



December 6, 2021

Dear Members of the Minnesota Legislature:

As the Office of Minnesota Management and Budget (MMB) prepares to release Minnesota's budget forecast tomorrow – expected to show billions of surplus dollars – the Minnesota Department of Employment and Economic Development (DEED) is preparing to send notifications to employers outlining significant Unemployment Insurance (UI) payroll tax rate increases this week. **The Minnesota Chamber of Commerce, representing over 6,300 businesses, asks that you take immediate action to stabilize Minnesota's UI Trust Fund and hold Minnesota businesses harmless from increased UI costs associated with the COVID-19 pandemic.** Absent state efforts to address the existing \$1.1 billion deficit and restore the Trust Fund to its nearly \$2 billion required reserve levels, employers will see UI payroll taxes skyrocket. While the payroll tax increase will take effect in January, the first payments will be due in April giving the legislature the opportunity to prevent these increases.

Since the outbreak of COVID-19, the business community has shared the responsibility of balancing the need for public health protections and supporting their employees while absorbing the economic blows from the loss of customers and business activity and a diminished workforce. Our economy is stabilizing, but is challenged by supply chain and labor shortages. A payroll tax increase of this magnitude in these circumstances will further impede economic recovery and growth, potentially disincentivizing hiring, and impacting the wage and benefit increases needed to attract and retain workers.

Minnesota's budget forecast is expected to show billions of surplus dollars along with billions more unspent federal pandemic relief funds made available for this purpose. In fact, over half of other states have used federal pandemic relief funds from the CARES Act and ARPA to repay unemployment debt. **We urge you to use existing and available state and federal funds to repay the state's federal UI loan and bring the Trust Fund to solvency** in order to lessen the burden on Minnesota's employers and employees. Every day the state does not address the UI deficit, Minnesota accrues interest at a rate of 2.28%: as of today, the state owes an additional \$4.2 million.

Early action should be taken to resolve this deficit prior to the payroll tax payment that will be due in April 2022. In the interim, it would be prudent to delay calculating the 2022 UI payroll tax rates until the legislature determines how much will be invested into the UI Trust Fund. **Similar to actions taken during the pandemic, the legislature should continue to hold the UI base tax rate, additional assessment, and taxable wage base at 2021 levels and continue to exclude pandemic-related claims from experience ratings** while this issue remains unresolved.

It is important to note that Minnesota's UI Trust Fund was well positioned before the pandemic, and maintained a \$1.5 billion surplus. This demonstrates the long-standing commitment of – and consistent cost burden to – Minnesota's business community in maintaining a strong unemployment insurance safety net

over time. Employers in Minnesota always have and always will subsidize the UI system; we are not asking to remove this obligation entirely, we are asking for the payroll tax rates to remain at their current levels so that Minnesota businesses are not further penalized for pandemic unemployment.

On behalf of the thousands of Minnesota businesses we represent, the Minnesota Chamber of Commerce urges you to consider these options to accelerate the stabilization of the UI Trust Fund and prevent unnecessary and significant UI payroll tax increases. These efforts will support workers, support businesses and benefit our entire economy

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read 'DL', is written over a light gray horizontal line.

Doug Loon
President
Minnesota Chamber of Commerce