



May 28, 2021

Honorable Andy Beshear
Governor, Commonwealth of Kentucky
700 Capital Avenue
Frankfort, KY 40601

Dear Governor Beshear,

Like many throughout the Commonwealth, the Chamber has been thrilled to see COVID case rates decrease, vaccination rates increase, and a gradual return to a new, safer normal. We greatly appreciate your leadership and applaud recent announcements from your office regarding the full reopening of Kentucky's economy.

As we continue down this path to a new normal, it is critical that public policy decisions reflect the progress and nature of our economic recovery. This should include phasing out Kentucky's participation in the Federal Pandemic Unemployment Compensation program, or FPUC. This program provides an additional \$300 per week in benefits for unemployed workers who are eligible for state unemployment benefits and Pandemic Unemployment Assistance. Ending our participation in FPUC would support Kentucky's economic recovery and help address the serious workforce shortage Kentucky employers have been facing throughout the past several months.

FPUC was established by the CARES Act in March 2020 at a time when our economy was rapidly shutting down. With an unemployment rate that peaked at almost 17 percent in April 2020, increased support for unemployed Kentuckians was the right thing to do. But fast forward to today, and the situation has dramatically improved. Unemployment is below 5 percent, and, based on the Chamber's recent [Economic Update Report](#), Kentucky has recovered 67 percent of the jobs lost in the first months of the pandemic. Job opportunities are plentiful, with thousands of openings posted right now on our [Who's Hiring? report](#). The economic conditions that necessitated programs like FPUC in March 2020 are no longer present. In fact, our current economic conditions necessitate an end to this program.

As we have communicated to your office, we are hearing daily from employers about the difficulty of finding workers. This is across all sectors and all business sizes. Employers are doing everything they can to meet rising demands with limited workforces, including increased pay, asking employees to work longer hours, and scaling back operations. It is a real and serious problem that, if left unaddressed, will result in business closures and harm to Kentucky's economic recovery.

The causes of the workforce shortage currently faced by Kentucky employers are many - including child care, elder care, retraining and reskilling, professional licensing, early retirements, and continued concerns about the virus. But economists - from both [the left](#) and [the right](#) - point to FPUC as a notable cause as well. Factoring in an average weekly state benefit of \$365, an FPUC

recipient could make almost \$17 per hour in Kentucky, incentivizing some unemployed workers to remain on the sidelines when they might otherwise choose to find employment.

The key difference between other causes of the workforce shortage and FPUC, however, is that we have the power to do something about it right now. While this program will automatically sunset on September 6, 2021, federal law gives states the authority to terminate their participation with a minimum 30-days' notice. As of today, 23 states have already taken this step, including Indiana, Missouri, and Tennessee. Kentucky's business community encourages you to exercise this authority under federal law and cease Kentucky's participation in FPUC in mid-July. This would encourage unemployed workers on the sidelines to return to work and give current program recipients plenty of runway to land a good job before losing the federal enhancement.

The business community fully recognizes that ending Kentucky's participation in FPUC is not a cure-all for our current workforce shortage. Important steps must also be taken to increase access to high-quality child care, retrain and reskill workers, and increase vaccination rates. We also believe that return-to-work incentives, which other states have implemented, are worth exploring, particularly incentives that assist working parents afford and have access to child care. But FPUC is a contributing factor to the workforce shortage, and it is one that we can address today. We urge you to take the necessary steps to phase-out Kentucky's participation in this program by mid-July to continue supporting the Commonwealth's economic recovery and our return to a new, safer normal. We appreciate the important step you have already taken to address the workforce shortage by reinstating the work search requirement for receiving unemployment benefits. Ending Kentucky's participation in the FPUC program earlier than the September sunset is a logical next step.

The Chamber remains committed to working with your office to rebuild our economy, and we look forward to continuing to work together to bring Kentuckians back to work and fully recover the jobs we lost last Spring. If you have any questions or would like to discuss this issue further, please do not hesitate to reach out.

Sincerely,



Ashli Watts
President & CEO
Kentucky Chamber of Commerce