



January 12, 2021

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Sen. Karen Keiser, Chair  
Senate Labor Committee  
PO Box 40433  
Olympia, WA 98504  
*via email*

Sen. Christine Rolfes, Chair  
Senate Ways & Means Committee  
PO Box 40423  
Olympia, WA 98504  
*via email*

Sen. Curtis King  
Senate Labor Committee  
PO Box 40414  
Olympia, WA 98504  
*via email*

Sen. Lynda Wilson  
Senate Ways & Means Committee  
PO Box 40417  
Olympia, WA 98504  
*via email*

RE: NFIB testimony opposing SB 5061, Concerning unemployment insurance.

Sens. Keiser, King, Rolfes, and Wilson:

The state's response to the COVID-19 pandemic has compelled most Washington small businesses to limit or suspend operations, under threat of costly daily penalties and jail time, leading to massive layoffs through no fault of their own. Worse yet, thousands of them have closed for good, permanently eliminating tens of thousands of jobs they had provided.

This was not any business owner's choice. It was forced on them by state government.

Not surprisingly, these closures and restrictions, and the job losses they caused, have led to Washington's Unemployment Trust Fund running an unusually low balance.

The answer to this problem, however, is not to increase and extend taxes on struggling small employers as [SB 5061](#) would have you do.

Since this situation resulted from a global pandemic and government's response to it, the State should make up the shortfall in the Unemployment Trust Fund – or at least make a significant financial transfer or loan to it from the Budget Stabilization Account (BSA) or General Fund (GF-S).

Ideally, such a transfer or loan would: (1) ensure a minimum of three months' benefits remain available at all times; (2) minimize the need for social tax increases; (3) prevent triggering the solvency surcharge; and (4) avoid the use of federal loans.

Hence, our testimony is addressed to the chairs and ranking members of both the policy and fiscal

committees with jurisdiction over this matter.

Existing law requires, and SB 5061 would perpetuate, that taxes on employers – and employers alone – be used to maintain fund solvency, rebuild reserves, and repay any federal loans (should they be needed), as well as continue paying benefits to workers who have lost jobs.

Quite simply, this will be too much for many small employers to bear. Without immediate relief, they simply cannot afford to re-hire or add new workers due to skyrocketing unemployment insurance costs, which some have estimated to be as much as \$1,000 per worker per year.

Based on 2021 rate notices from the state Employment Security Department, our member small business owners are already reporting soaring unemployment insurance tax obligations – even if they had no layoffs during the pandemic.

Responses to a survey we conducted last week of NFIB members in Washington shows:

- 97% of respondents will see an unemployment insurance (UI) tax increase this year
- 55% report their UI taxes will increase 400% or more
- 26% will have their UI taxes increase between 200 and 400%
- 39% had **zero layoffs** or job losses in 2020
- 74% said most or all lay-offs or terminations were due to COVID or COVID-related operational changes

Moreover, SB 5061 would institute benefit increases and procedural changes further adding substantial costs to the state's unemployment system at a time when neither the Trust Fund, nor the employers funding it, can afford them.

If a sufficient transfer or loan from the BSA or GF-S were made to the UI Trust Fund, NFIB would be more amenable to some of the proposed changes. Specifically:

- NFIB would not object to benefit eligibility for high-risk individuals, and those residing full-time in their household, provided that the affected individuals are able and available to perform work, and actively seeking suitable work which can be performed from the individual's home, vehicle, or an employer's location where the individual would not be exposed to others.
- We would have little reason to oppose waiving waiting weeks or other periods for which benefits are *fully* paid or *fully* reimbursed by the federal government. However, in situations where the federal government would only *partially* pay or reimburse for waiting weeks, we suggest additional evaluation and approval should be required. These partial payments or reimbursements draw on Trust Funds to meet matching-fund requirements, and put further strain on reserves and employer taxes. Therefore, we suggest the following approach for those instances: (1) a recommendation from the Employment Security Department to the governor, based on expected impact to the Trust Fund; (2) a gubernatorial proclamation waiving the waiting period while partial federal funding is available; and (3), four-corner concurrence with the proclamation either in advance, and/or to extend the waiver more than 30 days.
- NFIB also opposes increasing the minimum weekly benefit. Washington's unemployment benefits are already the second highest in the nation. In fact, Washington's existing weekly benefit is more than 75 percent higher than California, and 57 percent more than New York's.

Nonetheless, we might reconsider our stance once a transfer or loan is made that would maintain Trust Fund reserves at or above three months' of benefits, offset social tax increases, and avoid a solvency surcharge, so long as any benefit increases would be phased-in over the same time period as the benefit ratio calculation term is to be extended.

To protect the smallest employers and their workforce, NFIB opposes changes to shared-work benefits included in Sec. 23(5) [p. 53]; although, we do not object to the other shared-work changes found in Sec. 24.

Further, NFIB generally agrees with the proposed changes to the Voluntary Contribution Program in Sec. 17, [pp. 42-43]. However, we do question the necessity of an employer jumping at least eight rate classes to qualify for the revised program. Allowing more employers to voluntarily contribute premiums in lieu of higher taxes may help bolster Trust Fund balances in a shorter timeframe than is currently estimated.

Finally, NFIB has no objections to the legislative reporting requirement found in Sec. 5 [p. 7].

While we must oppose the bill as introduced, NFIB and its members stand ready to work with members of both committees, and other stakeholders, to reach an agreement benefitting unemployed workers that struggling small businesses can afford, and which better ensures our members' ability to safely re-open, re-hire, and re-grow their businesses.

Thank you for your consideration.

Respectfully submitted,

A handwritten signature in black ink that reads "Patrick L. Connor" with a stylized flourish at the end.

Patrick Connor  
NFIB Washington State Director

cc: Senate Labor, Commerce & Tribal Affairs Committee