



**COLORADO FISCAL
POLICY INSTITUTE**

HB09-1076 Remuneration from Employment Separation

**COFPI Position: Support
Prepared Testimony
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Mr. Chairman, members of the House Business Committee:

My name is Kathy White, and I am the Project Director at the Colorado Fiscal Policy Institute. The Fiscal Policy Institute is a nonprofit, nonpartisan project of the Colorado Center on Law and Policy. Our mission is to promote justice and economic security for *all* Coloradans through timely, credible and accessible fiscal policy analysis, education, advocacy and coalition building.

I am here today to testify in support of House Bill 09-1076, which alters the way severance allowances and social security retirement benefits are treated for purpose of calculating unemployment benefits.

The unemployment system is the first line of defense against a recession. It was designed to minimize hardships workers face as a result of involuntary job loss and maximize benefit to the economy by stabilizing the consumption patterns of the unemployed. Periods of high unemployment often lead to declines in consumption, which in turn lead to declines in demand for other goods and services. The UI system helps to “break this negative cycle.”

Research demonstrates that the UI system is not only a successful program, but an effective economic stimulus.

- ❖ Research by MIT Professor Jonathan Gruber showed that the amount a family spends on food falls by 7%, on average, when the head of a household becomes unemployed but would decline by 22% in the absence of unemployment benefits. (Sperling and Orszag, 2001)
- ❖ Mark Zandi of Moody’s Economy.com recently said that extending unemployment insurance benefits provides big bang for the buck, creating \$1.64 in economic activity for every \$1.00 spent.
- ❖ A 1999 study commissioned by the Department of Labor estimated that UI mitigated about 15% of the decline of the GDP that occurred in the last 5 recessions. (Lawrence Chimerine, Theodore Black, and Lester Coffey, “Unemployment Insurance as an Automatic Stabilizer: Evidence of Effectiveness over Three

Decades," Unemployment Insurance Occasional Paper 99-8, U.S. Department of Labor, July 1999).

So, the program is an important safety for workers, but also the economy.

HB09-1076 will streamline administration of the program and save the trust fund money.

More importantly, in tough times, we know that many retirees are returning to the workforce for economic reasons. When they lose their jobs through no fault of their own, they need and should receive the same benefit as any other worker. As noted, it's a basic issue of fairness. Reducing the unemployment payment by 50 percent of the social security retirement benefit that the worker receives, as Colorado currently does, is not required by federal law and should be changed. Over the last few years, 17 states have acted to repeal this offset and Colorado should join the crowd. Only 5 states continue this practice of discriminating against older workers. Colorado should not be one of them.

We encourage you to support all Colorado workers and pass HB09-1076.

Thank you Mr. Chairman.

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