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May 11, 2021

To: The Senate Committee on Labor and Business
From: Anthony K. Smith, National Federation of Independent Business
Re: NFIB Written Testimony in Support of HB 3389

Chair Riley, Vice-Chair Hansell, and Members of the Committee:

On behalf of the thousands of Oregon small business members of the National Federation of Independent Business, many being the smallest of small businesses, I would like to express our support for HB 3389, which provides short- and long-term unemployment insurance tax relief to Oregon businesses most impacted the pandemic – many of which saw shocking increases in 2021 for circumstances completely beyond their control.

A lot of hard work went into HB 3389 – and it is urgently needed in order to get Oregon back on the road to economic recovery. NFIB would like to thank the presiding officers, as well as Chair Riley and Vice-Chair Hansell, and Representatives Holvey, Bonham, and Lively for working with Director Gerstenfeld to craft this important legislation.

As noted by the Employment Department, HB 3389 will:

- *Extend the 'look back period' used to determine solvency level from 10 years to 20 years. This will enhance long-term UI Trust Fund stability by taking a broader range of economic situations into account.*
- *Omit 2020 and 2021 from being considered a 'high cost' benefit period. This avoids using the highest COVID-19 pandemic years when setting the solvency level for the future.*
- *Use employers' experience ratings that were used to determine 2020 UI tax rates when determining rates for 2022, 2023, and 2024. Effectively, this disregards the impact of the pandemic when determining each employer's experience rating so those businesses that had to close for public health reasons do not also see their experience rating greatly increase as a result of measures taken to protect public health.*
- *Reduce fund adequacy targets by about 10% overall. After modeling, this is the maximum reduction in the overall amount of taxes collected that OED would suggest at this time to avoid unintended consequences for employers.*
- *Codify in statute current OED policy that allows employers who meet certain criteria to defer up to one-third of the taxes due for calendar year 2021 until June 30, 2022 without accruing interest or penalties on the deferred amounts.¹*

- *Employers are eligible for forgiveness of their deferred 2021 UI taxes based on the amount their UI tax rates increased from 2020 to 2021*
 - *Increase of more than 2% get 100% forgiveness of deferred UI taxes*
 - *Increase of more than 1.5% to 2% get 75% of their deferred UI taxes forgiven*
 - *Increase of more than 1% to 1.5% get 50% of their deferred UI taxes forgiven*
 - *The total projected cost of this forgiveness is estimated at \$84 million.*

HB 3389 will provide Oregon employers with much needed relief, holding businesses as harmless as possible for pandemic-related layoffs, while at the same time providing partial deferral and forgiveness for 2021 tax increases to address near-term costs, and keeping Oregon in lower tax schedules over the next decade to address long-term costs. The Employment Department estimates that HB 3389 will save Oregon employers \$2.4 billion through 2029.

Critically important, HB 3389 does not jeopardize the future solvency of the Unemployment Insurance Trust Fund. Employers in Oregon have no interest in risking the solvency of the fund, as that would require the state to borrow money from the federal government to pay benefits to workers. Many states have had to do this during periods of economic recession. Their workers receive the same benefits, but at a much higher cost to employers due to interest owed on borrowed federal dollars.

Again, NFIB thanks all the legislators, staff, and stakeholders that were involved in the development of HB 3389 and we will continue to advocate for ways to provide additional relief to Oregon's small businesses, especially those most severely impacted by the harsh economic conditions brought about by the COVID-19 pandemic. This includes the use of American Rescue Plan Act (ARPA) funds to provide for enhanced UI tax relief – an appropriate use of these one-time funds and a win-win for everyone because every federal dollar that ends up in the trust fund helps keep employer rates affordable and is eventually paid to out-of-work Oregonians in the form of future unemployment benefits.

NFIB respectfully asks you to vote YES on HB 3389.

Thank you for your time and consideration,



Anthony K. Smith
NFIB Oregon State Director