	No	No
DC	New	Had	Had	No	No	New
Florida	New	No	No	No	No	No
Georgia	New	Modified	New	No	No	New
Hawaii	No	Had	Modified	New	No	No
Idaho	New	New	New	No	No	New
Illinois	New	Had	No	Modified	Modified	No
Indiana	New	No	No	No	No	No
Iowa	No	New	New	No	No	New
Kansas	Had	New	New	No	No	New
Kentucky	New	No	No	No	No	No
Louisiana	No	No	No	No	No	No
Maine	New	Had	Had	No	No	Modified
Maryland	New	New	Modified	No	No	New
Massachusetts	New	Had	No	No	Had	Modified
Michigan	New	Had	No	No	No	No
Minnesota	Had	Modified	Modified	New	No	No
Mississippi	No	No	No	No	No	No
Missouri	New	No	No	No	No	No
Montana	No	New	New	No	No	New
Nebraska	No	New	Modified	No	No	New
Nevada	New	New	Had	Had	No	No
New Hampshire	Had	Had	Had	New	No	No
New Jersey	Had	Had	Had	No	No	Modified
New Mexico	Had	Had	Had	No	Had	No
New York	New	Had	New	New	No	No
North Carolina	Had	Had	Modified	Modified	No	No
North Dakota	No	No	No	No	No	No
Ohio	New	Had	No	No	No	No
Oklahoma	No	Modified	New	Modified	No	No
Oregon	Had	New	No	Modified	No	Modified
Pennsylvania	New	No	No	No	No	No
Puerto Rico	No	Modified	Modified	Modified	No	No
Rhode Island	Had	Had	No	New	Modified	No
South Carolina	New	New	New	New	No	No
South Dakota	No	New	Modified	No	No	New
Tennessee	New	New	Modified	No	New	No
Texas	New	No	No	No	No	No
Utah	No	New	No	No	No	No
Vermont	Had	Had	Had	No	No	New
Virgin Islands	No	New	New	New	No	No
Virginia	New	Had	No	No	No	No
Washington	Had	Had	No	Modified	No	Modified
West Virginia	New	New	No	No	No	No

State	TUR Trigger	ABP	Other Provisions			
			Part-Time Work	Compelling Family Reasons	Dependents' Allowance	Training for UI Exhaustees
Wisconsin	New	Had	No	New	No	New
Wyoming	No	No	No	No	No	No

Key	
No	Did not adopt an ARRA-specified provision[a]
Modified	Had a similar provision in place and made small changes to meet ARRA specifications
New	Newly adopted ARRA-specified provision
Had	Already had a provision meeting ARRA specifications in place and made no changes

Note: We were not able to obtain information on modifications for the TUR trigger, only whether the state had one that conformed to DOL's specifications.

ABP = alternative base period; TUR = total unemployment rate

[a]State might have had a similar provision in place.

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APPENDIX D

STATES' REPEALS OF MODERNIZATION PROVISIONS

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To supplement the analysis of the likelihood of repeal reported by state administrators as part of the Survey of UI Administrators (see Chapter VIII), we assessed the prevalence of repeals. This information is based on a review of publicly available data and information provided by either staff from the Office of Unemployment Insurance (UI) within the U.S. Department of Labor (DOL) or the National Employment Law Project. As of December 2014, six states had repealed one or more of the three modernization provisions for which they received incentive funds under the American Recovery and Reinvestment Act of 2009 (ARRA).[70] Table D.1 shows which provisions entitled the states to their incentive funds, as well as which provisions they repealed. The table also shows the total number of states that received incentive funds for each of the modernization provisions, to facilitate an assessment of the rates of repeal of each of the provisions.

All six of the states that repealed one or more of their modernization provisions received their full modernization incentive allocations, indicating that they adopted the alternative base period (ABP) and the two-of-four provisions (Table D.1). The most frequent two-of-four provisions adopted by or already on the books of the six states that repealed provisions were the provisions related to claimants seeking part-time employment (five of the six states) and exhaustees in approved training (four of the six states).

As of December 2014, five of the six states that repealed a modernization provision repealed the ABP and/or just one of the two-of-four provisions. However, Tennessee, repealed all three of the modernization provisions for which it received incentives (the ABP and both of the other modernization provisions). As a result, among three provisions adopted by each of the six states, for a total of 18 provisions for which incentive funds were provided, 18 had been fully or partly repealed. The provision for benefits for exhaustees in training was most frequently repealed, with four of the six states repealing it. Because the training benefits provision was adopted by or already on the books for only 16 states overall, this provision also had the highest rate of repeal, at 25 percent (= 4/16), among states that received an incentive for the provision. Two states (Kansas and Tennessee) repealed the ABP, and two states (North Carolina and Tennessee) repealed eligibility for claimants seeking part-time employment. North Carolina was the only state to repeal any of the provisions related to quits for compelling family reasons. After its law change, it continued not to disqualify claimants for benefits if they quit due to domestic violence or to follow a spouse in the military, but it does disqualify claimants who quit due to their own illness, to care for sick relatives, or to follow a spouse in civilian employment. Tennessee was the only state to institute a totally new dependents' allowance after the enactment of ARRA, but it subsequently repealed this provision.

[70] In addition to the six states that are the focus of this appendix, Colorado repealed UI benefit eligibility for exhaustees in training. However, it is not included as a focus of the appendix because it did not receive ARRA modernization incentive funds for the provision that it repealed. The state received all of the modernization incentives funds available to it through the adoption of the ABP, the part-time work search provision, and the quits provision.

Table D.1. Repeals of Modernization Provisions Among States with Any Repeals

	Received Incentive Funds for Modernization Provision					
	ABP	Part-time Work	Compelling Family Reasons	Dependents' Allowance	Training for UI Exhaustees	Number of Provisions Repealed
Georgia	Yes	Yes	No	No	Yes but Repealed	1
Kansas	Yes but Repealed	Yes	No	No	Yes but Repealed	2
North Carolina	Yes	Yes but Repealed	Yes but Repealed[a]	No	No	2 (at least partly)
South Dakota	Yes	Yes	No	No	Yes but Repealed	1
Tennessee	Yes but Repealed	Yes but Repealed	No	Yes but Repealed	No	3
Wisconsin	Yes	No	Yes	No	Yes but Repealed	1
Number of Repealing States that Received Modernization Incentive Funds for the Provision	6	5	2	1	4	--
Number of these States that Repealed the Provision	2	2	1	1	4	10
Number of States that Received Modernization Incentive Payment for this Provision	41	28	21	7	16	--
Percentage of All States that Received Modernization Incentive Payment for the Provision that Repealed It	4.9	7.1	4.8	14.3	25.0	--

Source: Information collected from the 2014 issue of the "Comparison of State Unemployment Insurance Laws" and from staff at the Office of UI within DOL and the National Employment Law Project.

Note: The bottom row of the table shows the number of states among all 53 states (UI jurisdictions) that that received an incentive payment for each modernization provision.

[a]The modernization provision related to eligibility for benefits for claimants who quit their former employment due to compelling family reasons had three components. The state repealed some components of the provision. We count the state as having repealed the provision because it disqualifies claimants who quit due to their own illness, to care for sick relatives, or to follow a spouse in civilian employment. The state has continued to allow eligibility for benefits when the quit was due to domestic violence or to follow a spouse in the military.

APPENDIX E

COMPARISON BETWEEN UI MODERNIZATION INCENTIVE AMOUNTS AND INCREASES IN BENEFIT PAYOUT COSTS FROM ADOPTING MODERNIZATION PROVISIONS

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In this appendix, we present comparisons of estimated jurisdiction-level increases in benefits costs (as of 2012) associated with adoption of modernization provisions induced by the American Recovery and Reinvestment Act of 2009 (ARRA) and the incentive payments that states received for having the provisions as part of their state unemployment insurance (UI) laws. The goal of the analysis is to estimate the number of years that it would take UI jurisdictions to spend down their modernization incentive funds through benefit payouts. This estimate can help to put the modernization payments in context by expressing them in terms of the number of years of additional benefits they would cover.

The analysis can be viewed as a complement to the findings from the analysis of UI Administrators Survey data that were based on states' estimates of the costs to adopt modernization provisions (see Tables V.3 and VI.6). Based on the survey data for 24 states that provided their projected costs of adopting the alternative base period (ABP), we estimate that 19 of them (= 79 percent) would have the incentive be about equal to or exceed their costs over a 3-year period. As the time horizon increased, however, a smaller portion of states would have their incentive equal or exceed their costs—because the incentive payment does not change over time but costs would increase. For example, the incentive would equal or exceed costs of adopting the ABP for 7 of the 24 states (= 29 percent) over a 10-year period. For the other modernization provisions, we calculated that 30 of the 32 states for which we have cost information (= 94 percent) would have the incentives equal or exceed their costs over a 3-year period, and incentives would equal or exceed costs for 22 states (= 69 percent) over a 10-year period.

For the analysis in this appendix, we used two factors to estimate the ARRA-induced annual benefits paid. The first is an estimated increase in UI first payments. Chapter VIII explains in more detail the analysis used to generate this estimate. For our purpose, a key issue is that we included in the analysis a range of estimates. That is, for each state, we calculated a "low" estimate, corresponding to a regression model that included UI jurisdiction fixed effects, and a "high" estimate, corresponding to the model without fixed effects. The second factor is the average UI benefits paid per recipient. We measured this factor as the average duration of UI benefits received times the average weekly benefit amount (WBA) in each state using ETA 394 Financial Handbook data from 2012.

We developed state-specific increases in benefit payments for calendar year 2012 (Table E.1) by multiplying the estimates of the ARRA-induced increase in first payments by the benefits per recipient. The analysis does not take into account any administrative costs associated with benefit eligibility determinations or benefit payments.

Next, to determine the number of years of benefits covered by the incentive payments, we calculated state-specific ratios of incentive payments received divided by the estimated increases in benefit costs from ARRA-induced adoptions of modernization provisions (Table E.1). Implicit in these calculations is an assumption that the annual ARRA-induced benefit payments would remain the same each year after 2012. However, many factors could affect the reasonableness of this assumption, such as changes in states' economies, labor markets, or UI laws.

The analysis of the number of years of benefits that could be covered by incentive payments included only states that modified their laws and received incentives. States that previously had provisions on their books had no increase in first payments from ARRA-induced adoptions; they received windfalls. Therefore, their ARRA-induced benefit payments would never accumulate to the value of the incentive. In addition, the experience of adopting states and their resulting estimated changes in benefit costs cannot be extrapolated to non-adopting jurisdictions. States that did not adopt

such provisions might have experienced substantially different changes in benefit costs from adopting the provisions, relative to those that actually chose to adopt. However, similar results arose when we considered non-adopting jurisdictions and made a range of assumptions about how their first payments would have changed due to adoption (results not shown).

The results of the analysis show that most states would have only a few years of benefits, at most, covered by the incentive payments. The average number of years before the incentive would no longer be equal to or exceed costs is between one and three. These results suggest higher benefit costs than the analysis of responses to the Survey of UI Administrators. That analysis showed that a higher percentage of states (for which cost information was available) would have their incentives equal or exceed costs for at least three years for the adoption of the ABP and other provisions.

Because the modernization provisions could be expected to increase access to UI benefits by lower wage workers or workers with fewer hours worked per week (see Gould-Werth and Shaefer 2013, for example), the analysis in this appendix may likely overstate the ARRA-induced first payments.

Table E.1. Estimated Number of Years of Benefits that Could be Covered by the Modernization Incentives, by UI Jurisdiction

		Low Estimate of the Increase in ARRA-Induced First Payments[a]		High Estimate of the Increase in ARRA-Induced First Payments[b]	
Jurisdiction	Incentive Funds Received	Estimated Annual Increase in Benefit Costs	Years of Additional Benefit Costs Covered by Incentive	Estimated Annual Increase in Benefit Costs	Years of Additional Benefit Costs Covered by Incentive
Alabama	$0	$0	n.a.	$0	n.a.
Alaska	$15,619,234	$22,727,111	0.69	$39,700,423	0.39
Arizona	$0	$0	n.a.	$0	n.a.
Arkansas	$59,969,332	$51,035,916	1.18	$89,151,122	0.67
California	$838,680,283	$951,287,480	0.88	$1,661,738,484	0.50
Colorado	$127,469,762	$84,080,526	1.52	$146,874,471	0.87
Connecticut	$87,811,338	$79,282,100	1.11	$108,976,040	0.81
Delaware	$21,868,398	$16,579,512	1.32	$28,961,606	0.76
District of Columbia	$27,632,982	$0	n.a.	$0	n.a.
Florida	$0	$0	n.a.	$0	n.a.
Georgia	$220,286,144	$-24,308,234	n.a.[a]	$3,417,376	n.a.[a]
Hawaii	$30,526,725	$20,846,793	1.46	$28,654,651	1.07
Idaho	$32,260,831	$4,839,556	6.67	$24,188,531	1.33
Illinois	$301,150,687	$196,164,455	1.54	$269,634,954	1.12
Indiana	$0	$0	n.a.	$0	n.a.
Iowa	$70,814,387	$23,658,007	2.99	$54,858,290	1.29
Kansas	$68,970,143	$21,431,111	3.22	$49,694,553	1.39
Kentucky	$0	$0	n.a.	$0	n.a.
Louisiana	$0	$0	n.a.	$0	n.a.
Maine	$28,231,263	$0	n.a.	$0	n.a.
Maryland	$126,750,124	$43,981,479	2.88	$101,984,446	1.24

Jurisdiction	Incentive Funds Received	Low Estimate of the Increase in ARRA-Induced First Payments[a]		High Estimate of the Increase in ARRA-Induced First Payments[b]	
		Estimated Annual Increase in Benefit Costs	Years of Additional Benefit Costs Covered by Incentive	Estimated Annual Increase in Benefit Costs	Years of Additional Benefit Costs Covered by Incentive
Massachusetts	$162,683,341	$0	n.a.	$0	n.a.
Michigan	$69,427,524	$0	n.a.	$0	n.a.
Minnesota	$130,063,620	$122,106,587	1.07	$213,299,574	0.61
Mississippi	$0	$0	n.a.	$0	n.a.
Missouri	$0	$0	n.a.	$0	n.a.
Montana	$19,525,764	$3,628,500	5.38	$18,135,566	1.08
Nebraska	$43,625,769	$7,672,573	5.69	$17,791,197	2.45
Nevada	$76,937,412	$54,620,031	1.41	$122,088,183	0.63
New Hampshire	$31,401,220	$10,263,979	3.06	$14,108,201	2.23
New Jersey	$206,823,364	$0	n.a.	$0	n.a.
New Mexico	$39,022,582	$0	n.a.	$0	n.a.
New York	$412,742,107	$303,058,959	1.36	$416,565,217	0.99
North Carolina	$205,063,552	$114,922,410	1.78	$157,964,902	1.30
North Dakota	$0	$0	n.a.	$0	n.a.
Ohio	$88,169,529	$0	n.a.	$0	n.a.
Oklahoma	$75,886,483	$22,803,012	3.33	$31,343,543	2.42
Oregon	$85,574,641	$106,217,145	0.81	$185,543,403	0.46
Pennsylvania	$0	$0	n.a.	$0	n.a.
Rhode Island	$23,460,578	$21,949,834	1.07	$30,170,821	0.78
South Carolina	$97,459,490	$35,013,311	2.78	$78,262,707	1.25
South Dakota	$17,647,634	$1,747,473	10.10	$4,052,049	4.36
Tennessee	$141,808,031	$13,961,501	10.16	$69,780,830	2.03
Texas	$0	$0	n.a.	$0	n.a.
Utah	$20,332,402	$12,850,059	1.58	$29,796,773	0.68
Vermont	$13,917,898	$0	n.a.	$0	n.a.
Virginia	$62,817,683	$0	n.a.	$0	n.a.
Washington	$146,593,828	$116,260,685	1.26	$159,804,408	0.92
West Virginia	$11,058,877	$12,545,779	0.88	$29,091,207	0.38
Wisconsin	$133,934,079	$89,289,662	1.50	$122,731,786	1.09
Wyoming	$0	$0	n.a.	$0	n.a.
Sum	***$4,374,019,041***	***$2,540,517,314***	***n.a.***	***$4,308,365,314***	***n.a.***
Average	***n.a.***	***n.a.***	***2.71***	***n.a.***	***1.21[a]***

Note: Results shown in this table are based on estimates of the ARRA-induced increases in first payments during 2012 associated with Chapter VIII regression analysis of UI recipiency. Low estimates are from the models that include UI-jurisdiction fixed effects and high estimates are from the models that exclude them. These two estimates correspond, respectively, to 5.8 percent and 10.5 increased first payments nationwide associated with modernization provisions adopted during the period when ARRA incentives were offered. See Chapter VIII and the text of this appendix for additional details. The analysis did not include Puerto Rico and the Virgin Islands, because for these jurisdictions it was not possible given data limitations to construct one of the key explanatory variables for the Chapter VIII regression analysis.

[a] We do not report Georgia's estimated number of years, because the estimates of Georgia's increase in benefits costs are (1) negative for the lower estimate and therefore would never result in a draw-down of its incentive funds; and (2) positive but very small for the higher estimate, in which case it would appear to take an extremely long time to draw down its incentive funds. In the latter case, including Georgia in the calculation for the average number of years covered by the incentives would add more than two years to the average shown in the table.

n.a. = not applicable.

APPENDIX F

REGRESSION ANALYSES USING DATA FROM THE SURVEY OF UI ADMINISTRATORS

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As mentioned at various points throughout the main report chapters, we used regression analyses and data from the Survey of Unemployment Insurance (UI) Administrators to examine the adoption decisions of states with respect to the total unemployment rate (TUR) trigger, the alternative base period (ABP), and two of the four other modernization incentive provisions specified in the American Recovery and Reinvestment Act of 2009 (ARRA). We made this examination to determine whether we could uncover statistically significant predictors of adoption based on the data collected through the survey and, potentially, the marginal effect of them on states' adoption decisions. Unfortunately, these efforts were largely unsuccessful, which we attribute primarily to the small number of observations available for each analysis. Nevertheless, for the interested reader we present the general framework for the regression analyses in this appendix, as well as a summary of the results for each provision.

A. General Framework for Analysis of Adoption Decisions

As explained in the body of this report, states potentially considered a range of factors when deciding whether to adopt the TUR trigger, ABP, and two of four other modernization provisions. Although one might expect costs and the size of incentive payments to be principal among these considerations, states could have taken other factors into account, as well. For example, for the ABP, states might have considered the value of expanding UI access to individuals not covered under the traditional base period (or accelerating access to individuals who would qualify one quarter later through a traditional base period) and philosophical views about accepting federal incentive funds when making their adoption decisions. We asked respondents to the Survey of UI Administrators to rank the order in which they considered factors in favor of and against adoption; the specific factors asked about varied depending on the policy.

To systematically examine these relationships, we estimated linear probability models predicting adoption as a function of the factors states considered in favor of and against adoption. In each regression, the dependent variable took the value 1 if the state did not already have an ARRA-conforming policy in place but subsequently fully adopted a policy, and 0 if the state did not have a policy in place and did not adopt one; states that already had an ARRA-specified provision in place were excluded. We included in the models three types of explanatory variables:

1. **For adoption of TUR trigger, ABP, and other modernization provisions: Factors considered in favor of or against adoption.** For each of the factors for and against adoption that were response options on the survey, we created a dummy variable taking the value 1 if the state ranked the factor among its top-three considerations and 0 otherwise.[71] Note that not all states responded to all of the questions in favor of and against adoption; therefore, the sample sizes vary across specifications.
2. **For adoption of ABP and other modernization provisions: How the size of the incentive payment compared with estimated costs over 3, 5, and 10 years.** We created dummy variables indicating whether, over each time horizon of interest, the size of the incentive payment exceeded the estimated costs of adopting the provision(s). This finding was possible only for the ABP and the other modernization provisions for which there were adoption incentives, not for the TUR trigger for Extended Benefits (EB). Not all states provided these cost estimates; therefore, the sample sizes for these regressions

[71] We also allowed respondents to indicate that they had other considerations, and they could write them on a line provided on the survey. We did not analyze these separately because (1) there were few such responses and (2) they were too varied to group in a logical manner.

are only 24 for the ABP and 31 for the other modernization provisions. As in Chapter VI, we summed the lowest two cost estimates in cases in which states estimated the costs of more than two provisions.

3. **For adoption of other modernization provisions: Whether the state had a pre-ARRA ABP.** We created a dummy variable taking the value 1 if the state already had an ABP, as reported on the survey, and included this as an explanatory variable for the regressions predicting adoption of other modernization provisions. This approach takes into account the fact that states had to have an ABP in place in order to receive incentive funds for adopting the other modernization provisions; thus, the states that already had an ABP in place might have considered different factors in favor of or against adoption.[72]

Because of the limited degrees of freedom available for these analyses, we estimated very parsimonious models to avoid introducing collinearity in the regressions. Thus, the regressions included only one explanatory variable at a time. We also included the state-specific TUR in 2008 to control for economic conditions shortly before ARRA was passed, which could potentially have also influenced adoption of the provisions. This value was a statistically significant predictor only of adoption of the TUR trigger, not for any other provisions. Because of the small sample sizes and limited statistical precision, we examine and discuss estimated coefficients that are significant at *p*-values of 0.10 and below.

B. Results for the TUR Trigger

Table F.1 shows the full set of results for the regressions predicting adoption of the TUR trigger for EB using the responses from the survey about the factors in favor of and against adoption. Each row in the table represents a separate regression. The state-specific average TUR in 2008 was a statistically significant predictor of adopting the TUR trigger for EB in all specifications among states that had not already adopted the TUR trigger; states with higher average TURs in 2008 were roughly 21 to 26 percent more likely to adopt the TUR trigger for EB across specifications.

None of the factors in favor of adoption had a statistically significant relationship to adopting the TUR trigger, although note that the factor *becoming eligible for EB while fully federally financed* was selected by all states as a top-three factor in favor of adoption, rendering its coefficient not estimable. One factor against adopting—having philosophical objections—did have statistically significant relationships with adopting the TUR trigger; however, the coefficient on the variable indicating philosophical objections is the opposite sign of what we would expect. According to these results, states that indicated philosophical objections as one of their top three concerns about adopting the TUR trigger were 35.4 percent *more* likely to adopt the trigger than states that did not list this concern in their top three. Given the paucity of statistically significant coefficients and the unexpected sign on the coefficient for philosophical objections, we urge caution when interpreting this result. Although we cannot be certain of the cause of the unexpected sign, we note that there was a high rate of not answering this question on the survey, with only 22 states responding.

[72] Although states could have had different considerations for adopting the ABP based on whether they already had two of the four other modernization incentives in place, we do not include a control for this factor in the ABP regressions, because we know from the survey that only two states had two of the four provisions in place before ARRA. One of these states already had a pre-ARRA ABP.

Table F.1. Regressions Predicting Adoption of the TUR Trigger for EB Using the Factors in Favor of and Against Adopting It

	Explanatory Variable Coefficient (std. error)	2008 TUR Coefficient[a] (std. error)	R-Squared	Number of States	Mean Value of Explanatory Variable[b]
Factors in Favor of Adopting					
Becoming Eligible for EB in General	0.032 (0.142)	0.214*** (0.048)	0.384	32	0.625
Becoming Eligible for EB While Fully Federally Financed	-- (--)[c]	0.211*** (0.045)	0.382	32	1.000
Extending Customer Eligibility for an Extra Seven Weeks of EB	-0.208 (0.129)	0.227*** (0.043)	0.43	32	0.688
Maintaining Eligibility for EB	-0.049 (0.154)	0.214*** (0.047)	0.385	32	0.313
Factors Against Adopting					
State Would Not Have Triggered on Through the TUR Trigger	-0.084 (0.236)	0.227*** (0.063)	0.462	22	0.318
One-Time Administrative Costs Prohibitive	-0.002 (0.167)	0.243*** (0.045)	0.458	22	0.455
Ongoing Administrative Costs Prohibitive	-0.236 (0.137)	0.230*** (0.049)	0.502	22	0.273
Philosophical Objections	0.354** (0.141)	0.216*** (0.036)	0.543	22	0.227
Concern About Lengthening Duration of UI Claims	0.168 (0.170)	0.259*** (0.043)	0.485	22	0.545
Increased Employer Costs	0.226 (0.163)	0.232*** (0.041)	0.508	22	0.409
Increased Federal Deficits	0.225 (0.167)	0.227*** (0.043)	0.481	22	0.136

Source: Analysis of data from the Survey of UI Administrators using linear probability models.

Note: Each row represents a separate regression. Beneath each coefficient is its robust standard error. Statistically significant coefficients are indicated by * ($p < 0.10$); ** ($p < 0.05$); or *** ($p < 0.01$).

[a]TUR is expressed as a percentage, ranging from 0 to 100.

[b]All factors in favor of and against adopting are binary variables, so their means express the percentage of states included in the analysis that indicated the factor was one of its top-three considerations.

[c]This coefficient could not be estimated because it has a value of 1 for all states in the regression.

EB = Extended Benefits; TUR = total unemployment rate; UI = unemployment insurance.

C. Results for the ABP

We conducted a similar set of linear probability regressions for the ABP, predicting its adoption as a function of the factors states reported considering in favor of or against adoption (Table F.2). By and large, our descriptive analysis presented in Chapter V uncovered few differences in the frequency with which states that did and did not adopt the ABP indicated considering various factors for and against adopting it. Therefore, it is not surprising that the regressions uncovered only one statistically significant factor predicting ABP adoption from among the six factors in favor of and five factors against adoption: among states that had not already adopted an ABP, those indicating that a significant number of claimants eligible under an ABP would become eligible anyway was a top-three factor in favor of adopting were 36.1 percent more likely to adopt an ABP than states not indicating this factor in their top three. However, the predictive power of these models is very low, and we urge caution in interpreting this result.

Table F.2. Regressions Predicting Adoption of the ABP Using the Factors in Favor of and Against Adopting It

	Explanatory Variable Coefficient (std. error)	2008 TUR Coefficient[a] (std. error)	R-Squared	Number of States	Mean Value of Explanatory Variable[b]
Factors in Favor of Adopting					
Sustained High Unemployment Rate	0.223 (0.178)	-0.013 (0.062)	0.043	29	0.241
Desire to Increase Access to Program by Low-Income Workers	0.045 (0.188)	-0.006 (0.071)	0.003	29	0.483
Desire to Increase Access to Program by New Workers	0.094 (0.211)	-0.013 (0.069)	0.009	29	0.724
Most Recent Quarter of Employment More Relevant for Determining UI Eligibility	-0.136 (0.183)	-0.011 (0.067)	0.022	29	0.448
Desire to Access Modernization Incentive Funds	-0.082 (0.179)	-0.001 (0.065)	0.006	29	0.724
Significant Number of Claimants Would Become Eligible Anyway	0.361*** (0.102)	-0.011 (0.066)	0.073	29	0.138
Factors Against Adopting					
One-Time Administrative Costs Prohibitive	-0.041 (0.192)	-0.027 (0.073)	0.007	28	0.571
Ongoing Administrative Costs Prohibitive	0.052 (0.197)	-0.022 (0.071)	0.008	28	0.643
Costs of Benefits Paid Out to Claimants Using ABP	-0.085 (0.195)	-0.025 (0.073)	0.013	28	0.643
Philosophical Objections	-0.215 (0.218)	-0.037 (0.067)	0.046	28	0.286
Most Claimants Would Become Eligible When the Next Quarter Begins Anyway	0.180 (0.198)	-0.012 (0.074)	0.039	28	0.429

Source: Analysis of data from the Survey of UI Administrators using linear probability models.

Note: Each row represents a separate regression. Beneath each coefficient is its robust standard error. Statistically significant coefficients are indicated by * ($p < 0.10$); ** ($p < 0.05$); or *** ($p < 0.01$).

[a]TUR is expressed as a percentage, ranging from 0 to 100.

[b]All factors in favor of and against adopting are binary variables, so their means express the percentage of states included in the analysis that indicated the factor was one of its top-three considerations.

ABP = alternative base period; TUR = total unemployment rate; UI = unemployment insurance.

We also predicted ABP adoption using the information some survey respondents provided about their estimated costs of adopting the ABP and how that related to the size of the incentive payment the state would receive by adopting the ABP (Table F.3). The size of the incentive payment relative to the estimated costs of adopting the ABP over 3, 5, or 10 years was not statistically significantly related to the decision to adopt the ABP. This finding is consistent with the descriptive analysis presented in Chapter V, which noted that, in addition to states whose incentives exceeded estimated costs, some states whose estimated costs exceeded the value of the incentives also adopted the ABP.

Table F.3. Regressions Predicting Adoption of the ABP Using the Size of Incentives Compared with Estimated Costs of the ABP Over 3, 5, and 10 Years

	Explanatory Variable Coefficient (std. error)	2008 TUR Coefficient[a] (std. error)	R-Squared	Number of States	Mean Value of Explanatory Variable[b]
Incentives Exceeded Costs Over 3 Years	0.185 (0.228)	0.049 (0.067)	0.059	24	0.708
Incentives Exceeded Costs Over 5 Years	0.293 (0.172)	0.055 (0.059)	0.122	24	0.375
Incentives Exceeded Costs Over 10 Years	0.183 (0.204)	0.037 (0.074)	0.056	24	0.292

Sources: Analysis of data from the Survey of UI Administrators and publicly available information on modernization incentive funds (see Appendix A) using linear probability models.

Note: Each row represents a separate regression. Beneath each coefficient is its robust standard error. Statistically significant coefficients are indicated by * ($p < 0.10$); ** ($p < 0.05$); or *** ($p < 0.01$).

[a]TUR is expressed as a percentage, ranging from 0 to 100.

[b]Whether incentives exceeded costs is a binary variable, so their means express the percentage of states included in the analysis for which incentives exceeded estimated costs.

ABP = alternative base period; TUR = total unemployment rate; UI = unemployment insurance.

D. Results for the Other Modernization Provisions

Consistent with the descriptive results presented in Chapter VI, the regression analyses found that already having parts or all of one or two provisions in place was a statistically significant predictor of adoption of the other modernization provisions (Table F.4). States that ranked this factor as a top-three consideration were 33.7 percent more likely to adopt the other modernization provisions than states that did not. Ranking ongoing administrative costs as a top-three factor against adopting the provisions was the only statistically significant factor predicting non-adoption of the other modernization provisions; states that ranked this consideration in their top three were 34.7 percent less likely to adopt the other modernization provisions than states that did not. In many of the specifications, already having an ABP was a statistically significant predictor of adopting the other modernization provisions, with coefficients suggesting states with a pre-ARRA ABP were 20 to 40 percent more likely to adopt the other modernization provisions.

Table F.4. Regressions Predicting Adoption of Other Modernization Provisions Using the Factors in Favor of and Against Adopting Them

	Explanatory Variable Coefficient (std. error)	Had a Pre-ARRA ABP (std. error)	2008 TUR Coefficient[a] (std. error)	R-Squared	Number of States	Mean Value of Explanatory Variable[b]
Factors in Favor of Adopting						
Already Had Parts in Place	0.337** (0.164)	0.224* (0.112)	-0.016 (0.052)	0.203	41	0.707
Increased Access to Program for Certain Population Segments	-0.063 (0.135)	0.239** (0.113)	-0.029 (0.061)	0.083	41	0.561
Would Provide Additional Financial Support to Unemployed Workers with Dependents	-0.196 (0.218)	0.271** (0.113)	-0.027 (0.059)	0.100	41	0.122
Would Provide Additional Financial Support to Unemployed Workers in Training	0.099 (0.149)	0.238* (0.121)	-0.017 (0.065)	0.088	41	0.341
Desire to Access UI Modernization Funds	0.295 (0.230)	0.259** (0.109)	-0.017 (0.053)	0.136	41	0.854
A Significant Number of Claimants Would Become Eligible Anyway	-0.074 (0.304)	0.262** (0.111)	-0.026 (0.064)	0.080	41	0.073
Factors Against Adopting						
One-Time Administrative Costs Prohibitive	-0.041 (0.169)	0.365** (0.134)	-0.060 (0.067)	0.109	37	0.351
Ongoing Administrative Costs Prohibitive	-0.347** (0.142)	0.384*** (0.134)	-0.074 (0.063)	0.237	37	0.541
Costs of Benefits Paid to Claimants	0.028 (0.221)	0.362** (0.134)	-0.059 (0.069)	0.108	37	0.811
Philosophical Objections (accepting federal funds)	-0.095 (0.206)	0.339** (0.145)	-0.059 (0.067)	0.113	37	0.216
Philosophical Objections (inappropriate expansion)	-0.219 (0.175)	0.378*** (0.126)	-0.081 (0.067)	0.152	37	0.351

Source: Analysis of data from the Survey of UI Administrators using linear probability models.

Note: Each row represents a separate regression. Beneath each coefficient is its robust standard error. Statistically significant coefficients are indicated by * ($p < 0.10$); ** ($p < 0.05$); or *** ($p < 0.01$).

[a]TUR is expressed as a percentage, ranging from 0 to 100.

[b]All factors in favor of and against adopting are binary variables, so their means express the percentage of states included in the analysis that indicated the factor was one of its top three considerations.

ABP = alternative base period; ARRA = American Recovery and Reinvestment Act of 2009; TUR = total unemployment rate; UI = unemployment insurance.

We also analyzed how the size of the incentive payment for adopting two of the four other modernization provisions compared with estimated costs of adopting them over 3, 5, and 10 years (Table F.5). Although the coefficient of interest was not statistically significant in the analysis over a 3-year horizon, it was statistically significant over both the 5- and 10-year horizons. States whose incentive payment exceeded estimated costs over a 10-year horizon were 64.2 percent more likely to complete adoption of two of the four modernization provisions than states for which this was not the case. This finding is consistent with the descriptive analyses presented in Chapter VI, which indicated that almost all states whose estimated costs of adopting would have been covered by the incentive payment over this time horizon did adopt two of the four other provisions. Interestingly, unlike the models presented in Table F.4, the coefficient on having a pre-ARRA ABP in place was not a statistically significant predictor of adoption of the other modernization provisions, and it decreased in magnitude the longer the time horizon examined. This finding could be because, if the incentives exceed costs over a longer time horizon—in effect making a more convincing case for adoption—having a pre-ARRA ABP becomes less important to the decision to adopt the other modernization provisions.

Table F.5. Regressions Predicting Adoption of Other Modernization Provisions Using How the Size of the Incentives Compared with Estimated Costs of the Other Modernization Provisions Over 3, 5, and 10 Years

	Explanatory Variable Coefficient (std. error)	Had a Pre-ARRA ABP (std. error)	2008 TUR Coefficient[a] (std. error)	R-Squared	Number of States	Mean Value of Explanatory Variable[b]
Incentives Exceeded Costs Over 3 Years	0.186 (0.396)	0.220 (0.136)	-0.006 (0.075)	0.073	31	0.935
Incentives Exceeded Costs Over 5 Years	0.474* (0.236)	0.171 (0.124)	-0.005 (0.059)	0.241	31	0.806
Incentives Exceeded Costs Over 10 Years	0.642*** (0.183)	0.092 (0.105)	-0.013 (0.037)	0.449	31	0.742

Source: Analysis of data from the Survey of UI Administrators and publicly available information on modernization incentive funds (see Appendix A) using linear probability models.

Note: Each row represents a separate regression. Beneath each coefficient is its robust standard error. Statistically significant coefficients are indicated by * ($p < 0.10$); ** ($p < 0.05$); or *** ($p < 0.01$).

[a]TUR is expressed as a percentage, ranging from 0 to 100.

[b]Whether incentives exceeded costs is a binary variable, so its mean expresses the percentage of states included in the analysis for which incentives exceeded estimated costs.

ABP = alternative base period; ARRA = American Recovery and Reinvestment Act of 2009; TUR = total unemployment rate; UI = unemployment insurance.

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APPENDIX G

DESCRIPTIVE CHARACTERIZATION OF UI SYSTEM FEATURES, UNEMPLOYMENT RATES, AND JURISDICTION ADOPTION DECISIONS

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We examined how features of states' unemployment insurance (UI) systems, including their generosity of benefits, tax rates, the solvency of their trust funds, as well as state unemployment rates, related to states' adoption decisions for the total unemployment rate (TUR) trigger for Extended Benefits (EB), alternative base period (ABP), and other modernization provisions. These state-level measures of UI system features and the unemployment rate were characterized using the following indicators:

- **Generosity:** the replacement rate multiplied by the recipiency rate.

  The replacement rate is defined as the ratio of the average weekly benefit amount to the average weekly wage. The recipiency rate is defined as the total number of insured unemployed individuals in regular unemployment benefits programs divided by the total number of unemployed individuals.

- **Tax rate:** total employer UI contributions for a 12-month period divided by the total wages paid by taxable employers for the same time period.

- **High cost multiple:** calendar year reserve ratio (or unemployment trust fund balance as a percentage of total wages) divided by the average of the three highest calendar year benefit cost rates in the last 20 years (or a period including three recessions, if the 20-year period does not do so).

  Benefit cost rates are benefits paid (including the state's share of EB but excluding reimbursable benefits) as a percentage of the total wages in taxable employment.

- **TUR:** the number of unemployed individuals divided by the civilian labor force.

Most of the data used to construct these measures were drawn from the *ET Financial Data Handbook 394*, with data on total unemployment drawn from the BLS Local Area Unemployment Statistics program.

Table G.1 shows how each state is classified in a low, medium, or high tercile for each characteristic. Although the table provides detail for each state, it is difficult to discern from the table the relationships of these features to the adoption decisions of states. For instance, Arizona, Colorado, Florida, and Georgia are classified the same in terms of their UI system characteristics. However, they had different adoption experiences, with Colorado and Georgia newly adopting or modifying the TUR trigger, ABP, and two other provisions, while Arizona and Florida newly adopted only the TUR trigger.

Table G.1. Characteristics of States' UI Systems, Unemployment Rates, and Adoption Decisions of ARRA-Specified Provisions

	State UI Characteristics				Adoption Decisions		
Jurisdiction	Generosity	Tax Rate	High Cost Multiple	TUR	TUR Trigger	ABP	Two-of-Four Other Provisions
Alabama	Low	Low	Low	Low	New	No	No
Alaska	High	High	High	High	Had	New	Modified
Arizona	Low	Low	Medium	Medium	New	No	No
Arkansas	High	High	Low	High	No	New	New
California	Medium	Medium	Low	High	New	New	Modified
Colorado	Low	Low	Medium	Medium	New	New	Modified
Connecticut	High	High	Low	Low	Had	Modified	Modified
Delaware	Medium	Low	High	Low	New	New	New

	State UI Characteristics				Adoption Decisions		
Jurisdiction	Generosity	Tax Rate	High Cost Multiple	TUR	TUR Trigger	ABP	Two-of-Four Other Provisions
DC	Low	Low	High	High	New	Had	Modified
Florida	Low	Low	Medium	Medium	New	No	No
Georgia	Low	Low	Medium	Medium	New	Modified	New
Hawaii	High	High	High	Low	No	Had	Modified
Idaho	High	High	Medium	Medium	New	New	New
Illinois	Medium	High	Low	High	New	Had	Modified
Indiana	Medium	Low	High	Medium	New	No	No
Iowa	High	Medium	High	Low	No	New	New
Kansas	Medium	Medium	High	Medium	Had	New	New
Kentucky	Medium	Medium	Low	High	New	No	No
Louisiana	Low	Low	High	High	No	No	No
Maine	Medium	High	High	Medium	New	Had	Modified
Maryland	Low	Low	Medium	Low	New	New	Modified
Massachusetts	High	High	Low	Medium	New	Had	Modified
Michigan	High	High	Low	High	New	Had	No
Minnesota	High	Medium	Low	Low	Had	Modified	Modified
Mississippi	Low	Medium	High	High	No	No	No
Missouri	Medium	Medium	Low	Medium	New	No	No
Montana	High	High	High	Low	No	New	New
Nebraska	Medium	Low	Medium	Low	No	New	Modified
Nevada	Medium	High	Medium	Medium	New	New	Had
New Hampshire	Low	Low	Medium	Low	Had	Had	Modified
New Jersey	High	High	Medium	Medium	Had	Had	Modified
New Mexico	Low	Medium	High	High	Had	Had	Had
New York	Medium	Medium	Low	High	New	Had	New
North Carolina	Medium	Medium	Low	Medium	Had	Had	Modified
North Dakota	Medium	Medium	Medium	Low	No	No	No
Ohio	Medium	Medium	Low	High	New	Had	No
Oklahoma	Low	Low	High	Low	No	Modified	Modified
Oregon	High	High	High	High	Had	New	Modified
Pennsylvania	High	High	Low	Medium	New	No	No
Rhode Island	High	High	Medium	Medium	Had	Had	Modified
South Carolina	Medium	Low	Low	High	New	New	New
South Dakota	Low	Medium	Medium	Low	No	New	Modified
Tennessee	Low	Medium	Medium	Medium	New	New	Modified
Texas	Low	Low	Low	High	New	No	No
Utah	Low	Low	High	Low	No	New	No
Vermont	High	Medium	High	Low	Had	Had	Modified
Virginia	Low	Low	Medium	Low	New	Had	No
Washington	High	High	Medium	High	Had	Had	Modified
West Virginia	Medium	High	Low	High	New	New	No
Wisconsin	High	Medium	Medium	Medium	New	Had	New
Wyoming	Medium	Medium	High	Low	No	No	No

Key	
No	Did not adopt an ARRA-specified provision[a]
Modified	Had a similar provision in place and made small changes to meet ARRA specifications
New	Newly adopted ARRA-specified provision
Had	Already had a provision meeting ARRA specifications in place and made no changes
Low	Lowest tercile
Medium	Middle tercile
High	Highest tercile

Note: We were not able to obtain information on modifications for the TUR trigger, only whether the state had one that conformed to DOL's specifications. The table excludes Puerto Rico and the Virgin Islands because they were not included in the Survey of UI Administrators used for this report's analysis of adoption decisions. Appendix Table C.1 includes the full set of UI jurisdictions' ARRA-based adoptions.

ABP = alternative base period; TUR = total unemployment rate.

[a]State might have had a similar provision in place, although it did not meet the specifications for the ARRA modernization incentive.

We conducted regressions to obtain additional insights about the relationships of state UI systems and the state unemployment rate to adoption decisions of each of the provisions. We estimated a regression for each of the three adoption decisions (adoption of the TUR trigger, adoption of the ABP, and adoption of the two-of-four modernization provisions). In each regression, we included as independent variables the TUR and the following UI program features: (1) benefit generosity, (2) the tax rate, and (3) the high cost multiple. For the regressions for the two-of-four modernization provisions, we also included an independent variable indicating the presence of an ARRA-specified ABP, because the ABP was a pre-condition to state eligibility to receive the two-of-four modernization incentive funds. This analysis indicated the following results:

- Of all of the relationships between the three adoption decisions and the four jurisdiction-level characteristics (the three UI system features and the TUR) that we examined, only one was statistically significant ($p < 0.05$): a smaller high cost multiple was positively associated with adopting the TUR trigger.
- The magnitude of the relationship can be put in context based on the difference in average pre-recession high cost multiples between states that did (0.34) and did not have to take federal loans. The regression results indicate that states that took federal loans (and had a lower average high cost multiple) were, on average, 46 percentage points more likely to adopt the TUR trigger for EB than those that did not (and had a higher average high cost multiple).

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APPENDIX H

ASSESSMENT OF EB PAYMENTS THAT OCCURRED BASED ON ADOPTION OF A TUR TRIGGER

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To understand the potential impact of adoptions of the total unemployment rate (TUR) trigger induced by the American Recovery and Reinvestment Act of 2009 (ARRA) on the overall size of the Extended Benefits (EB) program, we estimated the portions of EB payments from 2008 through 2013 that were made based on the insured unemployment rate (IUR) trigger, the TUR trigger in states that already used the TUR trigger prior to ARRA, and the TUR trigger in states that adopted it after ARRA. Using published weekly trigger notices from this time period, we determined the trigger mechanism by which EB was on in each jurisdiction during each week using two steps:

1. We determined whether the IUR trigger would have been sufficient to activate EB based on the applicable laws in that jurisdiction for that week. In addition to applying the 5 percent IUR threshold with a two-year look-back period, this calculation allowed for optional use of (1) a fixed, 6 percent IUR trigger, and/or (2) a three-year look-back period.[73] It also took into account the requirement that the length of each period in which EB is either on or off must last at least 13 weeks.
2. We then assumed that any additional weeks during which the EB program was on, but not accounted for by the IUR trigger were due to the TUR trigger.

This apportionment of EB benefits at the weekly level between those due to the IUR trigger and those due to the TUR trigger was scaled up for use with monthly EB payments data according to the fraction of the month that EB was on due to each trigger. During months in which the EB program was off but EB payments had been made (possibly due to situations in which the data show payments made in a month after the calendar week in which claimants were eligible for a payment), we applied the split of benefits between the IUR and TUR triggers from the most recent prior month in which the program had been on.

In our analysis, we differentiated results between UI jurisdictions that previously had TUR triggers in place and those that newly adopted TUR triggers after the passage of ARRA. In addition, we focused on EB first payments rather than other payment measures, such as weeks paid or benefits paid. One reason for this approach is that measures of weeks and benefits paid were more likely to take nonzero values during months in which the EB program was off in a given jurisdiction; in contrast, first payments measures exhibited a closer relationship over time with the status of the EB program. In addition, the results for the other payment measures were similar to those for first payments. The approach of focusing on EB first payments is consistent with the Chapter VIII analysis of UI recipiency.

Our calculations show that the TUR trigger was responsible for a substantial majority of EB activity from 2008 to 2013 (Table H.1). Overall, almost 5.6 million in EB first payments were made in weeks when the EB program was on in UI jurisdictions only because of a TUR trigger, which was put in place either before or after ARRA. The EB first payments due to any type of TUR trigger correspond to 85 percent of the 6.6 million total EB first payments made during that period.

ARRA-induced adoptions of the TUR trigger had a particularly large effect on the number of EB first payments. We estimate that almost 4.5 million EB first payments (68 percent of the national total) were made based on a newly adopted TUR trigger. Among the 27 states that newly adopted the TUR

[73] Chapter I Section B provides more information about the conditions through which a state can qualify for EB.

trigger, the TUR trigger accounted for about 88 percent (not shown), of EB first payments and all EB first payments in 16 states.

In addition, almost two-thirds of the additional EB first payments due to ARRA-induced adoptions of the TUR trigger were in seven large states. First payments totaled roughly 1.4 million in Florida, New York, and Texas—states that would have had no EB payments had they not adopted the TUR trigger due to ARRA. Another 1.4 million more EB first payments occurred in California, Illinois, Michigan, and Pennsylvania due to the new adoption of the trigger; although the IUR trigger did lead to EB payments in these states, it was responsible for 30 percent or less of their first payments.

We found similar results about the TUR trigger using other measures of EB activity (not shown in the table). For example, about 69 percent of the total dollar value of EB weekly benefit payments made during the period ($29.5 billion) were paid during weeks in which jurisdictions had the program triggered on only because of a newly adopted TUR trigger.

Table H.1. Estimated EB Payments Between 2008 and 2013, by Trigger Mechanism and UI Jurisdiction

Jurisdiction	Total EB First Payments	Estimated EB First Payments Based on IUR Trigger		Estimated EB First Payments Based on Existing TUR Trigger		Estimated EB First Payments Based on New TUR Trigger	
		Number	Percentage	Number	Percentage	Number	Percentage
Alabama	64,502	0	0.0	0	0.0	64,502	100.0
Alaska	27,552	12,609	45.8	14,943	54.2	0	0.0
Arizona	83,786	0	0.0	0	0.0	83,786	100.0
Arkansas	7,819	7,819	100.0	0	0.0	0	0.0
California	953,101	232,111	24.4	0	0.0	720,990	75.6
Colorado	88,032	0	0.0	0	0.0	88,032	100.0
Connecticut	149,810	40,136	26.8	109,674	73.2	0	0.0
Delaware	13,252	0	0.0	0	0.0	13,252	100.0
District of Columbia	24,368	0	0.0	0	0.0	24,368	100.0
Florida	468,876	0	0.0	0	0.0	468,876	100.0
Georgia	207,326	0	0.0	0	0.0	207,326	100.0
Hawaii	0	0	n.a.	0	n.a.	0	n.a.
Idaho	22,817	3,777	16.6	0	0.0	19,040	83.4
Illinois	278,407	54,384	19.5	0	0.0	224,023	80.5
Indiana	137,392	18,190	13.2	0	0.0	119,202	86.8
Iowa	0	0	n.a.	0	n.a.	0	n.a.
Kansas	33,819	0	0.0	33,819	100.0	0	0.0
Kentucky	66,525	0	0.0	0	0.0	66,525	100.0
Louisiana	0	0	n.a.	0	n.a.	0	n.a.
Maine	18,225	0	0.0	0	0.0	18,225	100.0
Maryland	38,439	0	0.0	0	0.0	38,439	100.0
Massachusetts	166,727	8,345	5.0	0	0.0	158,382	95.0
Michigan	327,342	98,106	30.0	0	0.0	229,236	70.0
Minnesota	123,502	0	0.0	123,502	100.0	0	0.0

Jurisdiction	Total EB First Payments	Estimated EB First Payments Based on IUR Trigger		Estimated EB First Payments Based on Existing TUR Trigger		Estimated EB First Payments Based on New TUR Trigger	
		Number	Percentage	Number	Percentage	Number	Percentage
Mississippi	0	0	n.a.	0	n.a.	0	n.a.
Missouri	89,257	0	0.0	0	0.0	89,257	100.0
Montana	3,745	3,745	100.0	0	0.0	0	0.0
Nebraska	0	0	n.a.	0	n.a.	0	n.a.
Nevada	120,160	31,196	26.0	0	0.0	88,964	74.0
New Hampshire	9,896	0	0.0	9,896	100.0	0	0.0
New Jersey	347,471	95,167	27.4	252,304	72.6	0	0.0
New Mexico	27,449	0	0.0	27,449	100.0	0	0.0
New York	575,196	0	0.0	0	0.0	575,196	100.0
North Carolina	375,534	79,920	21.3	295,614	78.7	0	0.0
North Dakota	0	0	n.a.	0	n.a.	0	n.a.
Ohio	235,373	35,444	15.1	0	0.0	199,929	84.9
Oklahoma	0	0	n.a.	0	n.a.	0	n.a.
Oregon	112,569	33,199	29.5	79,370	70.5	0	0.0
Pennsylvania	316,306	87,321	27.6	0	0.0	228,985	72.4
Puerto Rico	66,895	66,895	100.0	0	0.0	0	0.0
Rhode Island	32,999	3,524	10.7	29,475	89.3	0	0.0
South Carolina	88,100	23,345	26.5	0	0.0	64,755	73.5
South Dakota	0	0	n.a.	0	n.a.	0	n.a.
Tennessee	138,147	0	0.0	0	0.0	138,147	100.0
Texas	387,355	0	0.0	0	0.0	387,355	100.0
Utah	0	0	n.a.	0	n.a.	0	n.a.
Vermont	3,297	642	19.5	2,655	80.5	0	0.0
Virgin Islands	0	0	n.a.	0	n.a.	0	n.a.
Virginia	50,391	0	0.0	0	0.0	50,391	100.0
Washington	120,559	14,923	12.4	105,636	87.6	0	0.0
West Virginia	18,837	0	0.0	0	0.0	18,837	100.0
Wisconsin	147,798	38,387	26.0	0	0.0	109,411	74.0
Wyoming	0	0	n.a.	0	n.a.	0	n.a.
Total	***6,568,953***	***989,185***	***15.1***	***1,084,337***	***16.5***	***4,495,431***	***68.4***

Sources: Analysis of published data from DOL, Office of UI, on weekly unemployment rates and EB trigger indicators (available online at http://www.oui.doleta.gov/unemploy/claims_arch.asp) and monthly EB program activity (available online at http://www.oui.doleta.gov/unemploy/euc.asp).

Note: Monthly data on EB first payments between 2008 and 2013 were apportioned between the IUR and TUR triggers in two steps. We first estimated the number of payments made during periods in which EB could have been on based on each jurisdiction's IUR trigger rule(s). We then allocated any remaining EB first payments as being based on the TUR trigger. See the text of this appendix for additional details about these calculations.

n.a. = not applicable.

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