

LETTER TO THE COUNCIL OF THE DISTRICT OF COLUMBIA REDUCE THE BURDEN ON LOCAL JOB CREATORS AND REDUCE THE UNEMPLOYMENT TAX RATE

April 30, 2018

Dear Council of the District of Columbia:

We, the undersigned business representatives, employers, and interested stakeholders of the District of Columbia are invested in the City and like you want to see it prosper and grow. As a stakeholder, we want to do our part by creating jobs and contributing to the City's coffers. However, we also need to be competitive with our counterparts in other jurisdictions and ensure that as a community we are also operating in a balanced regulatory environment that spurs growth.

Since January 2015, the District's unemployment rate has dropped 1.5 percentage points¹ and is on a steady decline. Today, the District's unemployment rate is 5.7%². With a private sector labor force of over 402,000 and nearly 380,000 employed residents, the District is making great strides in job growth and creation. In fact, nearly all the job growth the District is due to private sector hiring. Yet, the District has one of the highest State Unemployment Insurance Tax rates for new and existing employers and is higher than our neighboring states of Maryland and Virginia.

Even though, employment is on the rise, the Unemployment Insurance Trust Fund has consistently run a surplus since the 1990s. Over the past few years, the year-end reserve balance has remained higher than \$300 million with the most recent reserves reaching almost \$400 million. Consistently in the past five years, the amount of benefits paid to residents has been less than the nearly \$151 million collected from covered employers on a yearly basis. **Now is the time to reassess the tax burden on job creators.** The business community believes the fund should not have a huge balance at the end of each year, and supports lowering the rate to levels that would be sufficient enough to run the program and make the District more competitive. **We recommend right-sizing the fund collections to provide resources necessary to run the program without excessive taxation on the business community that only results in large surpluses. The DC Council should consider legislation to reduce the employer contribution rates.**

Additionally, **we believe that the DC Council should remove the administrative assessment fee approved in the FY 06 budget³.** The District enacted legislation years ago, that requires all liable employers to pay an administrative assessment of two-tenths of one percent to support the administration of the District's Unemployment Insurance Program. This is in addition to the overall unemployment tax. Both Maryland and Virginia do not impose an administrative fee for their Unemployment Insurance program. The

¹ DC Department of Employment Services. Labor Statistics. Retrieved April 04, 2018, from <https://does.dc.gov/page/labor-statistics>

² U.S. Bureau of Labor Statistics. Economy at a Glance - District of Columbia. Retrieved April 4, 2018, from https://www.bls.gov/eag/eag.dc.htm#eag_dc.f.3

³ B16-200, the Fiscal Year 2006 Budget Support Act of 2005. Subtitle E. "Unemployment Compensation Administrative Funding Assessment Amendment Act of 2005".

District already receives significant federal funding to administer unemployment insurance, and as reported, the fund has a yearly surplus. Thus, the DC Council should eliminate this administrative fee.

We believe that economic growth and workforce investment are not mutually exclusive goals. **To achieve our shared objectives, the DC Council can reduce the District’s State Unemployment Insurance Tax Rate and eliminate the administrative assessment fee employers pay on top of unemployment taxes without negatively impacting the administration of these programs.** Such a proposal will better align the District’s resources and encourage additional hiring. We urge you to consider these points and suggestions as you contemplate future policy proposals, legislation and the FY 19 Proposed Budget and Financial Plan. Thank you for considering the views of the District employers we represent. Should you have any questions, please feel free to contact Erika Wadlington at (202) 624-0613 or by email at ewadlington@dcchamber.org.

Signed,

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| <ul style="list-style-type: none">1. DC Chamber of Commerce2. Consortium of Universities of the Washington Metropolitan Area3. American Management Corporation4. Adams Morgan Partnership BID5. CODICE6. Pulse Issues & Advocacy7. Ideal Electrical Supply Co.8. CRP Incorporated9. Hines10. JMA Solutions11. CohnReznick12. Leftwich LLC13. Perkins Eastman14. Optimal Solutions & Technologies15. Anchor Construction16. NonprofitHR17. Premium Title & Escrow18. Verizon | <ul style="list-style-type: none">19. Washington Gas20. United Way of the National Capital Area21. SMACNA Mid-Atlantic Chapter22. Giant Food23. Prestige Healthcare Resources24. CVS Health25. Access Green26. Agora Restaurant27. DC Fray28. Walgreen Co.29. Tiber Hudson LLC30. District of Columbia Association of Beverage Alcohol Wholesalers31. Renaissance Unemployment Insurance Consultants, Inc |
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