



Frontline Worker Pay Working Group Hearing

August 12, 2021

Outstanding Questions

- Who will get the payments?
- What will the amount be?
- How will these payments be made?
- When will these payments be made?
- What collaborative approaches can be leveraged?
- What criteria will be used in determining eligibility?
- Will income thresholds be used?
- Will the payment be a flat amount or on a sliding scale?
- Does an appeal mechanism need to be in place?

Three Main Responsibilities



Payment Options

1. State collects and verifies worker data based on criteria and distributes directly to workers (Business Relief Payment model)
2. State contracts with third-party vendor that receives validated worker data from state and distributes the payment (Vaccine Incentive Program)
3. State awards grants to businesses to distribute to workers based on established criteria
4. Employers collect and verify worker data based on criteria and distribute to workers, state reimburses
5. Workers submit application, state agencies verify and distribute payment
6. Payment incorporated into tax system as a refundable credit

Direct distribution of payments by the state



- State agencies would:
 - Automatically identify eligible workers through existing datasets
 - Verify eligibility, and
 - Issue payments.

Things to Consider

- This option would be the path of least resistance for frontline workers. No action would be needed on their part to receive a payment.
- No action needed by frontline workers could create confusion and uncertainty around eligibility, which could lead to phone calls and questions.
- This option requires significant IT development and testing by state agencies, which would create significant risk to timely legislative implementation work.
- This option would require all state agencies prioritize this work ahead of other work currently taking place as a result of the past legislative session.

Direct distribution of payments by a third-party



- This option would require either the state to collect and verify frontline worker data, or frontline workers would “apply” for a payment by filling out an online form for verification by the state.
- The state would verify data to ensure eligibility requirements are met.
- A third-party vendor would process and issue payments.
- This is a similar process to what is currently used by the state for the COVID vaccine incentive program.

Things to Consider

- Having a third-party vendor process the payment takes pressure off state agencies currently working to implement changes from the past legislative session.
- This would make getting payments out by the end of the year much more attainable.
- This option has the potential to increase administrative costs.
- A vendor selection process would be needed.

Grants to employers



- Employers would identify employees eligible for payment.
- State would verify and make lump sum payment directly to employers.
- Employers would then make the payment directly to their employees.
 - Employers would need to meet certain eligibility requirements and would receive a lump sum amount based on those criteria.
 - Employers would pay their frontline workers based off eligibility criteria.

Things to Consider

- The responsibility of making payments would be on employers, not on the state.
- This would allow employers to more efficiently identify those frontline workers in particular occupational categories that meet eligibility requirements.
- This could create additional challenges or burdens for businesses that do not have the capacity to administer a program like this.
- A verification process would be needed to ensure businesses are fairly distributing payments to eligible workers.

Reimbursement process to employers

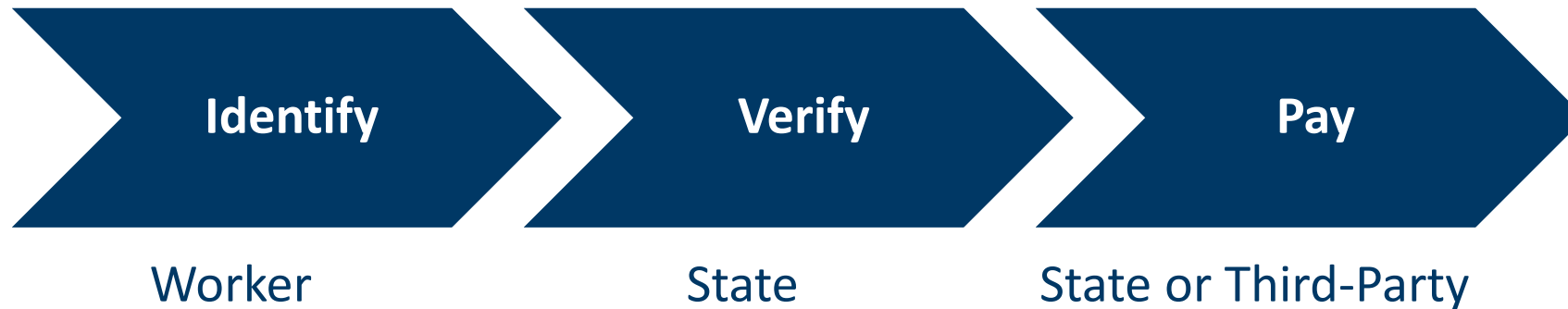


- Employers identify and “front” the frontline worker payment to their employees.
- Employers then apply to the state for payment reimbursement of frontline worker pay that has already been issued to employees.
- State verifies application and pays employer one lump sum reimbursement.
- Revenue program that follows this same model:
 - MN Education Assignment of Income Tax Refunds

Things to Consider

- The responsibility of making payments would be on employers, not on the state.
- Employers could quickly identify and pay their frontline workers, then seek reimbursement from the state for those payments.
- Allows employers to get payment to frontline workers fast – then rely on the state for reimbursement.
- Could pose a challenge for employers that have cash-flow constraints.
 - Would need to provide an alternative payment options for these businesses.
- A verification process would be needed to ensure businesses are fairly distributing payments to eligible workers.

Worker Submits Application for Payment



- Responsibility on the worker to apply for a payment.
- The state would verify applicants to ensure they meet eligibility requirements.
- Payment could be either state or third-party.
- This option would be modeled after the Louisiana Frontline Hazard Pay program.

Things to Consider

- An open application would allow anyone to apply, potentially causing an increase in the number of unqualified applicants, which could increase verification times.
- There will be workers that do not feel comfortable filling out an online application.
- There will be workers that may not have access to an online application.

Integrate into state tax system



- Workers would apply for a tax credit when they file their 2021 individual income tax return.
- Payment would be a refundable credit included in the worker's tax refund.
- Verification would follow existing auditing criteria - payment would be made before the verification takes place.

Things to Consider

- This option would be less challenging to administer since most systems are already in place.
- Payments would not happen until a worker files their 2021 individual income tax return (early 2022).
- This would be a refundable credit – would either reduce tax burden or increase refund.
- This option would make it more difficult to estimate the total overall amount of funding required.
- Doesn't feel like a bonus or something additional to the worker – just part of their taxes.

Questions?