



**Appropriations Committee
Labor Department FY2013 Mid-Term Budget Presentation
Commissioner Glenn Marshall
February 15, 2012**

Good afternoon Senator Toni Harp, Representative Toni Walker, Senator Robert Kane, Representative Craig Miner and members of the Appropriations Committee. My name is Glenn Marshall, Commissioner of Labor.

Thank you for the opportunity to testify regarding the Governor's proposed FY2013 Midterm Budget Adjustments today. I have some brief remarks then I and my staff will be available to answer any questions you may have concerning our budget.

Our mission at the Department of Labor is to protect and promote the interests of Connecticut's workers, while helping both employers and employees be competitive in a global economy. We carry out that mission in a variety of ways.

We enforce the laws that protect the interests of workers on the job. The laws that protect the rights of workers to be paid the minimum wage and to be paid time and a half for overtime. The laws that require employers to maintain safe working conditions, especially for our younger workers. The laws that guarantee a worker that when she takes a leave to care for her seriously ill child or husband, her job will be there when she returns.

The state budget that funds enforcement of these laws reflects the priorities of our government and its citizens for fairness and justice in the workplace.

The Governor's FY2013 proposed budget adjustments reduces our General Fund appropriation by approximately \$1.7 Million. Our Personal Services account is reduced by \$850,000 which reflects annualized wage freeze savings and FY2012 holdbacks. I do not expect any major problems meeting this FY2013 target at this point.

In addition, five programs have been reduced or eliminated. They are as follows:

1. Opportunity Industrial Centers (OIC)

Funding for the Opportunity Industrial Centers is reduced by \$100,000 which equates to a 20% adjustment. The OICs serve a targeted population of economically disadvantaged individuals – youth and adults who face chronic unemployment, are underemployed and are facing significant employment barriers that include substance abuse, domestic violence, criminal records, illiteracy, inadequate education, homelessness, gang involvement, underage pregnancy, and other issues attributable to poverty and crime. In FY11, the most recently completed program year, the five OIC chapters served a total of 864 individuals.

While we anticipate that approximately 170 participants would not be served as a result of the funding reduction, services for this population will still exist throughout the CTWorks workforce system although on a less intensive and comprehensive basis.

2. Individual Development Account (IDA) Program:

The IDA program provides matched savings accounts to low-income wage earners and their families. Participants have the opportunity to save money to purchase specific allowable assets. Each IDA program is a five-year grant that supplements existing anti-poverty methods, bringing low-income working families and disabled individuals the benefits of savings, investments and assets that higher-income segments of our society have access to. Elimination of funding for the IDA program is being proposed in the FY 2013 DOL budget. Even without the \$95,000 state appropriation, the agency will have sufficient carry forward funding to pay for the DOL administration and the IDA clearinghouse contractor into FY 2014. However, there will not be enough funding available to issue any new RFPs and the program will begin to be phased out.

3. STRIDE:

The STRIDE program, which stands for Skills, Transitional Support, Respect, Integrity, Direction and Employment, provides incarcerated and paroled non-custodial parents with the occupational skills and resources needed to enter competitive employment. Participants are linked to community-based transitional services and receive ongoing post employment support to ensure job retention and subsequent earnings gains. The proposed reduction of \$180,000 returns program funding to FY2011 levels and this means that 46 fewer incarcerated and paroled individuals will receive employment and support services to enter competitive employment upon release.

4. Spanish American Merchant Association:

The adjustment in the Spanish American Merchant Association program will result in less funding for administrative operating expenses and less technical assistance to Latino-owned small businesses.

5. Film Industry Training Program:

Elimination of the Film Industry Training Program will reduce the opportunity for individuals who want to learn the basics of film and television industry work.

Another major adjustment in our FY2013 budget includes the proposed consolidation of the Workers' Compensation Commission into the Department of Labor. This will require the coordination and involvement of staff from the Workers' Compensation Commission and the Labor Department to ensure a smooth transition.

In the 2011 legislative session, the Office of Workforce Competitiveness was transferred into the Labor Department. This change directed me to be the Governor's principal workforce development policy advisor and enables the Labor Department to be at the forefront of Workforce Development.

I would also like to discuss a few other topics that are important to the Department of Labor.

Unemployment Insurance (UI) benefits and extension program:

- The Unemployment Insurance Program continues to be a vital component in the state's economy. Unemployment Insurance is the primary means of financial support for over 130,000 citizens who file benefit claims each week totaling about \$40 million a week.
- In 2011, the Connecticut Labor Department paid out over \$903 million in state (regular) UI benefits and over \$1 Billion in federally-funded emergency UI benefits.
- In a technological advancement of major significance, the agency transformed from a paper check method of benefit payment to a fully electronic payment method via debit card or direct deposit in January of 2011. As a result, the agency saved approximately \$3.6 million on printing and postage costs.
- The upgrade saves money in printing and postage, improves security, and frees up staff that had been spending time putting stop payments on lost or stolen checks.
- Our two Unemployment Call Centers handled nearly 1 million calls from the public – either filing claims or making inquiries about their benefits. Our employees continue to work long hours to meet the unprecedented needs of Connecticut citizens who are suffering the harsh consequences of this recession.
- We face the challenge of making necessary programming changes to accommodate federal UI extensions, yet we also continue efforts to modernize the system to meet current demands and provide more services via the web.

Unemployment Insurance (UI) Trust Fund status:

- Due in part to the depth of the economic recession, the UI trust fund became insolvent in October 2009 and we have been borrowing funds from the United States Department of Labor to continue paying mandated UI benefits.
- As of February 13, 2012, our outstanding loan balance is \$710 million and takes into account a voluntary repayment of \$100 million made in December 2011.
- The ARRA had provided interest free borrowing through calendar year 2010; however, based on current federal law, states with loans outstanding January 1, 2011 and thereafter are subject to interest on those loans.
- Under state law, interest is collected from the state's employers through an annual Special Assessment. Based on our projections, this year's Special Assessment, levied in August 2012, will be approximately \$30 million; an average cost of \$25 per full time employee.
- Further, since Connecticut was unable to repay all borrowed funds within two years, beginning in January 2012 the federal government will raise the Federal Unemployment Tax on employers to help reduce the loan balance. This tax increases annually with the additional taxes being applied to loan principal until all loans are fully repaid.

Unemployment Insurance (UI) Tax:

- The Division has reclassified 6,500 workers as employees and discovered more than \$50 million dollars in previously unreported or underreported payroll.

Apprenticeship:

- The Department of Labor currently has approximately 3,200 sponsors and 4,500 apprentices. In this economy, we anticipate the numbers growing even more.

Wage and Hour Division:

- In 2011, the Wage and Workplace Standards Division processed approximately over 4,000 claims from the public on topics ranging from unpaid wages to issues concerning the protection of minors.
- The Division recovered approximately \$ 6.1 Million Dollars in unpaid wages.
- In addition, the Division is charged with issuing Stop Work Orders to employers at construction sites that can not provide proof that they have the correct coverage for their workers, such as Workers Compensation and Unemployment Insurance.
- Last year, this Division inspected 150 sites, and hopes to increase that by another 50 this year.
- The goal is to stop the practice of employers misclassifying their employees as independent workers.
- The practice creates an unfair playing ground for employers that do play by the rules and provide the correct coverage for their workers.
- While it may cost an employer more to provide the required coverage, in the long run, our taxpayers pay when an uninsured worker is injured or a laid off.

I hope this brief presentation has given you an adequate overview of the budget picture at the Department of Labor. With me is some key staff from the Department to help answer any specific questions you may have this afternoon. Thank you and we are available to answer any further questions.