

What's at Stake for Oregon if Congress Fails to Extend Key Recovery Act Provisions?

Congress wavers on continuing certain provisions of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") that have shored up state budgets, the unemployed and the economy. Its indecision is regrettable, given that most states, Oregon included, face revenue shortfalls that threaten basic services and many unemployed Americans still can't find work. Congress hesitates even as leading economists urge continued short-term spending to help move the recovery along.¹

This fact sheet reviews what's at stake for Oregon in the congressional decision about whether to extend certain provisions of the Recovery Act. Those measures include additional Medicaid funds, strengthened unemployment insurance benefits and health coverage assistance for unemployed workers. Some of these Recovery Act provisions have expired or have begun to phase out. Pending legislation may temporarily extend some of these provisions.²

Up to \$249 million for health and other human services. State and local governments share with the federal government the costs of providing health services for the lowest-income Americans through the Medicaid program. The federal government's share of each state's costs is called the Federal Medical Assistance Percentage (FMAP). Because the economic downturn dramatically increased demand for Medicaid and other services and reduced states' fiscal ability to meet these demands, the Recovery Act temporarily increased the federal government's share of Medicaid costs. The additional funding, currently set to expire at the end of 2010, has enabled states to maintain health care and other basic services for vulnerable Americans. A six-month extension of the extra FMAP funds would send as much as \$249 million to Oregon, dollars that would preserve public and private sector jobs. About \$200 million of this total would prevent cuts in a wide array of health and social services provided through the Oregon Department of Human Services. The remaining \$49 million would go to counties and school districts to shore up services such as health clinics and school-based health centers.

\$2.2 million per week in savings to the state's unemployment insurance trust fund. Under the Recovery Act, the federal government has been paying the full cost of benefits for the long-term unemployed in a program called Extended Benefits. With that provision having expired, Oregon now pays half of the cost out of its unemployment insurance trust fund. The cost is not insignificant. For the week ending June 12, for example, it was \$2.2 million.³

\$4.3 million per week in extra unemployment insurance benefits. The Recovery Act added \$25 to nearly every weekly unemployment insurance benefit check. In the week ending May 29 alone, that provision brought \$4.3 million in federal funds to Oregon.⁴ Because these dollars get spent quickly and locally, they support not only the families of unemployed workers but also grocery store workers, gas-station attendants and myriad other jobs. The additional payments began to phase out June 2.

Shortened benefit periods for tens of thousands of long-term unemployed Oregonians. Under the Recovery Act, the federal government pays for up to 53 weeks of unemployment insurance benefits through a program called Extended Unemployment Compensation (EUC). In May 2010 alone, EUC brought \$105.1 million in federal dollars into Oregon.⁵ EUC began phasing out on June 2, affecting an average of 7,171 unemployed workers per week.⁶ These workers will not suddenly lose their unemployment benefits, because they still have recourse to a few additional weeks of benefits through another program. But the loss of EUC substantially shortens the total amount of time for which they can collect unemployment benefits. By mid-August, over 78,000 long-term unemployed Oregonians may be hanging on to a much shorter unemployment lifeline. Their odds for finding work are not good, given the expectation of job market weakness continuing through at least the remainder of 2010. The termination of EUC also means the federal funds the program has been injecting into Oregon communities will dry up before economic recovery is solidly underway.

Continued health care coverage for Oregonians who get laid off. In the fourth quarter of 2009, federal help allowed over 19,000 Oregon households to retain health coverage after a job layoff. COBRA benefits allow workers who lose employer-provided health coverage due to a job loss or other certain other factors to retain that coverage as long as the employee pays the full cost of the premium.⁷ The Recovery Act directed the federal government to temporarily subsidize 65 percent of COBRA premium costs for up to 15 months for workers who lost their job through no fault of their own. That provision expired May 31, 2010. Workers who are laid off after that date cannot receive the subsidy unless Congress extends this emergency benefit.

Conclusion

The FMAP, unemployment insurance and COBRA benefit provisions being debated in Congress have boosted Oregon's economy, its budget and many vulnerable families. Like other states facing elevated unemployment and budget shortfalls, Oregon would benefit from the extension of each of these Recovery Act provisions.

Endnotes

¹ See, for example, Paul Krugman, "Now and Later," *New York Times*, June 20, 2010, available at www.nytimes.com/2010/06/21/opinion/21krugman.html.

² The legislative vehicle for extending these Recovery Act provisions is H.R. 4213, commonly referred to as the "tax extenders" bill because it would extend certain tax benefits for businesses and individuals.

³ Oregon Employment Department, UI Pub 102, weekly program statistics for week ended June 12, 2010, the most recent data available.

⁴ Oregon Employment Department, UI Pub 102, weekly program statistics for week ended May 29, 2010.

⁵ Oregon Employment Department, UI pub 951, benefit payments by program, May 2010. Total includes additional \$25 Federal Additional Compensation (FAC) payments.

⁶ OCPP calculation based on Oregon Employment Department, forecast of workers exhausting regular and EUC tiers 1-3 by week, June 7 through August 16, 2010.

⁷ COBRA is the acronym for the Consolidated Omnibus Reconciliation Act of 1985.

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