COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

February 16, 2021

DISSENTING VIEWS ON SUBTITLE A.
BUDGET RECONCILIATION LEGISLATIVE RECOMMENDATIONS RELATING TO CRISIS SUPPORT FOR UNEMPLOYED WORKERS

Committee Republicans oppose Subtitle A. Federally funded unemployment compensation has massively expanded in response to the devastation caused by the COVID-19 pandemic and government-imposed shutdowns of economic activity. As of February 6, 2021, federal spending on CARES Act unemployment programs, including Pandemic Unemployment Assistance, Emergency Relief for government entities and non-profits, Federal Pandemic Unemployment Compensation, Pandemic Emergency Unemployment Compensation, full funding for the first week of regular compensation, and 100% federal funding for Extended Benefits, exceeded $435 billion, in a period of less than a year.[1] According to the Congressional Budget Office (CBO), extending and enhancing these programs through August 29th, as provided in Subtitle A, will cost an additional $246 billion and "could increase the unemployment rate as well as decrease labor force participation throughout the period for which those benefits would be in place."[2]

Last spring, increased unemployment benefits played an important role in helping those who lost a job through no fault of their own and – at the time – made sense as a way to support public health measures and reduce the economic impact of stay-at-home orders. Nearly a year later, we face a much different situation, but Democrats insist on keeping in place enhanced unemployment benefits that discourage work. The unemployment rate has gone from a spike of 14.7% in April 2020 to 6.3% last month. CBO projects a decline in unemployment – even with no additional stimulus – reaching 5.3% by the end of 2021. Nevertheless, this bill would increase enhanced unemployment benefits to $400 per week, through the end of the summer.

We know, at this level, unemployment benefits can end up replacing more than 100% of a worker's prior earnings and creates situations where it becomes a rational financial decision for someone to choose to stay on unemployment rather return to safe work. An American Action Forum study estimated at the $400 level – nationally – 50% of workers could make more on unemployment (*submitted for the record*).[3] This isn't a hypothetical. Table A (*submitted for the record*) shows the percentage of workers that would make more with the $400/week unemployment supplement, and how much more they would make – in states represented by Ways and Means Committee Members. In Texas, 55% of workers would make more, and could make up to 177% more than when they were working. In Alabama, 45% of workers would make more, and could make up to 175% more. Despite mounting evidence that a one-size-fits-all solution to unemployment relief is actually hurting efforts to re-open our economy, Democrats want to increase and extend benefits for another six months. Like the $600, the $400 added

[1] U.S. Department of Labor; https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html
[2] Cost Estimate: Reconciliation Recommendations of the House Committee on Ways and Means, Congressional Budget Office, February 15, 2021.
[3] "Revisiting Federal Pandemic Unemployment Compensation Under the Biden Administration," Isabel Soto, American Action Forum, February 8, 2021.

weekly benefit is crudely designed and poorly suited for the challenge we now face. As the vaccine is rolled out and states roll back restrictions on businesses – this is the time to reconnect workers with jobs.

Ways and Means Member States	**Table A. Impact of Democrat's Proposed $400/weekly Unemployment Supplement**		
	% of Workers that Make More[4]	**Minimum Wage**	**% Wage Replacement**[5]
Alabama	45%	$7.25/hour	175%
Arizona	40%	$12/hour	133%
California	55%	$12/hour	133%
Florida	45%	$8.65/hour	175%
Georgia	50%	$7.25/hour	187%
Illinois	40%	$9.25/hour	158%
Indiana	45%	$7.25/hour	172%
Kansas	60%	$7.25/hour	180%
Missouri	45%	$9.45/hour	163%
Nebraska	50%	$9.00/hour	161%
New York	50%	$11.80/hour	141%
North Carolina	50%	$7.25/hour	175%
Ohio	50%	$8.70/hour	175%
Pennsylvania	50%	$7.25/hour	177%
South Carolina	45%	$7.25/hour	175%
Texas	55%	$7.25/hour	177%

Committee Republicans are committed to finding a solution that can support unemployed workers who lost their jobs because of lockdowns— and make sure temporary job losses don't turn into permanent ones. A better policy would be to find a way to target dollars so supplemental benefits are tailored to each individual and reflect differences in the cost of living across the country. Last June, Democrats on this Committee admitted as much in a press release saying – "Ideally unemployment compensation would be limited to what out-of-work Americans previously earned…"[6]

Two amendments were offered that would provide a smarter, more effective way to continue to support unemployed workers. Instead of a flat $400/week, the first amendment would have set

[4] "Revisiting Federal Pandemic Unemployment Compensation Under the Biden Administration," Isabel Soto, American Action Forum, February 8, 2021.
[5] Republican Committee staff estimates using DOL Comparison of State Unemployment Insurance Laws, 2019.
[6] The Benefits of Extending Enhanced Unemployment Compensation," Ways and Means Committee Democrats, June 5, 2020.

the Federal Pandemic Unemployment Compensation bonus as equal to 50% of an unemployed worker's weekly benefit amount, which is determined by the state. The benefit of this approach is that it individualizes the supplement and is anchored in prior wages and state policy. It also means no one would end up making more on unemployment than when they were working. Using this formula, wage replacement rates would range from 71% in Indiana to 98% in Oregon, with higher wage replacement rates for low-wage workers. Importantly, this approach would not require states to change their benefit calculation formulas. The weekly benefit amount is a known number every state determines for each person. The state would only need to apply a multiplier of 0.5 and issue a second check in that amount. This amendment offered a plausible alternative and provided a more responsible path for targeting additional unemployment assistance to those who need it, without the hazard of creating a permanent class of long-term unemployed. The amendment was unanimously rejected by Committee Democrats.

A second amendment would have allowed states to choose what fits their needs. In December, 18 states had an unemployment rate lower than 5%. States face different circumstances and should be provided flexibility to direct additional unemployment funding in a way that supports their workers and economic growth. Under this amendment, states could choose to pay a lower unemployment amount than $400 – such as $100, $200, or $300 per week – and re-direct remaining money to activities that help get people back to work. This could include a return-to-work bonus, such as those offered by Idaho last summer,[7] or states could use leftover dollars for re-employment and eligibility assessment services (RESEA) to address individual reemployment needs of claimants. The amendment was unanimously rejected by Committee Democrats.

A third amendment would have put in place a benefit phase-out period, consistent with the one first included in Democrats HEROES bill (H.R. 6800) and put in place as part the December bipartisan agreement to extended unemployment benefits through April 5, 2021 (P.L. 116-260). The purpose is to make sure these temporary federal programs are phased-out responsibly. This amendment added an application deadline and a gradual phase-out period, so individuals don't face another cliff in August. The amendment would have included an earlier date, July 25th, prior to the program's expiration of August 29th, after which no new applicants would be accepted, but existing claimants could continue to receive benefits as long as they remain eligible through August 29th. This creates a buffer period for recipients prior to program expiration. Despite the fact that it was originally their idea to include a phaseout period, and they agreed to one in December, the amendment was unanimously rejected by Committee Democrats. It's as though Democrats want to put in place another cliff and extend the emergency CARES Act unemployment programs in perpetuity.

Finally, it should not go unnoticed that the amount of unemployment aid in this bill is grossly out of proportion compared to past recessions. As shown in Figure 1[8] (*submitted for the record*), it is estimated that Congress has allocated more than $630 billion to unemployment benefits since the beginning of the pandemic. To put that in historical context, combined federal unemployment spending in 2020 was three times the next-highest year – in 2010. In the past,

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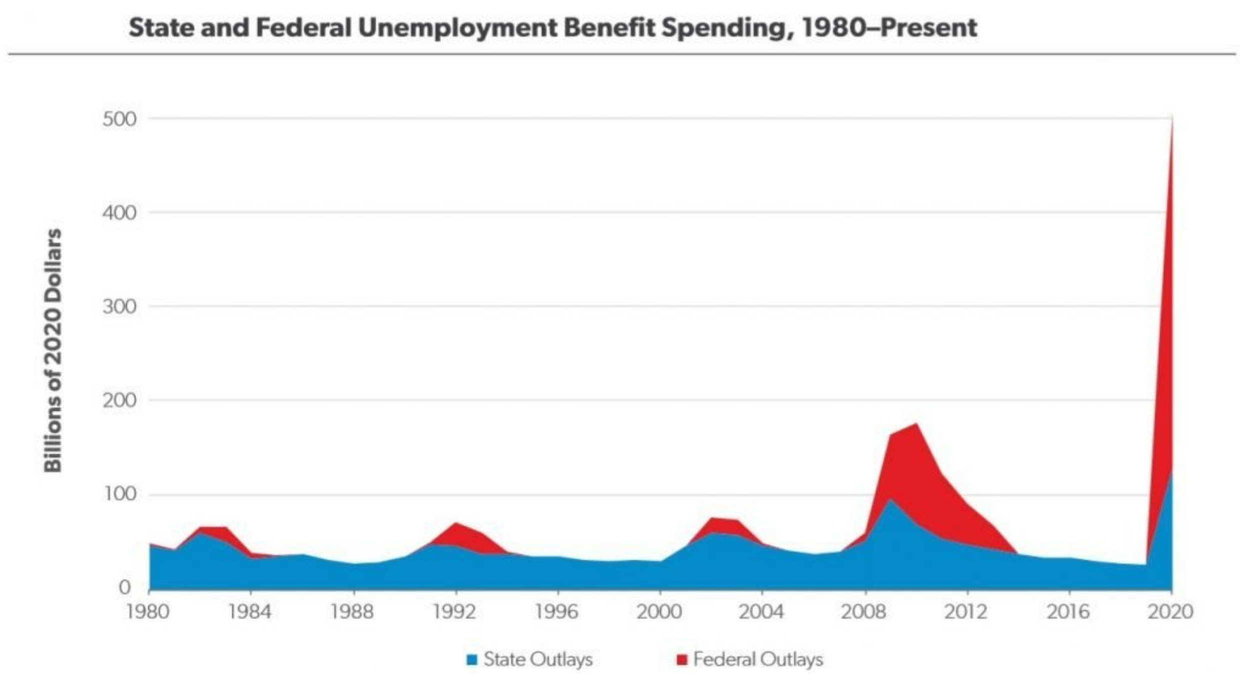
[7] Return to Work Bonuses, Idaho Rebounds: Our Path to Prosperity: https://rebound.idaho.gov/return-to-work-bonuses/

[8] "Federal unemployment benefits to eclipse $500 billion," Matt Weidinger, American Enterprise Institute, December 21, 2020.

Congress has ended emergency benefits much sooner as unemployment rates fell. During the last recession, an additional $25 per week was made. That bonus ended when unemployment was at 9.3%. Currently, Congress is providing an additional $300 per week payment and unemployment is at 6.3%. Under Subtitle A, Democrats would have us go in the opposite direction and increase the payment to $400 per week.

Figure 1.



The CARES Act also provided additional relief for non-profits and state and local governments to help offset the costs of unemployment benefits by 50%. Subtitle A raises the amount for the reimbursable employers to 75%. Committee Republicans offered an amendment to increase federal support to 100% to make sure non-profit organizations will not be forced to shut their doors permanently and can continue to focus on serving our most vulnerable communities. Non-profits and community-based organizations are a crucial part of our social safety net. Many are now facing challenges reopening. According to the Nonprofit Unemployment Insurance Relief Coalition, approximately 100,000 nonprofit organizations are impacted by this provision and many were forced to lay off their employees through no fault of their own.[9] In a letter to Congress, the National Association of Governors highlighted this issue as a threat to recovery and urged increasing the amount to 100%.[10] This is an example of a bipartisan issue and exactly the meaningful type of unemployment COVID relief we should be providing – unlike the harmful flat weekly supplement that leaves main street businesses competing with unemployment benefits for workers.

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[9] "Nonprofits in Crisis: Why Nonprofits that Self-Insure Need 100 Percent Reimbursement from the Federal Government," Nonprofit Unemployment Insurance Relief Coalition.

[10] "Letter on Unemployment Insurance and Economic Recovery, National Governors Association, December 11, 2020.

Finally, Committee Republicans offered two amendments directed at combatting rampant unemployment fraud that is diverting funds away from unemployed workers and harming innocent taxpayers.[11] The Labor Department's Inspector General and the Government Accountability Office have issued repeated warnings about the vulnerability for abuse of CARES Act unemployment insurance programs.[12][13] The Inspector General's initial audit and investigation indicate improper payments, will be higher than 10 percent or at least $63 billion. The Secret Service circulated a memo to its field offices last May saying an international crime ring has been filing unemployment claims in different states using Social Security Numbers belonging to identity theft victims, including first responders, government personnel and school employees.[14] Just this month, California state workforce officials confirmed that they paid out fraudulent unemployment claims totaling over $11 billion and identified another $20 billion in claims still under investigation. Republican Members of the California delegation wrote a letter to the Governor asking for answers about how this was allowed to happen *(submitted for the record)*.[15]

Despite these warnings, Subtitle A would extend CARES Act unemployment benefits through the end of August and includes no additional protections against vulnerabilities to continuing fraud in the program. Generous unemployment benefits, including the additional $600 and now $400 are an easy target for criminals using stolen identities. Until December, applicants were allowed to self-certify eligibility by checking a box and not required to submit documentation of prior earnings. Republicans successfully fought to put some program integrity measures in place, but Democrats have not been serious about addressing this issue on the front end. Committee Republicans offered an amendment to require states to verify the identity of applicants and get documentation prior to sending any money out the door. To protect taxpayer dollars, we must abandon the "pay and chase" model and make sure people are who they say they are before we give out benefits. And make sure they have documentation to back that up too. The amendment was unanimously rejected by Committee Democrats.

This problem of unemployment fraud has created an added burden that will place undue stress on thousands of taxpayers when they can least afford it. As tax filing season swings into full gear, millions of taxpayers have begun receiving forms indicating the amount of unemployment benefits they received in 2020. For many, this may be the first time they discover the state has issued unemployment benefits fraudulently claimed in their name. Committee Republicans offered an amendment to extend the deadline for states to submit these forms (1099-G) to the IRS – so they have more time to work with taxpayers to correct the forms. In many cases

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[11] "The Way Forward on Unemployment: Stop Criminals from Diverting Billions Away from Unemployed Workers," November 16, 2020, Ways and Means Republicans.
[12] U.S. Department of Labor, Office of Inspector General, "DOL-OIG Oversight of the Unemployment Insurance program," February 3, 2021.
[13] "COVID-19: Critical Vaccine Distribution, Supply Chain, Program Integrity, and other Challenges Require Focused Federal Attention," Government Accountability Office, January 28, 2021. (GAO-21-265)
[14] "Massive Fraud Against Unemployment Insurance Programs, U.S. Secret Service, May 5, 2020, Information Only Alert: https://www.documentcloud.org/documents/6891584-GIOC-Alert-20-027-I-State-Unemployment-Fraud-002.html
[15] "McCarthy, Steel, and CA Republicans Condemn Newsome Administration for Mismanagement of $11.4 B in Taxpayer Funds," February 5, 2021.

fraudulent claims are filed using the wrong address. In these cases, taxpayers never get the form and could end up being flagged by the IRS for unreported income – *after* the unknowing taxpayer has filed their taxes. The amendment would have required IRS to hold harmless taxpayers who are victims of identity theft, so no penalties or interest will accrue against them. Finally, the amendment would require states to report the amount of fraudulent unemployment benefits that are excluded from tax forms, so we have an idea nationally just how much of these funds were diverted.

The Ohio Attorney General first alerted Congress to this issue saying they project roughly 1.7 million 1099-G tax forms will be mailed to Ohioans.[16] Ohio suspects tens of thousands of those claims were filed fraudulently using stolen identities. Even the Governor and Lieutenant Governor had claims falsely made in their names. To avoid having to pay taxes on the benefits, taxpayers will need to contact the state to report the fraud and correct the form. In response, several Committee Republicans sent a letter to the Biden Administration to take action to protect taxpayers who were victims of unemployment fraud (*submitted for the record*).[17]

In addition to program integrity measures, such as those offered in these amendments, Republicans strongly believe this Committee has a responsibility to investigate and hold oversight hearings to determine the extent and amount of fraud in CARES Act unemployment insurance programs and for recovering taxpayer dollars.

Kevin Brady
Republican Leader
Committee on Ways and Means

[16] “AG Yost Asks Congress for Safe Harbor while Ohio Investigates Unemployment Fraud,” January 22, 2021.
[17] “Wenstrup Leads Letter to Administration Asking for Relief for Taxpayers that Were Victims of Unemployment Fraud,” February 8, 2021, Ways and Means Republicans.