

State Economic Policies for COVID-19

Dave Wells, Ph.D., Research Director

Governor Doug Ducey yesterday took the first step in state leadership on COVID-19 [by declaring a public health emergency](#). That executive order includes requiring insurance companies and health plans to cover out of network providers and waive co-pays, coinsurance and deductible as it relates to COVID-19.

However, the state should take a number of additional economic steps immediately for public health, workers and families, and small business.

In addition, the legislature needs to make some immediate permanent fixes to the state's inadequate unemployment insurance system as the existing weaknesses will quickly have a profound impact on those that become unemployed as a result of COVID-19.

Recommendations:

- **Containing and treating the virus.** While the Governor's [Executive Order](#) frees up \$500,000 in emergency funds to protect public health, the legislature should follow the lead of Minnesota and immediately tap into one-time revenues or the Rainy Day Fund for up to \$20 million to contain and treat COVID-19.
- **Paid sick time.** Workers should be aware of their guaranteed sick leave as mandated by Prop. 206 in 2016.
- **Expanded access to unemployment benefits.** Arizona should follow the lead of [Washington](#) state and [Rhode Island](#) in expanding access to unemployment insurance benefits if their place of employment shuts down or they need to stay away from work temporarily due to COVID-19. The one-week waiting period and job search requirements should be temporarily waived.
- **\$3 million to support effected workers.** The Legislature should establish a \$3 million fund for workers forced to quit their jobs due to COVID-19 to cover the equivalent of one-month of unemployment insurance benefits, until they are well enough to seek work and qualify for unemployment insurance benefits.
- **\$60 million for small business loans.** While federal aid may be forthcoming, in the meantime, up to \$60 million should be made available as short-term, interest-free

loans for small businesses in Arizona facing documented cash flow challenges due to COVID-19 or to help cover additional paid sick time for employees.

- **Update unemployment compensation benefits.** Beyond these temporary measures, in line with states like Utah and Texas, the legislature should fast track fixes to Arizona's inadequate unemployment compensation benefits and excessively high barriers to accessing benefits.

Introduction

In the last 24 hours, the World Health Organization has proclaimed a global pandemic. President Donald Trump has halted travel to continental Europe. Both Arizona State University and University of Arizona have decided to move all classes to remote delivery for the rest of the month. The NBA has suspended their season because a Utah Jazz player tested positive for COVID-19. The upcoming NCAA tournament has been cancelled as has the remainder of Major League Baseball's Spring Training in Arizona. And the Democratic Party which previously announced its Presidential candidate debate in Phoenix on Sunday would be without a live audience is now moving it to Washington, D.C. to reduce the health risk associated with travel.

As the COVID-19 outbreak spreads we can anticipate the number of cases in Arizona will multiply exponentially. Policymakers should be proactive in making sure that workers, families and businesses have protection from the economic impact of this virus.

For Public Health

1) Governor Doug Ducey's executive order follow similar action in [Washington state](#), to make sure Arizona residents will not face deductibles, co-pays, co-insurance or out of network bills for any testing or treatment they need for COVID-19. However, the action only frees up \$500,000 to protect public health. In [Minnesota Governor Tim Walz just approved \\$21 million to contain and treat the disease](#). Arizona should do likewise using one-time budget revenues or the rainy day fund.

For Workers

1) *Paid Sick Time*. Prop. 206 passed by Arizona voters in 2016 not only increased the minimum wage, [it guaranteed paid sick time](#). Workers should know if they or a family member gets sick, they have this benefit. People working for businesses with less than 15 employees accrue one hour for every 30 hours worked up to 24 hours total of sick time (3 days) and those working for businesses with 15 or more employees accrue 1 hour for every 30 hours worked up to 40 hours (5 days).

2) *Accessing Unemployment Benefits*. Paid sick time will not cover two weeks of self-quarantine or the time to recover from the virus, so the state should prepare to order an emergency declaration in line with actions taken in Rhode Island and Washington state that stipulates that:

- Unemployment benefits be made available for workers who are not able to work because their employer closed down or were laid off due to COVID-19, they need to be quarantined, or need to care for a family member who has contracted the virus. [Washington state has provided an excellent model](#) here with its emergency declarations.
- The one week waiting period to receive unemployment benefits is waived in the above situations—so that workers can access benefits immediately. [Rhode Island has shown leadership here](#) by waiving the one-week waiting period—so families are less cash stressed.
- The [job search requirements are temporarily waived](#) to prevent the spread of the virus by keeping sick people at home rather than out looking for work.
- These episodes of unemployment should not count against an employer’s experience rating that determines their unemployment tax rate. Though the unemployment insurance payroll tax is quite low, the state should appeal to the federal government to help reimburse expenses due COVID-19 temporary orders.
- Under current law, workers who are forced to quit their jobs due to COVID-19 are not eligible for unemployment insurance until they are able to look for work again, as such the state should fund up to \$3 million to cover the equivalent of one-month of unemployment benefits—so these workers have financial protections until they are able to seek work again and can qualify for benefits.

3) *Improving Unemployment Benefits*. In December [the Grand Canyon Institute noted how Arizona’s Unemployment Insurance program fell significantly short of other states](#) including Utah and Texas (<https://grandcanyoninstitute.org/arizona-needs-to-address-unemployment-compensation-to-ensure-families-are-protected-before-the-next-recession/>). Unemployment benefits are designed to replace half of a worker’s prior earnings up to a cap. Arizona currently combines the second lowest cut off in benefits in the nation with the highest threshold to collect benefits. So in Arizona if you work full-time for more than minimum wage, you’ll find that you’ll be impacted by the cap of \$240 per week and as a consequence, you’ll received far less than half your prior income. In addition, Arizona remains the only state in the country where someone earning \$12 an hour for 25 hours per week does not qualify for benefits. Arizona should:

- in line with states like Utah and Texas, increase the cap on unemployment benefits to \$490 per week, one half of the average weekly wage in Arizona of the prior calendar year, and adjust this amount annually.
- Introduce a dependent allowance of \$25 per week per dependent with a cap of \$50 per week as is done in New Mexico.
- Change the minimum earnings required to qualify for unemployment benefits from earning 390 hours multiplied by the minimum wage in a calendar quarter (\$4,680, the highest amount in the country) to 260 hours multiplied by the minimum wage in a calendar quarter

(\$3,120) OR alternatively \$7,000 over the last four calendar-year quarters (as a minimum annual amount).

For Impacted Businesses

Businesses tied to travel, tourism and conventions have already seen an impact from COVID-19. Soon the impact will ripple across a far wider range of businesses—especially restaurants and bars. While Congress recently approved \$8 billion to deal with COVID-19, [only \\$20 million was allocated for small business loans](#). The Small Business Administration does have [a disaster relief loan program](#) for loans of up to \$2 million and interest rates not to exceed 4 percent. In the House of Representatives and U.S. Senate (HR 6040/S 77) “[The Small Business Relief from Communicable Disease Induced Economic Hardship Act of 2020](#)” would make sure the loans were at 0 percent and could be larger than \$2 million for large employers.

President Donald Trump in his address on Wednesday night called for [\\$50 billion to assist businesses](#)—but that proposal still needs to work through Congress.

Arizona should not wait for the federal government to act. The state currently has a budget surplus—much of which is likely one-time income that may not be sustained especially in the current economic circumstance. Consequently, the state should make available \$60 million for short-term loans at no interest. The loans should be primarily designed for small businesses and possibly some larger firms facing documented cash flow challenges due to COVID-19 or to help cover additional paid sick time for employees.

Conclusion

COVID-19 is already having an economic impact—and that impact could grow exponentially. Governor Ducey took an important first step Wednesday by declaring a public health emergency. But more leadership is needed. The state government should take action now on the recommendations put forward here to help individuals, families and businesses in response to the situation.

Dave Wells holds a doctorate in Political Economy and Public Policy and is the Research Director for the Grand Canyon Institute, a centrist fiscal policy think tank founded in 2011. He can be reached at DWells@azgci.org or contact the Grand Canyon Institute at (602) 595-1025.

The Grand Canyon Institute, a 501(c) 3 nonprofit organization, is a centrist think tank led by a bipartisan group of former state lawmakers, economists, community leaders and academicians. The Grand Canyon Institute serves as an independent voice reflecting a pragmatic approach to addressing economic, fiscal, budgetary and taxation issues confronting Arizona.

Grand Canyon Institute

P.O. Box 1008

Phoenix, Arizona 85001-1008

GrandCanyonInstitute.org