



STATE OF MINNESOTA

Office of Governor Tim Walz

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June 25, 2020

The Honorable Amy Klobuchar
U.S. Senate
425 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Tina Smith
U.S. Senate
720 Hart Senate Office Building
Washington, DC 20510

The Honorable Jim Hagedorn
U.S. House of Representatives
325 Cannon House Office Building
Washington, DC 20515

The Honorable Angie Craig
U.S. House of Representatives
1523 Longworth House Office Building
Washington, DC 20515

The Honorable Dean Phillips
U.S. House of Representatives
1305 Longworth House Office Building
Washington, DC 20515

The Honorable Betty McCollum
U.S. House of Representatives
2256 Rayburn House Office Building
Washington, DC 20515

The Honorable Ilhan Omar
U.S. House of Representatives
1517 Longworth House Office Building
Washington, DC 20515

The Honorable Tom Emmer
U.S. House of Representatives
315 Cannon House Office Building
Washington, DC 20515

The Honorable Collin Peterson
U.S. House of Representatives
2204 Rayburn House Office Building
Washington, DC 20515

The Honorable Pete Stauber
U.S. House of Representatives
126 Cannon House Office Building
Washington, DC 20515

Dear Members of the Minnesota Congressional Delegation:

As Governor of the State of Minnesota, I am reaching out to request your assistance to make sure the state's Unemployment Insurance program is able to meet the challenges posed by the COVID-19 pandemic. As you are aware, our state Unemployment Insurance programs have played an integral role in supporting workers who have been out of work due to the COVID-19 pandemic. I am now requesting your assistance with three program modifications that would help Unemployment Insurance program continue to support Minnesotans during this challenging time:

1. Reimbursing Employers

The DOL guidance around the implementation of the CARES Act's federal compensation for 50% of benefits paid to the employees of reimbursing employers has fiscal and administrative challenges. The DOL guidance on this provision instructs states to bill reimbursing employers for 100% of the costs of unemployment benefits paid to employees laid off as a result of the COVID-19 pandemic. This guidance directs that reimbursing employers must first pay the entire amount owed to the state's unemployment trust

fund account before the state can request a transfer from the Federal Unemployment Account (FUA) for one-half of the amount of compensation and in turn transfer those funds back to the reimbursing employer.

The guidance further informs states that if they forgive nonprofits for owed costs to the state trust funds, the federal government will shortchange the state for much of those costs – despite express language in the CARES Act to allow states to interpret their own unemployment compensation laws “in a manner that would provide maximum flexibility” to those nonprofit employers.

This direction puts states and reimbursing employers in a difficult position. We know that many reimbursing employers have been budgeting based on the CARES Act’s promise to reimburse them for 50% of the costs of unemployment benefits paid to their employees. We imagine that many of those employers do not have additional funds to meet this requirement and it will cause them in undue budgetary challenges. Further, this creates an unnecessarily complex amount of administrative burden. Our Unemployment Insurance program would prefer to instead forgive these dollars up front to reimbursing employers and remit those balances to the federal treasury for reimbursement.

In light of these challenges, it is our recommendation that Congress clarify the CARES Act language to allow state unemployment trust funds to be reimbursed from the FUA for one-half of the amount of compensation owed to the state from reimbursing employers without requiring the full amount to first be paid to the state unemployment trust fund.

2. Forgive Trust Fund Advances

Minnesota’s Unemployment Insurance program is being tested like never before. We have seen more applications in the past two and half months than we saw in the last four years put together. Minnesota has had more applications for unemployment insurance in the past 10 weeks than the prior 214 weeks. There are more than 750,000 applications for unemployment insurance since March 16. The Unemployment Insurance team has worked day and night to keep the program running, fully implement all elements of the CARES Act, and ensure Minnesotans are getting their benefits.

For businesses in our states to recover from the current pandemic and economic downturn, it is imperative that the federal government partner with the states to forgive state trust fund advances either wholly or in part. It is anticipated that the economic impacts and recovery from the pandemic will stretch well into the future and that state economies and tax receipts will take time to return to normal. It is then important to the recovery effort to ensure that states do not go far into debt paying unemployment insurance benefits. Congress can help states achieve a better financial position by forgiving unemployment insurance advances.

3. Interest Forgiveness

Minnesota anticipates joining a growing list of states that need to borrow funds from the federal loan account within the Unemployment Trust Fund to meet unemployment insurance benefit obligations by the end of June or beginning of July. Minnesota started the current pandemic with the state’s unemployment trust fund at a healthy \$1.522 billion on March 14th. Recently, our weekly payout has been about \$140 million in regular UI benefits. Comparatively, the highest amount we reached during the great recession was about \$42 million per week. So, while the state had healthy reserves to provide unemployment insurance benefits to Minnesotans during a more traditional recession, we did not anticipate the amount of trust fund dollars necessary to support those who would become unemployed during a pandemic.

At present, interest on state advances was deferred until December 31, 2020. It would benefit Minnesota, alongside other states, if Congress would extend the deference of the accrual of interest on state advances until at least December 31, 2021.

Thank you for your continued partnership in assisting Minnesotans.

Sincerely,

A handwritten signature in black ink, appearing to read "T. J. Walz". The signature is fluid and cursive, with a large initial "T" and "J" followed by "Walz".

Tim Walz
Governor