#### IN THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF TENNESSEE NASHVILLE DIVISION

C.M., J.H., R.H., S.C., C.M., L.W., J.V., and Proposed Class Members,

Plaintiffs,

 $\mathbf{v}$ .

WILLIAM B. LEE, in his official capacity as GOVERNOR of the State of Tennessee, and JEFF MCCORD, in his official capacity as COMMISSIONER of the TENNESSEE DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT,

Defendants.

No. 3:21-cv-00561

# BRIEF OF AMICI CURIAE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA, TENNESSEE CHAMBER OF COMMERCE & INDUSTRY, AND NATIONAL FEDERATION OF INDEPENDENT BUSINESS SMALL BUSINESS LEGAL CENTER

Brett A. Shumate JONES DAY 51 Louisiana Avenue, N.W. Washington, D.C. 20001 Telephone: (202) 879-3939 Facsimile: (202) 626-1700 bshumate@jonesday.com

Chad R. Mizelle JONES DAY 600 Brickell Avenue, Suite 3300 Miami, FL 33131 Telephone: (305) 714-9700

Facsimile: (305) 714-9700 cmizelle@jonesday.com

Robert L. Bowman

Counsel of Record

William J. Carver

KRAMER RAYSON LLP
800 S. Gay Street, Suite 2500,
Knoxville, TN 37929

Telephone: (865) 525-5134 Facsimile: (865) 522-5723 rlbowman@kramer-rayson.com wcarver@kramer-rayson.com

Counsel for Amici Curiae

#### CORPORATE DISCLOSURE STATEMENTS

Amicus curiae Chamber of Commerce of the United States of America ("the Chamber") has no parent corporation, and no publicly held company has 10% or greater ownership interest in the Chamber.

Amicus curiae The Tennessee State Chamber & Industry ("the Tennessee Chamber") has no parent corporation, and no publicly held company has 10% or greater ownership interest in the Tennessee Chamber.

Amicus curiae National Federation of Independent Business ("NFIB") has no parent corporation, and no publicly held company has 10% or greater ownership interest in NFIB.

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#### INTEREST OF AMICI CURIAE

The Chamber of Commerce of the United States of America is the world's largest business federation. It represents approximately 300,000 direct members and indirectly represents the interests of more than three million companies and professional organizations of every size, in every industry, and from every geographic region of the country. An important function of the Chamber is to represent the interests of its members in matters before Congress, the Executive Branch, and the courts. To that end, the Chamber regularly files amicus briefs in cases, like this one, that raise issues of concern to the nation's business community.

The Tennessee Chamber of Commerce & Industry serves as Tennessee's premier statewide business trade association comprising one of Tennessee's largest grassroots network of businesses, manufacturers, and local chambers of commerce that engage with elected leaders to positively impact and enhance our business climate. Serving also as the Tennessee Manufacturers Association, our member companies consist of small, medium, and large businesses in a variety of industry sectors across our great state. A crucial function of the Tennessee Chamber is to represent the interests of businesses and our members in matters primarily before the State Legislature and Executive Branch Departments and Agencies. The Tennessee Chamber regularly weighs in on issues before the courts that raise issues of concern to Tennessee's business community.

NFIB is the nation's leading small business association, representing members in Washington, D.C. and all 50 state capitals. Founded in 1943 as a nonprofit, nonpartisan organization, NFIB's mission is to promote and protect the right of its members to own, operate, and grow their businesses. NFIB Small Business Legal Center ("NFIB Legal Center") is a nonprofit, public interest law firm, established to provide legal resources and be the voice for small businesses in the nation's courts through representation on issues of public interest affecting small businesses. To fulfill its role as the voice for small business, the NFIB Legal Center frequently files amicus briefs in cases that will impact small businesses.

Amici support Governor Lee's decision to end Tennessee's participation in temporary federally funded pandemic unemployment insurance programs. Amici believe that paying Tennesseans not to work is dampening what should be a stronger jobs market. Indeed, unfilled positions pose a real threat to Tennessee's economic recovery from the COVID-19 pandemic. Based on amici's analysis, unemployment insurance benefits from the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") result in approximately one in four recipients taking home more in unemployment than they could earn working. A preliminary injunction requiring the State to continue these benefits would hurt small and large businesses by worsening the labor shortage in Tennessee and impeding the State's economic recovery. Amici seek leave to file this brief to explain that the Governor's decision was lawful and serves the public interest by encouraging Tennesseans to return to work.

#### SUMMARY OF ARGUMENT

Federal and state policymakers face a delicate task of facilitating a recovery from the greatest economic crisis since the Great Depression. During the COVID-19 pandemic, policymakers adopted temporary emergency relief measures to help individuals and businesses weather the economic recession. These include pandemic unemployment insurance benefits made available through the CARES ACT, which amici supported at the outset of the pandemic in 2020. Although these and other measures avoided an economic catastrophe, some measures have now become drags on the very economic forces they were designed to save.

As public-health conditions have improved and restrictions have lifted, businesses across the country have begun reopening to meet a resurgence in consumer demand. There are a record number of job openings, but not enough workers to fill them. Generous pandemic-related unemployment benefits have suppressed the labor supply by making unemployment nearly as profitable—and in some cases more profitable—than work. This helps explain why employers hired fewer workers than expected in April 2021 even as businesses could not find enough workers to fill open positions. See Olivia Rockeman, U.S. Job Growth Disappoints in Challenge to Economic Recovery, Bloomberg (May 7, 2021, 10:37) https://tinyurl.com/ztuyzfhc. But without the ability to staff these open positions, businesses cannot meet existing demand—let alone grow and return the economy to pre-pandemic levels.

To address this labor shortage, Governor Lee, like governors in twenty-five other states from Alaska to Louisiana, decided to target the biggest hurdle: federally funded pandemic unemployment insurance programs. To that end, Governor Lee announced on May 11, 2021, that Tennessee would end its participation in some of these federal programs. As the Governor explained, Tennessee "will no longer participate in federal pandemic unemployment programs because Tennesseans have access to more than 250,000 jobs in our state." Off. of the Governor, Gov. Lee Pushes Return to Work, Economic Recovery (May 11, 2021), https://tinyurl.com/wumjcpzb.

Nearly four months have passed since this announcement, yet Plaintiffs only recently sought an emergency order to block the Governor's decision in federal court. The Court should deny this request. Setting aside the jurisdictional flaws in their complaint, Plaintiffs have not demonstrated a likelihood of success on the merits or that the public interest weighs in favor of continuing the State's participation in the federal pandemic unemployment insurance programs.

On the merits, no provision of federal law imposes a duty on the State—let alone a specific, mandatory duty—to seek and obtain pandemic unemployment insurance benefits under the CARES Act. On the contrary, the Governor properly exercised his discretion to terminate the State's participation in these federal programs, which the CARES Act expressly contemplated. While Plaintiffs might disagree with the Governor's public-policy judgment, that is no basis for this Court to second guess and overturn the Governor's decision.

Nor would a preliminary injunction serve the public interest. On the contrary, a preliminary injunction would impair the Governor's ability to address a government-created labor shortage that is hurting Tennessee businesses and hindering the State's economic recovery. In Tennessee, combined pandemic-era unemployment benefits amount to 72% of the average weekly private sector pay. In the leisure and hospitality industries, that number rises to 108%—or, in other words, the benefits exceed average weekly earnings by 8%. When jobless Tennesseans make through unemployment benefits most of (or more than) what they earn by working, it is no surprise that they stay home instead of filling one of almost 450,000 job openings in the State—almost twice the number of job openings as in May. See Jobs4TN, & Tenn. Dep't of Lab. Workplace Dev., https://www.jobs4tn.gov/vosnet/Default.aspx (last visited Sept. 2, 2021). As a result, small and large Tennessee businesses, hoping to bounce back after the pandemic, continue to experience a worker shortage crisis.

Governor Lee's decision to end the State's reliance on federal pandemic unemployment insurance benefits thus serves the public interest of getting Tennesseans back to work. His decision is bolstered by evidence of low unemployment rates in states such as Missouri (4.2%) and Montana (3.7%) that have already ended federal unemployment benefits. Equipped with information about the number of job openings in Tennessee and the successes of those other states, the Governor is best positioned to make such policy decisions in the public interest of the State.

#### ARGUMENT

This Court should deny Plaintiffs' request to preliminarily enjoin the Governor's decision to end participation in federally funded pandemic unemployment insurance programs. Setting aside that the Court lacks jurisdiction over their state-law claims, Plaintiffs cannot demonstrate a likelihood of success on the merits because the Governor acted within his lawful authority under the CARES Act. And a preliminary injunction would disserve the public interest by discouraging unemployed Tennesseans from filling almost 450,000 available jobs, exacerbating a labor shortage that harms Tennessee businesses, and frustrating the State's economic recovery.

## I. Governor Lee Lawfully Ended the State's Participation in Federal Pandemic Unemployment Insurance Programs.

Plaintiffs' case depends on the premise that the State must accept all CARES Act funding, leaving no discretion over the matter to the Governor. Yet Plaintiffs' claim is rebutted by the terms of the CARES Act itself, which expressly authorizes a state to "terminate" an agreement with the federal government for pandemic unemployment benefits "upon providing 30 days' written notice to the Secretary." 15 U.S.C. § 9023(a); see also id. §§ 9024(a), 9025(a). Consistent with this provision, the Governor complied with the terms of the CARES Act when he notified the Secretary of Labor on May 11 that the State would no longer participate in certain federal pandemic unemployment insurance programs effective July 3. The Governor therefore lawfully exercised his authority to terminate the Agreement consistent with federal law.

At bottom, Plaintiffs' real fight is with how the Governor exercised his lawful discretion and the public-policy judgment his decision reflects. But absent a specific duty to act otherwise under federal law, neither Plaintiffs nor this Court have the authority to second guess the Governor's decision and his judgment that ending federal pandemic aid will spur stable employment by ceasing to incentivize unemployment. While Plaintiffs might disagree with the Governor's policy judgment, it is for the politically accountable branches to make those calls. This Court should not substitute its judgment for the Governor's on this quintessential policy question.

# II. Governor Lee's Decision to End the State's Participation in Federal Pandemic Unemployment Insurance Programs Serves the Public Interest.

But even if the Court were authorized to second-guess the Governor's publicpolicy judgment, there is no basis to do so here. Overwhelming evidence confirms
that CARES Act benefits have generated labor shortages by subsidizing
unemployment, which in turn has hurt small and large businesses throughout
Tennessee and hindered the State's economic recovery. The Governor appropriately
determined—based on data from Tennessee and other states—that scaling back those
benefits would best stimulate the economic recovery in Tennessee and thereby
advance the public interest.

<sup>&</sup>lt;sup>1</sup> As for Plaintiffs' state-law claims, it is firmly established that "a claim that state officials violated state law in carrying out their official responsibilities is a claim against the State that is protected by the Eleventh Amendment." *Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 121 (1984); *see also, e.g., In re Ohio Execution Protocol Litig.*, 709 F. App'x 779, 781 (6th Cir. 2017).

### A. Labor Shortages Are Hurting Businesses and Hindering the State's Economic Recovery.

As the United States emerges from a pandemic-induced recession, labor shortages are now the most serious problem frustrating the country's economic recovery. At the end of May, there were 9.2 million job openings nationwide. See U.S. Bureau of Lab. Stats., Job Openings and Labor Turnover – May 2021 (July 7, 2021), https://www.bls.gov/news.release/pdf/jolts.pdf. In Tennessee, there are now at least 449,836 open jobs. See Jobs4TN, Tenn. Dep't of Lab. & Workplace Dev., https://www.jobs4tn.gov/vosnet/Default.aspx (last visited Sept. 2, 2021). This means that there are nearly three times as many jobs as there are unemployed Tennesseans—165,100 as of May. U.S. Bureau of Lab. Stats., Economy at a Glance: Tennessee (July 16, 2021), https://www.bls.gov/regions/southeast/tennessee.htm#eag.

Despite the high number of open positions, however, jobs are not being filled. One survey estimates that 49% of business owners had job openings that they could not fill, a record high. Nat'l Fed'n of Indep. Bus., Small Business Labor Shortage Hits New Record in July (July 2021), https://tinyurl.com/yt3xuu3n. Another survey found that 61% of small employers were experiencing a staffing shortage. See Nat'l Fed'n of Indep. Bus., Covid-19 Small Business Survey (18): Federal Small Business Programs, the Vaccine, Labor Shortage, and Supply Chain Disruptions 4, 10 (June 26-30, 2021), https://assets.nfib.com/nfibcom/Covid-19-18-Questionnaire.pdf (question 20). And the Chamber found that "the number of workers quitting their jobs reached an all-time high of 2.7%, while layoffs and discharges reached an all-time low of 1%, another indication of the tightness of the labor market." U.S.

Chamber of Com., Number of Open Jobs Jumps by 1 Million—America's Worker Shortage Crisis is Worsening, Urgent Need for National Workforce Solutions (June 8, 2021, 4:15 PM), https://tinyurl.com/r44ztved.

Such a tight labor market has consequences. Indeed, more than 90% of state and local chambers of commerce report that worker shortages are hindering local economic recoveries. See U.S. Chamber of Com., The America Works Report: Quantifying the Nation's Workforce Crisis (June. 1, 2021, 8:30 AM), https://tinyurl.com/5cp2w79c. As explained by the Chamber's Executive Vice President and Chief Policy Officer, Neil Bradley, "[w]e are seeing an increasing number of businesses turning down work and only partially reopening because they can't find enough workers." Chamber, Number of Open Jobs, supra. The inability of businesses to meet demand is a massive drag on economic growth and threatens the State's ability to recover from the pandemic.

#### B. Federal Pandemic Unemployment Insurance Benefits Are Contributing To Labor Shortages.

The biggest reason for this phenomenon is no mystery. Federal unemployment benefits are suppressing the labor supply by allowing many Americans to make more money by not working.

The data supports the Governor's conclusion. By most accounts, only a small percentage of unemployed Americans are actively looking for work. According to a recent poll, nearly half (49%) of Americans who became unemployed during the pandemic are not actively looking for work. See U.S. Chamber of Com., Poll: The COVID-19 Unemployed (June 3, 2021, 3:15 PM), https://tinyurl.com/w7h443ew. A

separate survey found that approximately 30% of unemployed job applicants were passively looking for work while another 30% were not looking at all. Nick Bunker, Indeed Job Search Survey June 2021: COVID Concerns and Financial Cushions Make Job Search Less Urgent, Indeed Hiring Lab (June 29, 2021), https://tinyurl.com/xjymasck.

The availability of unemployment insurance benefits is a significant factor behind these statistics. See id. Sixteen percent of those who are not actively seeking employment admit that the amount of money they are receiving through government programs makes it "not worth looking" for work. See Chamber, Poll, supra. And 28% believe "[t]here are a lot of people who are not looking for work because they can do almost or just as well collecting unemployment benefits." Id. Another recent survey found that 1.8 million unemployed Americans have refused to return to work because of generous unemployment insurance benefits. See Sam Ro, Poll: 1.8 million Americans have turned down jobs due to unemployment benefits, Axios (July 14, 2021), https://tinyurl.com/8bdj6ute. The data thus confirms that many Americans believe they can make more money by not working—because of the availability of federal pandemic unemployment insurance benefits.

This belief is well-founded. Key voices have been warning that pandemicrelated unemployment insurance benefits would often exceed earnings in many places. For example, when Congress was considering whether to extend the \$600per-week benefit amount in June 2020, the Congressional Budget Office ("CBO") estimated that "[r]oughly five of every six recipients would receive benefits that exceeded the weekly amounts they could expect to earn from work during those six months." Letter from Cong. Budget Off. to Senator Charles Grassley, Chairman of the Senate Comm. on Fin. (June 4, 2020), https://tinyurl.com/ezznz96w. The CBO predicted that, "[i]n calendar year 2021, both output and employment would be lower than they would be if the increase in unemployment benefits was not extended." *Id.* A researcher affiliated with the Bipartisan Policy Center likewise recognized that many people "may be disincentivized from returning if the additional \$600 in weekly benefits remains in place." G. William Hoagland et al., It Doesn't Have to Be All or Nothing: How Unemployment Insurance Could Support Work and Continue to Provide FinancialRelief, Bipartisan Pol'y Ctr. (July 8, 2020), https://tinyurl.com/wparnsyj. Others described the benefits program as a "trap" and a "hindrance to getting people back to work with businesses now competing with unemployment benefits." Joe Horvath & Jonathan Ingram, Refusing to Work: Handling Employee Work Rejections in Light of Expanded Unemployment Benefits, FGA (June 24, 2020), https://tinyurl.com/d5w8p8vt.

The data in the chart below validates these predictions. The data in Illustration 1 demonstrates that unemployment benefits cover a substantial portion of—and, at times, more than—workers' wages. Combined state and federal unemployment benefits are 77% of the average weekly earnings for service positions. And for leisure and hospitality jobs, that number rises to 117%.

<u>State</u>	Average Weekly Private Service Earnings	Average UI Benefit Service Positions W/ \$300 Federal	UI Benefits as % of Average Service Wage	Average Weekly Earnings Leisure and Hospitality	Average UI Benefit Leisure and Hospitality Positions W/\$300 Federal	UI Benefits as % of Average Leisure and Hospitality Wage							
							Alabama	\$885	\$696	79%	\$360	\$461	128%
							Alaska	\$1,003	\$620	62%	\$509	\$462	91%
Arizona	\$944	\$647	69%	\$480	\$477	99%							
Arkansas	\$804	\$617	77%	\$378	\$449	119%							
California	\$1,203	\$787	65%	\$576	\$533	93%							
Colorado	\$988	\$760	77%	\$512	\$539	105%							
Connecticut	\$1,101	\$737	67%	\$478	\$490	102%							
Delaware	\$927	\$663	72%	\$417	\$464	111%							
Florida	\$914	\$670	73%	\$481	\$495	103%							
Georgia	\$905	\$702	78%	\$392	\$474	121%							
Hawaii	\$1,002	\$921	92%	\$598	\$671	112%							
Idaho	\$862	\$728	85%	\$352	\$475	135%							
Illinois	\$1,019	\$692	68%	\$453	\$474	105%							
Indiana	\$888	\$613	69%	\$375	\$432	115%							
Iowa	\$864	\$751	87%	\$350	\$483	138%							
Kansas	\$872	\$720	82%	\$346	\$466	135%							
Kentucky	\$808	\$654	81%	\$372	\$463	124%							
Louisiana	\$864	\$586	68%	\$369	\$422	114%							
Maine	\$909	\$729	80%	\$477	\$525	110%							
Maryland	\$1,127	\$845	75%	\$470	\$528	112%							
Massachusetts	\$1,201	\$826	69%	\$539	\$536	99%							
Michigan	\$904	\$706	78%	\$385	\$473	123%							
Minnesota	\$1,071	\$830	78%	\$381	\$489	128%							
Mississippi	\$714	\$567	79%	\$369	\$438	119%							
Missouri	\$876	\$651	74%	\$412	\$465	113%							
Montana	\$811	\$701	86%	\$367	\$481	131%							
Nebraska	\$885	\$712	80%	\$361	\$468	130%							
Nevada	\$836	\$752	90%	\$553	\$599	108%							
New Hampshire	\$1,000	\$721	72%	\$467	\$497	106%							
·	\$1,102	\$877	80%	\$494	\$558	113%							
New Jersey New Mexico	\$796	\$720	90%	\$388	\$505	130%							
New York	\$1,137	\$775	68%	\$560	\$534	95%							
North Carolina	\$928	\$651	70%	\$396	\$450	114%							
	\$869	\$766	88%	\$358	\$492								
North Dakota Ohio	\$859					137%							
	·	\$699	81%	\$360	\$467	130%							
Oklahoma	\$812	\$725	89%	\$374	\$495	133%							
Oregon	\$932	\$751	81%	\$454	\$520	115%							
Pennsylvania	\$907	\$757	83%	\$372	\$487	131%							
Rhode Island	\$948	\$700	74%	\$453	\$491	108%							
South Carolina	\$860	\$679	79%	\$381	\$468	123%							
South Dakota	\$818	\$706	86%	\$347	\$472	136%							
Tennessee	\$885	\$635	72%	\$426	\$462	108%							
Texas	\$957	\$787	82%	\$434	\$521	120%							
Utah	\$947	\$743	78%	\$394	\$485	123%							
Vermont	\$913	\$835	91%	\$469	\$575	123%							
Virginia	\$1,028	\$718	70%	\$410	\$467	114%							
Washington	\$1,133	\$864	76%	\$537	\$567	106%							
West Virginia	\$835	\$627	75%	\$345	\$435	126%							
Wisconsin	\$850	\$654	77%	\$350	\$446	127%							
Wyoming	\$803	\$701	87%	\$408	\$504	123%							
District of Columbia	\$1,844	\$1,098	60%	\$651	\$582	89%							
Average	\$948	\$727	77%	\$430	\$494	117%							
Max	\$1,844	\$1,098	92%	\$651	\$671	138%							
Min	\$714	\$567	60%	\$345	\$422	89%							

Source: Ronald Bird, Senior Economist, U.S. Chamber of Com. (April 2021) (data from Dep't of Lab. Off. of Unemployment Ins., *UI Replacement Rates Report*, https://oui.doleta.gov/unemploy/ui\_replacement\_rates.asp, and U.S. Bureau of Lab. Stats., *Quarterly Census of Employment and Wages*, https://data.bls.gov/PDQWeb/en) ("Illustration 1").

Tennessee's situation is similar to the national experience. The State offered an average of \$635 in combined (state and federal) weekly unemployment benefits, which is 72% of the average weekly private sector pay (\$885). See Illustration 1. In the leisure and hospitality industries, unemployment benefits exceeded average weekly earnings by 8%. Id.

These perverse incentives and labor shortages persist despite rapidly growing wages and employer-driven incentive programs. From March to April 2021, wages across the economy grew 0.7%—a surprising increase for just one month. See Sam Ro, Employers are paying up to address labor shortages, Axios (July 6, 2021), https://tinyurl.com/5et2bhm6. In some sectors, wages for entry-level jobs have risen by as much as 25% since the beginning of 2020. See Eric Morath, New Jobless Claims Hold Near Pandemic Low, as Number on Benefits Falls, Wall St. J. (July 8, 2021, 11:17 AM), https://tinyurl.com/5z77cvvj; see also Eric Morath, Lower-Wage Workers See Biggest Gains From Easing of Covid-19 Pandemic, Wall St. J. (July 4, 2021, 5:30 AM), https://tinyurl.com/2zv5ky57 (documenting wage increases across various sectors). The upshot is clear: as the State subsidizes joblessness, employees can delay

job-seeking, and employers will struggle to fill open positions—all of which is contributing to the number of unfilled jobs in the State.

C. Ending the State's Reliance on Federal Pandemic Unemployment Benefits Will Address the Labor Shortage and Stimulate Economic Recovery.

If federal pandemic unemployment benefits are suppressing the labor supply, then Governor Lee's decision to end those benefits will reverse this trend by incentivizing people to return to work, which will in turn spur the State's post-pandemic economic recovery.

Indeed, Governor Lee's decision is supported by the low unemployment rates in other states that ended federal unemployment benefits. For example, the unemployment rate in Missouri, among the first to end federally-funded unemployment payments, was 4.2% in May—well below the 5.8% national average. See Eric Morath & Joe Barrett, Americans Are Leaving Unemployment Rolls More Quickly in States Cutting Off Benefits, Wall St. J. (June 27, 2021, 5:30 AM), https://tinyurl.com/9bwb8xb5. Another state, Montana, has an even lower unemployment rate—just 3.7% as of April. Governor's Off., Montana's Unemployment Rate Continues Decline in April, State of Mont. Newsroom (May 21, 2021), https://tinyurl.com/3tc6mems. As explained by Montana's Governor, "[b]y ending the pandemic-related federal unemployment bonus that discourages work and by launching a return-to-work bonus, more Montanans will reenter the workforce, and Montana's economy will continue to rebound." Id.

Unsurprisingly, ending unemployment benefits is broadly popular. A national poll conducted in May 2021 confirmed that more than half of Americans—54%—believe that states like Tennessee did the right thing by ending federal unemployment benefits. Tim Malloy & Doug Schwartz, 85% of Republicans Want Candidates to Agree with Trump, Quinnipiac University National Poll Finds; Americans Support Early Cut to Federal Jobless Benefit, Quinnipiac Univ. Poll (May 26, 2021), https://poll.qu.edu/poll-release?releaseid=3810.

\* \* \*

This Court should reject Plaintiffs' invitation to substitute its judgment for the Governor's on this important question. In the wake of an unprecedented global pandemic and economic recession, the provision of unemployment benefits raises delicate questions of public policy—among others, how to allocate limited resources, how much to offer jobless benefit recipients, and when to encourage citizens to return to work. The Governor is best positioned to answer these questions because he is equipped with the information and resources to make decisions in the public interest for the entire State. And, the Governor was democratically elected to make this important choice affecting all Tennesseans.

#### CONCLUSION

This Court should deny Plaintiffs' request for a preliminary injunction.

Dated: September 3, 2021 Respectfully submitted,

Brett A. Shumate JONES DAY 51 Louisiana Avenue, N.W. Washington, D.C. 20001 Telephone: (202) 879-3939 Facsimile: (202) 626-1700 bshumate@jonesday.com

Chad R. Mizelle JONES DAY 600 Brickell Avenue, Suite 3300 Miami, FL 33131 Telephone: (305) 714-9700

Telephone: (305) 714-9700 Facsimile: (305) 714-9799 cmizelle@jonesday.com /s/Robert L. Bowman
Robert L. Bowman
Counsel of Record
William J. Carver
KRAMER RAYSON LLP
800 S. Gay Street, Suite 2500,
Knoxville, TN 37929
Telephone: (865) 525-5134
Facsimile: (865) 522-5723
rlbowman@kramer-rayson.com

wcarver@kramer-rayson.com

Counsel for Amici Curiae

#### CERTIFICATE OF SERVICE

The undersigned hereby certifies that on September 3, 2021, a copy of the foregoing was electronically filed using the Court's electronic filing system, which will send notice of this filing to:

Bryant B. Kroll W. Gary Blackburn THE BLACKBURN FIRM, PLLC 213 Fifth Avenue North, Suite 300 Nashville, TN 37219

Telephone: (615) 254-7770 Facsimile: (615) 895-7272

bkroll@wgaryblackburn.com

gblackburn@wgaryblackburn.com

Dianna Baker Shew TENNESSEE ATTORNEY GENERAL'S OFFICE P.O. Box 20207 Nashville, TN 37202-0207 Telephone: (615) 532-1969

Counsel for Plaintiffs

Counsel for Defendants

dianna.shew@ag.tn.gov

<u>/s/Robert L. Bowman</u> Robert L. Bowman

Counsel for Amici Curiae