



June 28, 2021

The Honorable Patricia D. Jehlen
Chair, Unemployment Insurance Trust Fund Study Commission
24 Beacon Street, Room 424
Boston, MA 02133

The Honorable Josh S. Cutler
Chair, Unemployment Insurance Trust Fund Study Commission
24 Beacon Street, Room 167
Boston, MA 02133

Subject: Testimony regarding unemployment insurance and nonprofit employers

Dear Chair Jehlen, Chair Cutler, and members of the Unemployment Insurance Trust Fund Study Commission,

First and foremost, thank you for your efforts to review the Commonwealth's unemployment insurance (UI) system. As you are aware, costs associated with unemployment insurance have been among the most significant concerns for employers, due to historic and unprecedented layoff rates prompted by the pandemic. As the Commission continues to review the immediate and long-term impacts of the pandemic on UI trust solvency, the Massachusetts Nonprofit Network (MNN) respectfully submits the following input on behalf of nonprofit employers.

MNN is the voice of the nonprofit sector and a statewide association that brings together all parts of the nonprofit ecosystem — nonprofits, funders, business leaders, and elected officials — to strengthen nonprofits and raise the sector's voice on critical issues. MNN has more than 700 member organizations in every region of Massachusetts. Our members come from all subsectors of the nonprofit world. They work in partnership with government on many of the Commonwealth's largest challenges related to health, education, economic development, the environment, civic engagement, and overall quality of life.

Nonprofit employers have two options to pay into the UI trust: to contribute a predetermined rate via quarterly taxes (contributory employers), or —along with local governments and Tribal entities — to elect to self-insure and pay into the UI trust when layoff claims are made (reimbursable employers).

Contributory nonprofit employers will be significantly impacted by the increases in their UI tax rates that would be required to replenish the fund in the post-pandemic era. Those employers have benefitted in the short-term from the two-year rate freeze passed by the Legislature and

signed by the Governor in April, and the subsequent adjustment to spread out steep increases in the solvency assessment. MNN encourages the Commission to recommend that a portion of the State and Local Fiscal Recovery Funds that Massachusetts received under the American Rescue Plan Act (ARPA) be dedicated to the UI trust in order to relieve contributory employers' tax burden in the future. Nonprofits, in addition to for-profit employers, will benefit tremendously from this action.

Reimbursable nonprofit employers, at the end of this month, will owe significant lump sum payments to the UI trust based on layoffs that have occurred since March of 2020. These employers typically pay monthly on behalf of any layoffs that have occurred. Due to the dire financial situation over the past 15 months, the Legislature passed two payment deadline extensions for reimbursable nonprofits. The current deadline extension expires on June 30th. In addition, federal relief provided 50% coverage of these costs from March 1, 2020 to March 1, 2021, and 75% from April 1, 2021 to September 6, 2021. Still, nonprofits will owe a significant amount in remaining balances; as one example, the YMCA's collectively owe over \$7 million for layoffs that occurred over the past year. MNN encourages the Commission to recommend that a portion of the state's ARPA funds be dedicated to relief for reimbursable nonprofit employers. Nonprofits across the Commonwealth are diverting critical resources from programs and services to reimburse the UI trust for pandemic layoffs, and federal relief could be utilized to minimize this burden and retain services in our communities.

As options for long-term changes to the UI system are considered, MNN encourages the Commission to retain the self-insured option that nonprofit employers — along with local governments and Tribal entities — have historically had in accordance with federal and state law. The option to self-insure has been an important feature in nonprofit administration and finance, and when forecasting for normal ebbs and flows of economic conditions, has worked well. But in the COVID-19 era, the Commonwealth's employers are experiencing unprecedented unemployment insurance costs, caused by a once in a lifetime global pandemic and related economic downturn. States' UI trusts, and related employer contribution policies, were never meant to handle the series of events that have unfolded over the past year.

Thank you for your attention and consideration of these important matters. Please do not hesitate to reach out to Danielle Fleury, Vice President for Government Affairs at dfleury@massnonprofitnet.org or 617-391-9175 for any additional information about nonprofits and their interaction with the Commonwealth's unemployment insurance system.

Sincerely,



Jim Klocke
CEO, Massachusetts Nonprofit Network