



CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION

Testimony on Behalf of
The Connecticut Business and Industry Association (CBIA)
East of the River Chambers of Commerce Association (ERCCA)
National Federation of Independent Business (NFIB)
Home Builders Association of CT
CT Restaurant Association
The MetroHartford Alliance
Greater New Haven Chamber of Commerce
Quinnipiac Chamber of Commerce
CT Alarm & Systems Integrators Association
Independent Electrical Contractors of New England
Connecticut Heating & Cooling Contractors Association (CHCC)

Before the Committee on Labor and Public Employees
Hartford, CT
March 3, 2011

S.B. 988 AAC The Solvency of the
Unemployment Compensation Trust Fund

Good Afternoon Senator Prague, Representative Zalaski and other members of the Committee. My name is Kia Murrell and I am Assistant Counsel at the Connecticut Business and Industry Association (CBIA). Today I am testifying on behalf of the numerous organizations listed above and the tens of thousands of workers throughout the state that they employ.

As a general principle, we do not support legislation that increases the costs of doing business in the state or makes it harder for companies to grow, create jobs or invest in our economy. We believe that SB 988 is such a measure, and that is why we oppose this legislation.

S.B. 988 proposes to increase the Unemployment Compensation Trust Fund (UTF) reserve goal to \$1.1 billion from its current level of \$625 million. Currently, the fund reserve goal is 0.8% of total payroll for all Connecticut

employers, which is roughly \$625 million. Under this legislation, the reserve goal would increase significantly using the Average High Cost Multiple (AHCM) formula of 1.0 vs. 0.8. According to that formula, our reserve goal would be based on our three highest years of unemployment benefit payouts over the last twenty year period. If the reserve goal is raised, then employers will be taxed for a longer period of time in order to meet the new goal.

The state of Connecticut is in one of the worst economic recessions since the Great Depression, and the UTF is funded entirely by Connecticut employers. Consequently, Connecticut employers face a \$40 million tax this year to repay interest on federal loans taken to keep paying unemployment benefits to the more than 100,000 residents who lost their jobs in the recession. After that, millions more are owed to start repaying the principal and ultimately restore solvency to the Fund.

The effect of these new taxes and payments will be swift and expensive for many Connecticut businesses who are already surviving on the edge. The state's unemployment rate hovers at percent (9%) and economists believe the road to recovery will be slow. However, we know that eventually we will recover.

Given the fragile state of our economy today, increasing unemployment compensation taxes any further only makes it much more difficult to encourage economic development and job creation, ultimately slowing the pace of our recovery.

Although it's been said that raising the reserve goal to \$1.1 billion will not immediately impact unemployment taxes, we know that raising the goal too high will take vital capital away from Connecticut businesses just when the economy is beginning to show signs of recovery. This could create a Fund surplus that would be ripe for other uses beyond employers' control.

That's why we believe that \$625 million is sufficient.

If enacted SB 988 will take too much capital away from employers at a time they can least afford it, imposing higher taxes for a longer time during one of the worst economies in our nation's history.

For all of these reasons, we urge you to reject SB 988.