



STATE OF ARKANSAS

House of Representatives

REPRESENTATIVE

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DISTRICT 87

Counties:

Part Benton

Part Washington

COMMITTEES:

Revenue and Taxation

Sales, Use, Miscellaneous Taxes and
Exemptions Subcommittee

Vice Chairperson,

Insurance and Commerce

Chairperson,

Financial Institutions Subcommittee

Joint Committee on Energy

Joint Budget

Sent via E-mail

June 9, 2020

Ms. Elizabeth Smith, Chairperson
CARES ACT Steering Committee
323 Center St., Ste. 1200
Little Rock, AR 72201

Dear Chairperson Smith and Members of the Committee:

I am writing to request that \$200 million of CARES ACT funding be placed in the Arkansas Unemployment Trust Fund (AUTF). Federal guidelines clearly allow this to happen as it is a worthy use of these funds to replenish state trust funds that have been hard hit by COVID related dislocations. Such use of the CARES ACT funds will serve to undergird the financial stability of the AUTF and protect already financially burdened Arkansas businesses from paying higher future taxes to replenish the AUTF.

Currently, the AUTF solvency level, using the "average high cost multiple" method, is 1.31, which is well below the preferred best solvency rating of 2.5. I am very concerned that the AUTF will not be able to sustain adequate solvency if unemployment numbers remain high or spike again if the virus circles back this year. Poor solvency could require an infusion of capital from the General Fund or raising taxes on business that have already been stressed. We have a great opportunity to use the CARES ACT funding now to shore up the AUTF and spare the state from additional distress.

Secondly, the Arkansas Unemployment IT system is in need of a complete overhaul. The system has proven itself to be inadequate to handle increased demand, protect data from fraud and operate at an acceptable speed. Most likely, the system needs to be completely replaced. I ask that \$35 million of CARES ACT funds be designated, and set aside for, the search for a new system replacement to begin immediately.

I appreciate your consideration, and look forward to working with you and the Committee towards implementation.

Sincerely,

Robin Lundstrum
State Representative
District 87