H. 55 & H. 92 Testimony
2/2/23
House Committee on Commerce and Economic Development
Jesse Bridges, United Way of Northwest Vermont

My name is Jesse Bridges, CEO of the United Way of Northwest Vermont (UWNWVT). I am here today to provide testimony on the proposed changes to unemployment insurance for reimbursable employers in in H. 55, as well as on H. 92. I appreciate the opportunity to speak to these changes from my perspective as a nonprofit employer.

UWNWVT employs 30 employees, including Common Good VT's staff, however, it is connected to thousands of others through our unique position at the intersection of nonprofit, business, government, and community. Through this robust network, we are acutely aware of the existing challenges nonprofits face that have been exacerbated by covid and inflation. Organizations providing essential community services are struggling to retain and recruit workers, keep up with rising costs, and meet increased demand for services without seeing increases in state and federal funding. The sector, as referenced in numerous articles including the Boston Globe (*In A Tight Labor Market Nonprofits Are Losing Out*), can barely afford to keep up with competition from the private sector to provide adequate support for the people who do the work of caring for and enhancing our communities.

We have also seen and heard an increased need stemming from critical gaps in funding, restrictive requirements, and reimbursement models for funding. We ask the committee to account for these existing pressures on nonprofits in its consideration of this and other legislation that would create additional expenses and/or administrative burden in the sector.

It is also interesting to note in listening to testimony this year and last. No one here is asking how many non-profits and employees this will impact? Another question I would ask is How much money has the state NOT recovered from reimbursable employers? I'm surprised no one is asking that question as it would speak to the need for the legislation. However, what I do know since we've asked the question is that no one can answer it - whether due to the archaic system we just heard about and/or the continued systemic devaluing of the non-profit sector as an important part of the economy in VT (20% of the GDP, 1 in 7 Vermonters).

I'm not here to oppose the bonding issue, reimbursement or not, coverage for additional employees etc. I'm here to make sure we consider the policy paradox and some of the ways we continue to take advantage of this sector. So while making sure employees have UI coverage is important we must also ask why a non-profit employer would choose to be reimbursable - it's scarcity, like someone choosing between food and heat - organizations are choosing to try and care for their people despite a lack of increase in cost of doing business from government contracts and donor contributions.

Bonding Requirement:

Organizations may choose to self-insure for a variety of reasons. While we can't speak for the sector directly we have historically chosen this approach due to low turnover or turnover largely driven by employees finding employment with other businesses. VT unemployment and unemployment in the sector has been historically low absent the extreme circumstances of the pandemic.

The UI committee established by Act 51 was charged "to mitigate the impact of benefit charges attributed to reimbursable employers who paid wages to a claimant during the claimant's base period but did not cause the claimant to become unemployed." While we understand that the bonding requirement would ensure that organizations are able to cover unexpected claims, it does not mitigate the impact for reimbursable employers. Instead, it presents an additional expense for reimbursable employers that already face additional penalties, including not being able to dispute claims.

As we testified in front of the UI committee in 2021, COVID presented additional challenges for reimbursable employers who did not enjoy the same UI relief. While all benefit charges were automatically relieved for taxable employers in 2020, and charges related to COVID-19 were covered into 2021, even with CARES/ARPA relief, reimbursable employers still had to cover partial costs (50% under CARES, 75% under ARPA through Sept 2021).

As we testified before, UWNWVT was impacted by two claims in 2020 that had a significant impact on our annual budget in a time of significant financial strain. These speak to the previous testimony on how proportional allocation impacts.

- One employee resigned prior to the pandemic in March 2020 for another job on their own. Unbeknownst to us, until we received a bill from the state for their UI claim, that employee was no longer employed in the job they had left our organization to pursue.
- An additional employee with a pre-determined contract period through March 30, 2020 filed for unemployment benefits during the pandemic shutdown. Their job was not unexpectedly terminated by us and yet we were still on the hook to pay for their claim during the pandemic.

Despite not being responsible for either individuals' unemployment and both charges being related to COVID-19 we were still on the hook to reimburse for their UI charges. While we understand that we are not here to discuss pandemic relief, this does speak to the challenges that proportional allocation of claim liability presents. We would urge the committee to address these challenges, in addition to, or alternatively to, creating a bonding requirement. **We did not lay off a single worker and most social service non-profits had twice as much work during the pandemic.**

Importantly, different nonprofits operate on different fiscal calendars. UWNWVT's, for example, runs April – March, so by the time this legislation passes, we will already have finalized our budget for FY2024. Others will see mid-year changes with little sector capacity for education or communication of the impacts.

For this reason, the effective timeline is problematic. It is critical that any legislation with a financial impact on nonprofits include a much longer timeline. Should a bonding requirement be established, we would advocate for the effective date and bonding date to be extended by one year at a minimum. That said, we fail to see the need for a bonding requirement, especially as Vermont already offers nonprofits the option to prepay on a quarterly basis to reduce all-at-once liability.

<u>H. 92</u>

We have also been asked to comment on H. 92. Our understanding is that H. 92 would extend UI benefits to individuals that leave employment due to extenuating circumstances such as injury or illness. We don't see this as a sector specific issue but appreciate the bill's intention. That said, we would do seek clarification in a couple areas:

- Impact on Reimbursable Employers: The proposed amendment to 21 VSA § 1325 states that the experience-rating record of an individual subject base-period employer shall not be charged for benefits paid to in this circumstance, however, no mention is made of reimbursable employers. **Would reimbursable employers be liable for additional claims?**