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TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)
OPPOSING
HB-6633, AA RESTRUCTURING UNEMPLOYMENT INSURANCE BENEFITS AND FUND SOLVENCY
FINANCE, REVENUE & BONDING COMMITTEE
MARCH 17, 2021

NFIB is the leading small business association in the nation with thousands of members in Connecticut representing a cross-section of the state's economy. For more than 75 years, NFIB has been advocating on behalf of America's small and independent business owners, both in Washington, D.C., and in all 50 state capitals. NFIB is nonprofit, nonpartisan, and member-driven. Since our founding in 1943, NFIB has been exclusively dedicated to small and independent businesses and remains so today. On behalf of those small- and independent- job-providers here in Connecticut, NFIB offers the following comments:

NFIB opposes HB-6633, *as currently drafted*. While NFIB believes this legislation is well-intentioned - seeking to make systemic reforms to the state's unemployment compensation program - on balance it does not provide immediate relief to struggling small employers and could result in higher costs for some small businesses in the future. While the reforms and tax increases contained in HB-6633 seem to be aimed at addressing long-standing and longer-term issues with the state unemployment fund, this bill as currently drafted also does not seem to address any of the near-term problems that the state unemployment system is facing and small business owners anticipate they will have to face in the very near future. Immediate relief for small employers, including addressing the experience rate and the repayment of federal loans, are necessary components of any unemployment insurance reform package and should be a primary focus of lawmakers this session.

First, it should be noted that NFIB has previously called for some common-sense, much-needed reforms that would help address the ongoing unemployment compensation insurance trust fund issues in the state of Connecticut. There are some provisions of HB-6633 that move in the right direction in this regard – but not far enough. For example, this bill proposes to modestly increase the base wage earnings needed to qualify for unemployment benefits (from $600 to $1200). But even by doubling the current earnings threshold, which has not been updated for over thirty years, Connecticut would still dramatically lag behind the vast majority of states, including our neighbors in New England and the tri-state region.

Second, there are indeed some provisions of HB-6633 that NFIB could support; limiting the collection of unemployment benefits until severance pay is exhausted makes sense. Additionally, freezing the maximum weekly benefit rate makes sense and could result in fund savings in the long run, however solely a one-year freeze is not enough.

Third, while NFIB understands the intent behind adjusting the experience rates in the bill, small businesses are concerned that these adjustments, combined with a dramatic increase in the taxable wage base would result in higher costs. The other modest reforms proposed in this legislation do not seem to offset the potential adverse impact of increasing the taxable wage base from $15,000 to $70,000. NFIB feels it will be near impossible for small businesses to grow, produce new jobs and help the state economy recover if it becomes increasingly expensive to create new positions.

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Fourth, it is important to emphasize that unemployment insurance taxes fall squarely upon the shoulders of Connecticut's employers. Not only will employers face higher state unemployment taxes under this bill as currently proposed, unless the state takes additional actions in the near term, small business owners are deeply concerned that if what's past is prologue, they will also face more immediate higher costs and be forced to pay back the federal government loans used to replenish the depleted fund.

Other bills this session, such as HB-5337 & HB-5954, piggy-back on E.O. 7W and seek to address one of the biggest concerns among nearly every small business owner - an anticipated rise in their unemployment taxes because of the huge number of layoffs and the depletion of the state's Unemployment Insurance Trust Fund. Even though small businesses are not to blame for those layoffs, when the state's fund drops, the cost to replenish it has traditionally fallen on employers through higher taxes and additional surcharges. Appropriately acknowledging that small businesses should not be penalized or suffer any further financial distress as a result of the record unemployment and layoffs that were through no fault of their own should be something that all lawmakers can support. It is vital that coming out of the pandemic that lawmakers do not add on costs, surcharges or fees to small businesses through the state's unemployment compensation insurance program. Not counting layoffs that occurred during Covid-19 as part of a small employer's experience rating is critical to helping ensure small business owners are not penalized; this will be especially important to provide certainty and help with economic recovery coming out of the pandemic.

Beyond addressing the Covid-related experience rating problem, *NFIB also strongly urges the legislature and the Administration to seek other ways to help lift the inevitable unemployment-related cost burdens on small businesses, such as a direct appropriation to help shore up the state's unemployment fund and/or pay back the interest on borrowing to the federal government.* The American Rescue Plan Act recently passed by Congress included many unemployment related provisions, including 1) extending federal funding of the first week of regular unemployment compensation; 2) extending the waiver of interest on outstanding loans to states to pay unemployment compensation; 3) extending the 100% federal reimbursement of regular extended unemployment benefits; 4) additional funding for systems and to address fraud; and 5) extending and increasing in federal reimbursement credits to reimbursing employer accounts. While the Act does not provide a specific distribution to state UI trust funds, however, *states are provided with large allocations of funds that may be used to address the costs of the pandemic, which NFIB in Connecticut believes should include improving state UI trust fund solvency that was impacted by Covid related claims*.

Thank you for the opportunity to comment on <u>HB-6633</u> and for your consideration of NFIB's perspectives on behalf of small business. NFIB looks forward to an opportunity to be part of the conversations on this important issue and working with leadership of the Finance Committee, the Department of Labor, the Administration and other stakeholders in this regard. For any questions or additional information, please contact Andy Markowski, NFIB's State Director in Connecticut, at 860-248-NFIB.