
NOTE: As you know each state administers a separate unemployment insurance program, but all states follow the same guidelines established by federal law. [Check with your state's unemployment insurance program](#) regarding the rules in your state.

The CARES Act

The CARES Act was signed into law by President Trump on Friday, March 27, 2020, in an unprecedented bi-partisan effort. The 2 trillion-dollar coronavirus economic stimulus bill is now available but what does this mean for the millions of employees and employers that are trying to understand the costs and benefits? We, at UC Advantage, will attempt to answer questions and provide guidance as more information is released and interpreted. The entire CARES Act. is available on our website at <https://www.ucadvantage.net/Covid-19.html>

Most defining is:

- Section 2104, which provides most individuals an emergency increase in traditional unemployment insurance (UI) benefits of \$600 per week through July 31, 2020, likely increasing benefits beyond what many workers were earning before becoming unemployed;
- Section 2102, the Pandemic Unemployment Assistance program, which provides up to 39 weeks of UI to people not otherwise eligible for regular unemployment compensation (including the self-employed and those who have exhausted their regular and extended benefits); and
- Section 2107, which creates the Pandemic Emergency Unemployment Compensation program to provide 13 weeks of emergency UI for people who remain unemployed after they have exhausted their benefits or are not otherwise eligible for benefits.

As we have been answering questions from all of our clients, in all types of industries, these are the most frequently asked questions, we hope this helps you to understand the provisions. Should you have additional questions, please do not hesitate to contact your Account Manager for further clarification:

- **What if our company uses Independent Contract labor?**
The plan includes self-employed people. Unemployment assistance will be available to such independent contractors under Section 2102 of the CARES Act if the individual certifies that he or she:
 - is diagnosed with COVID-19 or experienced symptoms or is seeking a diagnosis,
 - has a member of his or her household that has been diagnosed with the illness,
 - is providing care to a family member with COVID-19,

- has primary caregiving responsibility to a child that is unable to attend school due to COVID-19,
- cannot reach his or her place of work because of a quarantine or advice of a health care provider to self-quarantine,
- has become a breadwinner after the head of household has died from COVID-19,
- has had to quit his or her work as a result of Coronavirus, or
- has a work location that is closed as a direct result of a COVID-19 public health emergency.

Pandemic unemployment assistance is available not only if such independent contractors are “unemployed” but also if “partially unemployed.” This benefit is not available, though, if and when such self-employed individuals are receiving paid sick leave or other paid leave benefits, including such benefits available to independent contractors under the federal Families First Coronavirus Response Act or a state law providing such paid benefits to self-employed workers.

- **How much will my employees receive in unemployment assistance?**

Typically, when employees do not receive wages in any given week, or receive wages that are less than the WBA (weekly benefit amount) as determined by individual state unemployment statutes, they are eligible for unemployment benefits. This situation does not change for COVID claims. If individuals are out of work, or are not receiving wages in any given week due to the COVID crisis, they will be eligible for unemployment benefits. The amount of the award will depend on the wages they have received historically over the past 18 months. Those amounts differ by state and range from \$10.00 to as high as \$823.00. Please see the specific amounts by state listed on our website at www.ucadvantage.net/resources.

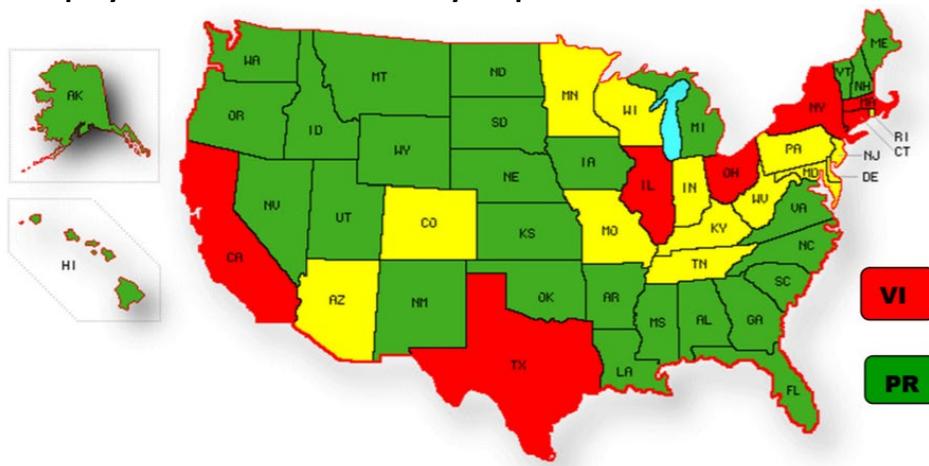
The CARES Act further allows for an expansion of up to an additional \$600.00 over and above weekly benefits to be paid to eligible COVID impacted employees. As an example, if an employee is given a typical unemployment claim award of \$300.00 per week for reduced hours or no hours in a given week, that employee will receive the \$300.00 and an additional \$600.00 for a total weekly benefit amount of \$900.00 – if they are deemed eligible.

- **Who is paying for the unemployment benefits?**

The only thing that is clear at this point is that the Fed. is going to reimburse states 100% of the additional \$600.00 that will be paid over and beyond the typical weekly benefit amount awarded. The baseline unemployment award becomes the question at this point. Most states have provisions to be able to non-charge employers for unemployment claims under extreme circumstances, which the COVID issue would certainly qualify. In a recent memo from John Pallasch, Assistant Secretary, Employment and Training Administration Advisory System with

the U. S. Department of Labor, he addresses the non-charging of benefits paid for the COVID related claims: d. Employer charging and trust fund impacts, p. 5, Many states do not charge individual employers for benefit costs under certain circumstances. These “noncharging” provisions are found in practically all state experience-rating laws. When determining in the context of COVID-19, whether certain unemployment benefits should be charged to employers, states should consider how to fairly distribute the costs to employers. If states consider changing their laws to increase availability of UI benefits in the context of the COVID-19 virus, they should also consider the impact on trust-fund solvency. There are currently 21 states and jurisdictions below the recommended solvency standard and only 31 states that meet the eligibility criteria for interest free borrowing. (State Unemployment Insurance Trust Fund Solvency Report, Feb 2020)

Unemployment Trust Fund Solvency Map



Source: US Department of Labor charts in most recent UI data quarterly summary and SUCAP Reports

The U.S. Map above depicts the status of state trust fund solvency as of March 11, 2020 (and 3rd Quarter 2019 US DOL Reports).

- **RED** states are those with an AHCM of 0.5 or less (including the Virgin Islands) that are at risk if the President’s budget proposal for solvency is enacted.
 - **YELLOW** states are those with an AHCM of between 0.5 and under 1.0.
 - **GREEN** states are those with an AHCM of 1.0 or more (including Puerto Rico).
- **When will the state process the unemployment insurance claim?**
States have eliminated the waiting week for unemployment benefits to ensure that unemployment benefit payments will be received by the worker as soon as possible. Under this bill, the federal government would also fully finance the first week of benefits through December 31, 2020, for states that lift the one-week waiting period. Many states currently impose a one-week waiting period because federal funds are not available for the first week

after a claim is filed, although the Families First Act, enacted on March 18, 2020, now allows states to receive federal matching for the first week.

- **What about Extended Benefits and how do they affect Employers?**
If unemployment reaches a high enough level in a given state, UC benefits may be extended under the permanent Extended Benefit program by up to 13 to 20 additional weeks, depending on the circumstances. Benefits under the Extended Benefit program are also jointly funded by the federal and state governments.
- **What if I am a reimbursing employer, how will the payment of benefits be charged?** The CARES Act. will reimburse the states 100% for the additional \$600.00 in benefits paid above the typical award for unemployment. At this point, federal funding will be provided to governmental entities and non-profit organizations for an amount equal to half of the benefits (50% relief) paid to workers of these organizations from March 13 to December 31, 2020.

UC Advantage, Inc. along with other stakeholders, are working specifically with California on this issue in order to provide additional assistance to reimbursing status employers. If efforts are successful in California, additional states will be included. We will provide information as this effort moves forward.

We understand that you may have additional specific questions as it relates to your business and your employees. We have prepared a special e-mail address to field and answer these questions. Please contact us at COVID19@ucadvantage.net with your questions, or reach out directly to your Account Manager. Please include your company name in the subject line of your email.

We value our relationship with all of our clients and business partners throughout the U.S. and the world, we hope you and your loved ones are safe and protected during this crisis. May we emerge from this crisis better prepared for the future and with a new concern for each other and our global community.

Stay safe, and stay home.

Jason E. Hynek
CEO, UC Advantage, Inc.

Previous notices to clients can be found at: <https://ucadvantage.net/covid-19.html>

Additional resources can be found at <https://ucadvantage.net/resources.html>

Legal Disclaimer *The recommendations made by UC Advantage, Inc. and your account manager are for unemployment insurance purposes only and may not apply to every employer in every state. There may be occasions that arise where the recommendations may not meet the best course of action required when dealing with other types of issues and/or legal*

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matters. These issues should be taken to your own legal counsel. Once again, these recommendations are for the best handling of an unemployment claim only and are not legal advice in whole or part.

References

<https://ucadvantage.net/covid-19.html> and <https://ucadvantage.net/resources.html>

1. UI-PL
2. Summary of UI Provisions in COVID-19 Stimulus Act 2020
3. Senate (CARES Act) As Passed March 25 2020
4. Unemployment Trust Fund Solvency Map <https://www.uwcstrategy.org/wp-content/uploads/bsk-pdf-manager/2020/03/2020-February-SUCAP-Report.pdf>
5. <https://www.dol.gov/newsroom/releases/whd/whd20200328>
6. <https://oui.doleta.gov/unemploy/>