



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR

July 27, 2020

Dear Members of the Pennsylvania Congressional Delegation:

I write today to urge you to continue the Federal Pandemic Unemployment Compensation program (FPUC), signed into law as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. I strongly urge our congressional delegation to consider how important FPUC has been to national and state economies, and to continue the flat weekly payments of \$600 to individuals, rather than moving to a more complicated income-based payment system.

FPUC has been vital to providing support to unemployed Pennsylvanians and to ensuring that consumer spending remains as close as possible to pre-pandemic levels. Over 23 million individual FPUC payments have provided 2,083,157 Pennsylvanians with \$14,277,517,978 in additional unemployment benefits to date. These payments not only help the individuals receiving them; FPUC is also vital to keeping dollars flowing into the economy, thereby preserving jobs and small businesses and preventing higher unemployment.

Because of FPUC, many Pennsylvania families have been able to avoid the reduced spending that usually comes with unemployment, which historically has produced more layoffs due to reduced consumer spending. The FPUC weekly payment more than doubles what many Pennsylvanians would receive in traditional unemployment benefits. For example, workers in the Accommodation and Food Services industry typically see an average weekly benefit of \$269, less than a third of the current average weekly benefit of \$869 that they receive with FPUC. We know that these dollars flow directly back into the economy through people paying their rent or mortgage, buying their groceries, and continuing discretionary consumer spending. The Congressional Budget Office (CBO) estimates that if Congress were to extend FPUC at current levels through January 31, 2021, benefit recipients would spend at levels comparable to what they would spend if they were employed.

Additionally, the boost to consumer spending that FPUC provides is critical to preventing further contraction of the economy and higher unemployment. CBO has stated that a continuation of FPUC would reduce the unemployment rate for the remainder of 2020 and throughout 2021. Further, the Economic Policy Institute estimates that ending FPUC on July 31 would result in 5.1 million jobs lost by 2021, jobs that have otherwise been preserved by the boost in spending that FPUC has provided.

For these reasons, I strongly encourage Congress to continue the current \$600 FPUC payments, and to continue providing the flat amount payments of \$600 per week. Flat amount payments are the most expeditious way to continue providing much-needed support to families and ensure the continued flow of these dollars back into the economy.

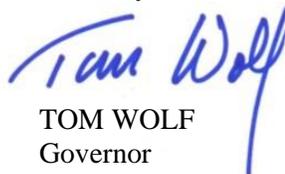
There are several reasons to continue the flat amount payments, rather than moving to a more complicated income-based payment scheme:

- FPUC has pumped billions into the economy and prevented a secondary wave of unemployment that would result from a decrease in consumer spending. Quickly extending the existing FPUC payments is vital to keeping that money flowing into the economy – and the flat rate is by far the quickest way for UC, Pandemic Unemployment Assistance (PUA), and Pandemic Emergency Unemployment Compensation (PEUC) claimants to continue to receive much-needed income. Pennsylvania estimates that it would take less than one week to augment the existing system and continue flat amount FPUC payments, even if the amount of the payment were to change from \$600 to a different flat amount. Alternately, Pennsylvania estimates that it would take 12 – 16 weeks to be able to pay individuals unique amounts based on their previous income. Other states have made similar estimates.
- Several proposals would continue FPUC initially with a flat amount, but then shift to a more complicated income-based payment scheme, with the rationale that states can update their IT systems in the interim. As all states have experienced in standing up PUA in short order, creating a new IT system or significantly modifying an existing system within a few months is far from simple. In addition, states have had the administrative burden of enacting PEUC, their own extended benefit programs, and fighting rampant PUA fraud, all while continuing to maintain the integrity of the UC system. Moving to a more complicated FPUC payment calculation will create additional administrative burden and significantly delay the flow of dollars to claimants and into the economy.
- Defining the “income” to be replaced in any proposed federal legislation is complicated by the numerous ways in which states consider income for the purposes of determining UC benefit amounts. All states have different methods of verifying previous income and using that income to calculate total benefits and total number of benefit weeks for which individuals are eligible. Any additional payments based on “income,” as defined by potential federal legislation, may create an extremely complicated system in which states will have to create yet another benefit payment system parallel to their traditional UC systems. Diverting this time away from the existing tasks that UC systems are facing will place further administrative burden on states and will slow the process of individuals receiving benefits.

For the sake of Pennsylvania families, state and local economies, and to reduce the already unprecedented burden on states’ UC systems, I strongly urge you to extend the FPUC program as it currently exists, with flat FPUC payments of \$600 a week. Pennsylvania, and the country as a whole, will benefit from it.

Thank you for your consideration.

Sincerely,



TOM WOLF
Governor