April 06, 2020

To America's
Governors:

As you know, on March 27, 2020, President Donald J. Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act or CARES Act. This nearly $2.3 trillion stimulus package will provide much needed economic aid to healthcare professionals, working class families, small businesses, and the unemployed during this pandemic.

Unfortunately some provisions in this law threaten America's workforce and eventual economic recovery. Specifically, the law adds an additional $600 per week to all workers' unemployment insurance benefits for the next four months, regardless of how much money they were earning before, and regardless of whether their unemployment is related to COVID-19 disruptions. This is problematic because it means most people would earn more money from unemployment insurance than from working—someone with median earnings would gain $2,300 over the next four months by becoming unemployed and someone earning $10 per hour would gain $7,000 through unemployment.

The federal government's primary economic responsibility at this time is to keep as many people as possible connected to their employer, not incentivize workers to take unemployment benefits over a job or incentivize businesses to fire employees.

Republican Senators Ben Sasse (Neb.), Lindsey Graham (S.C.), Tim Scott (S.C.), Ted Cruz (Texas), and Rick Scott (Fla.) attempted to fix this provision in the CARES Act. Their amendment that would have provided unemployment benefits up to 100 percent of workers' previous wages—but not more—failed despite bipartisan support from 48 Senators representing 28 states. By the CARES Act setting up a scenario in which an individual can make more money on unemployment insurance than their current job, this law includes a provision which threatens to undermine small businesses and workers and to make our pathway to recovery longer.

In light of their efforts and the potential negative economic effects of this provision, we call on all Governors to work closely with Secretary of Labor Eugene Scalia to limit the damage of this provision to both workers and small business owners. In addition to the federal costs of providing benefits, excessive unemployment will prevent the businesses from ramping up production once it's safe to do so. According to "Okun's law," the rate of economic growth will fall by twice as much as a rise in the unemployment rate. Suppressed economic activity will translate into higher state welfare costs and lower state tax revenues. Moreover, some businesses may close up shop altogether if they can't get unemployed workers to come back to work and new businesses will not locate in areas that do not have people ready and willing to work.

We also call on Governors to crack down on waste, fraud, and abuse within state unemployment offices and issue warnings to workers and employers that claims will be strictly scrutinized for legitimacy and all wrongful claims will be prosecuted and repaid.
With strong leadership from state governors, we believe the effects of the unemployment provisions within the CARES Act can be mitigated to ensure workers remain connected to jobs during this crisis so that everyone can bounce back more quickly after the temporary health emergency subsides. Thank you for considering our recommendations.

Respectfully,

Heritage Action for America
Jessica Anderson, Executive Director

Club for Growth *David McIntosh, President*

FreedomWorks *Adam Brandon, President*

Americans for Prosperity *Brent Wm. Gardner, Chief Government Affairs Officer*

Taxpayers Protection Alliance
David Williams, President

R Street *Eli Lehrer, President*

Council for Citizens Against Government Waste *Thomas Schatz, President*

American Conservative Union
Matt Schlapp, Chairman