

TESTIMONY OF WALTER N. CARPENTER JR.
PRESIDENT AND CEO OF PINEL & CARPENTER, INC.

BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
COMMITTEE ON WAYS AND MEANS
UNITED STATES HOUSE OF REPRESENTATIVES

HEARING ON
“UNEMPLOYMENT INSURANCE: AN OVERVIEW OF THE CHALLENGES
AND STRENGTHS OF TODAY’S SYSTEM”

SEPTEMBER 7, 2016

Chairman Buchanan, ranking member Doggett, and members of the Subcommittee on Human Resources, thank you for the opportunity to testify today.

I am Walter N. Carpenter Jr., President of Pinel & Carpenter, Inc., in Orlando, Florida. I graduated from the University of Florida in 1975 and immediately began my working career at the predecessor firm (Rex McGill Appraisal Company) of Pinel & Carpenter, Inc. In the early 1980's, I was afforded the opportunity to become a partner in the firm. Pinel & Carpenter, Inc. is a real estate valuation/ consulting firm, primarily providing professional services throughout the state of Florida.

Both as an employer and an employee, I am humbled by the fact that many of my fellow workers have been employed with the firm for over 20 years, spanning my 41 years with the company. I look upon these workers and their families as an extension of our work family recognizing they depend upon the decision-making and success of the company. As a small business owner, the day-to-day challenges of successfully growing a business, meeting customer demands, managing employees, and monitoring federal and state laws and regulations sometimes seems overwhelming. My management team must wear many hats to keep up with the ever changing laws and regulatory interpretations which affect small businesses on a federal and state level.

As an employer, I would like to speak to you today regarding three areas of the unemployment system I believe directly impact small businesses. First, the unemployment tax rate and rate base which determines the amount to be paid by employers can have a direct impact on future hiring decisions. Depending upon the type of business and claims experience

of the employer, the tax rate for unemployment insurance can vary dramatically and during significant rate increases can actually have a negative impact on employment within a state. Secondly, we as small business men and women understand the importance of the unemployment system being primarily a state responsibility with successful solutions creatively solved at a more local level. As there are many differences from region-to-region and state-to-state, one size does not fit all and an overall federal level solution may actually have unintended adverse consequences in many states. Finally, as an employer, I specifically understand the very important issue of integrity in the employer-funded federal/state unemployment insurance system.

My management team and I recognize and appreciate your leadership in providing oversight to the employer funded federal/state unemployment insurance system. During the downturn (2009/2011) in the Florida economy, employers and employees recognized the value of the system that provided short-term partial wage replacement for individuals who found themselves temporarily unemployed.

As previously mentioned, the bottom line cost/actual unemployment tax rate paid by employers is closely monitored and watched in the state of Florida. Although a professional service company like mine may have comparatively low rates, I interact on a regular basis with other employers in the manufacturing/construction fields which have immediately felt a significant rate increase as “trust funds” are depleted. Yet, as an employer we can partner with our state government in formulating solutions which balance a rate increase with job growth by increasing funding through other state programs to encourage new companies to relocate to Florida or for existing companies to expand. Throughout

the 2010, 2011, and 2012 legislative sessions in Florida, employers worked with the state to affect increases in the unemployment insurance “trust fund” to adequately pay unemployment claims. The cumulative effect of these cooperative efforts allowed the borrowed money from the federal government to be paid back and interest paid off in two years. The unemployment insurance “trust fund” in Florida has also rebounded to a once again healthy status and the employers are paying relatively low tax rates which started in 2014 and are continuing today.

As in most states, the majority of jobs and job growth is generated by small businesses at the local level. Unemployment insurance claims are paid out to individuals at the local level and the revenue is generated to pay the claims through private employers within the state. The Unemployment Insurance program is appropriately designed to place primary responsibility for the unemployment insurance system at a state level, with the ability to borrow funds from the federal government on a temporary basis when the state unemployment trust fund experiences shortfalls. To effectively promote job growth and funding for new companies to relocate to Florida or for existing businesses to expand, the state considers what may be an appropriate maximum number of weeks in Florida for payment of unemployment compensation. The number of weeks may not be the same for other states. Again, the state of Florida working with the business community has found that a sliding scale from 12 to 23 weeks of benefits works well in our state. I do not believe a federal “one size fits all” approach when it comes to the unemployment insurance “trust fund” is a proper way to achieve creative solutions.

Finally, as an employer who has contributed to the “trust fund” for some 40 years, I believe the integrity of the unemployment insurance system is critical. Of utmost importance is the adoption of clear, straight forward administrative standards requiring that state laws require that individuals be able to work, available to work, and actively seeking work. Despite the federal requirement that state laws require that these requirements be met as a condition of an individual being paid unemployment compensation, some states have “exemptions” that undermine the integrity of the “trust funds”.

As an employer, I believe continued improvements should be made in the methods used by state unemployment insurance agencies to avoid overpayments and identify claimants who may have received paid benefits for weeks when they were working full time or for weeks when they were not able to work, available to work, or actively seeking work. The unemployment insurance system is intended to be an insurance (temporary payment) program and not a public assistance system. Again, I see this as a public/private partnership with the businesses providing the revenue to support the “trust funds” and each individual state maintaining the integrity of their state payment systems so as to assure businesses within their state that all compensation paid from the “trust funds” are proper and going to the individuals who temporarily require the funds.

Chairman Buchanan, ranking member Doggett, and other members of the Subcommittee, thank you for the opportunity to present my views to you. I appreciate your service, your time, and consideration.