



22-066, Unemployment Trust Fund – SUPPORT

The following statement is submitted on behalf of NFIB Colorado in **SUPPORT** of SB 22-066, concerning the restoration of the money spent by the state during the COVID-19 pandemic for the state’s unemployment insurance program.

NFIB is an incorporated nonprofit association with nearly 300,000 members across America. NFIB protects and advances the ability of individuals to own, operate, and grow their businesses and ensures that the Congress of the United States and all 50 states hear the voice of small business as they formulate public policy.

A January 2022 Small Business Economic Trends (SBET) produced by a random sample of current NFIB national membership indicated businesses are having difficulty navigating the current downturn in economic conditions.

<https://www.nfib.com/surveys/small-business-economic-trends/>

Asked to identify their single most important business problem, 22 percent of those who responded to the survey upon which the January index was based cited inflation — tying the reading in December for the highest level since 1981. Eleven percent cited labor costs and 23 percent cited quality of labor.

A net 61 percent of owners reported raising average selling prices, up four points from December to the highest reading since 1974. A net 50 percent of owners reported raising compensation, the largest proportion in the 48-year history of the index. A net 27 percent said they plan to increase compensation in the next three months.

The proportion of business owners who expected the economy to improve rose two points. But at a net negative 33 percent, more respondents anticipated worsening conditions.

A net 29 percent reported plans to make capital outlays, unchanged from December. A net 9 percent said they consider now a good time to expand, down two points.

A net 26 percent of owners reported plans to increase staffing, down two points. A net 47 percent reported unfilled job openings, also down two points.

The share of those who said they expect more sales dropped six points to a net negative 6 percent.

The share of those reporting higher earnings fell three points to a net negative 17 percent. Among those reporting lower profits, 32 percent blamed the rising cost of materials and 19 percent cited weaker sales.

A net 3 percent of owners reported plans to increase inventories, down five points. A net 7 percent said existing inventories were too low, down two points.

The economic effects of the pandemic were devastating for many in the small business community. The pandemic has continued to strain Colorado's economy, impacting businesses of all sizes. For nearly two years, our state's job creators have endured extreme financial uncertainty, an ongoing worker shortage, supply chain issues, inflation, new government regulations and public health shutdowns.

One of the single most effective actions that can be taken to accomplish this goal is replenishing the Unemployment Insurance Trust Fund (UITF) which is funded solely on the backs of employers to compensate workers for unemployment claims.

The Fund was fully depleted in the height of the pandemic when health officials forced businesses to close for months to combat the spread of COVID-19, ultimately triggering thousands of unemployment insurance claims. This combined with fraudulent claims, significant rate schedule changes, future surcharges and \$1 billion in federal debt, are reasons why businesses are in dire need of economic relief.

That is why NFIB Colorado is asking for the favorable adoption of Sb 22-066. Doing so supports Colorado's small businesses impacted by the pandemic, but it also provides a boost to the economic viability of employees, their families, and our communities.

NFIB Colorado members urge you to act now. Colorado small businesses will face significant premium increases in the coming years – especially those who were forced to lay off workers through when Colorado choose to shut down main street businesses. Without the passage of Sb 22-066 Colorado businesses will be faced with returning a bankrupt unemployment trust fund on their own.

These premium increases will directly impede our recovery and will be felt across the board by Colorado's workforce, small businesses, and consumers. Nearly 30 other states have already taken similar action to help businesses with these premium increases, and it's critical that Colorado play a leading role in our national recovery by addressing this issue.

Please SUPPORT Sb 22-066.

Submitted by,

A.F. Tony Gagliardi
State Director
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TO:
Senate State, Veterans, & Military Affairs Committee
In support of SB22-066

Dear Committee Members,

Colorado Policy Pathways closely follows select proposals and decisions that impact our small independent businesses and the workforce they employ.

I urge you to support SB066, a commitment for all taxpayers to share the burden of repaying the debt to the Unemployment Trust Fund.

Too many small independent businesses seem unaware or unprepared for this burden, especially in the context of many new burdens and amid shifting conditions.

Federal and State leadership did not allow small businesses, often more vulnerable than their larger peers, to manage the risks to their workers and customers. We consolidated those decisions. There was little to no recognition of the granular risks they were forced to bear or for the unique natures of their operations and context.

While businesses were forced to tightly and carefully manage their resources, guidance and mandates swung wildly and disrupted contractual agreements and obligations. At the same time, the State loosened its management and held low standards for disbursing funds and relief focused on workers.

For businesses, there were lost inventories of seasonal and perishable goods, there were breached contracts and costs to absorb. There was time-consuming compliance and confusion over hastily crafted safety and relief measures.

And now, instead of recognizing the role the government played in driving up this debt, instead of spreading the costs of the unparalleled risks posed by COVID across all taxpayers, leadership wants to shift the costs onto only businesses.

The business environment continues to worsen for small independent businesses. Notices from suppliers show a pattern. They have held off on price increases for as long as they could. 9%, 12%, 50%, even the occasional 75% are figures I have heard. How do these businesses dare to quote or bid on any future contracts? Few have the reserves to take that risk.

Too many employers are not aware of the risks to labor costs due to recent government policy decisions. We must keep an eye on the dramatically miscalculated impacts of FAMLI. The LCS premium projections reflected an oversight of the actuary's reported recommendations - I am not the only one to notice that. But the entire body of data we were forced to rely on was weak, and the prevailing assumptions ignored too many risks and costs.

Those narrow assumptions and poor projections will prove a poor gauge for the impact of the policy overall. It is distressing that so many businesses are unaware of what is in the pipeline. Not just paid family and medical leave, but the growing number of other new employment measures like the sick leave mandate, the Secure Savings compliance, and the Pay Equity posting requirements. These small employers are drowning in details and face difficult-to-track costs that they are likely unprepared for.

That leadership is willing to shift onto them the repayment of a debt that they had so little control over is another signal that we deprive them of too many tools to manage the risks to not only their businesses but to their employees and their families.

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