



Michael Preston
SECRETARY OF COMMERCE

Charisse Childers, Ph.D.
DIRECTOR,
DIVISION OF WORKFORCE SERVICES

MEMORANDUM

TO: CARES ACT Steering Committee

FROM: Charisse Childers, Ph.D.

CC: Mike Preston, Secretary of the Department of Commerce

DATE: November 9, 2020

SUBJECT: CARES Act Funding request for Unemployment Insurance Trust Fund

Request

The UI Trust Fund is funded solely by Arkansas' employers, either through experienced based contributions or through required reimbursements. To mitigate the impact of the COVID-19 pandemic on employers' 2021 UI tax rates and required reimbursements, we are requesting that the CARES Act Steering Committee allocate \$50 million of unspent CARES Act funds to the UI Trust Fund.

Supporting Information

Base UI tax rates are determined by an employer's contributions and benefit charges through June 30 of the preceding year. Unless action is taken, the high claims volume caused by the COVID-19 pandemic during the second quarter of 2020 (April, May, June) will cause employers' 2021 base UI tax rates to significantly increase. Such an increase in UI taxes will put a financial strain on employers and create an obstacle to hiring. The top industries that are vulnerable to UI rate increases are the industries most severely impacted by the pandemic (see attached list of claims by industry).

Absent a change in state law, DWS does not have the ability to waive UI claims from being charged to an employer's account. The Governor may, under his emergency powers, suspend the law requiring charges to an employer's account, but that suspension would only last for the duration of the emergency. At the end of the emergency, the rates would increase. Since the problem cannot be administratively solved by decreasing benefit charges, employer contributions must be increased.

Employers may make voluntary contributions to their accounts in order to mitigate benefit claim charges and avoid an increase to their UI base tax rate. DWS administratively can deem the state's previous CARES Act \$165 million contribution to the UI trust fund as being a voluntary contribution on behalf of employers. By transferring an additional \$50 million in CARES Act funds to the UI trust fund (bringing the total transferred to \$215 million), DWS can deem as voluntary employer contributions an amount sufficient to mitigate the increased benefit charges caused by the Pandemic.

Use of CARES Act dollars in this manner meets the eligible uses of the Fund as noted in the Coronavirus Relief Fund, Guidance for State, Territorial, Local, and Tribal Governments, dated April 22, 2020 as *Unemployment insurance costs related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.*

I appreciate your consideration of this request and will provide more detail as needed.

Q2 2020 UI Claims by Industry

NAICS 2 Digit Sector Codes	Percentage of Dollars	Percentage of Accounts
Manufacturing	18.83%	5.96%
Accommodation and Food Services	17.82%	15.12%
Health Care and Social Assistance	16.96%	16.22%
Retail Trade	11.14%	12.32%
Administrative and Support and Waste Management and Remediation Services (includes temp agencies)	7.07%	6.52%
Construction	4.66%	8.51%
Wholesale Trade	4.63%	5.80%
Transportation and Warehousing	3.62%	3.62%
Other Services (except Public Administration)	3.23%	6.37%
Professional, Scientific, and Technical Services	3.14%	6.48%
Arts, Entertainment, and Recreation	2.16%	1.89%
Real Estate and Rental and Leasing	1.21%	2.39%
Management of Companies and Enterprises	1.08%	0.29%
Finance and Insurance	1.06%	2.49%
Information	0.99%	1.17%
Public Administration	0.80%	1.02%
Mining, Quarrying, and Oil and Gas Extraction	0.53%	0.56%
Educational Services	0.52%	1.13%
Agriculture, Forestry, Fishing and Hunting	0.48%	1.87%
Utilities	0.08%	0.28%