

H. 55 Testimony

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House Committee on Commerce and Economic Development

Emma Paradis, Common Good VT

My name is Emma Paradis, Senior Policy and Program Coordinator for Common Good VT – the go-to resource for VT’s nonprofits and a recently merged program of United Way of Northwest Vermont. I am here today to provide testimony on proposed changes to unemployment insurance outlined in H. 55. Thank you for the opportunity to speak about these changes that would significantly impact nonprofits.

The most important point I would like to make today is that any change with a budgetary or administrative impact for nonprofits needs a significantly longer timeline to provide notice and assistance to affected organizations.

First, I’ll speak to the **Small Nonprofit UI Exemption**:

I’ll start by sharing some data from the 2022 Nonprofit Wages and Benefits Survey. Every two years, Common Good Vermont partners with NH Center for Nonprofits and Maine Association of Nonprofits to collect the latest data on wages and benefits from our tri-state area. Each state produces a state-specific report on Wages and Benefits based on the data collected in this survey. While not a statistically significant representation of VT nonprofits, the report tells an important and deeply informative story about the health and viability of our sector, filling a critical gap in state and federal nonprofit employment and economic data.

For context, we’ve pulled the following insights from deidentified survey data about small nonprofit employers:

- 9% of VT nonprofits that responded to the 2022 Wages & Benefits survey report being exempt from paying into UI system compared to 12% in Northern New England.
 - 16% of participants had 3 or fewer employees.
- Of those that were exempt, all but one had budgets under \$500K.
- Fiscal Calendars vary by organization. Wages & Benefits participants have the following breakdown of Fiscal Years:
 - July – June: 63 (46%)
 - January – December: 49 (36%)
 - October – September 18 (13%)
 - Other: 8 (6%)

Small nonprofits operate on tight budgets approved annually by their board of directors, making it difficult to adjust for unexpected costs. While many nonprofits with 3 or fewer employees already provide UI coverage, a longer runway will accommodate the range of fiscal calendars and allow all organizations to plan and budget for the expense.

We agree that all employees should have access to unemployment insurance and recommend the following to facilitate a manageable transition for impacted employers:

- **As an intermediary step, we support a notification requirement to provide clarity for employees.** This would also present an opportunity to identify and reach out to impacted employers in advance of any changes, as such data does not currently exist to our knowledge.
- **We ask for an effective date at least one year out from the date of passage.** Small organizations will need this time not only to budget for the expense, but also evaluate their options.
- **Without the built in supports other sectors enjoy, CGVT and other agencies will need to spend considerable resources on outreach and education to nonprofits. We ask the committee to consider including an appropriation to support this work.**

To provide additional perspective, we have also included written testimony from Gretchen Owens, Executive Director of EDD Adaptive Sports, whose organization would be impacted by this change and would benefit from an extended timeline.

I won't read her entire statement, but I would like to share this excerpt:

We also ask for additional resources to help small nonprofit organizations to understand the impact of this change. At EDD Adaptive Sports, I am the sole staff member and have many demands on my time. We focus our capacity on developing and providing high-quality programs, fundraising to support our mission and building connections in the community. We do not have the capacity to research the potential impact of this legislation to our budget.

We look to the state and to groups like Common Good Vermont to do the research and provide transparent data to help small nonprofit organizations to understand the scope of the impact. We believe that the state should look specifically at nonprofit organizations and the impact such legislation will have. To my knowledge, there is no state-level data about the number of employees at organizations. Without sector-specific data, it is difficult to make an informed decision about this legislation.

I encourage you to review her full testimony that is available on the committee page.

Next, I'll speak to the proposed **Bonding Requirement**:

2022 Nonprofit Wages & Benefits Survey data can help us better understand the population of reimbursable employers:

- 15% of VT nonprofits that responded to the 2022 Wages & Benefits survey report being self-insured (this is on par with Northern New England – 16%).
- **Of those that are self-insured, most are providing direct services to the community and most receive government funding:**
 - Sector:
 - 35% are food or housing related
 - 30% are human service organizations
 - 35% other – including education and community building organizations
 - Percent receiving state/federal funding:
 - State funding: 90%
 - Federal funding: 60%

- All of these self-insured employers reported that they anticipate staffing levels to increase or stay the same over the next 12 months. Only one percent of all survey participants anticipated decreasing staffing levels.
- Lastly, wages are a significant portion of nonprofit budgets, typically accounting for more than 50% of annual expenses. For reimbursable employers that participated in the Wages and Benefits Survey, the bonding requirement would require a budget increase of up to 1.62% - not unmanageable but not insignificant.

The organizations I just described should not be characterized as trying to game the system or avoid paying their fair share. These are service and resource providers trying to responsibly manage expenses to maximize their ability to advance their missions and meet the needs their communities. Many are already struggling to close growing funding gaps in order to meet increased demand, cope with rising costs, and recruit and retain workers. With so many relying on government grants and contracts for revenue that have not kept up growing costs, mid-year budget adjustments are particularly burdensome. Additionally, I want to stress that nonprofits, including reimbursable employers, are experiencing a workforce shortage: 53% of Wages & Benefits Survey participants have vacant positions, and 50% anticipate increasing staffing levels in the next 12 months - they are not looking to lay people off, they are trying desperately to hire them. **We should not be saddling these already strapped organizations with additional financial or administrative burdens until we address existing challenges and provide funding and support on par with other sectors.**

To be clear, we agree that it is important that organizations provide and budget this essential worker protection and understand that the State needs to ensure the long-term sustainability of the UI trust fund. However, we fail to see the value of a bonding requirement. **More critical from our vantage point is providing adequate education and support to help nonprofits understand their options, evaluate their potential liability, and budget accordingly.**

Should legislation requiring a bonding requirement be enacted, we would again ask for an extended timeline of at least one year from the date of passage so nonprofits can evaluate their options and plan for any additional expense.

Lastly, I want to touch on the need for **Nonprofit Data**:

In considering these proposed changes, we must acknowledge the ongoing need for increased transparent and accessible nonprofit employment and economic data from the Department of Labor and other agencies. The UI Study Committee also recognized this, recommending for the “General Assembly to work with VDOL, ADS, and the Secretary of State to explore potential options for developing better data to inform policy decisions relating to nonprofit employers and employees.” We urge the legislature and State agencies to prioritize this work.

To close, we appreciate and agree with this bill’s goal of supporting nonprofit employees and ensuring that unemployment benefits are available to all workers. **We have some reservations about the value of a bonding requirement, but for both proposed changes, our primary concern is that organizations need to be provided with adequate notice and information so they can evaluate, plan for, and comply with new requirements.**

Thank you for your time and consideration on these matters, and please reach out if we can support your committee's work on this and any other matters going forward.