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National Association of State Workforce Agencies and National Council of Nonprofits Joint Statement on Signing of the Protecting Nonprofits from Catastrophic Cash Flow Strain Act

In response to the President's signing of the Protecting Nonprofits from Catastrophic Cash Flow Strain Act (S.4209), National Association of State Workforce Agencies Executive Director Scott Sanders and National Council of Nonprofits President and CEO Tim Delaney released the following joint statement:

"Today's enactment of the [Protecting Nonprofits from Catastrophic Cash Flow Strain Act](#) (S.4209) is welcome news to State Workforce Agencies and the thousands of employers across the United States that self-insure for unemployment purposes. The new law amends the CARES Act to override guidance issued by the U.S. Department of Labor in April 2020 that created unnecessary workload burdens for State Workforce Agencies by requiring them to bill those employers 100 percent of the

costs of unemployment compensation benefits, only to turn around and repay half of that back to those employers. And self-insured employers will no longer face the unbearable financial burden of finding ways to immediately pay 100 percent of those invoices and then wait to be repaid half. Pursuant to the CARES Act Section 2103, as amended, states now have renewed flexibility for billing reimbursing employers, which will be liable for no more than 50 percent of COVID-19-related charges.”

“NASWA is appreciative that Congress has listened to our members and corrected the statutes governing the fairness of the CARES Act on the treatment of claims paid on behalf of nonprofits across the nation,” said Scott B. Sanders, NASWA Executive Director.

“The message to reimbursing employers from this new law is ‘Don’t panic, partial relief has arrived,’” said Tim Delaney, President & CEO of the National Council of Nonprofits. “The COVID-19 pandemic hit charitable nonprofits and state, tribal, and local governments with a force that was never contemplated when the state unemployment systems were created. Like many other employers, they had no choice but to lay off or furlough many of their valued employees. But unlike every other employer, those that self-insure under their state unemployment systems are required in many states to make immediate payments for the benefits of previously laid off employees. Those invoices trigger a vicious cycle of cash-strapped, public-serving organizations being forced to lay off even more employees as they struggle to pay the unemployment insurance invoices. The new law is just a partial fix to a serious problem, however, because self-insuring nonprofits and governments still must pay 50 percent of unemployment bills. We urge Congress to fix this second half of the problem this month.”

Background

Federal and state unemployment laws allow local governments, charitable nonprofits, and federally recognized tribes to elect the “reimbursable method” (also called “self-insuring” and opting to be “reimbursing employers”). This means the employers do not make regular contributions (“contributing employers”) to the state unemployment trust fund, but instead reimburse the state for the full costs of unemployment benefits the state has paid to former employees. The CARES Act provides that the federal government will cover 50 percent of the costs of benefits paid to employees laid off or furloughed due to reasons related to COVID-19.

Department of Labor guidance issued on April 27, 2020 interpreted the CARES Act provision to require self-insured employers to pay 100 percent of the benefits costs upfront and receive 50 percent reimbursement at a later date. The *Protecting Nonprofits from Catastrophic Cash Flow Strain Act* removes the full prepayment requirement.

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The National Association of State Workforce Agencies (www.naswa.org):

NASWA is the national organization representing all 50 state workforce agencies, D.C. and U.S. territories. These agencies deliver training, employment, career, and business services, in addition to administering the unemployment insurance, veteran reemployment, and labor market information programs. NASWA provides policy expertise, shares promising state practices, and promotes state innovation and leadership in workforce development.

The National Council of Nonprofits (Council of Nonprofits) is the nation's leading resource and advocate for America's charitable nonprofits. Through our powerful network of state associations and 25,000-plus members—the nation's largest network of nonprofits—we serve as a central coordinator and mobilizer to help nonprofits achieve greater collective impact in local communities across the country. We identify emerging trends, share proven practices, and promote solutions that benefit charitable nonprofits and the communities they serve. Learn more at www.councilofnonprofits.org.