



"The Voice of Business on Unemployment & Workers' Compensation"

July 24, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
United State Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U. S. House of Representatives
Washington, DC 20515

The Honorable Charles E. Schumer
Minority Leader
United States Senate
Washington DC 20510

The Honorable Richard Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Grassley
Chairman
Finance Committee
United States Senate
Washington, DC 20510

The Honorable John Yarmuth
Chairman
Budget Committee
U. S. House of Representatives
Washington, DC 20515

The Honorable Michael B. Enzi
Chairman
Budget Committee
United States Senate
Washington, DC 20510

Dear Speaker Pelosi, Majority Leader McConnell, Minority Leaders Schumer and McCarthy, Chairman Enzi, Chairman Yarmuth, Chairman Neal and Chairman Grassley:

We are writing in support of important legislative measures to assist employers and states in responding to the unprecedented impact on state unemployment insurance trust funds and employer costs associated with the economic recession due to COVID-19.

UWC is a national association representing the views of business with respect to Unemployment Insurance. Our members include state and national business associations, individual employers, state unemployment agencies and employer representatives who manage unemployment claims and report and pay unemployment taxes and contributions.

Congress responded beginning in March 2020 to address the need to sustain unemployed workers and businesses impacted by COVID-19. The Families First Coronavirus Response Act and the CARES Act provided federally funded increases in unemployment compensation and short-term relief from increases in the cost of unemployment compensation for states and employers. However, increases in regular unemployment compensation are greater than

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originally anticipated and there is an immediate need to bolster the state unemployment insurance trust funds.

We support the following measures to provide relief from the dramatically increased unemployment insurance taxes and costs that will slow the economic recovery, discourage job creation, and result in longer term unemployment.

1. Provide for a transfer of federal funds to state UI trust funds equal to the amount of benefits paid due to COVID.

Employers should not be responsible for the cost of unemployment due to COVID-19. The decision to close businesses due to COVID-19 was made in response to decisions made by Governors and the federal government, causing unprecedented levels of unemployment. The unemployment was not due to the normal functioning of the labor market or the actions of employers.

CARES Act provisions (FPUA, FPUCA, and FPEUCA), as well as the 100% reimbursement of regular Extended Benefits (EB) provided in the Families First Coronavirus Response Act (HR 6201) recognized that federal support in paying additional unemployment compensation was needed as a supplement to the normal state based Unemployment Insurance program funded by employers through state and federal unemployment taxes and contributions.

Federal support is also needed to pay for the increases in regular unemployment compensation due to COVID-19. An amount should be transferred from the federal general fund to individual state trust funds using the distribution method that was enacted in response to the 2002 recession.

All states would receive a transfer to bolster state UI trust balances to pay unemployment compensation with the option to use amounts distributed for administration of unemployment insurance and/or related employment services.

The transfer would serve to reduce the large increases in state UI tax rates caused by charges related to COVID-19 shutdowns and enable states with healthy trust funds to address UI systems updates that are critically needed.

2. Extend the Title XII interest waiver through 2021

HR 6201 provided a waiver of interest on Title XII loans through the end of 2020 and an extension through 2021 is needed to avoid significant increased costs for states and special assessments imposed on employers.

In many states the state budgets did not account for the payment of interest on the dramatic increase in state borrowing. A further extension would enable states to plan for payment and/or enact measures to pay off outstanding Title XII loan amounts.

3. Delay the application of the FUTA offset credit reduction for a year

Current law begins FUTA offset credit reduction in increments of 0.3 (approximately \$21 per employee per year) with the year following the second year in which the state has an outstanding Title XII loan as of January 1st. This effective increase in FUTA tax is a flat tax that is not experience rated. It is paid by all UI tax paying employers in the state. In 2020, a large part of the increase in benefit payout occurred between March and June. As a result, in most states experience rates on average will increase for 2021. Continued high levels of benefit payout after

June 30th will be reflected in experience rates for 2022. In most states, the increases in rates will continue through 2023 and 2024 and FUTA tax increases would be added for employers in states with outstanding Title XII loans beginning for 2022 (paid in early 2023).

A delay in the FUTA offset credit reduction would assist states and employers to adjust to the need for UI trust fund solvency and avoid further FUTA increases that would be imposed.

4. Provide short-term transfers of federal funds to state UI trust fund accounts under Section 2103 of the CARES Act (increase the 50% to 100%) specifically to reduce the charges to reimbursing employers due to the COVID-19 recession.

Reimbursing employers find themselves in the position of unprecedented unemployment compensation benefit charges to their accounts due to the COVID-19 recession. The increases are so large as to exhaust employer trust funds and amounts budgeted to make payments in lieu of contributions. Reimbursing employers are obligated to make payments most commonly on a quarterly or monthly basis. The result in 2020 is that reimbursing employers, including many non-profit organizations with small operating budgets, are not able to make the required payments and may need to remain closed even after the economy begins to recover. Although the 50% in charge reduction is helpful, the amounts being charged (even at 50%) are much greater than any previous year. A short-term transfer of 100% of charges due to the COVID-19 recession would permit reimbursing employers to manage the increased costs and provide additional funds to reduce unemployment trust fund deficits.

We urge you to address these specific issues as part of consideration of responses to COVID-19 and to bolster state unemployment insurance in response to the dramatic increases in unemployment compensation caused by COVID-19.

Sincerely,



Douglas J. Holmes
President