



**COLORADO FISCAL
POLICY INSTITUTE**

SB 09-247 Expansion of Benefits for Unemployed Workers in Colorado

**COFPI Position: Support
Prepared Testimony
March 25, 2009**

Madam Chair, members of the 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 SB 09-247, which implements an alternative base period for determining eligibility, makes modest changes to Colorado's current law regarding separating from a job due to compelling family reasons and creates enhanced benefits for workers who plan and prepare for a better tomorrow.

This bill just makes sense, because making these small changes will result in Colorado receiving \$127 million in federal stimulus money right now. Colorado's unemployment rate is at a 20 year high and likely to go higher before starting to decline, families are facing greater hardship and uncertainty, and the economy is clearly struggling. Colorado should do everything it can to maximize the assistance that is available for our state and our workers. Leaving federal money on the table when we need it the most will only deepen the impact of this recession.

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."

We have decades of research that demonstrates that unemployment insurance is not only a successful safety-net, but effective economic stimulus that benefits workers, businesses and the economy. As just a few examples:

- ❖ 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)

- ❖ 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 5 previous 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).
- ❖ UI benefits are temporary and well-targeted. Benefits ramp up quickly in a downturn and pay out to those most likely to spend it on necessities in areas hit hardest by unemployment.
- ❖ 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.

Passing SB 09-247 is probably the easiest and most effective thing that you can do to help Colorado's economy and Colorado businesses. Tax rates go up as the fund balance declines. That's to be expected during a downturn. However, as the revenue projections released last Friday show, without this money the fund is anticipated to fall below \$50 million within four years. These funds received this year, could stave off a schedule rate shift and actually prevent a rate increase for employers when they can least afford it. Finally, and most importantly, SB09-247 will help struggling workers today and put them on a better path to compete tomorrow. Ultimately, ensuring that we come out of this recession in a better place than when we entered it is simply good policy and good for Colorado.

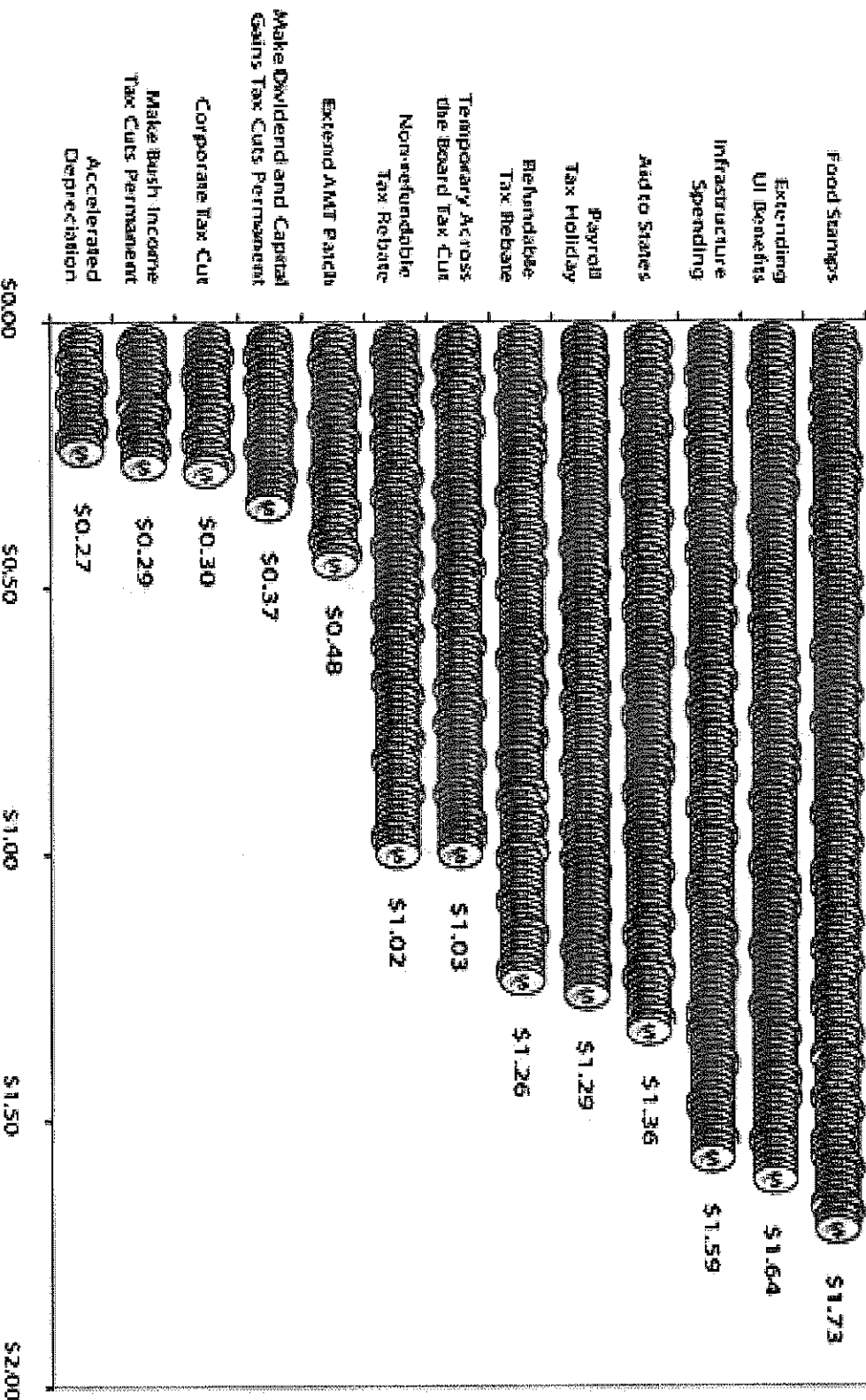
We encourage you to support SB 09-247.

Thank you Madam Chair.

CONTACT INFORMATION:

Kathy A. White
Project Director
Colorado Fiscal Policy Institute,
a project of the Colorado Center on Law and Policy
789 Sherman Street, #300, Denver, CO 80203
303-573-5669 ext. 303
kwhite@cclponline.org
www.cclponline.org

Economic benefits of various stimulus provisions



Economic benefit for each dollar spent

Source: Mark Zandi from Moody's Economy.com