

H. 29 Draft 1.1 (1/14/22) Testimony
House Committee on Commerce and Economic Development
Morgan Webster, Director, Common Good Vermont
1/18/22

My name is Morgan Webster, Director of Common Good VT. I am here today to provide testimony on the proposed changes to unemployment insurance in response to draft 1.1 of H. 29 from January 14th. First, thank you for the opportunity to speak to these issues, and your work on this issue. We have testified previously to the Unemployment Insurance Study Committee and appreciate the opportunity to provide input on this bill.

We have done an initial review of Friday's strike-all amendment to the bill, and look forward to reviewing them in more depth with an unemployment specialist who can make recommendations. Our testimony today comes from our experience working with nonprofits and their direct experience.

- First, I would like to speak to the proposed elimination of the **Small Nonprofit UI Exemption**
 - **Effective Date:**
 - *We ask for a delayed effective date as we believe the July 1, 2022, effective date would be burdensome to nonprofits who are already struggling to provide essential services while responding to the pandemic and workforce shortage. We, and other nonprofit serving partners, need more time for education and outreach so organizations can fully understand and prepare for this change. We ask for an effective date that is no earlier than January 1, 2023.*
 - **Budgetary Impact:**
 - Small nonprofits operate on tight budgets approved on an annual basis by their board of directors. These fiscal years can be on the calendar year, April 1, July 1, or October 1 making it difficult for nonprofits to adjust for unexpected payroll and overhead costs.
 - State/Fed Contracts/Grants: Payroll and overhead costs may be restricted within state or federal grants. For nonprofits receiving grant funding to cover payroll, mid-year changes may require cooperation and planning with funding partners.
 - **Data Tracking and Transparency:**
 - Additionally, as it has been discussed, there is still a lot we don't know about the impacted population. While we know the majority of VT's nonprofits are small-mid size, (with 86% reporting less than \$500,000 in revenue), we don't have good data on the number of employees.
 - Without a clear picture of the scope of the impact, nonprofit serving groups cannot adequately advocate on their behalf. We seek increased transparent & accessible nonprofit data from the Department of Labor and other agencies. Data helps assess the short-term and long-term needs of

our sector. Without it, we cannot quickly access facts to provide policymakers like yourselves information to guide your decision-making.

- The UI Study Committee recommended 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 strongly agree with this recommendation and urge the legislature and relevant agencies to work proactively to align siloed systems and implement intentional tracking strategies this legislative year.
- Furthermore, a notification requirement, as originally proposed in H. 29, could be an intermediary step that would enhance transparency for employees while supporting outreach to impacted small nonprofits and data tracking.

- **Bonding Requirement**

We are still seeking input from stakeholders and experts, but have some initial concerns about this provision we would like to raise, specifically the short timeline and the additional budgetary burden a bonding requirement of any amount would place on reimbursable employers, who are still dealing with increased costs due to covid.

- **Budgetary Impact:** As this bill states, self-insured organizations would need to come up with the bonding requirement by 9/30/22.
 - Our understanding is that most, if not all, organizations that are currently self-insured, would not have the opportunity to evaluate their options or change their status - such as becoming a contributing employer - before this legislation goes into effect.
 - Those who may already be considering paying into the UI trust fund, will now have to pay the 2-year bonding requirement in Sept 2022 regardless.
 - Additionally - for nonprofits whose wages are determined by state contract rates, the additional expense may be particularly burdensome to absorb on short notice.
- **Timeline:** We advocate for a longer timeline if these changes are to go into effect for nonprofits to prepare and plan for these changes. With time, nonprofits could plan ahead for the bonding expense and weigh their options. Again, we would ask that the effective date be no earlier than 1/1/2023.
- **Outreach & Technical Assistance:** If any version of this passes, CGVT, as well as other sector agencies, will need to spend considerable resources on education and technical assistance to nonprofits about these changes. To support this work, and any related legislation that is enacted this session, the committee could consider including an appropriation.

We greatly appreciate and agree with the importance of supporting nonprofit employees - who continue to be our sector's greatest resource and provider of essential services to vulnerable populations across our state. We will continue working with the nonprofit community to better understand their experience as small and self-insured employers, and will encourage them to

share their stories with you. Please reach out if we can be of further assistance now, and as we enter the legislative session. Thank you for your time and consideration on these matters.