



Testimony of Eric Gjede
Vice President of Government Affairs, CBIA
Before the Appropriations Committee
Hartford, CT
March 26, 2021

**Testifying on
HB 5607: AN ACT CONCERNING THE USE OF COVID-19 RELIEF FUNDS TO REPLENISH THE UNEMPLOYMENT
COMPENSATION TRUST FUND**

Good afternoon Senator Osten, Representative Walker, Senator Miner, Representative France and members of the Appropriations Committee. My name is Eric Gjede and I am the vice president of government affairs for CBIA, the Connecticut Business & Industry Association. CBIA is Connecticut's largest business organization, with thousands of member companies, small and large, representing a diverse range of industries from across the state. Ninety-five percent of our member companies are small businesses with less than 100 employees.

CBIA supports HB 5607 and believes it is critical to restoring short term stability to the unemployment trust fund and avoiding long term economic consequences for nearly every business in Connecticut.

As you know, the state borrowed nearly \$1 billion from the federal government to maintain the solvency of the unemployment trust fund during the 2008-2009 recession. The business community was solely responsible for repaying this debt. As a result of our unpaid balance, the federal government increased the interest businesses paid on the loan each year. Additionally, businesses were charged special assessments each August to pay down the interest on the loan. At one point, Connecticut businesses paid four times the federal unemployment taxes paid by our neighboring states. These high taxes could have been spent on hiring workers rather than repaying the loan. Thankfully, this debt was satisfied, yet our fund's lack of solvency remains a problem. Unfortunately, we find ourselves back in these circumstances due to the economic hardships and business closures caused by the pandemic. To date, to satisfy the more than 1.2 million claims for unemployment benefits, we have borrowed well over \$600 million from the federal government. This debt is in addition to the billions granted to the state to fund benefits for businesses that never paid into the fund and supplemental relief benefits.

The economic downturn caused by the pandemic is unlike any in the past. According to our state's labor department, 60% of those who became unemployed did so due to the state government shutting down their employer's business. We do not question the wisdom of these temporary business closures in the name of public safety.

Secondly, in an unprecedented move, an executive order was issued this past year that used the unemployment trust fund to pursue policy objectives. The state's unemployment compensation trust fund is funded exclusively by the business community, not taxpayers or employees. Despite this, the fund was used to provide unearned benefits to individuals so they could meet thresholds to qualify for supplemental federal benefits. The business community did not publicly object to the use of these funds to provide additional relief for citizens, hoping, in turn, that lawmakers would eventually provide the business community with relief from the impact to the unemployment trust fund.

Historically, Connecticut’s business community has made great sacrifices to ensure every appropriate claim for unemployment benefits has been paid. However, the many contributing factors that led to the sharp increase in unemployment claims during the pandemic would have exhausted even a fully solvent fund. Absent federal relief dollars, businesses in Connecticut will be paying down this debt for many years to come – again hindering our ability to recover and grow jobs. It is precisely why 24 other states used Coronavirus Relief Funds to help improve the solvency of their respective unemployment trust funds. No less than 5 states are urging the U.S. Treasury to verify they may use American Rescue Plan Act funds to do the same. HB 5607 would help alleviate some of the debt burden on the business community so that we can get back to rebuilding Connecticut.

HB 5607 should be one of three actions taken by lawmakers related to the state’s unemployment compensation system. The other two include:

- Supporting HB 5377, which would prevent employer’s state unemployment tax experience rating from being impacted by COVID-19 related layoffs.
- Opposing HB 6633 as currently written, which would significantly increase unemployment taxes on employers. The bill contains some minimal benefit reforms but is in no way a balanced approach to maintaining solvency of the unemployment trust fund. We have repeatedly offered our willingness to have an honest conversation about whether the state is appropriately spending funds provided by the business community for the unemployment safety net.

Finally, we hope there is no linkage between using federal stimulus dollars to help the business community struggling to emerge from a devastating economic downturn and any other discussions about the future of our state’s unemployment compensation trust fund. The business community’s goal is to achieve a healthy unemployment trust fund for workers who become unemployed in the future. We can do so without crippling tax increases. The trust fund just needs a little help getting back on its feet.

We urge the committee to support HB 5607 and sincerely thank the proponents for their dedication to this issue.

State:	Coronavirus Relief Funds Used For Unemployment Fund Benefits or Unemployment Fund Debt:
Alabama	\$385 million
Arkansas	\$165 million
California	\$5.9 million
Connecticut	\$0
Delaware	\$209 million
Georgia	\$2.2 billion
Hawaii	\$18.7 million
Idaho	\$200 million
Indiana	\$400 million
Iowa	\$490 million
Louisiana	\$8 million
Maine	\$295 million
Mississippi	\$181 million
Montana	\$200 million
Nebraska	\$427 million
New Hampshire	\$50 million
New Mexico	\$194 million
North Dakota	\$260 million
South Carolina	\$500 million
South Dakota	\$100 million
Tennessee	\$400 million
Virginia	\$210 million
Washington	\$75 million
West Virginia	\$502 million
Wyoming	\$25 million

Source: NCSL