



March 31, 2020

Governor Charlie Baker
State House, Room 280
24 Beacon Street
Boston, MA 02133

Honorable Robert A. DeLeo
State House, Room 356
24 Beacon Street
Boston, MA 02133

Honorable Karen E. Spilka
State House, Room 332
24 Beacon Street
Boston, MA 02133

Subject: Self Insured Nonprofits and Unemployment

Dear Governor Baker, Speaker DeLeo, and President Spilka,

First and foremost, we commend you on your thoughtful response to the COVID-19 pandemic in the Commonwealth. We appreciate the many challenges that you are facing and thank you sincerely for your efforts to date.

We write to you as a coalition of associations that support direct service providers, all of whom are doing whatever it takes to serve those in need: treating those who are ill, feeding those who are hungry, caring for young children, the elderly, and those with disabilities, and more. As you know, nonprofits are impacted by the pandemic as employers in addition to their role as service providers. Nonprofits employ 18% of the Commonwealth’s workforce, which translates into more than 550,000 jobs. Organizations are dealing with very difficult staffing decisions while trying to maintain the critical services that will help our communities recover.

With respect to unemployment insurance (UI) relief for employers, we are encouraged by the efforts to hold harmless businesses and nonprofits for COVID-19-related claims by not charging temporary benefits to their experience rating. It is important to also consider that nonprofits have the option of self-insuring and reimbursing the state for UI claims rather than paying the state unemployment tax (SUTA) based on experience rating. This option works well under normal circumstances; nonprofits make an actuarial decision to self-insure based on the size and stability of their workforce and regular fluctuation of economic conditions. But this crisis is unprecedented — no one could have foreseen an instance where all or most of an organization’s workforce was laid off at once at a time when their services are needed the most.

We are encouraged by initial steps at the federal and state levels to provide relief to these organizations. Section 2103 of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provides an allotment for states to forgive one half of the reimbursements owed by self-insuring nonprofits. This week, the Senate filed legislation (S.2618) that would provide a 120-day grace period for the first quarterly payment owed to the state trust. These are helpful steps. However, it is essential that additional measures recognize the still enormous financial hardship faced by these organizations, particularly as we rely on their services to respond to this crisis.

- **Community health centers:** According to the Mass League of Community Health Centers, 21 of their 51 community health centers are self-insured. Based on current staffing

estimates, the fiscal impact to the health centers would be \$25M to \$30M over the course of the allowable benefit period.

- **Human service providers:** The community-based human services sector cares for one-in-ten state residents and provides more than 180,000 jobs. According to a recent survey, 70% of human service providers reported that they are self-insured. More than 30 providers reported laying off nearly 1,200 workers to date.
- **YMCAs:** YMCAs employ 22,000 people in Massachusetts. According to the Alliance of Massachusetts YMCAs, 27 of their 28 member Y's are self-insured. Based on current estimates, the fiscal impact to these organizations would be \$36M.

These organizations are providing direct services in response to the COVID-19 pandemic and will need additional relief from the significant financial burden caused by unemployment claims in order to provide some continuity of service. Please consider the following two remedies:

- 1) **Allow for full forgiveness of the COVID-19-related claim reimbursements owed by self-insured organizations.** Advocacy at the federal level for additional support for this purpose continues, but in the meantime, states can hold harmless these organizations in order to preserve the charitable sector's services at this critical time. In addition, please ensure that the Commonwealth is prepared to receive and apply the federal funds to cover half of the costs of COVID-19 related UI claims for self-insured nonprofits.
- 2) **Provide an automatic deferment of at least 120 days in payments owed to the state trust, as proposed in section 5 of S.2618.** The emergency regulation at 430 CMR 22.06 allows employers to request a 60-day deferment in contributions or reimbursements owed. An automatic deferment will provide some immediate relief to charitable organizations and will relieve the Department of Unemployment Assistance from managing individual employer requests for deferments in their quarterly payments.

Thank you for your consideration of this important matter. We look forward to continuing to work with you to advance the kind of cross-sector approach that will be necessary to respond to and recover from this crisis.

Signing Organizations

Alliance of Massachusetts YMCAs
The Boston Foundation
The Children's League of Massachusetts
Massachusetts Alliance of Boys & Girls Clubs
MassCreative
Massachusetts League of Community Health Centers
Massachusetts Nonprofit Network
Nonprofit Finance Fund
Providers' Council
Strategies for Children
United Way of Massachusetts Bay and Merrimack Valley