

Senator Jehlen, Representative Cutler, and members of the UI Commission.

My name is Pavel Gorelik. I live in Somerville, and I am one of the Senator's constituents. I was unable to testify in person at the public hearing, so I am submitting this written testimony instead.

There are several serious flaws in the Massachusetts unemployment assistance law that I urge you to fix. Specifically, I implore this commission to recommend to the State House to pass legislation that would 1. Increase benefit payments for low-earners, 2. Significantly increase the taxable wage base, 3. Reduce the percentage spread within the *Experience Rating* table, and 4. Stop freezing the tax schedules at rates that are too low to maintain a healthy trust fund.

First, the current UI benefit is approximately $\frac{1}{2}$ of pre-unemployment wages, up to a cap. For low-income earners, and they are the ones who need this assistance the most, this is simply not enough to make ends meet. I support the proposal to have the benefit determined on a sliding scale, whereby beneficiaries who had lower earnings would receive a higher percentage of their pre-unemployment pay. Beneficiaries who had the highest wages prior to job loss, would have a benefit of 50%, as they currently do. Earners with intermediate income would have an intermediate increase to their benefit.

Second, a cap on the taxable wages necessarily and unequivocally means that low-paying businesses are taxed heavier. It also means that low-paying businesses are subsidizing the benefits for the higher-earning beneficiaries. Consider two businesses that have identical experience ratings, one pays a salary of \$15,000 to its employee, the other pays \$150,000. Under the current law, because of the wage base cap of \$15,000, both businesses contribute an identical amount to the UI trust fund. However, because of the 10-fold greater pay, the high-salary business is taxed at a 10-fold lower rate. This is a clear example of regressive taxation; however, the real situation is even worse! A beneficiary from the high-paying business is eligible for the maximum UI benefit payment of ~\$855/week; whereas, the low-income beneficiary is eligible for only \$144/week. The high earner would receive nearly a 6-fold greater benefit and yet, both businesses contributed exactly the same amount into the trust fund. In other words, it takes 6 employees working a \$15k job to pay for the benefit of a single beneficiary who is receiving the maximum allowable benefit. This is not a contrived example, and is the direct result of the taxable wage base cap. As a minimum, the taxable wage base needs to be increased to \$90k because this is the salary that yields the maximum UI benefit. Simultaneously with the wage base increase, the tax rate should be reduced. A ~90k wage base and a ~1% rate across the board would maintain a solvent trust fund; it would streamline the tax law, and it would ensure that low-salary businesses do not subsidize benefits for high earners.

Third, Massachusetts has the dubious honor of having the highest spread within its *Experience Rating* table of any state. This means that some businesses are taxed at a rate that is 20 times greater than others. This is a punitive action which only serves to align business owners against their own employees. This is not an effective way to incentivize employee retention.

Fourth, There are multiple schedules within the *Experience Rating* table. They exist so that revenue collection can adjust from year-to-year to maintain the health of the fund. However, for the past 23 years the schedule has been frozen at rates that are too low to maintain an adequate balance. Because of this, the State has not been meeting Department of Labor criteria; it has been forced to borrow federal dollars at interest and has passed on these interest payments to businesses in the form of other taxes. Freezing the schedule should be a stop-gap solution in dire times, but it has become modus operandi for the State.

Point #1 would help the beneficiaries -- they are the prime reason that the UI law exists. Points #2 and #3 would help maintain a solvent fund, they would streamline the law, and would fix the regressive nature of the tax. This would directly benefit small and medium businesses and cause the mega-corps to pay their fair share into the system. Point #4 would make the fund more robust; it would allow it to adjust to market conditions (as it was intended), and it would aid in transparency.

Unfortunately, having watched some of the testimony, I am convinced that many of the lawmakers lack the information they need to make informed decisions, and the experts in the room are pushing forward their own agenda without making a good-faith effort to truly solve the problem at hand.

In closing, as a constituent, I am concerned that some policymakers and members of the administration are busy pointing fingers, focusing on what can't be fixed, and thinking of ways to punish the bad actors. Instead, I urge the commission to focus on developing a robust safety-net for those that need it most. Implementing the four points I proposed would go a long way toward making the UI law more equitable to beneficiaries and businesses alike, and it would make it more robust in normal times and in times of crises.

Sincerely,

Pavel Gorelik