



# Special Report

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## The Democratic Jobs Agenda will Restore Growth and Prosperity in Delaware

Senate Democrats are committed to a jobs agenda that boosts our economy and spurs job creation. Too many American families are struggling and desperately looking for a job. After eight years of failed fiscal policies under the Bush Administration, Americans need strong advocates in Congress. This year, the Senate has passed legislation to jumpstart economic activity in many sectors including small business, energy, transportation, construction, and tourism. The Senate has also passed legislation to extend unemployment and health benefits for those Americans who have lost their job through no fault of their own. These benefits will help the unemployed provide for their families. Senate Democrats are on the side of American workers and our legislative agenda will restore growth and prosperity to our country.

### *Unemployment Benefits*

Delawareans are struggling to find work. The national unemployment rate is 9.7 percent. Delaware has an unemployment rate of 9.0 percent. [Bureau of Labor Statistics, [1/22/10](#)] In 2009, the unemployment rate of Delaware was 8.1 percent. [Bureau of Labor Statistics, Economic News Release, [3/3/10](#)] Out-of-work Delawareans depend on unemployment benefits to provide for their families. Unemployment benefits replace part of the wages of eligible jobless Americans. In 2009, 58,700 Delawareans received some type of unemployment benefit. Last year, more than 22 million Americans depended on these benefits to sustain their families and maintain basic standards of living. A one-year extension of these benefits in the *American Workers, State and Business Relief Act (S.A. 3332 to H.R. 4213)* will provide stability and certainty to American families who depend on unemployment benefits while looking for a job.

The recent filibuster by Republican Senator Bunning prevented Congress from extending expiring unemployment benefits in a timely manner. According to the National Employment Law Project, because of this obstruction approximately 3,722 Delawareans could have become ineligible for additional unemployment benefits by the end of March. [NELP Fact Sheet, [02/10](#)] The Senate was able to pass the *Temporary Extension Act of 2010 (P.L.111-144)*, which temporarily extended the benefits, but it is crucial that a longer extension be passed this year.

## ***COBRA Premium Assistance***

Sixty percent of Americans under age 65 receive their health insurance coverage through their employer. [Kaiser Family Foundation, [10/2009](#)] For these Americans, losing their jobs means losing both their income and their health insurance. Under the *Consolidated Omnibus Budget Reconciliation Act*, known as COBRA, workers may continue their employer-sponsored health insurance for up to 18 months (or longer under certain circumstances). However, workers must pay both their portion and their employer's portion of the premium, as well as a two percent administrative fee, making the cost prohibitive for many Americans.

The *American Recovery and Reinvestment Act (P.L. 111-5)* provided nine months of premium tax credits for those who lost their jobs between September 1, 2008 and December 31, 2009. The *Department of Defense Appropriations Act (P.L. 111-118)* extended the provision to provide up to 15 months of premium tax credits for those who were laid off between September 1, 2008 and February 28, 2010. This tax credit expired on March 1, 2010, but after beating back the Republican filibuster, the Senate passed and the President signed the *Temporary Extension Act*, extending the tax credit to Americans who lose their jobs during March. The *American Workers Act* further extends the 65 percent COBRA premium tax credit to Americans who lose their jobs through December 31, 2010.

Without this tax credit, unemployed workers would need to spend 30 percent of their unemployment insurance check, on average, to maintain single coverage through COBRA. [Families USA, [1/2009](#)] Maintaining family health insurance coverage through COBRA is all but impossible, requiring 84 percent of one's unemployment insurance income, on average. For unemployed Delaware families, the average monthly COBRA premium is \$1,209. The COBRA premium assistance reduced this cost to \$423 per month, so without this benefit, unemployed Delaware families lose \$786 every month. [Families USA, [12/2009](#)] Unemployed workers in Delaware receive an average monthly unemployment insurance check of \$1,125, and without the premium tax credit, the premium for a family COBRA insurance policy would consume 107.5 percent of that check.

## ***Federal Support of State Health Programs***

Rising unemployment and diminished state tax resources are making it difficult for states to meet the growing demand for the Medicaid program. The Kaiser Commission on Medicaid and the Uninsured reports that for every one percentage point increase in the nation's unemployment rate, an additional 1.1 million individuals become uninsured and another one million enroll in Medicaid or CHIP. [Kaiser, [4/2008](#)]

Recognizing the strain on state budgets and the need to ensure eligible Americans continue to receive health benefits through Medicaid, the *Recovery Act* increased the federal government's contribution to Medicaid, called the federal medical assistance percentage (FMAP). The *Recovery Act* provided a 6.2 percentage point increase in the federal government's share of each state's program, included a "hold harmless" to suspend any otherwise scheduled reductions for states whose economic circumstances no longer reflect the economic health of the state when the reduction was determined, and provided additional, targeted Medicaid assistance for states with the most severe job loss.

For Delaware, passage of the *Recovery Act* increased the federal government's share of Medicaid costs in Fiscal Year 2009 from 50 percent to 61.59 percent in the fourth quarter of the Fiscal Year. [Congressional Research Service, [3/2/2010](#)] This means that of the approximate \$1.21

billion in Medicaid services provided to Delaware beneficiaries during Fiscal Year 2009, the Federal government paid \$738 million, with \$131 million of the federal share attributable to the increases included in ARRA. [Centers for Medicare and Medicaid Services] In the first quarter of Fiscal Year 2010, the federal government paid 61.78 percent of Delaware's Medicaid costs. [Congressional Research Service, [3/2/2010](#)]

The additional federal support included in the *Recovery Act* is scheduled to expire December 31, 2010. The *American Workers Act* includes a six-month extension of the state fiscal relief provided in the *Recovery Act*. This extended, increased federal commitment to state Medicaid programs recognizes the severe budget deficits crippling state governments and the states' decreased ability to provide services, and it carries states through the remaining fiscal year, which for most states begins in July and runs through the end of June. Forty-seven governors recently wrote Congress to request this six-month extension of the increased federal support for state Medicaid programs. [National Governors Association, [2/22/2010](#)]

### ***Increased Access to Credit for Delaware's Entrepreneurs***

The *Recovery Act* provided \$375 million to increase guarantees on 7(a) loans from 75 percent to 90 percent and eliminated fees charged to borrowers on 7(a) and 504 loans to small businesses. To date, these funds have been used to provide loans to more than 40,000 small businesses, providing more than \$21 billion in loans with small business owners reporting that these funds will help save or create more than 500,000 jobs nationally. From February 17, 2009 to mid-February 2010, weekly SBA loan dollar volumes rose 87 percent in the 7(a) and 504 programs, compared to the weekly average before passage. In addition, more lenders are making loans: over this period, more than 1,131 lenders who had not made a loan since at least 2007 made a 7(a) loan. [Small Business Administration, [3/2/10](#)]

In the past year since the *Recovery Act* was implemented, in Delaware, eight 504 loans and 89 7(a) loans were approved, worth \$16.2 million and \$21.3 million, respectively. This is a 432.7 percent dollar increase compared to the two months before the *Recovery Act* was implemented. [Small Business Administration, [3/4/10](#)]

The extension proposed in the *American Workers Act* would provide for \$354 million in funding through the end of the fiscal year and extend the authorization through December 31, 2010. The Small Business Administration estimates that the extension of *Recovery Act* funding will support \$18.5 billion in 7(a) and 504 loans to small businesses. Based on the program's track record so far, this measure could support an estimated 440,000 jobs.

### ***Federal Highway Administration Apportionments***

After beating back the filibuster by Senator Bunning which caused the Department of Transportation to temporarily shut down highway reimbursements to states worth hundreds of millions of dollars and multi-million dollar construction, the Senate passed and the President signed into law the *Temporary Extension Act of 2010 (P.L.111-144)*, which extended critical transportation funding through March 31, 2010.

In the days before the enactment of the *Temporary Extension Act of 2010*, the Senate considered legislation entitled the *HIRE Act* which would extend the nation's surface transportation programs until December 31, 2010. The surface transportation extensions included in the *HIRE Act* are important because without their passage the nation's current surface transportation laws may continue to operate under a Continuing Resolution through the

remainder of the year. The failure to extend these surface transportation programs would have a significant impact on the amount of apportioned funding available for construction and maintenance of the nation's federal highway system. In fact, under the *HIRE Act* Delaware would be estimated to receive an apportionment of \$176 million rather than \$127.8 million as they would if the nation's current surface transportation laws continued to operate under a Continuing Resolution through the remainder of the year for a difference of \$47.7 million.

[Department of Transportation, 2/25/10]

## ***Medicare Physician Payment***

On Monday, March 1, 2010, a 21.2 percent cut in payments to physicians who treat Medicare beneficiaries took effect, jeopardizing access to health care for 146,008 Medicare beneficiaries and many TRICARE enrollees in Delaware. [Centers for Medicare and Medicaid Services] After beating back a filibuster by Senator Bunning, the Senate passed and the President signed into law the *Temporary Extension Act of 2010 (P.L.111-144)*, which delayed this cut until April 1, 2010. The *American Workers Act (S.A. 3336)* includes a further delay of this payment reduction to give Congress time to resolve health insurance reform and return to the issue of the Sustainable Growth Rate (SGR), Medicare's system used to pay physicians. This provision is critical to preventing a \$50 million reduction in care for Medicare beneficiaries in Delaware per year, which is an annual cut of approximately \$24,000 per Delaware physician. [American Medical Association, 3/2010]

## ***Promoting Tourism Will Create Jobs***

The *Travel Promotion Act* passed the Senate on February 25, 2010 by a vote of 78 to 18. [Roll call vote 28] The legislation was signed into law by President Obama on March 4, 2010. The law establishes a non-profit corporation to execute a nationally-coordinated travel promotion program, and promote leisure, business, and scholarly travel to the United States.

While international travel has boomed over the last decade, with 46 million more overseas trips taken in 2009 than in 2000, the United States had 2.4 million fewer travelers in 2009 than in 2000. If the United States had merely maintained its share of overseas visitors over the past decade, 441,000 jobs could have been created or retained. The *Travel Promotion Act* will allow the United States to compete with other countries that spend hundreds of millions of dollars to promote travel to their countries.

The travel and tourism sector generates approximately \$1.3 trillion in economic activity each year in the United States and supports 8.3 million travel-related jobs. The U.S. Travel Association estimates that the law could create 40,000 American jobs and yield \$321 million in new federal tax revenue annually. [U.S. Travel Association, *Get America's Economy Back on Track*] The Congressional Budget Office has estimated that the legislation would reduce the deficit by \$425 million over the next decade. [Congressional Budget Office Cost Estimate, S. 1023]

In Delaware, tourists spent approximately \$1.5 billion in 2007. Tourism supported 15,700 jobs in Delaware in 2007. For every \$1 million spent in Delaware by tourists, 11 jobs are created in the state. [U.S. Travel Association, *Travel is an Economic Engine*, 06/09] The continued and consistent support by Senate Democrats for the *Travel Promotion Act* demonstrates our focus on creating jobs and jumpstarting the economy. This new initiative will boost revenue across the country by promoting and increasing tourism and travel.