



Senate Bill 258: AAC An Increase in the Maximum Allowable Unemployment Compensation Trust Fund Balance
Labor and Public Employees Committee
March 8th, 2012

The MetroHartford Alliance is the Region's economic development leader and the City's Chamber of Commerce. Our investors include businesses of all sizes, health care providers, institutions of higher education, and municipalities. All of these investors share a common interest in the full economic and employment recovery of Connecticut, in a dynamic Capital City, and in the enhanced ability for the Region to compete for jobs, capital, and talent.

To achieve these goals, our top legislative priority this session is to ensure that we adhere to the Constitutional spending cap as a fundamental fiscal discipline needed for economic and job growth. An adequate and solvent Unemployment Compensation Trust Fund is also fundamental.

Today, the Unemployment Compensation Trust Fund is insolvent. Moreover, the state owes several hundred million dollars of principal and interest as a result of borrowing to meet the extraordinary claims resulting from the recent four-year recession. To address both of these issues, Senate Bill 258 will increase the fund's reserve to approximately \$1.2 billion by increasing the payroll tax from its current level of 0.8% of total payroll for all Connecticut employers to 1.0% of total payroll by 2019, resulting in a dramatic increase in additional taxes on employers.

This increase mandates that this legislation be amended to incorporate reforms to instill fairness and balance to the benefits administration system and eligibility criteria in order to sustain economic and employment growth for the balance of this decade and beyond. More importantly, the bill must include lockbox safeguards to ensure that these payroll taxes are guaranteed to be used for unemployment compensation and not for any other state expenditures.

We therefore support the funding objectives of Senate Bill 258 contingent upon the inclusion of the recommendations.