

**Senate Committee on Commerce
Comments by Jay Ketterling
Chief Financial Officer, Goodwill of Western Missouri and Eastern Kansas
March 17, 2021**

Chairman Olson, Vice Chairman Steffen, Ranking Member Holland, and members of the Committee – thank you for this opportunity to testify.

Goodwill of Western Missouri and Eastern Kansas (Goodwill) is testifying in support of HB 2196, and we request one additional amendment. We previously testified before this committee in support of the sister bill SB 177.

Goodwill respectfully requests an amendment to provide full unemployment benefit reimbursement for nonprofits that self-insure (reimbursing employers) for past unemployment payments incurred March 31, 2020-March 31, 2021, and a waiver for future unemployment charges incurred between April 1, 2021 and September 6, 2021.

The Federal Unemployment Tax Act of 1972 allows 501(c)(3) non-profits to opt out of the state unemployment insurance system to become a “reimbursable employer.” When an organization operates as a reimbursable employer, it reimburses the state for unemployment benefits actually paid to each employee, when billed, rather than paying unemployment taxes regularly in advance. Goodwill is a reimbursing employer; this helps protect our organization’s mission in typical years. But, COVID-19 created an economic crisis that no one could foresee, and the impacts are enormous for individuals and employers. For reimbursing employers, the impact is doubled because not only are we experiencing closures and loss of revenue, our expenses are increasing in an unanticipated and unsustainable way to cover real-time unemployment costs.

Shelter in place orders led to a significant number of layoffs and expense for our organization. In March 2020 we closed all our retail locations to the public due to shelter in place orders. Revenue from our donated goods retail supplies nearly 80% of our total organization’s revenue. That closure led to a 30-day furlough of 436 people (220 Kansas-based employees). Unfortunately, after 30 days we were still unable to open our stores, and the difficult decision was made to lay off about 250 people.

The CARES Act created a provision where the federal government covered 50% of reimbursing nonprofits’ unemployment insurance benefits. These funds were provided by the federal government to the state, and Kansas billed relevant employers for the other 50% of total charges. We are incredibly grateful for this relief. At a time when COVID-19 decimated revenues for nonprofit organizations like Goodwill, more people than ever needed our services – this allowed us to retain some funds for our mission.

Even with the CARES Act forgiving 50% of nonprofit unemployment insurance costs, Goodwill paid \$130,491.03 of unemployment charges to Kansas last year. These costs are exacerbating cash flow difficulties at a time when other employers will likely experience little or no additional costs resulting from COVID-19-related layoffs. These costs divert valuable funds from mission services. If Kansas can provide a refund for nonprofit reimbursing employers, we can provide more life-changing programs and services for Kansans in need, and improve the sustainability of our organizations.

Additionally, the American Rescue Plan increases the federal coverage of nonprofit reimbursing employers to 75%, from 50%, but it only applies to future payments made between April 1, 2021 and September 6, 2021. Additionally, 25% will still be owed by employers.

Goodwill respectfully requests an amendment to provide full unemployment benefit reimbursement for nonprofits that self-insure (reimbursing employers) for past unemployment payments incurred March 31, 2020-March 31, 2021, and a waiver for future unemployment charges incurred between April 1, 2021 and September 6, 2021. If Kansas can provide this relief, Goodwill and other reimbursing nonprofits will have additional cash flow to dedicate to our mission so that more people in need can be served.

Thank you for this opportunity to give testimony. We are happy to respond to any inquiries.

General Goodwill information:

Goodwill empowers people to discover their potential and adapt for the future through the power of work. We are a 501c3 organization that has served sustainably for 127 years. Our model provides services throughout the entire employment continuum; we support individuals in engaging the workforce, retaining work, gaining skills, and advancing their careers. Goodwill provides workforce development services, job training, and employment in 82 counties across western Missouri and eastern Kansas. We support all adults who want to work, including individuals with different abilities and disadvantaging conditions.

Our operations in the state of Kansas include nine stores, located in: Manhattan, Topeka, Lawrence, Pittsburg, Leavenworth, Bonner Springs, Shawnee, Overland Park, and Olathe. We also run an Attended Donation Center in Leawood. In typical operations, these stores are open seven days a week, 9am-9pm Monday through Saturday and 11am-7pm on Sundays. In 2019, these stores produced 670,928 transactions, generating \$9,953,289 in sales. They also supported 367,325 donors of gently used clothing and household items.

Between May and July 2020, Goodwill was able to reopen 13 of its 14 stores (8 of the 9 in Kansas), though they continue to operate at limited capacity and hours. Fortunately, with the return of most donated goods retail operations, as well as community and governmental support, we were able to continue providing employment services in an adapted way. We launched a text support line to provide information about economic topics such as applying for unemployment benefits, accessing economic impact payments, connecting to other community resources, and applying for jobs. We also offer additional digital services such as online workshops and digital job fairs to help get people back to work, continue to provide one-on-one employment services and wraparound supports, and continue to support those with legal history in earning employment.

In 2020 we served 12,065 individuals and secured jobs for 601 people. Today, we have returned to about 75% of our previous staffing level. However, it is difficult to balance reduced retail revenue with increased costs of more demand for our services.

Our Mission—

Goodwill empowers people to discover their potential and adapt for the future through the power of work.

800 E. 18th Street Kansas City, MO 64108
P 816.842.7425 F 816.842.7616
MoKanGoodwill.org