

Unemployment Insurance Program Changes

Federal Coronavirus Response Legislation

Program Summary

Overview

The Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Families First Coronavirus Response Act make several revisions to the unemployment insurance program administered by the Department of Economic Security. The summary below includes a brief background description of Arizona's unemployment insurance program, and then summarizes changes to the program implemented in the CARES Act and the Families First Coronavirus Response Act.

Unemployment Insurance Program Background

Benefits: A.R.S. § 23-779 establishes a weekly benefit amount equal to 1/25th of the person's total wages during the quarter in which wages were highest in the prior year, except that the weekly benefit may not exceed \$240. The U.S. Department of Labor (DOL) estimates that Arizona's average weekly benefit amount is \$234 in calendar year 2020. The duration of benefits is 26 weeks.

State Unemployment Tax: Arizona's state unemployment tax finances the cost of unemployment insurance program benefits. The tax is applied on the first \$7,000 of wages paid for each employee and for calendar year 2019 averaged 1.73%. The actual tax rate varies by employer based on the balance of each employer's reserve of unemployment contributions, utilization of benefits, as well as the systemwide assets in the state's unemployment insurance trust fund. For calendar year 2020, the actual rates for employers range from 0.05% to 12.85%.

Federal Unemployment Tax: The federal unemployment tax (FUTA) is 0.6%, which consists of a 6.0% base rate, less 5.4% credit for states such as Arizona with UI programs that comply with federal parameters. The 0.6% rate is in addition to the State Unemployment Tax discussed above and unlike the state tax is the same for every employer. Monies from FUTA are remitted to the federal government and fund state administrative costs of the UI program; 50% of the cost of Extended Benefits program, which provides unemployment insurance beyond the regular benefit period of 26 weeks in states with high unemployment rates; and loans to states with insolvent unemployment insurance programs. Loans are requested by the governor in each state. States must repay any loans in November 2 years following the issuance of the loan, or else the federal unemployment tax rate increases for employers.

Arizona Unemployment Insurance Trust Fund Solvency: According to DOL, the balance in Arizona's Unemployment Insurance Trust Fund was \$1.1 billion as of January 1, 2020. To measure the "solvency" of each state's trust fund, the DOL compares the balance of each state's trust fund with the cost of benefits in high cost years. DOL estimates Arizona's solvency level was 0.92, which reflects the ratio of Arizona's January 1 trust fund balance with the average cost of the 3 highest-cost benefits years in the last 20 years. DOL considers states with a solvency level of 1 to have reached the "minimum level for adequate state solvency going into a recession." By September 22, 2020 the UI Trust Fund Balance had declined to \$285.6 million.

CARES Act Unemployment Provisions

1. Increases Unemployment Insurance benefits by \$600 weekly in addition to the benefit to which the enrollee would otherwise receive. Effectively increases weekly benefits for most Arizona enrollees from \$240 under current law to \$840. The \$600 increase is 100% federally-funded. The increase applies to enrollees from the date of enactment of the CARES Act through July 31, 2020. Following the expiration of the \$600 increase, the President issued an Executive Order on August 8, 2020 establishing the Lost Wages Assistance program, which used federal disaster relief monies to temporarily implement a \$300 per week increase in Unemployment Insurance benefits retroactive to August 1, 2020. Funding for the Lost Wages Assistance program in Arizona expired September 12, 2020.
2. Establishes Pandemic Emergency Unemployment Compensation (PEUC), which adds an extra 13 weeks of benefits for individuals that have already exhausted their regular 26 weeks of unemployment benefits. PEUC Benefits are 100% federally financed and are effective through December 31, 2020. The CARES Act requires that an individual exhaust PEUC benefits prior to enrolling in the Extended Benefits program, which provides

13 additional weeks of UI benefits beyond the 13-week extension covered by PEUC. As a result, individuals who initially enroll in the regular UI program may be eligible for at least 52 weeks of total unemployment benefits as long as the state has triggered the conditions to provide Extended Benefits (26 weeks regular UI + 13 weeks PEUC + 13 weeks Extended Benefits = 52 weeks). Arizona met federally-established unemployment thresholds to provide extended benefits on June 14, 2020. Extended benefits are also 100% federally funded through December 31, 2020 (*See Families First Coronavirus Response Act Unemployment Provisions below*).

3. Establishes Pandemic Unemployment Assistance (PUA), which expands eligibility for unemployment compensation to self-employed individuals and job entrants for individuals who lack access to unemployment insurance or other private paid leave and are not able or available to work due to COVID-19. PUA is 100% federally funded and is in effect retroactively to January 27, 2020 through December 31, 2020.
4. Funds the benefit costs of the “Shared Work program” with 100% Federal Funds through December 31, 2020. The Shared Work program allows employees to receive a prorated unemployment benefit if, in lieu of implementing layoffs, an employer reduces hours worked.
5. Prohibits states from reducing unemployment benefit levels that were in effect January 1, 2020 as a condition of receiving additional unemployment funding through the CARES Act.
6. Stipulates that additional unemployment insurance increases under the bill do not count towards income or asset tests for the purposes of eligibility determinations for Medicaid or the Children's Health Insurance program.
7. Provides 100% federal reimbursement for first week of regular unemployment insurance benefits costs for states that eliminate 1-week waiting period for benefits. This provision is in effect through December 31, 2020.
8. Reimburses government and nonprofit entities for half of unemployment insurance benefits paid between March 13, 2020 and December 31, 2020.

Families First Coronavirus Response Act Unemployment Provisions

1. Provides \$1 billion for emergency grants to states for unemployment insurance administration. Each state's grant is in proportion to the state's share of wages subject to the unemployment insurance employer tax. Federal Funds Information for States, which tracks federal legislation for state governments, estimates that Arizona will receive \$6.3 million in initial grants.
2. Increases the federal share of funding for the Extended Benefits program from 50% to 100% through December 31, 2020. The Extended Benefits program allows unemployment insurance beneficiaries in states with high unemployment rates to receive benefits beyond the regular 26-week benefit limit.
3. Makes any loans requested by states from the federal government to address projected shortfalls in their state unemployment insurance trust funds interest-free through December 31, 2020.