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coronavirus relief dollars to protect businesses from tax increases as unemployment skyrockets.

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Governors and lawmakers in at least eight states have used millions of federal coronavirus relief dollars to protect businesses from tax increases as unemployment skyrockets.

They're pushing relief dollars into unemployment insurance trust funds, which are funded by business taxes and pay out benefits to laid-off workers. If the funds start to run out of money — as they now are in many states — state and federal law triggers tax increases to replenish the accounts.

Many Republicans and business groups say avoiding business tax increases during a

"I think it's bad policy," West Virginia state Del. Mick Bates, a Democrat, said of Justice's plan, "and doesn't address what Congress wanted us to address, which is the needs we have today."

The March federal payments may have been the last such assistance states get this year. While congressional Democrats want to give states and cities more money in a new coronavirus relief package, Republicans want to let states use existing federal aid in more ways.

So far, lawmakers in Iowa, Maine, Mississippi, Nebraska, North Dakota, South Carolina, Tennessee and West Virginia have announced that they'll spend federal aid dollars on their unemployment insurance trust funds.

States and the federal government work together to fund unemployment benefits. State trust funds rely on a per-employee tax that's higher for companies that have laid off a lot of workers recently. The federal trust fund, meanwhile, relies on a tax that maxes out at $42 per employee per year for companies that pay state taxes on time in states with solvent trust funds.

State funds have been rapidly depleted this year as a recession and public health orders have led to business closures and layoffs. But states must keep paying unemployment benefits, even when their trust funds run low.

To do that, states charge businesses higher taxes and borrow money from the federal trust fund. Ten states already have borrowed money this year, including West Virginia. If the federal loans aren't repaid in two years, federal unemployment insurance taxes start to creep up, too.

South Carolina business groups and elected leaders want to stop the state trust fund from cratering the way it did after the Great Recession.

“Many businesses will not survive paying higher taxes to replenish the fund twice in

employee per year, depending on a company’s layoff record.

In 2011, when the trust fund was running an almost billion-dollar deficit, taxes ranged from $10.30 to $1,127.90 per employee per year — at least, until the legislature brought taxes down by appropriating more money to the trust fund and cutting unemployment benefits.

North Dakota’s Republican Gov. Doug Burgum and his all-Republican emergency committee have so far approved $310 million in federal relief dollars for the state unemployment insurance trust fund.

Most North Dakota employers currently pay up to about $30 per employee per year in unemployment insurance taxes, said Darren Brostrom, North Dakota’s director of unemployment insurance. Before the emergency committee intervened, state officials projected that the fund could run out of money by June and force taxes up to a couple of hundred dollars per employee.

“The dollar amount may not seem, to some, to be huge,” Brostrom said, “but the% increase was large.”

North Dakota Senate Majority Leader Rich Wardner, an emergency committee member, said the projected tax increase would have been impossible for some employers to absorb. “Some of them would have just gone out of business,” he said.

The cash infusion won’t fend off tax increases forever, however. The money approved by the committee is expected to keep the trust fund solvent only through September, Wardner said.

Some unemployment insurance experts say lawmakers’ fear of unemployment insurance tax increases is overblown. “The tax is not really that large,” said Andrew

Stettner, a senior fellow at the Century Foundation, a progressive Washington, D.C.,

Michele Evermore, a senior policy analyst at the National Employment Law Project, a D.C. think tank that advocates for workers, said she was surprised when state leaders began asking federal officials to confirm that they could spend coronavirus aid on unemployment trust funds.

"Most states have not exhausted their trust funds, and once they do, either interest-free or very-low-interest loans are available from the federal government," Evermore said. Congress passed legislation in March eliminating interest payments on the loans through the end of the year.

As states have other options for funding unemployment benefits, Evermore said, policymakers should focus on using federal relief aid on direct aid to people who are struggling. "It could be spent in a way that actually stimulates the economy," she said.

Some Democrats and left-leaning organizations at the state level agree.

The $490 million Republican Iowa Gov. Kim Reynolds has allocated for unemployment insurance could be better spent elsewhere, said Peter Fisher, research director for the Iowa Policy Project, an Iowa City-based nonprofit.

"She's spending 40% of [the $1.25 billion federal allocation] to keep employer insurance rates from going up in a couple of years," he said. Fisher argued that the money could instead be used to help schools prepare to reopen safely, fund county general assistance programs, or any of several other policy options.

In West Virginia, Justice has indicated that he could reallocate the money he's set aside for unemployment insurance if Congress moves to help states again.

The millions he's earmarked for the trust fund, he said during a June briefing, "may

— is to spend it without spending it," Bates said of the federal aid.

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