

2.24.15

Dear Senator Winfield, Representative Tercyak, Senator Hwang, Representative Rutigliano, and members of the labor and public employees committee,

We are writing this letter in support of the unemployment compensation reforms found in HB 5851. Further, we urge you to incorporate these reforms in any unemployment compensation bill favorably reported from this committee.

To cover unemployment costs stemming from the recession, Connecticut borrowed \$1 billion in federal money—a debt that is solely the obligation of Connecticut businesses, and is not projected to be repaid until 2017.

For each year a state has not repaid its debt, the federal unemployment tax (FUTA) goes up by .3%. That means even businesses that never laid off a single employee during the recession have seen their unemployment taxes go up in the last five years. Connecticut pays the highest FUTA taxes in the nation - more than three times what the vast majority of states pay.

A healthy unemployment trust fund is in the interest of both employers and employees, but achieving solvency should not involve increasing state unemployment taxes on businesses. Our neighboring states take in similar amounts of unemployment tax revenue, yet every one of them either borrowed from the federal government during the recession later than Connecticut or has already repaid their debt. A lack of revenue is not the problem because despite taxes similar to Connecticut's, our neighboring states' unemployment trust funds were in better shape than our before the recession even started.

Why?

Our neighboring made choices in the past that embraced simple benefit reforms that make a big difference. Connecticut can no longer ignore these choices. For example:

- 1. Require claimants to wait a week before receiving unemployment benefits.** The federal government provides financial incentives for states to adopt a waiting week. Forty-one states have this requirement; Connecticut does not. Our Labor Department estimates this would save businesses \$30 million a year.
- 2. Raise the minimum earnings to qualify for unemployment benefits to \$2,000.** An unemployment claimant in Connecticut need only earn \$600 to qualify for benefits. This is the fourth lowest earnings requirement in the U.S. Thirty-two states/territories require between \$2,000 and \$5,000 in earnings.
- 3. Require claimants to post their resume online as a condition to receiving benefits after six consecutive weeks.** Rhode Island recently instituted this reform, which was already a requirement in Alaska, Hawaii, and Wisconsin. Studies show this type of requirement gets unemployed individuals back to work an average of one week faster.
- 4. Base benefits on an employee's annual salary, rather than two highest quarters, to avoid unfairly rewarding seasonal workers.** Unemployment benefits are based on earnings in the two highest of the last four calendar quarters. This creates inequities, as a seasonal worker making \$30,000 over two quarters has the same benefits as a full-year employee earning \$60,000 a year. This is why sixteen states base unemployment benefits off of a full year's salary.

5. Freeze the maximum weekly benefit rate for three years. The maximum benefit rate is allowed to increase by \$18 every year. By freezing this for three years, the Labor Department projects we could save Connecticut employers as much as \$10 million per year over the next 10 years.

We have attached language that incorporates these five reforms for the committee's use.

While the recession is technically over for most people, the financial impact of the unemployment compensation system is ongoing for Connecticut businesses. Enacting the reforms found in HB 5851 will provide a much-needed stimulus to Connecticut businesses, especially small businesses, using their own money and without impacting the state's budget.

Please support the reforms found in HB 5851.

The Association of Community Pharmacies
The Builders Association of Eastern Connecticut
The Connecticut Associated Builders & Contractors, Inc.
The Connecticut Bankers' Association
The Connecticut Business & Industry Association (CBIA)
The Connecticut Coalition Of Property Owners
The Connecticut Council of Small Towns (COST)
The Connecticut Food Association
The Connecticut Restaurant Association
The Connecticut Retail Merchants' Association (CRMA)
The East of The River Chambers of Commerce Association (ERCCA)
The Greater Danbury Chamber of Commerce
The Greater New Haven Chamber of Commerce
The Home Builders & Remodelers Association of Connecticut
The Home Builders & Remodelers Association of Central Connecticut
The Home Builders & Remodelers Association of Fairfield County
The Home Builders Association of Northwest Connecticut
The Lumber Dealers' Association of Connecticut
The Metro Hartford Alliance
The Milford Chamber of Commerce
The Motor Transport Association of Connecticut (MTAC)
The National Federation of Independent Business (NFIB)
The Northwest Chamber of Commerce
The Waterbury Regional Chamber of Commerce