



# House of Representatives

General Assembly

**File No. 377**

January Session, 2015

House Bill No. 6871

*House of Representatives, April 1, 2015*

The Committee on Labor and Public Employees reported through REP. TERCYAK of the 26th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

***AN ACT CONCERNING MINOR AND CLARIFYING CHANGES TO THE  
SUBSIDIZED TRAINING AND EMPLOYMENT PROGRAM AND OTHER  
STATUTES AFFECTING THE LABOR DEPARTMENT.***

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

1 Section 1. Section 31-3pp of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2015*):

3 (a) For purposes of this section:

4 (1) "Department" means the Labor Department;

5 (2) "Eligible small business" means a business that (A) employed not  
6 more than one hundred full-time employees on at least fifty per cent of  
7 its working days during the preceding twelve months, (B) has  
8 operations in Connecticut, (C) has been registered to conduct business  
9 for not less than twelve months, and (D) is in good standing with the  
10 payment of all state and local taxes. "Eligible small business" does not  
11 include the state or any political subdivision thereof;

12 (3) "Control", with respect to a corporation, means ownership,  
13 directly or indirectly, of stock possessing fifty per cent or more of the  
14 total combined voting power of all classes of the stock of such  
15 corporation entitled to vote. "Control", with respect to a trust, means  
16 ownership, directly or indirectly, of fifty per cent or more of the  
17 beneficial interest in the principal or income of such trust. The  
18 ownership of stock in a corporation, of a capital or profits interest in a  
19 partnership, limited liability company or association or of a beneficial  
20 interest in a trust shall be determined in accordance with the rules for  
21 constructive ownership of stock provided in Section 267(c) of the  
22 Internal Revenue Code of 1986, or any subsequent corresponding  
23 internal revenue code of the United States, as from time to time  
24 amended, other than paragraph (3) of said Section 267(c);

25 (4) "Related person" means (A) a corporation, limited liability  
26 company, partnership, association or trust controlled by the eligible  
27 small business, (B) an individual, corporation, limited liability  
28 company, partnership, association or trust that is in control of the  
29 eligible small business, (C) a corporation, limited liability company,  
30 partnership, association or trust controlled by an individual,  
31 corporation, limited liability company, partnership, association or trust  
32 that is in control of the eligible small business, or (D) a member of the  
33 same controlled group as the eligible small business;

34 (5) "Eligible small manufacturer" means an eligible small business  
35 described in sectors 31 to 33, inclusive, of the North American Industry  
36 Classification System, that employed not more than one hundred  
37 employees on at least fifty per cent of its working days during the  
38 preceding twelve months.

39 (b) (1) There is established within the Labor Department a  
40 Subsidized Training and Employment program for eligible small  
41 businesses and eligible small manufacturers. Said program shall  
42 provide grants to such businesses and manufacturers to subsidize, for  
43 the first one hundred eighty calendar days after a person is hired, a  
44 part of the cost of employment, including any costs related to training.

45 No such business or manufacturer receiving a grant under this section  
46 with respect to a new employee or newly hired person may receive a  
47 second grant under this section with respect to the same new  
48 employee or newly hired person.

49 (2) At the discretion of the Labor Commissioner, the department  
50 may use up to four per cent of any funds allocated pursuant to section  
51 5 of public act 11-1 of the October special session for the purpose of  
52 retaining outside consultants or the Workforce Investment Boards to  
53 operate the Subsidized Training and Employment program. The  
54 department shall monitor, in a manner prescribed by the  
55 commissioner, such outside consultants or Workforce Investment  
56 Boards that operate the Subsidized Training and Employment  
57 program.

58 (3) [In fiscal year 2013] At the discretion of the Labor Commissioner,  
59 the department may use up to four per cent of any funds allocated  
60 pursuant to section 5 of public act 11-1 of the October special session in  
61 [said] any fiscal year for the purpose of the marketing and operation of  
62 the Subsidized Training and Employment program, and the  
63 monitoring of the outside consultants or Workforce Investment Boards  
64 retained pursuant to subdivision (2) of this subsection.

65 (c) (1) An eligible small business may apply to the department for a  
66 grant to subsidize on-the-job training and compensation for a new  
67 employee, where "new employee" means a person who (A) was  
68 unemployed immediately prior to employment, regardless of whether  
69 such person collected unemployment compensation benefits as a result  
70 of such unemployment, (B) is a resident of a municipality that has (i)  
71 an unemployment rate that is equal to or higher than the state  
72 unemployment rate as of September 1, 2011, or (ii) a population of  
73 eighty thousand or more, and (C) has a family income equal to or less  
74 than two hundred fifty per cent of the federal poverty level, adjusted  
75 for family size. "New employee" does not include a person who was  
76 employed in this state by a related person with respect to the eligible  
77 small business during the prior twelve months or a person employed

78 on a temporary or seasonal basis by a retailer, as defined in section 42-  
79 371. No small business shall be eligible for a grant under this section  
80 for a new employee if such new employee is hired to replace a worker  
81 who (i) is currently employed by such small business, or (ii) was  
82 terminated by such small business, unless such small business  
83 demonstrates just cause for such replacement or termination, if  
84 applicable.

85 (2) Grants to eligible small businesses under the Subsidized  
86 Training and Employment program shall be in the following amounts:  
87 (A) For the first thirty calendar days a new employee is employed, one  
88 hundred per cent of an amount representing the hourly wage of such  
89 new employee, exclusive of any benefits, but in no event shall such  
90 amount exceed twenty dollars per hour; (B) for the thirty-first to  
91 ninetieth, inclusive, calendar days, seventy-five per cent of such  
92 amount; (C) for the ninety-first to one hundred fiftieth, inclusive,  
93 calendar days, fifty per cent of such amount; and (D) for the one  
94 hundred fifty-first to one hundred eightieth, inclusive, calendar days,  
95 twenty-five per cent of such amount. Grants shall be cancelled as of the  
96 date the new employee leaves employment with the eligible small  
97 business.

98 (d) (1) An eligible small manufacturer may apply to the department  
99 for a grant to be used to train and compensate persons newly hired by  
100 such manufacturer. Any training shall be provided by such  
101 manufacturer, and take place on such manufacturer's premises, but no  
102 existing formal training program shall be required. The Labor  
103 Commissioner, or said commissioner's designee, shall review and  
104 approve such manufacturer's description of the proposed training as  
105 part of the application. No small manufacturer shall be eligible for a  
106 grant under this section for a new employee if such new employee is  
107 hired to replace a worker who (A) is currently employed by such small  
108 manufacturer, or (B) was terminated by such small manufacturer,  
109 unless such small manufacturer demonstrates just cause for such  
110 replacement or termination, if applicable.

111 (2) Grants awarded to an eligible small manufacturer pursuant to  
112 this subsection shall subsidize the costs of training and compensating  
113 each person newly hired by such manufacturer. In no event shall a  
114 grant exceed the salary of the newly hired person. Maximum amounts  
115 of each grant are: For the first full calendar month a newly hired  
116 person is employed, up to two thousand five hundred dollars; for the  
117 second month, up to two thousand four hundred dollars; for the third  
118 month, up to two thousand two hundred dollars; for the fourth month,  
119 up to two thousand dollars; for the fifth month, up to one thousand  
120 eight hundred dollars; and for the sixth month, up to one thousand six  
121 hundred dollars. No grant shall exceed a total amount of twelve  
122 thousand five hundred dollars per newly hired person. A grant may be  
123 cancelled as of the date such person leaves employment with the  
124 eligible small manufacturer.

125 (e) (1) An eligible small business or eligible small manufacturer may  
126 apply to the department for a grant to subsidize on-the-job training for  
127 a [new apprentice] preapprentice, where ["new apprentice"]  
128 "preapprentice" means a person who is (A) a current student at a  
129 public or private high school, preparatory school or institution of  
130 higher education, [ "New apprentice" ] or (B) not more than eighteen  
131 years of age and employed under a written agreement with an  
132 apprenticeship program sponsor for a term of training and  
133 employment not exceeding two thousand hours or twenty-four  
134 months. "Preapprentice" does not include a person who was employed  
135 in this state by a related person with respect to the eligible small  
136 business during the prior twelve months or a person employed on a  
137 temporary or seasonal basis by a retailer, as defined in section 42-371.

138 (2) Grants to eligible small businesses or eligible small  
139 manufacturers under the Subsidized Training and Employment  
140 program shall be in the following amounts: (A) For the first thirty  
141 calendar days a [new apprentice] preapprentice is employed, one  
142 hundred per cent of an amount representing the cost of on-the-job  
143 training for [a new apprentice] such preapprentice, but in no event  
144 shall such amount exceed ten dollars per hour; (B) for the thirty-first to

145 ninetieth, inclusive, calendar days, seventy-five per cent of such  
146 amount; (C) for the ninety-first to one hundred fiftieth, inclusive,  
147 calendar days, fifty per cent of such amount; and (D) for the one  
148 hundred fifty-first to one hundred eightieth, inclusive, calendar days,  
149 twenty-five per cent of such amount. Grants shall be cancelled as of the  
150 date the [new apprentice] preapprentice leaves his or her  
151 apprenticeship with the eligible small business or eligible small  
152 manufacturer.

153 (f) Not later than July 15, 2012, and annually thereafter, and January  
154 15, 2013, and annually thereafter, the Labor Commissioner shall  
155 provide a report, in accordance with the provisions of section 11-4a, to  
156 the joint standing committees of the General Assembly having  
157 cognizance of matters relating to finance, revenue and bonding,  
158 appropriations, commerce and labor. Said report shall include  
159 available data, for the six-month period ending on the last day of the  
160 calendar month preceding such report, on (1) the number of small  
161 businesses that participated in the Subsidized Training and  
162 Employment program established pursuant to subsections (c) and (e)  
163 of this section, and the general categories of such businesses, (2) the  
164 number of small manufacturers that participated in the Subsidized  
165 Training and Employment program established pursuant to  
166 subsections (d) and (e) of this section, and the general categories of  
167 such manufacturers, (3) the number of individuals that received  
168 employment, and (4) the most recent estimate of the number of jobs  
169 created or maintained.

170 (g) The Labor Commissioner may adopt regulations in accordance  
171 with the provisions of chapter 54 to carry out the provisions of this  
172 section.

173 Sec. 2. Section 31-3uu of the general statutes is repealed and the  
174 following is substituted in lieu thereof (*Effective October 1, 2015*):

175 (a) For purposes of this section:

176 (1) "Department" means the Labor Department;

177 (2) "Eligible business" means a business that (A) has operations in  
178 Connecticut, (B) has been registered to conduct business for not less  
179 than twelve months, and (C) is in good standing with the payment of  
180 all state and local taxes. "Eligible business" does not include the state or  
181 any political subdivision thereof;

182 (3) "Control", with respect to a corporation, means ownership,  
183 directly or indirectly, of stock possessing fifty per cent or more of the  
184 total combined voting power of all classes of the stock of such  
185 corporation entitled to vote. "Control", with respect to a trust, means  
186 ownership, directly or indirectly, of fifty per cent or more of the  
187 beneficial interest in the principal or income of such trust. The  
188 ownership of stock in a corporation, of a capital or profits interest in a  
189 partnership, limited liability company or association or of a beneficial  
190 interest in a trust shall be determined in accordance with the rules for  
191 constructive ownership of stock provided in Section 267(c) of the  
192 Internal Revenue Code of 1986, or any subsequent corresponding  
193 internal revenue code of the United States, as from time to time  
194 amended, other than paragraph (3) of said Section 267(c);

195 (4) "Related person" means (A) a corporation, limited liability  
196 company, partnership, association or trust controlled by an eligible  
197 business, (B) an individual, corporation, limited liability company,  
198 partnership, association or trust that is in control of an eligible  
199 business, (C) a corporation, limited liability company, partnership,  
200 association or trust controlled by an individual, corporation, limited  
201 liability company, partnership, association or trust that is in control of  
202 an eligible business, or (D) a member of the same controlled group as  
203 an eligible business;

204 (5) "New employee" means a person who (A) was unemployed prior  
205 to employment with an eligible business, regardless of whether such  
206 person collected unemployment compensation benefits as a result of  
207 such unemployment, and (B) was a member of the armed forces and  
208 was honorably discharged after not less than ninety days of service,  
209 unless such person was separated from service earlier because of a

210 service-connected disability rated by the Veterans' Administration.  
211 "New employee" does not include a person who was employed in this  
212 state by a related person of such eligible business during any of the  
213 twelve months prior to employment with the eligible business;

214 (6) "On-the-job training" means training provided by an eligible  
215 business on such business' premise; and

216 (7) "Armed Forces" means the United States Army, Navy, Marine  
217 Corps, Coast Guard and Air Force and any reserve component thereof,  
218 including a state National Guard performing duty as provided in Title  
219 32 of the United States Code.

220 (b) (1) There is established within the Labor Department an  
221 Unemployed Armed Forces Member Subsidized Training and  
222 Employment program for eligible businesses. Said program shall  
223 provide grants to eligible businesses to subsidize, for the first one  
224 hundred eighty calendar days after a new employee is hired, part of  
225 the cost of on-the-job training and compensation for such new  
226 employee, in accordance with subsection (c) of this section. No  
227 business receiving a grant under this section with respect to a new  
228 employee may receive a second grant under this section or a grant  
229 under section 31-3pp, as amended by this act, with respect to the same  
230 new employee.

231 (2) At the discretion of the Labor Commissioner, the department  
232 may use up to four per cent of any funds allocated pursuant to section  
233 31-3vv for the purpose of retaining outside consultants or the  
234 Workforce Investment Boards to operate the Unemployed Armed  
235 Forces Member Subsidized Training and Employment program, and to  
236 provide transportation to and from the workplace, if needed, for an  
237 employee for whom a grant was awarded under subsection (c) of this  
238 section. The department shall monitor, in a manner prescribed by the  
239 commissioner, such outside consultants or Workforce Investment  
240 Boards that operate the Unemployed Armed Forces Member  
241 Subsidized Training and Employment program.

242 (3) [In fiscal year 2013] At the discretion of the Labor Commissioner,  
243 the department may use up to four per cent of any funds allocated  
244 pursuant to section 31-3vv in [said] any fiscal year for the purpose of  
245 the marketing and operation of the Unemployed Armed Forces  
246 Member Subsidized Training and Employment program, and the  
247 monitoring of the outside consultants or Workforce Investment Boards  
248 retained pursuant to subdivision (2) of this subsection.

249 (c) (1) An eligible business may apply to the department for a grant  
250 to subsidize on-the-job training and compensation for a new employee  
251 hired by such business. The Labor Commissioner, or said  
252 commissioner's designee, shall review and approve such business'  
253 description of the proposed on-the-job training as part of the grant  
254 application. No eligible business shall be eligible for a grant under this  
255 section for a new employee if such new employee is hired to replace a  
256 worker who (A) is currently employed by such eligible business, or (B)  
257 was terminated by such eligible business, unless such eligible business  
258 demonstrates just cause for such replacement or termination, if  
259 applicable.

260 (2) A grant awarded to an eligible business pursuant to this  
261 subsection shall be in the following amount: (A) For the first thirty  
262 calendar days a new employee is employed, one hundred per cent of  
263 the wage of such new employee, exclusive of any benefits, not to  
264 exceed twenty dollars per hour; (B) for the thirty-first to ninetieth,  
265 inclusive, calendar days, seventy-five per cent of such amount; (C) for  
266 the ninety-first to one hundred fiftieth, inclusive, calendar days, fifty  
267 per cent of such amount; and (D) for the one hundred fifty-first to one  
268 hundred eightieth, inclusive, calendar days, twenty-five per cent of  
269 such amount. A grant shall be cancelled as of the date the new  
270 employee leaves employment with the eligible business.

271 (d) Not later than July 15, 2013, and annually thereafter, and January  
272 15, 2014, and annually thereafter, the Labor Commissioner shall  
273 provide a report, in accordance with the provisions of section 11-4a, to  
274 the joint standing committees of the General Assembly having

275 cognizance of matters relating to finance, revenue and bonding,  
276 appropriations, commerce, veterans and labor. Said report shall  
277 include available data, for the six-month period ending on the last day  
278 of the calendar month preceding such report, on (1) the number of  
279 businesses that participated in the Unemployed Armed Forces  
280 Member Subsidized Training and Employment program established  
281 pursuant to subsection (b) of this section, and the general categories of  
282 such businesses, and (2) the number of individuals that received  
283 employment under said program.

284 (e) The Labor Commissioner may adopt regulations in accordance  
285 with the provisions of chapter 54 to carry out the provisions of this  
286 section.

287 Sec. 3. Subsection (b) of section 31-58 of the general statutes is  
288 repealed and the following is substituted in lieu thereof (*Effective from*  
289 *passage*):

290 (b) "Fair wage" means a wage fairly and reasonably commensurate  
291 with the value of a particular service or class of service rendered, and,  
292 in establishing a minimum fair wage for such service or class of service  
293 under this part, the commissioner, [and the wage board,] without  
294 being bound by any technical rules of evidence or procedure, (1) may  
295 take into account all relevant circumstances affecting the value of the  
296 services rendered, including hours and conditions of employment  
297 affecting the health, safety and general well-being of the workers, (2)  
298 may be guided by such considerations as would guide a court in a suit  
299 for the reasonable value of services rendered where services are  
300 rendered at the request of an employer without contract as to the  
301 amount of the wage to be paid, and (3) may consider the wages,  
302 including overtime or premium rates, paid in the state for work of like  
303 or comparable character by employers who voluntarily maintain  
304 minimum fair wage standards;

305 Sec. 4. Subsection (e) of section 51-197a of the general statutes is  
306 repealed and the following is substituted in lieu thereof (*Effective from*  
307 *passage*):

308 (e) Except as otherwise provided in sections 2-40, 2-42, 7-143, 7-230,  
 309 8-8, 8-9, 8-132, 8-132a, 10-153e, 12-4, 13a-76, [31-63,] 31-109, 31-118, 31-  
 310 249b, 31-272, 31-301b, 31-301c, 31-324, 31-491, 31-493, 38a-470, 46a-94,  
 311 46a-95, 46b-142, 46b-143, 46b-150c, 51-1a, 51-14, 51-49, 51-50j, 51-164x,  
 312 51-165, 51-197a, 51-197b, 51-197c, 51-197e, 51-197f, 51-199, 51-201, 51-  
 313 202, 51-203, 51-209, 51-210, 51-211, 51-213, 51-215a, 51-216a, 52-235, 52-  
 314 257, 52-259, 52-263, 52-267, 52-405, 52-434, 52-434a, 52-470, 52-476, 52-  
 315 477, 52-592, 54-63g, 54-95, 54-96, 54-96a, 54-96b and 54-143, all  
 316 jurisdiction conferred upon and exercised by the appellate session  
 317 prior to July 1, 1983, of the Superior Court shall be transferred to the  
 318 Appellate Court.

319 Sec. 5. Section 31-63 of the general statutes is repealed. (*Effective from*  
 320 *passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2015</i>	31-3pp
Sec. 2	<i>October 1, 2015</i>	31-3uu
Sec. 3	<i>from passage</i>	31-58(b)
Sec. 4	<i>from passage</i>	51-197a(e)
Sec. 5	<i>from passage</i>	Repealer section

**LAB**      *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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### **OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

### **Explanation**

The bill makes a number of technical and substantive changes to the Subsidized Training and Employment (STEP) and the Unemployed Armed Forces Member STEP programs. This does not result in any fiscal impact to the state or municipalities as the program is funded through bonding and the bill does not authorize any additional bond funding.

### **Background**

As of March 2015, there is \$1.3 million and \$5 million in unallocated bond funding available for the STEP and Unemployed Armed Forces Member STEP programs, respectively.

To date, \$23.7 million and \$5 million in bond funds have been allotted for the STEP and Unemployed Armed Forces Member STEP programs, respectively.

### **The Out Years**

**State Impact:** None

**Municipal Impact:** None

*Sources: Department of Labor Step Up Program Reports*

**OLR Bill Analysis****HB 6871*****AN ACT CONCERNING MINOR AND CLARIFYING CHANGES TO THE SUBSIDIZED TRAINING AND EMPLOYMENT PROGRAM AND OTHER STATUTES AFFECTING THE LABOR DEPARTMENT.*****SUMMARY:**

This bill makes several changes in the Subsidized Training and Employment Program (STEP) and the Unemployed Armed Forces Member STEP. By law, these programs provide grants to qualifying businesses and manufacturers to help offset the cost of training and compensating eligible new employees and unemployed veterans during their first 180 days on the job.

The bill:

1. prohibits eligible businesses and manufacturers from receiving STEP grants for new employees hired to replace workers they (a) currently employ or (b) terminated, unless they demonstrate just cause for replacing or terminating the workers;
2. (a) requires the Department of Labor (DOL) to monitor, as its commissioner prescribes, the outside consultants or Workforce Investment Boards (WIB) it retains to run the programs and (b) allows it to pay for the monitoring with the funds set aside for covering STEP's marketing and operations costs;
3. allows DOL to use certain funds set aside for the Unemployed Armed Forces Member STEP's administrative costs to cover transportation costs for eligible employees;
4. renames the STEP "new apprentice" program as the "preapprentice program" and limits the eligible employees for which businesses may receive the grants; and

5. specifies that the state and its political subdivisions do not qualify for STEP grants.

The bill also eliminates obsolete provisions relating to the Fair Wage Board statute, which was repealed in 2013.

EFFECTIVE DATE: October 1, 2015, except for the provisions eliminating obsolete statutes, which are effective upon passage.

#### **USE OF STEP FUNDS ALLOCATED FOR ADMINISTRATIVE COSTS**

Current law allowed DOL, in FY 13, to use up to 4% of funds allocated for STEP and the Unemployed Armed Forces Member STEP to cover the programs' marketing and operations costs. The bill allows DOL to use the funds, at the commissioner's discretion, (1) in any fiscal year and (2) to cover the cost of monitoring the outside consultants or WIBs it retains to run the programs.

The law establishes separate 4% set-asides DOL may use to pay the outside consultants or WIBs running the programs. Under the bill, DOL may use such funds set aside under the Unemployed Armed Forces Member STEP to cover the transportation costs for eligible veterans for whom businesses are receiving a STEP grant.

#### **STEP PREAPPRENTICE PROGRAM**

PA 14-38 created a "new apprentice" grant program under STEP to subsidize on-the-job training costs incurred by small businesses and manufacturers that hire high school and college students. The bill requires that the students be (1) age 18 or younger and (2) employed under a written agreement with an apprenticeship program sponsor for a training and employment period of up to 2,000 hours or 24 months. It also replaces the term "new apprentice" with "preapprentice."

By law, the apprentice must be a student at a public or private high school, preparatory school, or institution of higher education, but not be employed (1) in Connecticut by a relative at an eligible small business during the previous 12 months or (2) on a temporary or

seasonal basis by a retailer that sells goods primarily used for personal, family, or household purposes.

## **BACKGROUND**

### ***Businesses Qualifying for STEP and Unemployed Armed Forces Member STEP***

STEP and the Unemployed Armed Forces Member STEP are open to different types of businesses. STEP is open to small businesses and manufacturers that (1) employed 100 or fewer people during at least half of their working days in the prior 12 months, (2) have operations in Connecticut, (3) have been registered to do business in Connecticut for at least 12 months, and (4) are current on all state and local taxes. The Unemployed Armed Forces Member STEP is open to businesses of any size that meet the other eligibility criteria.

### ***WIBs***

The state's five WIBs are responsible for oversight, strategic planning, and policymaking related to workforce development activities provided through local One-Stop CTWorks Career Centers.

## **COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable

Yea 13    Nay 0    (03/12/2015)