



Testimony of Eric W. Gjede
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Before the Committee on Labor and Public Employees
Hartford, CT
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Testifying in support of HB 5513 AAC Repayment Of Loans Extended Under The Federal Unemployment Tax Act

Good afternoon Senator Winfield, Representative Tercyak, Senator Hwang, Representative Rutigliano and members of the Labor and Public Employees Committee. My name is Eric Gjede and I am assistant counsel at the Connecticut Business and Industry Association (CBIA), which represents more than 10,000 large and small companies throughout the state of Connecticut.

CBIA Supports HB 5513.

As a result of the recession, the state Labor Department had to borrow nearly \$1 billion from the federal government to shore up the state's Unemployment Compensation Trust Fund. This debt is the result of the extra weeks of benefits the state required businesses to pay to claimants during the prolonged period of high unemployment. Businesses are solely responsible for paying back this loan.

With each year that the debt to the federal government is outstanding, the federal government increases the tax it imposes on businesses by .3%. Connecticut now has one of the highest federal unemployment tax rates in the country - more than three times what other states pay. Even businesses that never had to lay off an employee have seen their federal unemployment tax increase by thousands, or in many cases, tens of thousands of dollars. Additionally, businesses are also subject to a special assessment each August to pay the interest on the federal loan.

It is projected that the debt to the federal government will not be paid off until 2017, meaning businesses face at least two more years of additional tax increases and special assessments. Every dollar used to pay these huge sums could have been used for hiring employees or providing training opportunities.

HB 5513 calls for the state to pay a portion of the interest owed on the funds borrowed from the federal government. This will go a long way to ensuring solvency of the fund, and giving businesses a much needed helping hand as they recover from the recession.

Please support HB 5513.