

February 20, 2023

Senate Jobs and Economic Growth Finance and Policy Committee
95 University Avenue W.
Minnesota Senate Bldg., Room 3401
St. Paul, MN 55155

Dear Chair Champion and Members of the Senate Jobs and Economic Development Finance Committee:

Thank you for the opportunity to submit written support for SF1498 regarding important reforms to the Unemployment Insurance system.

We are writing from organizations that care about workers who are often left out of unemployment insurance: women, people of color, low-income parents, victims of violence, people who speak English as a second language, Minnesotans experiencing homelessness, and adults who work through chronic illness and disability.

For more than a decade, in legislative and administrative forums, Legal Aid has pointed out the systemic problems that pose significant and structural barriers to UI benefit access for workers concentrated in low-wage industries. The UI System was designed and works well for certain types of workers but in non-pandemic times, the UI system is not as responsive to an economy increasingly dependent on temporary, short-term, and non-salaried work.

Furthermore, through a system of steep and unnecessary UI penalties, the Minnesota Legislature has created a “debtors’ prison” of sorts unlike any state in the nation for workers who make mistakes in their UI applications or miss their appeals.¹

This bill has two critically important reforms. It: (1) allows people more time to appeal a denial of UI benefits or an overpayment, and (2) reforms the system of steep, unnecessary and unduly harsh fines and interest penalties that unfairly punish workers who make mistakes.

With respect to appeals, Minnesota currently has one of the shortest appeal timelines in the nation. Giving workers 60 days (rather than the current 20 days) to appeal a denial or an overpayment gives people more time to find helpers and gather necessary paperwork. With vital benefits and severe fines at stake, due process and fairness require adequate time to ensure that (sometimes highly mobile) workers receive notice and have an opportunity to be heard.

Regarding penalties, Minnesota has one of the most punitive schemes in the country for workers who make mistakes. A \$2,000 overpayment can spiral to a \$9,000 debt owed to the state. Minnesota is the only state that does not allow workers to repay UI debts through future offsets.

¹ <https://oui.doleta.gov/unemploy/pdf/uilawcompar/2022/overpayments.pdf>

SF1498 makes the following reforms to the State's penalty scheme:

a. **Reduced Penalty Assessment**

The assessment penalty on a misrepresentation overpayment is reduced from 40% to 15%. Minnesota's current 40% penalty is higher than 40 other states.

b. **Removes Interest**

The interest penalty is reduced from 12% to 0%. A 0% interest rate is in line with 17 other states.

c. **Allows Repayment through Offsets**

Workers are allowed to repay an overpayment through an offset of benefits. Minnesota is the only state that does not allow workers to repay an overpayment debt through an offset of benefits.

d. **Debt cancellation**

Old overpayment debts are canceled after six years, similar to many other states. This is also in line with the statute of limitations on credit debt. Minnesota currently pursues overpayment debts for 10 years.

Minnesota's short appeal timelines and unforgiving penalties have created a debt spiral for many Minnesota workers who are already struggling to meet their basic needs. We applaud the reforms found in SF1498 as a first step in addressing inequity in the UI system.

Thank you for your consideration. We urge passage of SF1498.

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Joined in support by:

Awood Center
CTUL – Centro De Trabajadores Unidos En La Lucha
Children's Defense Fund Minnesota
ISAI AH
Minnesota Asset Building Coalition
Minnesota Budget Project
TakeAction Minnesota