



May 20, 2020

The Honorable Lawrence J. Hogan, Jr.
Governor of Maryland
100 State Circle
Annapolis, MD 21401

Re: Unemployment Costs - Payment Relief For 'Reimbursing' Employers

Dear Governor Hogan:

We are writing to ask for your assistance in addressing a critical situation that faces many nonprofits as well as our local governments in Maryland, by taking immediate executive action to give 'reimbursing' employers relief from pending charges for COVID-19 related unemployment benefits.

The extraordinary economic and social conditions resulting from the COVID-19 pandemic have created unprecedented challenges. Nonprofit service organizations and institutions, and our local governments, face the same issues as other employers. Circumstances have already limited or diminished their revenue sources and made service delivery more difficult, and in many cases more costly. But they are also on the frontline of maintaining public safety, and providing healthcare, mental health, disabilities services, foster care, food distribution, senior care, shelter, and many other critical functions that are key to the health and safety of Marylanders.

As the pandemic continues, despite various economic relief programs, many nonprofits will need to consider staff furloughs and possibly layoffs to remain operational or even in existence. Like most local governments, and the State, many nonprofits elect to be 'reimbursing employers' for their unemployment costs, to essentially 'self-insure' rather than pay the U/I 'contribution' tax-rate. With the normal stability of their workforces this provides savings that allow them to stretch and enhance their services for the public's benefit. Employment by nonprofits historically has been more stable, particularly in downturns, than other non-governmental employers. But as 'reimbursors' they face a serious threat to their viability and services in this unprecedented health-driven shutdown of activity.

Local governments in Maryland will be adversely affected by impending costs for lost employees as well. If and when local governments are forced to lay off employees, the fiscal

impact of immediate reimbursement of U/I payments will exacerbate their already difficult budgetary situation. Most local governments are in the process of finalizing their FY21 budgets and are already planning for increases in spending and decreases in revenue due to the effects of the pandemic. Immediate reimbursement of U/I payments would cause even deeper fiscal strain on county and municipal budgets. Assistance from the State in the form of deferred liability of these repayments would ease a portion of their budget crunch.

For other employers, unemployment benefits costs created by the pandemic will be delayed until next year (April 2021) when adjusted tax rates will begin to phase-in the cost of COVID-19 unemployment liabilities. Legislative authority already exists for complete waiver of these charges for rate-paying employers who must shut down because of emergency conditions. But for ‘reimbursing’ nonprofits and local government employers, these will be charged in the immediate future.

Section 2103 of the recently enacted CARES Act does provide for federal reimbursement of 50% of COVID-19 driven unemployment costs to state and local governments, reimbursing nonprofits and tribal nations.

But having to pay even half of these unprecedented crisis-driven costs, now during the crisis, in addition to the other extraordinary cost burdens and revenue declines, will be ruinous for many nonprofits, crippling to local government relief efforts, and harmful to statewide economic recovery and to those they serve or support.

We ask that in this national and state emergency, immediate executive action be taken to give ‘reimbursing’ employers the same relief as others, and at least a delay in making payments that is similar to the ways these costs will phase-in for ‘contributing’ rate-paying employers.

Sincerely,



Heather Iliff
President & CEO
Maryland Nonprofits



Scott A. Hancock
Executive Director
Maryland Municipal League



Michael J. Sanderson
Executive Director
Maryland Association of Counties

CC: Lt. Governor Boyd Rutherford
Tiffany P. Robinson, Secretary, Maryland Department of Labor