

Provisions Related to Unemployment Compensation in the Senate-passed CARES Act

Additional Federally Funded Benefits

Supplemental Federal Pandemic Unemployment Compensation. Through July 31, 2020, the federal government would provide a temporary Federal Pandemic Unemployment Compensation (FPUC) of \$600 a week for any worker eligible for state or federal unemployment compensation (UC) benefits. The FPUC would be paid in addition to and at the same time (but not necessarily in the same check) as regular state or federal UC benefits. The FPUC, combined with the underlying state unemployment benefit, would replace 100 percent of wages for the average U.S. worker. The federal supplement would not affect eligibility for Medicaid or the Children's Health Insurance Program. State UC programs would be fully reimbursed for the cost of administering the supplement and for the cost of the supplement itself.

Expansion of "Work Sharing" Programs to Provide Partial Benefits to Individuals with Reduced Hours.

The federal government would temporarily provide full funding for states with Short-Time Compensation or "work sharing" programs in law, in which employers voluntarily make an agreement with the state unemployment office to prevent layoffs by reducing employee hours, and workers with reduced hours are eligible for partial state UC benefits. States currently bear the full cost of these arrangements. States would receive \$100 million for work sharing program promotion and enrollment of employers, and for implementation or improved administration. More information on "work sharing" programs can be found here.

13 Weeks of Emergency Unemployment Compensation Available in All States for Workers who Exhaust Regular Benefits. All states would be eligible to provide an additional 13 weeks of unemployment benefits to workers who need beyond what is provided for in state and federal law.

Expanded Eligibility for Unemployment Benefits to Fill Coverage Gaps

Pandemic Unemployment Assistance Following the Model of the Disaster Unemployment Assistance program. States would be permitted to expand eligibility to provide unemployment compensation to workers who are not normally eligible for benefits, so long as their unemployment was connected to the COVD-19 pandemic, as determined by the state and the Department of Labor. Expanded eligibility would provide benefits to self-employed individuals, independent contractors, "gig economy" employees, and individuals who were unable to start a new job or contract due to the pandemic. Individuals would apply for these temporary new federal benefits at the state UC office, and states would be fully reimbursed for the cost of benefits and administration.

Unemployment Compensation Support for Nonprofit Organizations and State, Tribal, and Local

Governments. Most nonprofits, Indian Tribes, and governmental entities do not pay per-worker unemployment taxes and instead have "reimbursable arrangements" with state unemployment programs, which require them to reimburse the state for 100 percent of the cost of unemployment compensation paid to their furloughed or laid off workers. During the period of the national emergency, the federal government would pay 50 percent of the reimbursement for those workers so that their employers could follow public health recommendations. Workers at these organizations are also eligible for the Federal Pandemic Unemployment Compensation supplement (\$600 a week).

FAQ

What has happened to applications for unemployment benefits in recent weeks?

This morning, the Department of Labor released data showing that claims for unemployment benefits were 3 million higher in the week ending March 21 than they were in the previous week, for a total of 3,283,000 claims. That is the highest level of weekly claims in the history of this data series. The previous high was 695,000 claims filed in October of 1982.

What have we done to help states deal with the flood of applications for unemployment compensation?

The Families First Coronavirus Response Act provided states with \$1 billion, paid in two \$500 million installments, to help them deal with the initial influx of UC benefit applications. The Department of Labor is required to distribute the first \$500 million within 60 days of enactment. It also gave states flexibility to modify their state policies to work in the current crisis without any federal penalty, and allows them to temporarily borrow interest-free from the federal government if the crisis strains their UC trust fund. The law also provides for 100 percent temporary federal funding for extended benefits in states that trigger those benefits because of very high and rising unemployment. However, the already-enacted law did not significantly expand UC eligibility or increase benefit amounts – those changes are in the CARES Act. Guidance on the Families First Coronavirus Response Act from the Department of Labor can be found here.

Are self-employed workers and workers in the gig economy eligible for unemployment compensation generally or the Federal Pandemic Unemployment Compensation benefit specifically?

It depends on state law, but self-employed and gig economy workers do not ordinarily have coverage under the unemployment compensation system and so are not eligible for benefits (in part because they do not have employers who contribute to the UC system). However, under the CARES Act, self-employed workers whose states make an agreement with the Department of Labor will receive Pandemic Unemployment Assistance based on their recent earnings and will also be able to receive the \$600 a week FPUC supplement on top of that benefit. States will be reimbursed for 100 percent of the cost of administering the benefits, as well as the benefits themselves.

How Much Pandemic Unemployment Assistance (PUA) Would Self-Employed Workers, Individuals About to Start Work, and Others Receive?

The amount would vary by state. All PUA recipients would be eligible for the \$600 a week federal supplement. They would also receive a base benefit calculated according to state benefit formulas and using recent information about their wages, but no lower than half the state's minimum regular UC payment.

What about tipped workers? Does their tip income count for UC?

Under federal law, tips are considered part of compensation for UC. However, states only have the tip income reported by employers, who sometimes underreport them, in violation of federal law. If employers fail to follow the law and do not accurately report tip income, it might lower state UC benefits for those workers, or, in extreme cases, cause them not to have enough recent income to qualify for UC under state law. Under the CARES Act, tipped workers who qualify for UC will all receive the Federal Pandemic Unemployment Compensation, an additional \$600 a week payment, on top of their state UC payment like any other worker receiving UC benefits. Unemployed workers who do not have enough reported income to qualify for state UC payments but are able and available to work, but for COVID-19, would likely be eligible for a smaller federal payment, depending on their state's implementation of Pandemic Unemployment Assistance.

What about workers in the performing arts and other industries that were about to start new jobs and had them canceled due to the COVID-19 outbreak?

Workers who had a contract or other offer of employment suspended due to the COVID-19 outbreak would be eligible Pandemic Unemployment Assistance calculated by their state's UC program, and also for the \$600 a week FPUC supplement.

Will the UC enhancements in the CARES Act make workers whole financially?

Nationally, state UC benefits replace about 40 percent of wages for workers. Under the CARES Act, until July 31, 2020, an average worker who received a state UC benefit and the Federal Pandemic Unemployment Compensation would have 100 percent of their wages replaced, but replacement rates would vary by state and worker.

Why does the CARES Act replace 100 percent of wages for the average worker? Will that discourage people from working?

The COVID-19 pandemic has created a unique, difficult, and unprecedented situation. Normally, the goal of UC benefits is to provide earned benefits to tide workers over while they search for new jobs, and UC does not replace all of the worker's lost wages, which further strengthens Americans' natural desire to work and earn wages to support themselves and their families. In this case, public health officials tell us the best thing most Americans can do is to stay home. So in this case, we do not want inadequate wage replacement to force workers, especially those who would normally earn very low UC benefits, to continue searching for jobs or working in violation of public health orders.

Will federal and state workers receive the Federal Pandemic Unemployment Compensation (FPUC)? Yes, so long as they are eligible for UC as determined by state law.

What about workers who are not laid off, but have their hours reduced?

Individuals who are still working are generally not eligible for UC benefits. However, the CARES Act makes a substantial federal investment in supporting Short-Time Compensation (STC) or "work sharing" programs, which allow employers to make an agreement with the state UC office to reduce hours, instead of laying people off, and then have workers receive partial UC benefits for their lost hours. Individual state policies may vary, but workers with reduced hours who were not part of STC programs would not typically receive UC.

Can workers get UC at the same time as they receive employer-provided paid leave?

No, workers who are receiving paid leave are not eligible for UC.

Can self-employed workers get UC and also claim the refundable tax credit for lost wages in the Families First Coronavirus Response Act?

No, workers who elect to claim the refundable credit would not be eligible for UC for that time period.

What level of benefits will workers get in my state?

UC benefit levels vary widely from state to state. Data on state minimum and maximum UC benefits can be found <u>here</u> and data on average UC benefits can be found <u>here</u>. Additional information on state UC programs can also be found <u>here</u>.

Did we waive the one-week waiting period for receiving UC?

The Families First Coronavirus Response Act eliminated the federal penalty for states that waive the waiting week during this crisis. However, states may still need to change their policies, and in some cases, their laws, to implement this. The CARES Act also fully reimburses states for benefits provided during the first week.

Why are we providing a flat benefit instead of adjusting the benefit to match each individual's recent wages?

Many state unemployment offices use antiquated IT systems and are currently understaffed and overwhelmed with a flood of new claims. Although we provided critical funding for them to staff up and improve their systems, it will take them time to hire and train new staff or make structural improvements. Using simplified eligibility criteria and fixed benefit amounts will make it more feasible for state offices to process and pay claims quickly.

Why hasn't Disaster Unemployment Assistance (DUA) turned on already?

DUA is primarily designed for natural disasters, and the Stafford Act only triggers on for specific types of mostly physical disasters (floods, fires, etc.). The CARES Act would replicate the aspects of DUA that are the most relevant to the COVID-19 pandemic – expanded eligibility and relaxed documentation requirements.

Will all the U.S. territories receive emergency unemployment benefits under this bill?

Yes. In Puerto Rico and the U.S. Virgin Islands, which currently operate UC programs, it will operate exactly the same way it does in the states and the District of Columbia. In territories which do not participate in the regular UC system, the Department of Labor will work with territorial governments to identify an agency which can provide the benefits.

What would have been the effect of the Sasse amendment, which failed on a 48-48 vote in the Senate?

During the negotiations about the CARES Act, the Department of Labor said that it would be impossible to administer supplemental UC benefits if states had to make the kind of individualized adjustments in the Sasse amendment. They provided an example of a state which would take *six to eight months* to pay <u>any</u> benefits in that situation.

How does the CARES Act help local governments and non-profits which are required to reimburse state UC programs for the full cost of all unemployment benefits provided to their laid off or furloughed workers?

Many non-profit organizations and state and local governments participate in UC using a "reimbursable arrangement." That means they do not pay the per-worker UC taxes paid by private employers and instead reimburse the state UC office for 100 percent of the cost of benefits paid to workers they furlough or lay off.

The CARES Act would provide federal funding to cover half of the cost of reimbursable benefits and provide additional flexibility for those entities to pay the other half over time.

When do the temporary emergency benefit increases end?

The CARES Act terminates the \$600 a week FPUC supplement on July 31, 2020, and other provisions on December 31, 2020.

How is the CARES Act different from the Take Responsibility for Workers and Families Act introduced in the House?

The compromise bill secures nearly all of the top priorities of the House bill. But it limits provisions from the House bill in some ways, including providing the \$600 FPUC supplement only through July 31 instead of December 31; not providing a federal benefit supplement to individuals in short-time compensation programs; not providing a benefit to job entrants; and counting the federal UC benefits as income for means-tested programs other than Medicaid and the Children's Health Insurance Program. The CARES Act also uses a different administrative mechanism (Pandemic Unemployment Assistance) to achieve the important goal of making self-employed workers and those about to start work with unemployment compensation. Finally, it includes two provisions which were not in the House bill – one to reimburse states for the cost of the first week of state benefits, and one to temporarily waive rules requiring state UC offices to hire objective merit staff, and ensure that only merit staff make eligibility determinations.

Can workers on UC receive health insurance benefits from their prior employer?

Workers receiving UC are eligible to stay on employer-sponsored insurance through COBRA but will no longer receive employer contributions for the premium. Unlike the House bill, the Senate bill did not provide a subsidy to help workers. Workers who lost their job and were previously covered by employer-sponsored insurance are eligible for a special enrollment period in the ACA marketplace for coverage and may be eligible for advanced premium tax credits and cost-sharing subsidies.