



1800 Mineral Spring Ave
Suite 271
North Providence, RI 02904
877-262-7662
NFIB.com

Testimony of

Christopher Carlozzi, NFIB State Director
House Bill No. 7123 Relating to Making Appropriations in Support of FY 2023 Article 1
Before the House Committee on Finance
February 9, 2022

Chairman Abney and Members of the House Committee on Finance:

My name is Christopher Carlozzi. I am NFIB's state director in Rhode Island. A non-profit, non-partisan organization, NFIB is the nations and Rhode Island's largest small business advocacy group. In Rhode Island, NFIB represents hundreds of small and independent business owners involved in all types of industry, including manufacturing, retail, wholesale, service, and agriculture. The average NFIB member has five employees and annual gross revenues of about \$450,000. In short, NFIB represents the small Main Street business owners from throughout Rhode Island. On behalf of those small and independent businesses in the state, I urge lawmakers to allocate an amount greater than \$30 million for the Unemployment Insurance Trust Fund.

Throughout 2020 and 2021 countless businesses were mandated by the state to close their doors and restrict their operations resulting in an unprecedented number of layoffs. These jobs were lost as a result of state shutdown orders, limits on occupancy, and other restrictions. The historic number of layoffs were not the fault of Rhode Island employers, and those business owners should not be solely responsible for replenishing the UI Trust Fund. Even now, businesses are still impacted by restrictions and mandates being imposed by the state as we head into the third year of the COVID-19 crisis. NFIB appreciates Governor McKee earmarking \$30 million to help shore-up the battered unemployment insurance fund that was placed under immense strain during the pandemic. But we feel more aid must be made available to provide both short-term and long-term unemployment tax relief for struggling employers.

During the budget process, lawmakers must seriously consider increasing the \$30 million UI line item for Rhode Island's unemployment trust fund. While Rhode Island's fund is in a better position than most states (including neighboring Massachusetts), earmarking a larger sum of funding for UI would provide much-needed payroll tax relief to encourage job creation and growth. More than 30 states have already committed significant amounts of CARES Act or ARPA money to help replenish beleaguered UI funds, some states fully covering the cost of any pandemic related debt. While \$30 million is an excellent start, the state must not exclusively rely on employer tax contributions to maintain the UI fund. These are businesses that are attempting to recover from pandemic-related revenue losses, businesses that were forced to seek loans to stay afloat, businesses that are struggling

to bring back their workforce. Ensuring UI tax rates do not spike dramatically for small businesses will help bring Rhode Islanders into the workforce and speed the state's overall economic recovery.

Legislators must also factor in the fraud and overpayments that occurred within the Rhode Island unemployment system while state agencies were attempting to quickly provide benefits during the confusion and chaos of the pandemic. The US Department of Labor and the National Conference of State Legislatures (NCSL) both report UI systems across the nation paid out billions of dollars in fraudulent claims and overpayments. While the numbers vary, conservatively NCSL reports over \$63 billion in fraud/overpayment claims nationwide, while the US Department of Labor's Inspector General reports more than \$87 billion. Reports have indicated at least \$70 million in fraudulent claims in Rhode Island, that number does not factor potential overpayments made to recipients. In other words, the \$30 million allocation may not even cover the cost of fraud and overpayments within the state's UI system.

NFIB asks that legislators remember the struggles small businesses faced over the last two years and allocate additional funds to help shore-up the unemployment trust. The state will only fully experience an economic recovery when small businesses recover. Small employers create the vast majority of new jobs in Rhode Island, so it seems appropriate that the state provide ample UI tax relief for small businesses as they attempt to recuperate and head down the path towards normalcy. Thank you.