



April 12, 2022

TO: Members, Assembly Insurance Committee

SUBJECT: AB 2570 (DALY) UNEMPLOYMENT INSURANCE: UNEMPLOYMENT FUND SUPPORT – AS AMENDED MARCH 24, 2022 SCHEDULED FOR HEARING – APRIL 20, 2022

The California Chamber of Commerce and the undersigned organizations **SUPPORT AB 2570 (Daly)**, as amended on March 24, 2022, because it would help address California’s looming unemployment insurance fund (“UI Fund) insolvency and reduce future tax increases for California’s struggling businesses.

When California’s workplaces were forced to shut down in early 2020 as COVID-19 exploded across the state, policymakers leaned on California’s UI Fund as a way to provide a de facto safety net. The UI Fund was used to provide a baseline of income to Californians who lost their job due to the pandemic. In fact, the use of the UI Fund to provide an unprecedented social safety net was embraced by state and federal policymakers – and did serve a critical role in that time of crisis.

However, this unprecedented usage was not free. In the space of two years, the UI Fund has fallen deeper into debt than it has ever been before – peaking at just under \$20 billion in debt. Because the UI Fund is funded by taxes paid by California employers, this debt is about to fall at the feet of California’s business community in the form of accelerating tax increases. These tax increases will begin in January 2023 and will ratchet upward steadily until the fund returns to solvency.

It is simply not fair that California’s business community – many sectors of which were forced to shut down due to COVID and have not yet recovered – will be forced to pay increased taxes due to this state-ordered shutdown.

Thankfully, **AB 2570** takes a strong step to address this unfairness by providing \$7.25 billion for California's UI Fund. This infusion will make a significant reduction in California's present \$19.7 billion insolvency – and is a wise use of a short-term surplus to address a future cost. Notably, this payment will help both businesses (by reducing their future taxes) and the state (by reducing interest payments¹ on the UI debt).

Other states across the Nation have already taken similar steps to recognize how they leaned on their unemployment insurance funds, and their state's role in refilling their funds. Some notable examples include² Delaware, Hawaii, Maine, Montana, New Hampshire, Georgia, Montana, and Texas.

Because these funds will help California's recovering business community by reducing future payroll tax increases while simultaneously reducing the state's future liabilities, we strongly **SUPPORT AB 2570 (Daly)**.

Sincerely,



Robert Moutrie
Policy Advocate
California Chamber of Commerce
on behalf of

Acclamation Insurance Management Services
Philip Vermeulen
Allied Managed Care
Philip Vermeulen
American Pistachio Growers
Richard Matoian
Associated General Contractors
Jamie Khan
California Association for Health Services at Home
Dean Chalios
California Association of Sheet Metal and Air Conditioning Contractors, National Association
Chris Walker
California Attractions and Parks Association
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California Business Properties Association
Matthew Hargrove
California Cable & Telecommunications Association
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California Citrus Mutual
Case Creamer
California Cotton Ginners and Growers Association
Roger Isom

California Craft Brewers Association
Chris Walker
California Farm Bureau
Bryan Little
California Farm Labor Contractor Association
Nigel Bocanegra
California Grocers Association
Leticia Garcia
California Manufacturers & Technology Association
Lawrence Gayden
California Restaurant Association
Katie Hansen
California Retailers Association
Steve McCarthy
California Taxpayer Association
Peter Blocker
Coalition of Small and Disabled Veteran Businesses
Philip Vermeulen
Family Business Association of California
Faith Borges
Far West Equipment Dealers Association
Joani Woelfel
Flasher Barricade Association
Philip Vermeulen
Greater Coachella Valley Chamber of Commerce
Chris Collier

¹ The State of California pays interest on the state's UI Fund debt. For example, the 2022 budget proposal includes \$470.1 million in interest on the present debt – and those payments will continue in proportion to the UI Fund's insolvency amount until the UI Fund returns to solvency.

² Based on data from the National Conference of State Legislatures and news media, 22 states have done so. More information is available here:

<https://app.powerbi.com/view?r=eyJrIjoiMTcyNGQ5ZmUtNTY3Mi00YjVlLTgyNjMtZjk1NzVkYTUyZGUzIiwidCI6IjM4MmZiOGlwLTRkYzMtNDEwNy04MGJkLTM1OTVhMjZlZSIsImMiOiJZ9&pageName=ReportSection>.

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cc: Legislative Affairs, Office of the Governor
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RM:ldl