



Statement for the Record of

Mr. Bill McBride
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Before the

Committee on Finance
United States Senate

On

**“UNEMPLOYMENT INSURANCE DURING
COVID-19: THE CARES ACT AND THE ROLE OF
UNEMPLOYMENT INSURANCE
DURING THE PANDEMIC”**

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Chairman Grassley, Ranking Member Wyden and members of the Senate Committee on Finance, thank you for the opportunity to submit testimony to the Senate Committee on Finance regarding unemployment and COVID-19.

On behalf of the nation's governors, I submit testimony to urge Congress to provide unemployment insurance (UI) resources to states that are responding to the more than 40 million claims that have been filed over the past 14 weeks.

Governors appreciate the new approaches to unemployment created in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and are working swiftly to build new programs from the ground up.

Despite these new programs, the record number of claims will soon drain state UI accounts. According to the Tax Foundation, nearly half of all states have either fully depleted their state UI trust funds or will deplete their funding within 10 weeks. Due to the flood of claims being processed and the costs associated with implementing new UI programs created by the CARES Act, nearly every state will face shortfalls in federal administrative funding for UI.

States have already requested nearly \$40 billion in advances from the federal government. UI trust fund depletions and subsequent advances will be a burden on state budgets now and for years to come as states re-pay the advances. This is even with the interest relief on UI trust fund advances that Congress provided through the remainder of 2020.

The states' UI trust fund depletion also threatens the livelihood of our citizens. Most states automatically increase the unemployment tax levied on employers if their UI trust fund falls below certain levels. Without funding from the federal government, hundreds of thousands of small, medium and large businesses are in danger of experiencing automatic, significant tax increases at a time when they need to conserve every dollar to survive.

Governors have called on Congress to act in the next COVID-19 response package to bolster state UI systems and cut taxes for business by:

- Providing grants and/or loan forgiveness for all necessary federal advances to replenish depleted state unemployment trust funds. These federal resources will ensure states have the ability to continue payments to unemployed residents during the COVID-19 pandemic, while preventing tax increases for businesses;
- Providing additional administrative funding to address substantial, necessary investments states are making to increase technological and staffing capacity; and

- Increasing grants for states to reimburse section 501(c)(3) organizations, government agencies and Indian tribes for 100 percent of the amount they pay for unemployment benefits. States should be granted flexibility to retroactively apply grants to all unemployment benefit reimbursements made to these organizations since the beginning of the pandemic.

In addition to request above, we are grateful that Congress is working to provide \$500 billion in direct financial assistance to states to address the budgetary shortfalls the pandemic has created and will create.

We look forward to working with Congress to ensure that states and businesses do not experience additional economic strains because of the historic challenges the UI system is currently experiencing.