

COALITION OF ARIZONA BUSINESS ORGANIZATIONS



April 20, 2010

The Honorable Janice K. Brewer
Governor of Arizona
1700 West Washington Street
Phoenix, Arizona 85007

Re: SB 1041 - Unemployment Insurance Trust Fund Solvency Plan

Dear Governor Brewer:

Almost two months ago, the Department of Economic Security approached the business community to help craft a solution to the pending insolvency of the Arizona Unemployment Insurance (UI) Trust Fund. As you know only too well, the economic crisis has impacted all aspects of the financial health of Arizona, including draining the UI Trust Fund, requiring the state to borrow from federal resources. With the input of the business community, DES developed a matrix of options to generate funds sufficient to repay the loan, interest and most importantly maintain the solvency of the State Fund.

Employers throughout Arizona, represented by the under-signed, met with Legislative Leadership, Department of Economic Security, as well as members of your staff, for the past several weeks on this issue. While still a tough economic situation for Arizona's employers, together, we crafted the best possible solution to address Trust Fund's insolvency and loan repayment. We cannot stress to you strongly enough that the business community sees this as **repayment of a loan** – it is not a tax increase and will not carry a Prop 108 two-thirds majority vote requirement when it reaches the floor of the House or Senate.

To recap briefly, DES informed the business community in early 2010 of the problem. After multiple presentations and many discussions, both collectively among the business groups and individually within our memberships, the business community agreed on the following points:

1. Defer the start of an assessment to re-pay the current federal loan until calendar year 2011 so that businesses can *plan, budget* and otherwise *prepare* for the temporary two-year assessment;
2. Levy an across the board flat-rate, two-year assessment of 0.6% (or \$42 per employee per year) on the first \$7,000 of taxable wages per employee – spread out in quarterly payments.



The Honorable Janice K. Brewer
 Governor of Arizona
 April 20, 2010
 Page Two

The UI Trust Fund has remained solvent far-longer than many of our sister states and has previously avoided borrowing from the U.S. government to pay unemployment benefits to out-of-work Arizonans in these unusual and extraordinary economic times. However, Arizona needed to begin borrowing on March 22 of this year. Under the rules governing this debt, if we do not repay this temporary (and currently interest-free) loan by November 2012, the business community runs the real and serious risk of incrementally losing our current FUTA tax credits of 5.6%, and we will be at the mercy of the current administration in Washington DC. Based on DES models, a temporary short-term assessment of 0.6% is sufficient to bring the state's UI fund into solvency without incurring additional federal interest and penalties.

We see this solution as a *necessary and financially prudent adjustment to business practices* to respond to the extreme effects of the economic downturn. *Business wants to control its own destiny to the extent we can, and SB 1041 allows us to do so. We urge you to sign SB 1041* when it reaches your desk, or at the least, allow it to become law so that Arizona's private sector employers can properly and adequately prepare our future budgets.

Sincerely,

Arizona Chamber of Commerce and Industry
 Arizona Chapter Associated General Contractors
 Arizona Manufacturers Council
 Arizona Propane Gas Association
 Arizona Small Business Association
 Arizona Tax Research Association
 Arizona Tourism Alliance
 Bullhead Area Chamber of Commerce
 East Valley Chambers of Commerce Alliance
 Ahwatukee Foothills Chamber of Commerce
 Apache Junction Chamber of Commerce
 Chandler Chamber of Commerce
 Gilbert Chamber of Commerce
 Mesa Chamber of Commerce
 Queen Creek Chamber of Commerce
 Scottsdale Area Chamber of Commerce
 Tempe Chamber of Commerce
 Greater Phoenix Chamber of Commerce
 Greater Sierra Vista Chamber of Commerce



The Honorable Janice K. Brewer
Governor of Arizona
April 20, 2010
Page Three

Lake Havasu Chamber of Commerce
Marana Chamber of Commerce
National Federation of Independent Business
Prescott Chamber of Commerce
Prescott Valley Chamber of Commerce
Tucson Metropolitan Chamber of Commerce
West Valley Chambers of Commerce Alliance
 Buckeye Valley Chamber of Commerce
 Glendale Chamber of Commerce
 Peoria Chamber of Commerce
 Southwest Valley Chamber of Commerce
 Surprise Regional Chamber of Commerce
 Wickenburg Chamber of Commerce
Yuma Chamber of Commerce

Cc: The Honorable Kirk Adams, Speaker of the House, Arizona State
House of Representatives
The Honorable Robert Burns, Senate President, Arizona State
Senate
The Honorable Dean Martin, State Treasurer, Office of the Arizona
State Treasurer
Neal Young, Director, Arizona Department of Economic Security