

## **Trump's Unemployment Insurance Memo Funds 5 Weeks Gov. Ducey needs to come up with a \$325 million match**

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### **Key Findings**

- President Trump's Aug 8 memorandum reallocates \$44 billion of CARES Act disaster assistance to a FEMA program to distribute \$400 per week enhanced unemployment benefits. That amount would cover five weeks of federal supplements and requires that states pay 25% of the total cost.
- Arizona will be required to match \$325 million to cover its 25% match (equal to \$100 per unemployed person per week) for the estimated 200,000 people receiving state unemployment insurance and the estimated 450,000 people receiving Pandemic Unemployment Assistance. Without this match, Arizona's unemployed workers will get no supplement.
- Gov. Ducey can use CARES Act COVID Relief Funds to meet the match.
- That \$325 million in funding from Arizona would leverage \$1 billion in federal dollars. The unemployment assistance payments provided through this action would generate \$2.2 billion in additional economic activity.<sup>1</sup>
- If a Congressional Agreement occurs soon, the memo is likely moot, but COVID Relief Funds could still help fund a permanent improvement in Arizona's unemployment system, which is among the worst in the country.

### **Analysis**

President Trump issued three memorandums and one executive order on Saturday, August 8. One of the memorandums redirected \$44 billion in federal disaster relief fund (DRF) assistance to be paid as a \$400 weekly unemployment supplement, with \$100 of that amount funded by states. While the memorandum expires on Dec. 27, 2020, the amount allocated will only last five weeks given that 30 million people nationally are receiving assistance.<sup>2</sup>

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<sup>1</sup> Based on an assumed state multiplier effect of 1.7. See technical appendix here for more details: [https://grandcanyoninstitute.org/wp-content/uploads/2020/08/Policy\\_Brief\\_GCI\\_Part-time-Hours-Devastating\\_Consequences\\_Aug\\_5\\_2020.pdf](https://grandcanyoninstitute.org/wp-content/uploads/2020/08/Policy_Brief_GCI_Part-time-Hours-Devastating_Consequences_Aug_5_2020.pdf).

<sup>2</sup> \$44 billion divided by 30 million divided by \$330 = almost 5 weeks.

If Congressional negotiators and the White House reach an agreement soon, the issue is likely moot, though the state's COVID Relief Fund (CRF) could still be used to support a permanent improvement in the state's unemployment system which would leverage federal dollars.<sup>3</sup>

President Trump cannot unilaterally create new laws. In this case, he's attempting to repurpose already appropriated disaster relief funds by redefining unemployment supplement payments as disaster relief. The courts will ultimately decide whether or not this is permitted by issuing an injunction or failing to do so.<sup>4</sup>

The memorandum addressing unemployment issued by the president states:

To provide financial assistance for the needs of those who have lost employment as a result of the pandemic, I am directing up to \$44 billion from the DRF at the statutorily mandated 75 percent Federal cost share be made available for lost wages assistance to eligible claimants, to supplement State expenditures in providing these payments.<sup>5</sup>

The 75% Federal payment requires a state match—as the law it's based on is premised on the notion that states need to pay for 25% of the cost of dealing with disasters.

The memo goes on to give state options on where they might find the match:

Sec. 3. State Allocation. I am calling on States to use amounts allocated to them out of the CRF, or other State funding, to provide temporary enhanced financial support to those whose jobs or wages have been adversely affected by COVID-19. These funds, including those currently used to support State unemployment insurance programs, may be applied as the State's cost share with Federal DRF funds. To ensure that those affected by a loss in wages due to COVID-19 continue to receive supplemental benefits for weeks of unemployment ending no later than December 27, 2020, States should also identify funds to be spent without a Federal match should the total DRF balance deplete to \$25 billion.<sup>6</sup>

While the memo suggests states might be able to use monies in their state unemployment trust funds, the Grand Canyon Institute's correspondence with a chief policy person for the National Employment Law Project (NELP) indicated that trust funds can only be used

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<sup>3</sup> GCI analysis of this forthcoming.

<sup>4</sup> Injunction is not the final ruling, but would determine whether or not the program could proceed while litigation proceeds—which is what matters in this context.

<sup>5</sup> Presidential Memoranda, "Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019," August 8, 2020, <https://www.whitehouse.gov/presidential-actions/memorandum-authorizing-needs-assistance-program-major-disaster-declarations-related-coronavirus-disease-2019/>

<sup>6</sup> Presidential Memoranda, "Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019," August 8, 2020, <https://www.whitehouse.gov/presidential-actions/memorandum-authorizing-needs-assistance-program-major-disaster-declarations-related-coronavirus-disease-2019/>

for state unemployment benefits, not a separate supplement. However, Arizona could use part of the \$1.9 billion that Governor Ducey received from the CARES Act as a CRF. The Governor has not allocated \$424 million for his share of the CRF, so that would be the most logical source for the estimated \$325 million that would be needed to provide five weeks of \$100 state-funded supplements.<sup>7</sup>

Based on the Stafford Disaster Relief and Emergency Assistance Act<sup>8</sup> states must provide a 25% match or \$100 per unemployed person to receive the \$300 weekly federal unemployment supplement that President Trump has directed.

### **Arizona's underemployed left out**

State-based reforms are necessary before Arizona's ***underemployed*** can receive assistance. The underemployed are people working reduced hours due to the pandemic but are excluded from the state's unemployment program because they earn more than what their maximum unemployment benefit would be. This is due to Arizona's \$240 per week benefit cap (the second lowest in the nation) and its harsh work penalty that deducts benefits for every dollar earned over \$30 per week.

GCI released [estimates](#) last week that, depending on possible reform scenarios, between 40,000 and 90,000 Arizonans are locked out of receiving help and have on average seen their hours drop from 38 to 21 per week. If the state followed an unemployment system similar to Texas, 40,000 Arizonans with reduced hours would still be eligible for benefits. If Governor Ducey followed Georgia's Governor Kemp by increasing the earnings allowance to \$300 per week — this is the amount people can earn before having benefits reduced — then 90,000 Arizonans would benefit.<sup>9</sup>

Failure to address this issue has cost the state between \$1 billion and \$2 billion in economic activity since April.

### **Conclusion**

If the president's memorandum is legal and Congress fails to act, Gov. Ducey failing to come up with matching funds would cost the state an additional \$1 billion in federal funds and nearly \$2.2 billion in additional economic activity that it would generate for the state. If Congress does act making the memorandum moot, use of state CRF could help undergird permanent improvements in the state unemployment system.

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<sup>7</sup> \$424 million based on state government memo from 8/3/2020. Note that the White House has agreed to a minimum of \$150 billion to states and local governments in the next COVID bill—which would match what the state received under the CARES Act. Democrats would like significantly more—so the state is assured at minimum of having its CRF replenished.

<sup>8</sup> This is setting aside for now whether the action is legal. The Safford Act, as Amended and related Authorities from May 2019 can be found here: [https://www.fema.gov/sites/default/files/2020-03/stafford-act\\_2019.pdf](https://www.fema.gov/sites/default/files/2020-03/stafford-act_2019.pdf).

<sup>9</sup> See GCI's recent report, Wells, Dave and Max Goshert (2020), "Failure to address Arizona's Inadequate Unemployment Insurance System has cost the state up to \$2 billion in lost economic activity," August 5, [https://grandcanyoninstitute.org/wp-content/uploads/2020/08/Policy\\_Brief\\_GCI\\_Part-time-Hours-Devastating\\_Consequences\\_Aug\\_5\\_2020.pdf](https://grandcanyoninstitute.org/wp-content/uploads/2020/08/Policy_Brief_GCI_Part-time-Hours-Devastating_Consequences_Aug_5_2020.pdf).

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### **Technical Appendix: Estimating number of Unemployment Insurance and Pandemic Unemployment Assistance Recipients**

Arizona's Department of Economic Security provides an Unemployment Insurance Section which includes a link to a dashboard—it includes a link to “Need Help Ask Dave” with a character depiction that has some resemblance to this author also named “Dave.”

The dashboard includes details on payment per week as well as initial and continuing claims for both state unemployment assistance as well as Pandemic Unemployment Assistance. Throughout July, unemployment insurance (UI) was relatively stable with just over 200,000 recipient weeks being paid. That's found by taking the total paid amount, usually around \$170 million and dividing it by the typical total payment of \$830, about \$230 in state UI plus \$600 in federal supplemental aid.

So GCI presumes 200,000 people are still on state UI out of the approximately 350,000 which is the unduplicated count of state UI recipients.

PUA had been paying up to 1 million person weeks since late June. That's found by taking the total payments in a week which range from \$550 million to \$750 million divided by \$717 (\$117 in PUA, the minimum PUA payment plus \$600 in federal supplement). However, determining the number of actual PUA recipients has not been possible because the state has been so far behind in processing PUA claims. The state indicates that about 800,000 unduplicated people have received PUA, assuming a similar ratio of current to total recipients as with UI, GCI estimates about

450,000 people are currently receiving PUA. A request to DES for a figure has not yet yielded an answer.