

August 18, 2021

Dear Senate President Spilka and Speaker Mariano,

On behalf of our collective memberships and the thousands of employers providing countless job opportunities for workers across the Commonwealth, we respectfully ask that you support the language in Governor Baker's supplemental budget allocating \$1 billion to help replenish the beleaguered Unemployment Insurance Trust Fund, while leaving open the potential for additional financial relief through American Rescue Plan aid. We implore you to follow the example set by more than 30 states across the nation that have now used federal dollars to offset unemployment costs for struggling job creators.

Massachusetts is facing an unparalleled UI crisis created by the shutdown. While many employers, still recovering from the pandemic, struggle to find qualified help and fully staff their businesses, they are also being held solely responsible for paying down a \$7 billion deficit in the Unemployment Insurance Trust Fund plus interest. Although the state's unemployment rate has declined substantially over the past year, last summer Massachusetts experienced the highest unemployment rate in the nation at over 17%. These COVID layoffs were not the fault of employers or employees, but rather a direct result of state-mandated policies where employers had no choice but to reduce their workforce while their operations were suspended. Despite the negative financial impact, businesses and their workers played their part to help stop the spread of the virus. Employers should not be penalized for that compliance and unfairly left to shoulder the entire burden of the UI deficit.

If no relief money is committed for the UI Trust Fund, businesses in every corner of the Commonwealth will face UI tax increases with payments amortized over a 20-year span. Budding entrepreneurs sitting in a Massachusetts classroom dreaming of one day owning their own business will unreasonably be saddled with this debt. Businesses that hobbled through the pandemic and are still in the process of recovering will find higher UI taxes as a barrier to job creation and economic expansion. Firms looking to relocate to the Commonwealth will instead look to more favorable tax settings once they learn Massachusetts is not only ranked 50th worst in the nation for UI taxes, but also requiring businesses bear the entire UI cost burden of the pandemic without any financial relief from the state. Using the supplemental budget's \$1 billion allocation, as well as potential ARPA funds, for the UI system is an investment in job creation and the Commonwealth's long-term economic sustainability. Many of the states' other priorities – education, health care, transportation, and childcare – are supported with separate ARPA and CARES aid. Allocating funding for the UI system demonstrates that the state considers its employers a priority too.

Aside from using \$1 billion in surplus revenue in the supplemental budget, Congress makes it abundantly clear that states are permitted to use the federal aid for battered UI Trust Funds. More

than 30 states either used, or committed to use, CARES or ARPA dollars for UI relief. Most recently lawmakers in Connecticut, New Mexico, Arizona, Ohio, and Virginia announced sizable allocations of federal dollars to shore-up their respective UI funds. It is worth mentioning the aforementioned states do not face anywhere near the level of UI debt Massachusetts is experiencing right now.

The US Department of Labor and the National Conference of State Legislatures (NCSL) both report billions of dollars in fraudulent claims and overpayments. While the numbers vary, conservatively NCSL reports over \$63 billion in fraud/overpayment claims nationwide. Massachusetts has yet to furnish just how much of the \$7 billion deficit is a result of fraudulent claims, but to extrapolate from the national numbers, that total may potentially be between \$1 - 2 billion (depending on the source).

We would welcome the opportunity to meet with you to further discuss this most important issue that will have a major impact on the state's recovery. While we appreciate the public hearing process and will participate in the Fall, there are many complex and nuanced aspects of this scenario that can be further clarified to help fully explain the scope of this crisis. We ask that in the interim, the Senate and House fully support the Governor's proposal to utilize \$1 billion in state revenue to help provide immediate UI tax relief for employers.

Sincerely,

Brooke Thompson, Associated Industries of Massachusetts

Michael McDonagh, Associated Subcontractors of Massachusetts

Jeannie Hebert, Blackstone Valley Chamber of Commerce

Marie Oliva, Cape Cod Canal Region Chamber of Commerce

Paul Niedzwiecki, Cape Cod Chamber of Commerce

James Rooney, Greater Boston Chamber of Commerce

Ken Riehl, Greater Cape Ann Chamber of Commerce

Danielle McFadden, Greater Lowell Chamber of Commerce

Brian Houghton, Massachusetts Food Association

Christopher Anderson, Massachusetts High Tech Council

Robert Mellion, Massachusetts Package Store Association

Bob Luz, Massachusetts Restaurant Association

Joseph Bevilacqua, Merrimack Valley Chamber of Commerce

Chris Cooney, Metro South Chamber of Commerce

Tamara Small, NAIOP

Melissa Fetterhoff, Nashoba Valley Chamber of Commerce

Christopher Carlozzi, National Federation of Independent Business

Tom O'Rourke, Neponset River Regional Chamber

Greg Reibman, Newton-Needham Regional Chamber

Roy Nascimento, North Central Massachusetts Chamber of Commerce

Karen Andreas, North Shore Chamber of Commerce

Amy Naples, Plymouth Area Chamber of Commerce

Rick Kidder & Mike O'Sullivan, One SouthCoast Chamber

Jon Hurst, Retailers Association of Massachusetts

Peter Forman, South Shore Chamber of Commerce

Nancy Creed, Springfield Regional Chamber

Kara Griffin, Tri-Town Chamber of Commerce

Jack Lank, The United Regional Chamber of Commerce

Tim Murray, Worcester Regional Chamber of Commerce