



June 5, 2020

To: Senator Patricia D. Jehlen, Chair
Representative Stephan Hay, Vice Chair
Joint Committee on Labor and Workforce Development

From: Michael Weekes, President/CEO

Re: Testimony in support of House 4743, *An Act assisting non-profits to provide for COVID-19 unemployment benefits*

Chairwoman Jehlen, Vice Chairman Hay and members of the Joint Committee on Labor and Workforce Development, thank you for the opportunity to submit testimony in support of House Bill 4743, legislation that would help nonprofits struggling with unemployment costs during the COVID-19 pandemic.

The Providers' Council is the state's largest association of community-based health and human services organizations, nearly all of which are nonprofits and many that self-insure for unemployment. Our more than 200 member organizations are grateful to Representative McMurtry and Representative Elugardo for introducing this legislation that would create a *Non-Profit Unemployment Benefit Fund* to assist human services organizations and other nonprofits.

As you well know, the community-based human services sector has been on the front lines of this pandemic, helping to provide critical care to one-in-ten Massachusetts residents on behalf of the Commonwealth. While many other sectors have been able to transition to working from home, a large percentage of our workforce remains on the job, as they are helping clients and consumers in congregate care settings.

Our workforce has, however, been hit especially hard by the COVID-19 pandemic. Like all employers in the state, community-based human services nonprofits have needed to make difficult staffing decisions in order to continue business operations in the face of this pandemic.

Nonprofits have the option to self-insure for unemployment insurance (UI) and many do. Under this model, instead of paying quarterly state unemployment taxes at a predetermined rate, they reimburse the Commonwealth's UI trust and make claim payments for layoffs as they occur. This works well under normal circumstances, particularly in the human services sector, which has

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seen unprecedented job growth over the last 15 years – outpacing many other sectors. But no organization could have foreseen the immense financial burden associated with COVID-19 layoff rates.

The Providers' Council recently surveyed our statewide membership about their experiences with UI costs due to the COVID-19 pandemic. We asked our members to compare a typical April – April 2019 – with their experience in April 2020 – and a few of the results are striking:

- A community-based human services provider in central Massachusetts had unemployment claims of \$27,775 in April 2019; due to the COVID-19 pandemic, **this increased to \$272,479 in April 2020 – an increase of nearly 900 percent.**
- A community-based human services provider in southeastern Massachusetts had unemployment claims of \$8,552 in April 2019; due to the COVID-19 pandemic, **this increased to \$158,722 in April 2020 – an increase of nearly 1,800 percent.**
- Finally, a community-based human services provider in eastern Massachusetts had unemployment claims of \$4,864 in April 2019; due to the COVID-19 pandemic, **this increased to \$111,087 in April 2020 – an increase of nearly 2,200 percent.**

And these are but three cases that are indicative of a larger problem. These community-based human services nonprofits – that serve clients on behalf of the Commonwealth on purchase-of-service contracts – simply do not have revenue to be able to pay for this unemployment insurance claims that occurred only due to the response to a global pandemic. The impact will mean funds to pay reasonable wages or support programming will need to be reallocated to pay claims.

In recognition of the need to preserve nonprofit services and jobs, the federal CARES Act provided some initial relief. Section 2103 of the act directs states to reimburse self-insured nonprofits for half of their COVID-19-related UI claims and transfers funds from the Federal Unemployment Account (FUA) to do so. While this is helpful, many community-based human services organizations will face insurmountable challenges in covering the remaining 50 percent of UI claims. One additional wrinkle is that, due to guidance from the Federal Department of Labor, the state Department of Unemployment Assistance must charge organizations for 100 percent of their UI claims and then issue a 50 percent reimbursement. Many self-insured nonprofits will struggle to pay these massive costs and then wait for a reimbursement; they are in dire need of

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additional financial relief, especially in the community-based human services where, most often, our principal funding source is the Commonwealth.

The Providers' Council supports the goal of providing additional state-level financial relief for self-insured nonprofits and human services organizations. We are aware of the severe revenue constraints facing the Commonwealth, and we support any feasible mechanisms to relieve our organizations of this financial burden – such as charging the remaining 50 percent portion to the UI trust – and provide the additional relief that is needed across the nonprofit sector. The Providers' Council has been and will continue to be actively engaged in advocacy at the federal level to secure as many resources as possible for the UI trust, and for state and local entities generally, to help us weather this storm.

Thank you for your efforts and your positive consideration of House 4734, *An Act assisting non-profits to provide for COVID-19 unemployment benefits*. We look forward to working with you as you consider unemployment insurance legislation and other policies that impact community-based human service providers. If you need additional information regarding our self-insured human services organizations or you'd like to meet virtually with a number of our members, we would be happy to accommodate such a request.