



March 28, 2022

Honorable Steven Choi  
Member, CA State Assembly  
Capitol Annex Swing Space  
O Street  
Sacramento, CA. 95814

**AB 1596 -- SUPPORT**

Dear Assembly Member Choi:

On behalf of the National Federation of Independent Business (NFIB) and the 14,000 California small business members, I wish to convey support of AB 1596 related to eliminating the state's Unemployment Insurance loan owed the federal government.

The Unemployment Insurance (UI) program is funded exclusively by employers by way of state and federal taxes on wages. Employer contributions are deposited in the Unemployment Trust Fund of the U.S. Treasury. States then withdrawn from their account in the trust fund to pay UI benefits. When the state's trust fund lacks adequate funds to pay benefits, a loan is made from the federal fund so that all employee claims can be paid. The COVID pandemic caused unprecedented unemployment in CA and by mid-2020, California's UI Fund was depleted and borrowing from the federal government began. By most estimates, the UI Fund debt is \$19.7 billion.

In general, the contribution rate is 0.6% of wages, up to \$7000 of wages per employee/per year which is \$42. Since California's UI Fund will be insolvent for over two years, California employers will face a per-employee tax increase of \$21 in 2023 and further increases every year thereafter. If the fund remains insolvent for 18 years, the maxim rate will be \$420 per employees per year.

Not only will employers benefit from eliminating the debt, but the state will as well. The state is responsible for paying the interest on any outstanding debt to the federal government. In the State's January Budget, \$470 million was the interest owed by the state.

Given the state's budget surplus, now is the time to reduce the UI insolvency. We support this measure which will minimize future tax increases on our small business members.

Sincerely,

A handwritten signature in black ink that reads "John Kabateck". The signature is written in a cursive style with a large, looping initial "J".

John Kabateck  
NFIB California State Director

CC: Members, Assembly Insurance Committee