



Greater Hartford Legal Aid

**Testimony of Attorney Susan Garten
Greater Hartford Legal Aid, Inc.
In Opposition to HB 5402,
An Act Establishing a Task force to Examine Unemployment Compensation
With Proposed Substitute Language**

I am submitting this testimony on behalf of the state's legal services programs. We often represent low-income workers, who depend on unemployment compensation ("UC") to pay for basic necessities for their families.

We are opposed to ~~HB 5402~~ in its current form because it places the burden of restoring our UC system to financial health entirely on workers. The bill charges the proposed task force with looking at five specific benefit reductions, with a directive to investigate other measures to reduce payments to workers. The focus on cutting benefits is misplaced: the average weekly UC benefit amount replaces only 30% of the average weekly wage. Cutting benefits will hurt rather than help state businesses: unemployment dollars are not only a lifeline to jobless workers, but the benefits flow immediately back into Connecticut's economy through recipients' expenditures.

We understand that the UI system must be placed on more solid financial footing. But Connecticut's trust fund became insolvent as the unemployment rate rose because we went into the recession without adequate reserves. This was not due to a high weekly benefit payout to workers; it is attributable to structural problems with our UI system.

If a task force is established, the bill should be amended to require the task force to consider the following measures:

1. Beginning in CY 2013, increase the taxable wage base to \$20,000 over a 2-3 year period. Employers only pay unemployment taxes on the first \$15,000 of each worker's wages. This taxable wage base has remained stagnant for more than 10 years. From 1999-2009, the statewide average weekly wage increased by 43%. However, the taxable wage base has not been increased since 1999. Although Connecticut is one of the highest wage earning states in the country, sixteen other states have a higher taxable wage base than Connecticut.

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2. Once the taxable wage base is at \$20,000, index the base to wages with a cap on the amount of annual increase. Connecticut's maximum weekly benefit rate is indexed to the growth in wages. If we follow the example of 17 other states and index our taxable wage base to growth in wages, this will naturally balance premiums with growth in benefit costs. The majority of states that index have trust funds that remained solvent during this recession.

The language should also be amended to add an appointment by the speaker of the House of Representatives for a representative of a CT legal services program who has experience working with low income individuals in unemployment compensation cases.

Proposed Substitute Language for HB 5402, AA Establishing a Task Force to Examine Unemployment Compensation

(Proposed Substitute Language is underlined or bracketed)

AN ACT ESTABLISHING A TASK FORCE TO EXAMINE UNEMPLOYMENT COMPENSATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (*Effective from passage*) (a) There is established a task force to study unemployment compensation benefits in the state. The task force shall determine whether such benefits should be adjusted, and whether any such adjustments would jeopardize federal funding. The task force shall also determine the structural problems within Connecticut's unemployment compensation system that have contributed to the system's insolvency. In making such determination, the task force shall consider: (1) Whether the amount of unemployment compensation received by an individual could be reduced over the course of the benefit period, (2) the savings that could result from requiring individuals to wait a week prior to receiving benefits, (3) the savings that could result from updating the base period wages threshold for an individual to be eligible for unemployment compensation benefits to two thousand dollars or more, (4) the savings that could result from adjusting the base period wages for an individual to be eligible to receive unemployment compensation benefits to a threshold based on an individual's completion of thirty days or more of employment with an employer, (5) the savings that could result from indexing the number of weeks of benefits to be received by an individual to the state's unemployment rate, [and] (6) measures other states have taken to reduce the cost of unemployment compensation[.], (7) increasing the taxable wage base to \$20,000 over a 2-3 year period beginning in 2013, and (8) once the taxable wage base reaches \$20,000, indexing the taxable wage base to wages with a cap on the amount of annual increase.

(b) The task force shall consist of the following members:

(1) [One] Two appointed by the speaker of the House of Representatives, one who shall be a member of an organization representing state employees and one who shall be a representative of a Connecticut legal services program who has experience working with low income individuals on unemployment compensation cases;

(2) One appointed by the president pro tempore of the Senate, who shall be a member of an organization representing private sector employees;

(3) One appointed by the majority leader of the House of Representatives, who shall be a member of an organization representing businesses with not more than ninety-nine employees;

(4) One appointed by the majority leader of the Senate, who shall be a member of an organization representing businesses with not more than forty-nine employees;

(5) One appointed by the minority leader of the House of Representatives, who shall be an expert on unemployment compensation in the state;

(6) One appointed by the minority leader of the Senate, who shall be a member of an organization representing businesses with one hundred or more employees;

(7) One appointed by the Governor; and

(8) The chairpersons and ranking members of the joint standing committee of the General Assembly having cognizance over matters related to labor, or their designees.

(c) All appointments to the task force shall be made not later than thirty days after the effective date of this section. Any vacancy shall be filled by the appointing authority.

(d) The chairperson of the task force shall be the member appointed by the Governor. Such chairpersons shall schedule the first meeting of the task force, which shall be held not later than sixty days after the effective date of this section.

(e) The administrative staff of the Labor Department shall serve as administrative staff of the task force.

(f) Not later than February 1, 2013, the task force shall submit a report on its findings and recommendations to the joint standing committees of the General Assembly having cognizance of matters relating to labor in accordance with the provisions of section 11-4a of the general statutes. The task force shall terminate on the date that it submits such report.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section

Statement of Purpose:

To establish a task force to examine unemployment compensation benefits.