**Overview of Executive Action on Enhancing Unemployment Benefits**

On Saturday, August 8, President Donald Trump signed four executive actions in response to a Congressional stalemate on the next round of COVID-19 relief. This brief covers the [memorandum](https://www.whitehouse.gov/presidential-actions/memorandum-authorizing-needs-assistance-program-major-disaster-declarations-related-coronavirus-disease-2019/) allocating federal Disaster Relief Funds (DRF) to enhance state unemployment insurance (UI).

**Background on UI:**

* The federal-state UI system was created in 1935 as a form of social insurance run by—and usually funded by—states from collected business taxes, with the Department of Labor overseeing it.
* Most states typically fund UI at half of lost wages for about 26 weeks while workers search for jobs (Texas requires the unemployed to report applying for at least 6 jobs per week).
* The federal government can provide extended UI for 13 or 20 weeks longer and split that cost with states. However, the 2009 American Recovery and Reinvestment Act was the first time the federal government covered it all and lasted until 2013 when extended UI was provided for up to 99 weeks.
* Congress passed the 2020 CARES Act that included federal funds for enhanced UI of $600 per week until July 31. And there is the federal Pandemic Unemployment Assistance program that extends the UI period for 13 weeks, for a new maximum of 39 weeks.
  + Economists [find](https://bfi.uchicago.edu/insight/blog/ui-calculator/) that 68% of eligible workers received UI payments greater than their lost earnings. Their research notes the distributional effects and disincentive to find work from this high and flat UI, where the largest benefit is to low-income earners.

**Details of the August 8 memorandum that provides enhanced UI by the federal government:**

* Directs up to $44 billion from the Federal Emergency Management Agency’s (FEMA) Disaster Relief Fund (DRF) to fund enhanced UI.
* Offers $300 per week in enhanced UI if the state increased their UI by $100 per week but later removed that requirement so that an unemployed person could receive the enhanced UI if they already receive at least $100 per week from the state UI.
* Enhanced UI terminates for work weeks ending on December 6, 2020 or when funds run out, whichever occurs first. An [estimate](http://www.crfb.org/blogs/how-much-would-president-trumps-executive-orders-cost) predicts funds could run out after about five weeks.

**Economic effects are minimal until an end to lockdowns & fiscal effects are neutral given DRF:**

* Fiscally neutral because money is in the DRF but would change if natural disasters occur this year (e.g., hurricanes) requiring more than $25 billion in spending—the amount retained in the DRF.
* Federal enhanced UI is now tied to state UI if an eligible person receives more than $100 per week from the state UI. An economist [estimated](https://www.marketwatch.com/story/when-will-i-get-my-extra-300-a-week-in-unemployment-benefits-why-isnt-everyone-out-of-work-eligible-under-trumps-proposal-2020-08-12) that nearly 1 million unemployed persons currently receive below $100 per week so wouldn’t get the extra $300 per week.
* Enhanced UI payments won’t start until [at least late August](https://www.forbes.com/sites/robertberger/2020/08/11/mnuchin-400-weekly-unemployment-benefit-to-start-in-a-week-or-two/#5fa8b62812f3), meaning many people who were dependent on the new total UI will receive only the normal state UI. The decline to the historical amount of the state UI could help incentivize people to search for work during or after lockdowns.
* There’s [evidence](https://econofact.org/have-enhanced-unemployment-benefits-discouraged-work) enhanced UI may not have discouraged searching for work because jobs have been limited during lockdowns, so decreasing it may not have much effect until ending lockdowns.

**Recommendation to improve the economic picture:**

* Safely reopen society by ending state and local government-mandated lockdowns.
* Get businesses operating and workers working again, such as with [TPPF’s Recovery Act](https://files.texaspolicy.com/uploads/2020/07/21103403/Beauchamp-Rehire-America-Workplace-Recovery.pdf).
* Eliminate wasteful programs to rein in excessive government and end unnecessary regulations.