

Recommendations for Unemployment Insurance Reform in Arizona

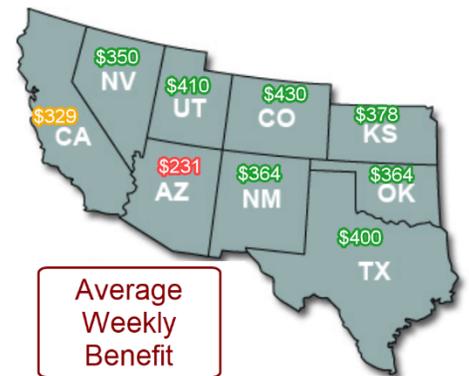
June 5, 2020

For more information or questions, contact:

Dave Wells, Research Director
dwells@azgci.org or 602.595.1025, Ext. 2

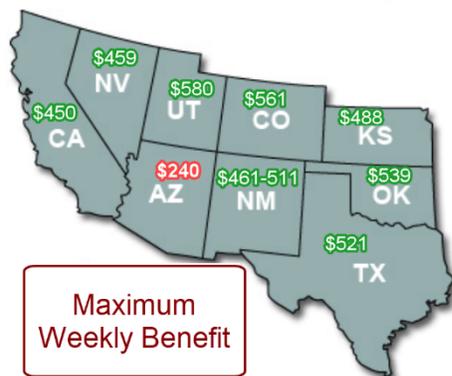
Overview:

- Only 1 in 8 unemployed workers in Arizona were eligible to receive benefits prior to the pandemic.
- Arizona's unemployment benefit cap has not been increased since 2004 while the income eligibility threshold has risen to the highest in the nation.
- The following recommendations will put Arizona in line with most states and would cost an estimated additional \$100 per covered employee per year. (In 2019, the average state unemployment tax was \$116 per covered employee.)
- On average, unemployed workers in Arizona and Texas file for unemployment benefits for the same duration of time even though the average benefit in Texas was 70 percent higher.



Specific Recommendations

1. **Increase the benefit cap** to \$490 per week, half the average weekly wage of Arizona's covered workers (using the calendar year just prior to the last completed calendar year).



- Recommend making this effective as of August 1, 2020, in line with expected termination of \$600 weekly federal supplements.
 - Adjust annually on January 1st based on average weekly wage as reported by US Department of Labor using the calendar year completed just prior to the most recent calendar year, i.e., 2019 for 2021.
 - Arizona's maximum weekly benefit has been set at \$240 since 2004.
 - \$240 is the second lowest cap in the country (only Mississippi is lower).
 - \$490 would place the state in the middle of other states and consistent with other Southwestern states.

See details below on state benefit caps across the United States.

- Increasing the cap does not change the formula for calculating benefits, so people that cap out at lower amounts will not receive more money.

2. **Lower income eligibility threshold** for receiving benefits to \$2,400 to \$3,120 in the highest earnings quarter (200 to 260 hours X the minimum wage) and \$3,600 to \$4,680 over the four calendar quarter base period. (Arizona would still be on the higher end compared to other states.)

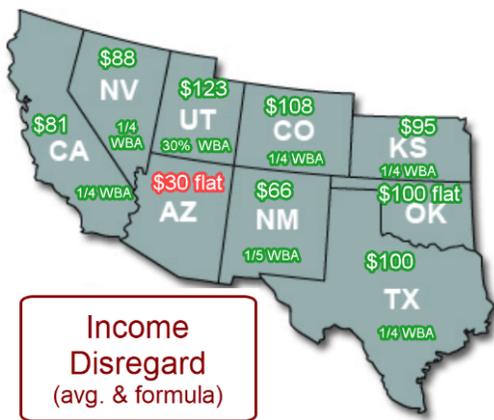


- An eligibility threshold of \$2,400 in the highest earnings quarter (200 hours x minimum wage) or \$3,600 for the base period (1.5 x highest earnings quarter) would put Arizona in the middle relative to all states. All neighbors except Utah would still have more generous thresholds.
- Currently, Arizona has the highest threshold in the country by a significant margin. A person must earn at least \$4,680 (390 hours X minimum wage) in a calendar quarter and at least \$7,020 over the four calendar quarter base period (1.5 X \$4,680) to qualify for unemployment benefits at all.

- Source: U.S. Dept. of Labor, Comparison of State Unemployment Laws 2019, Ch. 3 Monetary Entitlement. <https://oui.doleta.gov/unemploy/comparison/2010-2019/comparison2019.asp>

3. **Increase the income disregard.**

- Step 1: Increase immediately to at least \$100 and up to \$300 per week.
- Step 2: Once benefit cap raised to \$490, increase the income disregard to 1/4 of the weekly benefit amount received, which is the amount most commonly used by other states.



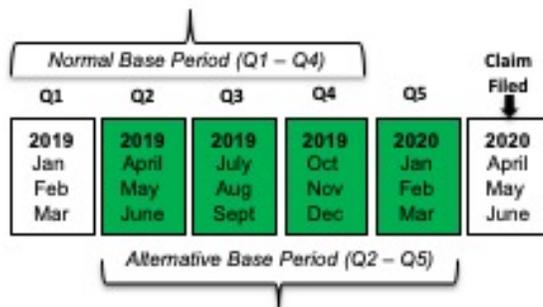
- The income disregard is the amount that a person can earn while receiving unemployment benefits before having benefits reduced, e.g., someone with a \$400 weekly benefit amount could earn up to \$100 before having their benefits reduced.
- Arizona's current income disregard is \$30, the lowest in the country.
- 34 states and the District of Columbia have adopted the recommended formula or something functionally similar. Seven states have an even higher income disregard, usually one half of the weekly benefit amount.

- All other Southwestern states use the recommended formula, or something functionally similar or better.
- See below for list of states that have adopted a similar or greater income disregard.
- Currently, Arizona's extremely low income disregard of \$30 when combined with the low benefit cap means anyone with reduced hours making at least \$270 a week gets ZERO benefits.
- Note that Georgia's Governor Kemp has increased his state's income disregard from \$55 to \$300 due to COVID-19.

4. **Alternative Base Period.** *Adopt an Alternative Base Period to determine eligibility based on the last four calendar quarters worked for people who do not qualify for unemployment benefits according to the normal base period.*

Alternative Base Period

- Income eligibility based on last four completed quarters worked.
- Eligibility remains the same, earnings in two quarters.



- The normal base period is calculated based on the first four of the five most recent completed calendar quarters.
- This recommendation will increase accessibility for low-wage earners due to Arizona's minimum wage increase on Jan 1, 2020 and people who have more recently joined the workforce.

- 36 states and the District of Columbia allow Alternative Base Periods. See below for full list of states.
- For example, when the pandemic hit in March, a worker's earnings during the last quarter of 2019 were not considered for eligibility—even though for many workers that would be their highest quarter. An alternative base period considers the last quarter of 2019 instead of the last quarter of 2018, if that helps the person qualify for unemployment benefits.

Benefit Cap: Comparison to other states

Ranges are either due to dependent allowances such as New Mexico—or alternative formulas such as Colorado. States with ranges are placed in the category that appeared most accurate. Figures form U.S. Department of Labor, “Significant Provisions of State Unemployment Insurance Laws Effective January 2020,”

<https://oui.doleta.gov/unemploy/content/sigpros/2020-2029/January2020.pdf>

Arizona’s proposed year lag based on average weekly wage of covered workers is due to when data is available as it would be re-set on Jan. 1 of each year.

States with caps less than \$400	States with caps \$400-\$550	States with caps above \$550
<p>ARIZONA (\$240) Alabama (\$275) Florida (\$275) Georgia (\$365) Indiana (\$390) Louisiana (\$247) Michigan (\$362) Mississippi (\$235) Missouri (\$320) North Carolina (\$350) South Carolina (\$326) Tennessee (\$275) Virginia (\$378) Wisconsin (\$370)</p> <p><i>NO STATES OTHER THAN ARIZONA IN MOUNTAIN WEST OR WEST COAST</i></p>	<p>ARIZONA PROPOSED (\$490) Alaska (\$370-\$442) Arkansas (\$451) California (\$450) Delaware (\$400) Washington, DC. (\$444) Idaho (\$448) Illinois (\$484-\$667) Iowa (\$481-\$591) Kansas (\$488) Maine (\$445-\$667) Minnesota (\$462 or \$740) Nebraska (\$440) Nevada (\$459) New Hampshire (\$427) New Mexico (\$461-\$511) New York (\$504) Ohio (\$480-\$647) Oklahoma (\$539) South Dakota (\$414) Texas (\$521) Vermont (\$513) West Virginia (\$424) Wyoming (\$508)</p>	<p>Colorado (\$561 or \$618) Connecticut (\$649-\$724) Hawaii (\$648) Kentucky (\$552) Massachusetts (\$823-\$1,234) Montana (\$552) New Jersey (\$713) North Dakota (\$618) Oregon (\$648) Pennsylvania (\$572-\$580) Rhode Island (\$586-\$732) Utah (\$580) Washington (\$790)</p>

Income Disregard: Comparison to other states that benchmark income disregard to Weekly Benefit Average (WBA):

States that use ¼ of WBA as income disregard (or something similar financially)	States that use ½ of WBA as income disregard
Alabama (1/3 not ¼) Alaska Arkansas	Delaware Idaho Illinois

California Colorado Connecticut (1/3) Washington, DC (1/3) Hawaii (\$150 flat) Indiana (1/5) Kansas Kentucky (1/5) Maine (\$100 flat) Massachusetts (1/3) Michigan (half of earnings deducted) Minnesota (half of earnings deducted) Missouri (1/5) Montana Nebraska Nevada New Hampshire (30% instead of 25%) New Jersey (1/5) New Mexico (1/5) North Carolina (1/5) Ohio (1/5) Oklahoma (\$100 flat) Oregon (Greater of \$120 of 1/3 WBA) Pennsylvania (30% instead of 25%) Rhode Island (1/5) South Carolina South Dakota Tennessee Texas Utah (30% instead of 25%) Washington Wisconsin (1/3)	Iowa North Dakota (60%, not 50%) Vermont Wyoming
---	---

Source: U.S. Department of Labor, "Significant Provisions of State Unemployment Insurance Laws Effective January 2020," <https://oui.doleta.gov/unemploy/content/sigpros/2020-2029/January2020.pdf>

Alternative Base Period. Other states that have adopted an Alternative Base Period.

Alaska, Arkansas, California, Colorado, Connecticut, Delaware, Washington, D.C., Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Virginia, Vermont, Washington, West Virginia, Wisconsin

Source: U.S. Dept. of Labor, Comparison of State Unemployment Laws 2019, Ch. 3 Monetary Entitlement <https://oui.doleta.gov/unemploy/comparison/2010-2019/comparison2019.asp>