



NFIB
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**TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)
SUPPORTING
HB-5607, AAC THE USE OF COVID-19 RELIEF FUNDS TO REPLENISH
THE UNEMPLOYMENT COMPENSATION TRUST FUND
APPROPRIATIONS COMMITTEE
MARCH 26, 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 strongly supports HB-5607. Thank you to the sponsors, the Chairs, and the Ranking Members, for bringing this important bill forward. This legislation is vital to small business owners, as it is intended to direct a portion of Connecticut's significant federal Covid-relief funds to help replenish the state's unemployment compensation trust fund. HB-5607 seeks to *address one of the biggest concerns among nearly every small business owner* right now - 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 (e.g. post-2009).

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.* Other states, including New Mexico (\$600 million), Hawaii (\$700 million), and Missouri (\$300 million), have recently announced or started their processes to commit directing a portion of their state's Covid-relief funds to their state unemployment funds, either to pay off the federal loan, shoring up the fund balance directly, or some combination of both, subject to federal guidance.

It is worth noting that on 4/16/20 Connecticut's unemployment trust fund balance was approximately \$443 million; exactly 11 months later as of 3/16/21 the remaining balance is only \$56 million, with a loan balance to the federal government of \$644 million and growing. This represents over an 87% decrease in the trust fund balance.



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As state lawmakers look to determine how Connecticut is going to spend its federal Covid aid, it is important to focus on one-time cash expenditures rather than ongoing expenses. There is no better example than a one-time replenishment of the unemployment trust fund and/or loan repayment, thus helping to stave off tax increases on the state's small businesses just as they are trying to recover. This bill recognizes the need to provide critical assistance to the many small businesses across the state that have been struggling since the onset of the Covid-19 pandemic by alleviating some unemployment cost burdens that are through no fault of their own but instead the result of a global pandemic and economic fallout. A direct appropriation to help shore up the state's unemployment fund and/or pay back the interest on borrowing to the federal government as proposed in this legislation will go a long way toward helping provide much-needed economic stability to small business as they try to bounce back in the coming months and years.

Thank you for the opportunity to comment on HB-5607 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 work with leadership of the Appropriations 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.