



State of Connecticut
HOUSE REPUBLICAN OFFICE
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

Testimony in Support of House Bill 5607
Appropriations Committee
March 26, 2021

Chairs Senator Osten and Representative Walker, Ranking Members Senator Miner and Representative France and distinguished members of the Appropriations Committee, thank you for the opportunity to submit testimony in support of House Bill 5607, *An Act Concerning the Use of COVID-19 Relief Funds to Replenish the Unemployment Compensation Trust Fund*.

A year ago, the people of Connecticut were forced to stay home in attempt to slow the spread of COVID-19. Within weeks, hundreds of thousands of people were furloughed or lost their jobs. The unemployment rate in our state ballooned to over 10% by July, according to the Connecticut Department of Labor (CT DOL). These numbers have since improved, but only by a small margin.

Connecticut maintains an Unemployment Compensation Trust Fund, administered by CT DOL, from which all unemployment insurance benefits are paid. The fund's sole source of ongoing revenue is through taxes on Connecticut businesses, large and small. The pandemic wiped out the fund completely in a few short months. To pay the \$2.168 billion in benefits to the unemployed, CT DOL began borrowing money from the federal government in August and has borrowed more than \$577 million thus far. Although the loan is interest free so far, at the end of the year, any outstanding balance will be subject to an interest rate of about 2.4%, because the Connecticut Unemployment Trust Fund is "insolvent", as defined by the federal government. In fact, according to the federal government's 2020 Trust Fund Solvency Report, Connecticut has not had a fully solvent unemployment trust fund since 1999, more than 20 years ago.

For Connecticut businesses, it's the worst kind of déjà vu; during the Great Recession, the state borrowed nearly a billion dollars from the federal government to pay jobless benefits. It took seven years with vastly increased unemployment taxes on Connecticut businesses to repay that funding at a cost to those businesses of \$1.6 billion dollars. Businesses saw huge increases in their monthly-required payments to the fund.

House Bill 5607 requires that a portion of COVID-19 relief funds are directly deposited into the Unemployment Compensation Trust Fund. The legislature must replenish the fund for the state to stop borrowing from the federal government on its behalf. Any amount that would be deposited into the fund would go a long way to help our businesses, especially the smaller ones. Businesses still struggling to survive cannot afford the kind of massive increases in their unemployment insurance taxes that they experienced just a few years ago. This bill is vital to the economic future of our state; we cannot kick this can further down the road.

We suggest that the committee expand the pool of federal COVID-19 related funds that may be deposited into the fund by not limiting it to only money from the CARES Act and the CRRSA Act, but to also include any future federal dollars that may be made available to the state. The language of the bill, as currently written, limits funding to these two sources, and those funds have already been earmarked by the Office of Policy and Management.

On behalf of the House Republican Caucus, thank you for the opportunity to testify in support of House Bill 5607. We look forward to working with the committee on this important piece of legislation. I'd be happy to answer any questions the committee may have.