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Loss of jobless benefits to affect about 3,900 Iowans

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With a federal unemployment benefits program set to expire this weekend, some 1.3 million Americans — including about 3,900 Iowans — will start the new year without the financial safety net.

The program, mired in a dispute between proponents of smaller government and advocates for the jobless who say the move will hurt the overall economy, will expire today. Congress did not renew it before leaving Washington, D.C., for the holidays.

A tense political battle most likely will loom when Congress reconvenes in the new, midterm election year.

Nudging Congress along, a vacationing President Barack Obama called two senators proposing an extension to offer his support. From Hawaii, Obama pledged Friday to push Congress to move quickly next year to address the “urgent economic priority,” the White House said.

For families dependent on cash assistance, the end of the federal benefits will mean some difficult belt-tightening as enrollees lose their average monthly stipend of \$1,166.

Known as emergency unemployment compensation, the benefits program began in 2008 and has been renewed multiple times. It was designed to help those who have been out of work for an extended period and had exhausted their state unemployment benefits.

In Iowa, where state benefits run for 26 weeks, the EUC program provided eligible recipients with an additional 14 weeks of aid.

There were more than 5,000 Iowans on the program as of Nov. 30, but a spokeswoman for Iowa Workforce Development said Friday that newer numbers showed just under 4,000 Iowans currently receive the federal benefits.

In an earlier interview, Workforce Development spokeswoman Kerry Koonce said her agency would not be able to help those cut off from the benefits.

However, she said it would keep track of those who are continuing to receive state unemployment benefits, in case the federal program is renewed early next year.

Nationwide, another 3.6 million will lose the possibility of receiving the benefits in the future if the program is not renewed, including more than 35,500 in Iowa, according to a report from the White House's Council of Economic Advisers and the U.S. Department of Labor.

Opponents say it's time to end the program now that unemployment has fallen from a October 2009 peak of 10 percent to 7 percent.

"These are called emergency benefits," said economist Chris Edwards of the libertarian Cato Institute. "The U.S. economy has been out of recession for over four years."

Moody's chief economist Mark Zandi said cutting benefits would most likely lower the unemployment rate, mostly because many workers getting benefits would stop looking for work and cease to be counted as unemployed. Others would take lower-paying jobs they once rejected.

Economic growth and job gains would be slightly lower because those losing benefits would reduce their spending, he said.