



May 28, 2021

Dear Senator:

Awaiting action on the Senate calendar is legislation (HB 6633) that would bring an array of much-needed reforms to the state's unemployment system, which as you know has been insolvent for all but two years in the past 50.

If ever there was a fiscal problem in need of reform, this is it. The Connecticut Retail Merchants Association is among many associations and organizations across our state urging your passage of the restructuring legislation.

Importantly, the bill is projected to bring savings of \$84.25 million annually while generating \$130.9 million in new annual revenues for the fund. It would also bring benefits and eligibility requirements more in line with other states, reducing taxes for 73% of Connecticut businesses while asking for a more equitable contribution from heavy users of the system.

For retail businesses, and businesses across a range of industries, the bill would bring predictability to costs and lessen the burdens imposed on businesses due to the year-to-year gaps in the fund.

Among the bill's components, it would reduce the maximum solvency tax rate from 1.4% to 1%; reduce the minimum and expand the maximum employer experience tax rate, from 0.5-5.4% to 0.1-10%; and raise the taxable wage base from \$15,000 to \$25,000, then indexing it to inflation.

Additionally, the bill calls for increasing the minimum base period earnings required to qualify for unemployment benefits from \$600 to \$1,600, then indexes it to inflation, except when the federal government is providing additional benefits to unemployment insurance claimants, and would freeze the maximum weekly benefit amount for four years. It also defers unemployment insurance benefits until a claimant's severance payments are exhausted.

A solvent unemployment fund would have numerous benefits for Connecticut, and Connecticut businesses. It minimizes, for example, the need for taking out federal loans, which was a \$1 billion burden carried by employers after the 2008-2010 recession. It is been predicted that another \$1 billion in loans is possible following the pandemic.

It is also worth noting that the unemployment reforms in HB 6633 represent an agreement between labor unions, employers, the Lamont administration, and a bipartisan group of your colleagues in the General Assembly. That broad consensus is a reflection of the seriousness of the current situation, and the need to achieve reforms. In fact, if they were in place after the last recession, Connecticut would have entered the pandemic with a solvent fund.

The time to act is now. CRMA urges you to vote in support of HB 6633.

Sincerely,

Tim Phelan, President
Connecticut Retail Merchants Association