State of Connecticut

HOUSE OF REPRESENTATIVES
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

REPRESENTATIVE LAWRENCE F. CAFERO, JR.
ONE HUNDRED FORTY-SECOND DISTRICT

REPUBLICAN LEADER

LEGISLATIVE OFFICE BUILDING
SUITE 4200
HARTFORD, CT 06106

CAPITOL PHONE: (860) 240-8700
TOLL FREE: (800) 842-1423
FAX: (860) 240-0184
EMAIL: Lawrence.Cafero@housegop.ct.gov

Testimony before the Labor Committee

February 26, 2013

House Bill 5701
"An Act Concerning Monthly Reductions of Unemployment Compensation"

House Bill 5686
"An Act Concerning Minimum Base Period Wages and Eligibility for Unemployment Benefits"

House Bill 5703
"An Act Eliminating Longevity Payments for All State Employees

Our nation is still enduring one of the worst recessions since the Great Depression and our state has not been immune to the loss of jobs that has resulted. Like other states, we have met our obligations to those who have become unemployed through no fault of their own but, also like other states, our resources have been overwhelmed and our unemployment trust fund – the savings account we use to pay unemployment benefits – became insolvent during 2009. As a result, we've had to replenish the fund using federal loans. The interest on those loans must be repaid by employers through a Special Assessment and the principal has to be repaid through a .3% unemployment tax increase on our state's job creators.

As we go through this recession and seek to help as many unemployed persons as we can, we should examine how our state could do a better job at focusing and targeting our limited unemployment resources so those needing them most will be able to get them. We should at least review our state's unemployment benefits and determine whether such benefits should be adjusted. Other states have taken different approaches, trying a number of options we ought to at least consider. Proposed House Bills 5701 and 5686 are two good steps in that direction.

Proposed House Bill 5701 seeks to extend our limited unemployment resources further by requiring that the level of benefits received by an individual be reduced over the course of the benefit period.

Specifically, unemployment benefits would be reduced by a little each month so that by the final month of benefits eligibility, the recipient is receiving 50% of the amount they received in the first month. Based on a 26 week benefits period, these reductions would be less than 10% each month.

Our UIC Fund is currently insolvent and has been for over three years. To address this problem, other states have gone so far as to actually reduce the number of weeks of benefits, essentially imposing a 100% reduction for the final six weeks of eligibility.[1] As recently as last week (Feb. 19, 2013), the state of North Carolina enacted changes to their unemployment benefits system that not only cuts the maximum level of weekly benefits, but reduces the number of benefits weeks from 26 weeks to 12-20 weeks. While their changes may put federal extended benefits at risk, they – like us – have a huge federal loan to pay off and the quicker they do so the stronger their business climate, and job market, will be.

Our proposal does not go as far, but it's still a step in the right direction. We must address the unsustainability of our current unemployment benefits system and we think ramping down unemployment benefits more gradually over time is a fairer approach. It would reduce some of the pressure on our Fund resources, and allow us to help more folks without hurting the businesses that create the jobs those same folks need.

Proposed House Bill 5686 updates the base period wages threshold for an individual to be eligible for unemployment compensation benefits to at least two thousand dollars.

In order to qualify for unemployment compensation, Connecticut residents must have minimum wages of $600 in the base period (four out of the last five quarters – see 31-231a(b)). This is one of the lowest thresholds for unemployment compensation in the country and hasn't changed in over 22 years. Only Hawaii has a lower threshold. Twenty-nine states require wages of at least $2,000; some require more than $4,000. For example, Indiana raised its threshold to $4,200 in 2009 and Minnesota, which already had a $2,000 threshold, raised theirs to $2,400 in 2011. Virginia raised its threshold from $2,700 to $3,000 in that same year. South Carolina made probably the most dramatic

[1] For example, both Michigan and South Carolina decreased their # of benefit weeks from 26 to 20 in 2011.

increase – from $900 to $4,455 (2010). To the extent that we are a high-wage state and have a much higher than average maximum potential unemployment compensation benefit, it makes sense to increase the required base period wage threshold.

We certainly are not alone in having to try and stretch our unemployment resources as far as possible. House Bills 5701 and 5686 strike the proper balance between the folks that have lost their jobs as a result of this recession, the employers that we all rely on to create and maintain those jobs, and the limited resources we have available to meet their needs.

Proposed House Bill 5703 ensures that the sacrifice that state employees share is shared equally by eliminating longevity payments to all state employees across the board.

We have all had to learn to live on less during this protracted recession and state government has been no exception. Workers in the private sector have had to endure pay cuts, deferred raises, and even – in the most extreme cases - massive layoffs. Almost two years ago, in a spirit of shared sacrifice, the governor and most state employees agreed that it wasn't fair that they should receive extra pay – not based on any merit or overtime – but just for staying in their state job.

Unfortunately, for unionized state employees who had been receiving longevity payments, that agreement was only to skip one payment.[2] And, there are other state employees that were not part of that agreement and have continued to receive longevity payments all along.[3]

It doesn't make sense that some state employees should continue receiving a benefit that other state employees no longer have and which is unheard of in the private sector. This past December, the legislature approved a change that moves longevity payment amounts into the base salaries of non-unionized state employees, effective July 1, 2013.[4] This proposal would ensure equal treatment between union and non-union employees alike, by requiring the same change to unionized employees.

Thank you for your time and consideration of these important and common sense pieces of legislation.

---

[2] New state employees and state employees with less than 10 years service have not been receiving longevity payments and under the agreement never will receive them.
[3] Elected officials, Judicial Branch officers and other employees whose wages are set in statute, such as judges, family support magistrates, and workers' compensation commissioners.
[4] Sections 32-37 of Public Act 12-1 (December 2012 Special Session)