



BULLETIN #142/2020 DECEMBER 18, 2020

GOV. BAKER MOVES TO FREEZE BUSINESS UI RATES

NADA COMMENTS ON PPP LARGE BORROWER QUESTIONNAIRE

MASS. HOUSE SPEAKERSHIP TO CHANGE SOON?

Baker Moves to Freeze Unemployment Insurance Rates for Biz - Bill Calls for Bonds to Pay Back Federal Loans

[Courtesy of *State House News Service*]

Massachusetts businesses would face smaller increases in taxes they pay to fund the state unemployment system over the next two years, under a new bill Gov. Charlie Baker announced today.

With the state facing an unprecedented surge in demand for joblessness aid during the COVID-19 pandemic, the unemployment insurance trust fund is already in the red and relying on billions of dollars borrowed from the federal government to keep jobless aid flowing.

Baker's [legislation](#), which does not yet have a bill number, would freeze the rates employers must pay at their current schedule, replacing a nearly 60 percent increase in the average per-employee cost in 2021 with a more modest increase of about 17 percent.

Business leaders have [fretted](#) about the impending hikes for months, warning that they would struggle to hire more workers -- particularly if the economy remains on shaky ground in early 2021 -- if they had to pay significantly more toward the unemployment fund.

The governor's bill would also enable the state to issue bonds to pay back federal loans that have helped keep the unemployment insurance trust fund solvent, a step that Baker said will reduce the cost Massachusetts pays in the long run and guarantee benefits without hamstringing businesses.

"The fact that it's so much less expensive means people get their benefits that they're entitled to and employers, in the midst of a terrible, terrible time for so many of them, continue to pay what they pay now and don't get a big quarterly increase that could be hundreds of dollars per employee," Baker said.

Like many states across the country, Massachusetts has been hit with a deluge of unemployment claims since the pandemic hit and prompted widespread business closures in March.



Over the first 10 months of 2020, the state's unemployment insurance trust fund paid out more than \$5.3 billion in benefits, nearly five times as much as during the same span in 2019, according to a [report](#) summarizing the trust fund.

The Executive Office of Labor and Workforce Development estimated the trust fund will end the year with a deficit of nearly \$2.4 billion, which could swell to almost \$4.8 billion by the end of 2021.

In its most recent [quarterly report](#) issued in October, the administration projected the shortfall will trigger a change in the contribution rate from schedule E to schedule G for employers, pushing the average cost per employee from \$544 this year to \$866 next year.

Under Baker's bill, the employer tax rate would remain at schedule E in 2021 and 2022 rather than jump up to schedule G, as would be required under current law.

That change would limit the per-employee costs to \$635 in 2021 and \$665 in 2022, according to Baker's office, providing a smaller increase than the administration described as \$1.3 billion in unemployment insurance rate relief.

Baker urged lawmakers to make the suggested unemployment reform a priority amid the leadership scramble set off by House Speaker Robert DeLeo's apparent [impending departure](#).

"We could do this in January or February or March, but if you want to send a really big and positive signal to employees and to people who are out of work and to employers, this would be an incredibly positive message to send because it limits the increase in unemployment exposure to workers and it also limits the hit financially that would be associated with employers come January," Baker said.

Baker filed the bill on the same day that labor officials announced that the Massachusetts unemployment rate [dropped](#) 0.7 percentage points to 6.7 percent in November, mirroring the national rate.

Despite that improvement, however, less than half of the jobs lost at the start of the crisis have been restored, and thousands of laid-off workers in Massachusetts still depend on unemployment benefits to help them pay rent or put food on the table during the public health emergency.

With the need for more unemployment aid outpacing money brought into the system, the state has had to rely in recent months on the federal government.

Massachusetts has received more than \$2.2 billion in federal loans for its unemployment insurance trust fund as of Thursday, according to federal [data](#), the fifth-most of any state behind California, New York, Texas, and Illinois.

Those advances will accrue interest at a rate of 2.4 percent starting next year.



Baker's bill would also authorize the state to issue special obligation bonds to repay money borrowed from the federal government, supported by an unemployment obligation assessment. The governor said Friday that private interest rates are lower and offer a better payment schedule than borrowing from the federal government.

Another section of the bill would create a surcharge on employers to help repay interest on the federal advances, which will be due starting in fall 2021 and cannot be paid directly from the unemployment insurance trust fund.

It was not immediately clear how much the surcharge would total.

The hike is also scheduled to take effect alongside two other substantial cost increases: worker access to paid family and medical leave and a \$0.75 increase in the minimum wage to \$13.50 per hour.

Beacon Hill leaders on several occasions, including during the Great Recession, agreed to freeze the unemployment insurance rates that employers pay. Sen. Patricia Jehlen, who co-chairs the Labor and Workforce Development Committee, said in September that another such action is likely.

"Traditionally, and I think we would want to do this again, we would need to freeze," Jehlen said at the time. "We would love to freeze rather than allowing it to go up during a recovery because so many businesses are in trouble. But we really need help from the feds to make that possible."

NADA Comments on SBA Large Borrower Questionnaire

Paycheck Protection Program (PPP) lenders have been distributing [SBA Form 3509](#) to PPP borrowers with loans of \$2 million or more when they apply for loan forgiveness. Form 3509 focuses on the necessity certification made when the PPP loan was applied for.

Form 3509 is now being reviewed by the Small Business Administration and Office of Management and Budget, and NADA has raised concerns with both agencies regarding the appropriateness of many of the questions and information requests. NADA has urged SBA and OMB to streamline the questionnaire to reduce the information collection burden associated with it.

Dealership PPP borrowers receiving a Form 3509 should check the OMB expiration date in the upper right-hand corner. Forms 3509 with expiration dates of Oct. 31, 2020, or Nov. 30, 2020, need not be completed and a dealer-borrower that receives an expired form from a lender should request a new, unexpired version with a Dec. 31, 2020, expiration date. Unexpired questionnaires should be completed and returned to lenders within 10 days after receipt. Failure to accurately complete Form 3509 or provide associated documentation could result in a determination that the borrower is ineligible for PPP loan forgiveness.

Dealers are urged to review Form 3509 concerns with their lenders and with their legal



and accounting advisers. See also #53 in [SBA's FAQs for Lenders and Borrowers](#).

Additional information on the PPP and loan forgiveness, including NADA's comprehensive [CARES Act FAQs](#), is available from [NADA's Coronavirus Hub](#).

House Speakership Changing Soon? Officially Declaring for Speakership, Majority Leader Mariano Urges House to Focus

[Courtesy of *State House News Service*]

House Majority Leader Ron Mariano, in his first public statement since it became clear that Speaker Robert DeLeo was preparing to step aside, urged his House colleagues not to lose focus on rejecting Gov. Charlie Baker's proposed changes to abortion and policing reforms.

Mariano, a Quincy Democrat and the most likely successor to DeLeo, confirmed that he will run for the top job in the House if DeLeo resigns. But as the change in leadership threatens to overshadow the end-of-session work that remains unfinished, Mariano said the House cannot let it become a distraction.

"And, in the final days of session, the House must remain focused on rejecting Governor Baker's efforts to weaken a woman's right to choose and to dilute our police reform legislation," Mariano said. DeLeo officially stated his intent today to begin negotiating a post-politics job with Northeastern University, and people close to Mariano have been saying for days that the leader has the votes to become the next speaker.

Mariano stopped short of declaring the contest over today, after Rep. Russell Holmes earlier in the day said he would challenge Mariano and what he described as a "backroom deal" to make Mariano the next speaker.

"If Speaker DeLeo resigns, I will be a candidate for Speaker of the Massachusetts House of Representatives. I believe I have earned the trust and confidence of my colleagues and that I have gained their support to lead the House forward," [Mariano] said. "Our constituents are eager to recover from this pandemic and emerge stronger by reviving the economy, curbing the cost of health care, building the housing and transportation infrastructure we so desperately need, and addressing the devastating consequences of climate change."

Mariano also spoke about the legacy DeLeo will leave behind, crediting his leadership for "an unprecedented period of progress on behalf of Massachusetts residents." He specifically noted the passage of a health care cost containment law, comprehensive gun safety reform, the legalization and regulation of adult use marijuana, which was first approved by voters, and criminal justice reform.

Progressive Caucus Co-Chairs Supporting Mariano for Speaker

[Courtesy of *State House News Service*]



Two top progressive House lawmakers are backing House Majority Leader Ronald Mariano in a potential speaker's race should House Speaker Robert DeLeo resign from his post, they told the News Service today.

As a potential transition of power within the House looms, Reps. Tricia Farley-Bouvier and Jack Patrick Lewis, co-chairs of the House Progressive Caucus, said they believe the Quincy Democrat can provide a smooth transition of power and strong leadership. The two lawmakers, who spoke to the News Service in a joint interview, said they were not speaking on behalf of their caucus but rather as individuals.

"We've had the opportunity to work with Leader Mariano as a leader, but also as a partner in legislation over these last several years, and in this time of great uncertainty, with so many issues in our commonwealth and with our constituents struggling through this unimaginable pandemic, we need a smooth transition," Lewis said. "We need a strong leader. We need someone who will be a partner. And for me, that is Leader Ron Mariano."

Mariano on Friday publicly announced his bid for the top post in the lower chamber after DeLeo [filed an ethics disclosure](#) with the House clerk indicating his intention to begin negotiating "prospective employment opportunities" with Northeastern University, his alma mater. DeLeo has served as speaker for 12 years and has been in the House for 30 years.

Rep. Russell Holmes [also announced Friday](#) his intention to challenge Mariano for the job should DeLeo resign. The Mattapan Democrat previously served as leader of the Black and Latino Legislative Caucus and said he decided to run after speaking with Speaker Pro Temp. Patricia Haddad, who said she would not run for the position.

The talk of DeLeo potentially stepping out of public life comes at a busy time for the Legislature and with only 18 days left in the 2019-2020 session. Farley-Bouvier said the potential change in leadership "adds another challenge to one of the most challenging years ever."

"A lot of people out there, teachers, nurses, doctors, law enforcement, a lot of people are doing really hard things and have stepped up," the Pittsfield Democrat said. "And yes, this is a really hard thing. And we, as members of the Legislature, just need to step up and do something hard. And that's what we're gonna do. And part of that is making sure we have a strong and smooth transition."

Four conference committees negotiating bills relating to health care, transportation funding, economic development, and climate change have yet to find compromises. The House is also dealing with amendments from Gov. Charlie Baker to the fiscal 2021 budget and a sweeping police reform bill.

Lewis said if a speaker's vote occurs before the end of this session, he is confident "that my colleagues have the ability to continue to support their constituents to move this vital legislation forward, and ensure that we elect a strong, passionate, new speaker."

"As Leader Mariano reiterated earlier, the focus right now needs to be on getting these



bills across the finish line, overriding several of the governor's recent, problematic vetoes, and making sure our constituents and small businesses are taken care of during this pandemic," he said.

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