

**TESTIMONY OF ILANA BOIVIE, SENIOR POLICY ANALYST  
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**for the BCRA Public Hearing on B21-370,  
The Unemployment Benefits Modernization Amendment Act of 2015  
April 27, 2016**

Chairman Orange and members of the Committee on Business, Consumer & Regulatory Affairs, thank you for the opportunity to speak today. My name is Ilana Boivie, and I am the Senior Policy Analyst at the DC Fiscal Policy Institute. DCFPI is a non-profit organization that promotes budget and policy choices to expand economic opportunity and reduce income inequality for District of Columbia residents, through independent research and policy recommendations.

I am here today to testify in support of the Unemployment Benefits Modernization Amendment Act of 2015. The legislation would strengthen DC's UI program in several important ways. Specifically, the bill would:

- Raise the maximum weekly benefit amount to \$430 a week;
- Adopt automatic increases to the maximum weekly benefit to account for inflation;
- Make it easier for unemployed workers to supplement their UI benefits with a part-time job; and
- Ensure that all eligible workers can get UI benefits for the full 26 weeks.

Unemployment insurance (UI) is an important part of the safety net for workers and their families, helping them avoid falling into poverty after a job loss. Workers who get UI are those who lost jobs through no fault of their own and are actively searching for work. If they do not get UI, some will fall back on other public assistance programs like Temporary Assistance for Needy Families. Others are at risk of increased credit card debt, eviction, and other collateral consequences of unemployment. UI also helps the overall DC economy by maintaining consumer spending in times of high unemployment.

The good news is that over the past several years, DC's overall unemployment rate has been declining steadily, from 9.8 percent in February 2011 to 6.5 percent in February 2016.<sup>1</sup> This is obviously great news for DC's workforce and economy, but also good news for the UI Trust Fund, which gets stronger with rising employment, since more money is paid into the fund on behalf of workers, and fewer unemployed residents are receiving benefits out of it.

However, not all DC residents benefit equally from the rising economy, as unemployment disproportionately impacts communities of color. For example:

- In 2014, while DC's unemployment rate was just 2.8 percent among white residents, it was 15.7 percent among Black residents.<sup>2</sup>
- In January 2016, Ward 8's unemployment rate was 14.3 percent – three times that of Wards 1, 2, and 3.<sup>3</sup>

- Although Black residents make up just 40 percent of DC’s labor force, an astounding 83 percent of those who have been unemployed for longer than six months are Black.<sup>4</sup>

Losing one’s income can have an especially crippling effect on these workers,<sup>5</sup> so having a stronger UI safety net is especially critical for communities of color.

The UI Modernization bill would strengthen this important safety net for all residents in four key ways.

**First, the current maximum weekly benefit is not enough to survive in DC.**

- The cap is lower than the maximum benefit in 38 states, including Maryland (\$430) and Virginia (\$378).
- \$359 per week translates to a wage of less than \$9 per hour, which is below the federal poverty line for a family of three, and far below DC’s living wage.
- The cap level means that the UI benefit covers less than half of the prior earnings for any workers who had earned \$37,000 or more. For example, a worker who had been paid \$50,000 a year receives just 40 percent of prior earnings, and someone who had been making \$75,000 a year receives just 25 percent.

Raising the maximum benefit to \$430 would be an incredible help to unemployed workers, and bring DC’s benefit in line with Maryland’s.

**Second, the maximum benefit was last raised in 2005.** If it had kept up with inflation, the benefit would be approximated \$453; in other words, the benefit has lost roughly 26 percent of its purchasing power over the last 11 years.<sup>6</sup> Adopting automatic increases would ensure that workers’ purchasing power would keep up with inflation without having to make a legislative change again and again.

**Third, DC’s unemployment program currently discourages workers from accepting a part time job while collecting benefits.** Many unemployed workers want to find a part-time job to supplement their UI and maintain their connection to the workforce, but there is very little incentive to do so in DC:

- After the first \$20 of earnings, workers lose \$4 in UI benefits for every \$5 of earnings.
- For example, a worker who earns \$100 a week would see her UI benefits reduced by \$64, and a worker who earns \$200 a week would see UI reduced by \$154.
- With so little to gain from working part time, many claimants are discouraged from searching for part-time work alongside their full-time job search.

The bill makes modest adjustments to the part-time earnings formula so that workers can keep more of their weekly benefits, thus encouraging them to return to the workforce sooner.

**Finally, the current UI program also penalizes workers with an uneven or low earnings history, by limiting the number of weeks in which they can qualify for benefits.** Workers with this type of work history tend to be the lowest income and most vulnerable – and therefore most in need of assistance as they look for work. Standardizing the number of weeks will allow these vulnerable workers to receive UI benefits up to the maximum length of 26 weeks.

In terms of the cost of raising benefits, it should be noted that UI Trust Fund is very strong, and therefore these benefit increases are unlikely to trigger any tax increases. The Trust Fund currently has a balance of over \$344 million,<sup>7</sup> and it has run surpluses every year since 2012, including \$51 million in 2015.<sup>8</sup> Meanwhile, DCFPI's back-of-the-envelope calculations suggest that increasing the benefit cap would cost less than \$20 million in the first year,<sup>9</sup> and the other bill provisions have a very low cost. That means that the annual fund surplus can very likely cover the cost of these benefit increases without even dipping into the trust fund balance. Yet at the same time, these increases would provide a much needed benefit increase for our city's most vulnerable workers.

Thank you again for the opportunity to testify. I am happy to answer any questions.

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<sup>1</sup> Bureau of Labor Statistics, Local Area Unemployment Statistics.

<sup>2</sup> Economic Policy Institute analysis of Current Population Survey data.

<sup>3</sup> DOES Unemployment Data for DC Wards. <http://does.dc.gov/page/unemployment-data-dc-wards>.

<sup>4</sup> District of Columbia Workforce Innovation and Opportunity Act (WIOA) Unified State Plan, 2016-2020.

<sup>5</sup> Paul Kiel. "Debt and the Racial Wealth Gap." December 31, 2015. *The New York Times*.

<sup>6</sup> Based on CPI-U for fiscal years 2005-2016.

<sup>7</sup> Treasury Direct, "Unemployment Trust Fund Report Selection."

[http://www.treasurydirect.gov/govt/reports/tfmp/tfmp\\_utf.htm](http://www.treasurydirect.gov/govt/reports/tfmp/tfmp_utf.htm)

<sup>8</sup> District of Columbia's 2015 Comprehensive Annual Financial Report.

<sup>9</sup> According to the OCFO, roughly 17,000 unemployed workers received the maximum UI benefit in 2014, and on average collect benefits for 16 weeks. If all of them received a \$71 increase in benefits, from \$359 to \$430, that would yield an annual cost of \$19.3 million.