

Unemployment Insurance Study Committee Testimony

Re: Reimbursable Employers and Small Nonprofit UI Exemption

November 18, 2021

Jesse Bridges, CEO, United Way of Northwest Vermont (UWNWVT)

My name is Jesse Bridges, CEO of the United Way of Northwest Vermont (UWNWVT). I am here today to provide testimony to the proposed changes to unemployment insurance for reimbursable employers. I am also here to respond to the proposal to eliminate the UI exemption for small nonprofits on behalf of Common Good VT, now a merged statewide program of UWNWVT. We appreciate the opportunity to speak to these issues and thank the Committee for its thoughtful work.

United Way Northwest Vermont

UWNWVT employs between 23-30 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. Our experience this past year illustrates some of the unique challenges and disadvantages for employers of our size in the current structure.

UWNWVT was impacted by two claims in 2020 that had a significant impact on our annual budget in a time of significant financial strain.

- 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 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). This is an additional burden on nonprofit organizations who have been providing essential services throughout the pandemic while dealing with the same workforce issues of taxable employers.

Furthermore, while taxable employers can dispute claims they were not responsible for, reimbursable employers cannot. This practice, even under normal economic circumstances, faces nonprofits operating on lean budgets with significant unanticipated expenses that come at the cost of current staff and the essential services and programming they provide. We can only

speak to our experience, but with a longer runway, we can work to convene other organizations to paint a fuller picture. We appreciate the Committee's attention to this issue and look forward to supporting its work towards a solution that mitigates the unwarranted financial burden on reimbursable employers.

Common Good Vermont

Next, I would like to share context for Vermont's nonprofit sector from Common Good Vermont:

- Common Good VT serves and advocates for over Vermont's 4,463 501(c)(3) public charities.
- 86% of Vermont nonprofits report less than \$500,000 in revenue. While larger organizations receive the majority of their revenue from program services and larger funding streams, smaller organizations rely on smaller contributions, gifts, and grants as their primary source of revenue. These operate with modest revenues and many with less than 6 months reserves and employ a small number of staff.
- These nonprofits often provide essential services to Vermont communities and the state of Vermont. In fact, 20% of our sector work in health and human services, 16% arts and culture, 16% community/Economic Development, and 14% education.

I would now like to speak to the proposed elimination of the UI exemption for nonprofits with fewer than four employees on behalf of Common Good Vermont. I understand that the Common Good team was asked to support the Committee with identifying impacted nonprofits and providing data that would illustrate the scope of the issue.

Common Good VT is committed to working with the Committee in a convener role going forward this session and is asking the committee for a longer timeline to properly assess the impact of UI changes through convening and data work.

Many nonprofits, particularly small organizations impacted by this proposed legislation, are limited in capacity and advocacy experience. They require information and training to understand the issue and how to advocate on behalf of their work. To this end, in addition to direct outreach to nonprofits, Common Good Vermont is holding a pre-legislative session event in December to provide advocacy training and convene organizations around key issues such as this.

Additionally, without a clear picture of the scope of the impact, nonprofit serving groups cannot adequately advocate on their behalf. As CGVT has [testified before](#), 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.

For example: When federal guidelines changed the self-insured unemployment reimbursement rate from 50% to 100% it was, and is still, unclear how many nonprofits were impacted. The

DoL, being under immense pressure from unemployment applications, had little resources and time at the time to provide data to assess the state impact.

Common Good Vermont's [Economic Impact Report and Nonprofit Database](#) pulls data directly from state and federal databases. Without accessible employment data for nonprofits, we cannot speak to the scope of the impact this legislation would have. Additional information sources, such as raw 990 data, includes the number of employees for organizations with gross receipts over \$50,000. However, data work of this level requires operational and financial investment in the short term. Common Good would recommend the State implement tracking measures to account for this critical information gap for nonprofits in the long term.

UWNWVT and Common Good appreciate and concur with the aim of this proposal to support nonprofit employees - we know they are the heart and souls of our nonprofits, the ones on the ground doing the work, and are deserving of equal protections. That said, in consideration of the limited available data, and because the elimination of the small nonprofit UI exemption would have budgetary implications for the most vulnerable organizations, we ask that any changes being made include a longer timeline. This time will be critical for small nonprofits, particularly those who rely on state and federal grants, to take necessary action while minimizing operational and programmatic cuts.

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 to Common Good VT or myself 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.