



Pennsylvania Association of
Nonprofit Organizations

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UNEMPLOYMENT COMPENSATION IN PENNSYLVANIA Why Current Legislation Will Not Meet Nonprofit Need Post-COVID-19

Problem: The first CARES Act as applied in Pennsylvania only reimburses many self-funded nonprofits for 50% of the costs of unemployment compensation benefits provided to their laid-off employees. [Section 2103 and PA Act 68](#).

Background

Nonprofits fall into one of three categories for the purposes of Unemployment Insurance (UI) laws:

1. Some charitable nonprofits pay state unemployment taxes (SUTA) like other businesses. These organizations pay quarterly taxes based on their “experience rating,” a formula based on the recent history of unemployment claims by their former employees.
2. Charitable nonprofits have the option to self-insure rather than pay SUTA. Nonprofits that elect to take this option are required to reimburse the state unemployment insurance trust fund only to the extent of benefits actually paid out to their terminated or laid off employees.
3. Some nonprofits are exempt from unemployment laws (e.g. houses of worship, religious schools).

How It Works in Pennsylvania

Pennsylvania is the only state in the U.S. that asks self-insured (e.g. “reimbursable”) nonprofit, charitable employers to opt to pay or not to pay an annual solvency fee. If paid, this solvency fee provides back-up protection if the nonprofits cannot afford to pay the fund the amount it is obligated to reimburse the fund if turns out to be substantially more than anticipated. When this solvency fee becomes due, nonprofits are given the option to voluntarily pay it for the upcoming year; it is not refunded back to them regardless of the amount of the reimbursable claims. Generally, nonprofits opt in or out based on their claim experience. Many nonprofit, charitable organizations in Pennsylvania elected not to pay the 2019-2020 solvency fee assuming their claim experience in 2019-2020 would be consistent with their experience in past years. Clearly with the repercussions from COVID-19, for most such organizations, that will not be the case. **Nonprofits of all sizes are now at risk because the Commonwealth has imposed payment of the solvency fee as a condition for receiving 100% coverage for COVID-19 unemployment compensation claims.**

On March 25, 2020, the Governor passed [HB 68](#), amending [Act 9](#), which addresses self-insured employers. Under this law:

1. A nonprofit who has paid the solvency fee will receive automatic relief at 100% of the reimbursable unemployment compensation claims.
2. A nonprofit who has not elected to pay the solvency fee is liable for 50% of such costs. They only receive an extension of the time in which to pay, a reduction in penalties, and no late fees.

Our Recommendation: Pennsylvania nonprofits who did not elect to pay the solvency fee in 2019-2020 should be permitted to pay that solvency fee now to make themselves eligible for 100% reimbursement as allowed by Act 9, as amended by HR 68.

EXAMPLES

Table 1 reflects real numbers from several Pennsylvania charitable, nonprofit organizations that did not pay the 2019-2020 solvency fee. The data below is based on the assumption their employees are or will be filing unemployment claims for **just 6 weeks** (in March and April). Any extension of this time (which is likely) would only increase the liability noted.

Table 1: Six Pennsylvania Charitable Nonprofits Not Paying the 2019-2020 Solvency Fee

Organization Name	Operating Budget	# Staff Laid Off or Furloughed	100% Liability (March & April)	50% Current Liability	Solvency Fee
ArtsQuest	\$22 M	95	\$33,000	\$16,500	\$9,095
Berwick Area YMCA	\$1.7 M	89	\$35,868	\$17,934	\$1,596
Lawrence County YMCA	\$2.18 M	111	\$121,794	\$60,894	\$1,996
River Valley Regional YMCA	\$8.54 M	400	\$200,000	\$100,000	\$7,856
Via of the Lehigh Valley	\$8.9 M	123	\$210,360	\$105,180	\$11,000
Twin Tiers YMCA	\$2.6 M	98	\$39,420	\$19,710	\$1,696

These examples are only a small sample of the large number of Pennsylvania nonprofit, charitable organizations that did not pay the 2019-2020 solvency fee. Multiplied over the thousands of nonprofits that elected not to pay the solvency fee, it is apparent enabling all of these organizations to pay the solvency fee now will save these organizations individually thousands of dollars and the sector, millions of dollars. At this difficult moment in time when the services provided by nonprofit, charitable organizations are in greater demand than ever and when nonprofit, charitable organizations are more vulnerable than ever, allowing such organizations to pay the solvency fee now would be a very effective, low impact way to provide substantial support for these organizations.