



November 23, 2021

The Honorable Tim Walz  
Governor of Minnesota  
130 State Capitol  
75 Rev. Dr. Martin Luther King Jr. Blvd.  
Saint Paul, MN 55155

via electronic delivery

Dear Governor Walz,

We write today to seek your support for Minnesota's struggling small businesses. As you know, the COVID-19 pandemic brought unprecedented challenges to Minnesota's economy. Having survived prolonged closures and nearly two years of uncertainty, Minnesota's small businesses continue to face new challenges as we struggle to move past the pandemic. Supply chain issues, rising inflation, and worker shortages all threaten to undermine our fragile economic recovery.

In less than a month on December 15 small businesses will face yet another major hurdle: a massive increase in Unemployment Insurance taxes to resolve a debt that is not of their own making.

The Unemployment Insurance (UI) Trust Fund was depleted over the past year due to the unprecedented surge in pandemic-related unemployment claims. The pace and depth of this depletion was even greater than the 2009 Recession. As a result, the UI Trust Fund faces over \$1 billion in debt owed to the federal government. That debt began accruing interest this fall, and its continued existence will trigger further harm to our state's small businesses.

This is the rainy day for which our state has diligently prepared. While time is short to head off this potentially devastating tax hike, the state has significant surplus funds to help cover the debt and replenish the reserves. As of October 2021, over \$1 billion in federal pandemic relief funds remain unspent, the budget reserves are full and a multi-billion dollar surplus is projected.

Almost 30 states have used federal pandemic relief funds to avoid or lessen UI tax hikes on employers who were able to survive the past two years. Minnesota has used none to help reduce UI debt to date, placing the entire burden on struggling businesses.

We urge you to join us in supporting small businesses with the use of surplus funds - including remaining American Rescue Plan money - to pay off the UI debt and help rebuild the trust fund reserve. We further encourage support for the following strategies to assist this effort:

- Prioritize UI debt elimination and reserve restoration in any special session between now and the beginning of the 2022 session;
- Work with Minnesota's federal delegation to reinstate the interest waiver on UI loans and seek UI debt forgiveness;
- Enhance UI fraud prevention measures within the Department of Employment and Economic Development; and
- Examine existing state and federal UI laws for authority to suspend tax increases until the debt is eliminated and reserve rebuilt with surplus funds.

Thank you for your attention to and partnership on this vital effort to keep our state's economic recovery moving in the right direction.

Sincerely,



Representative Kurt Daudt  
House Minority Leader  
District 31A



Representative Anne Neu Brindley  
Deputy Minority Leader  
District 32B



Representative Barb Haley  
House Minority Whip  
District 21A



Representative Rod Hamilton  
GOP Lead, Workforce & Business  
Development Committee  
District 22B



Representative Keith Franke  
District 54A



Representative Tony Jurgens  
District 54B



Representative Dave Baker  
District 17B