



**State of Connecticut**  
HOUSE REPUBLICAN OFFICE  
STATE CAPITOL  
HARTFORD, CONNECTICUT 06106-1591

**Testimony in Support of  
House Bill Number 5861  
House Bill Number 5872  
House Bill Number 5873  
House bill Number 5874**

**Labor Committee  
February 24, 2015**

Chairmen Tercyak and Holder-Winfield, Ranking Members Rutigliano and Hwang and Members of the Labor Committee, the House Republican Caucus would like to thank the Committee for raising **House Bill Number 5861: An Act Concerning the Labor Department and Overpayments of Unemployment Compensation Benefits; House Bill Number 5872: An Act Concerning Monthly Appearances at the Unemployment Office; House Bill Number 5873: An Act Concerning the State Information Data Exchange System; and House Bill Number 5874: An Act Preventing the Labor Department From Unilaterally Instituting Unemployment Tax Increases.**

These bills are important House Republican proposals to help prevent fraud in the unemployment compensation system, as well as to require legislative oversight whenever the Labor Department makes decisions about unemployment tax rate increases.

**House Bill Number 5872: An Act Concerning Monthly Appearances at the Unemployment Office**

Our state's unemployment rate continues to exceed the national average and as we 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, and to prevent folks who don't qualify for benefits from receiving them.

Under current law, folks have only to complete an electronic questionnaire of seven eligibility questions in order to continue to receive unemployment benefits. Among other things, they must certify that they have not yet found work, that they are ready and willing to work, and that they continue to actively look for work. This questionnaire can be completed online or over the phone and, while not anonymous, both methods are faceless and subject to fraud or misrepresentation. One of the most effective ways to insure that applicants for continued unemployment benefits are actually still eligible is to require them to appear occasionally in person at an unemployment office.

House Bill 5872 does exactly that. It requires individuals who file weekly continued claims for unemployment benefits to appear in person at a state unemployment office at least once per month in order to continue to receive benefits. It's much easier to mislead or otherwise attempt fraud when you can be "invisible." Requiring a face-to-face meeting would at the very least cause a person to pause and consider more seriously the consequences of applying for benefits for which they are no longer qualified.

#### **House Bill Number 5873: An Act Concerning the State Information Data Exchange System**

One common source of fraud in the unemployment compensation system occurs when applicants are overpaid benefits because they have misrepresented their employment status. While the opportunity for such misrepresentation would be addressed by our previous proposal, we should also be doing all we can as a state to prevent such overpayments from happening. One of the biggest reasons DOL allows overpayments to occur is that our state doesn't always know when a beneficiary is actually employed in another state, and a big reason for that is that Connecticut does not fully participate in the State Information Data Exchange System (SIDES). The SIDES allows for the exchange of separation-from-work and earnings verification information among states and use of this system will go a long way toward preventing overpayments. While Connecticut has decided to participate in the separation information exchange, it still has no plans to participate in the earnings verification exchange. Connecticut should take full advantage of all that the SIDES has to offer. By doing so, we can further reduce the possibility of unemployment fraud and increase the efficiency of our state's unemployment compensation system.

#### **House Bill Number 5861: An Act Concerning the Labor Department and Overpayments of Unemployment Compensation Benefits**

While full participation in SIDES would go a long way toward addressing overpayment issues, at the end of the day, we really don't know what we don't know. House Bill 5861 requires the DOL to review its current system for awarding unemployment compensation benefits to reduce the risk of overpayments and to verify the accuracy of the benefits awarded. Based on what the Department finds as a result of the review required by this bill, we may discover additional ways we can do a better job of making sure our limited unemployment fund resources are going to the folks that need them most.

## House Bill Number 5874: An Act Preventing the Labor Department From Unilaterally Instituting Unemployment Tax Increases

This bill is in response to a decision by the Department of Labor to decline a federal waiver from an additional unemployment tax imposed on our state's businesses. As a result, Connecticut businesses are now paying the highest unemployment tax rates in the country.

Unemployment taxes are paid by businesses and put into our state's unemployment compensation trust fund. We then use that fund to pay for unemployment (UIC) benefits. Our state's fund went broke in 2009. Consequently, the state had to borrow over \$1 billion from the federal government to continue paying UIC benefits. Since the state failed to repay this FUTA loan within the 2 year grace period, employers in our state were saddled with a higher UIC tax rate. This "special assessment" began in August 2011 and represented a tax rate increase of .3% (approx. \$21 increase per employee). Since 2011, the effective tax rate has increased by an additional .3% each year resulting in a 1.5% rate for the 2013 tax year. So, while our employers would normally pay approximately \$42 per employee if our loan had been repaid on time (.6% rate), they paid an estimated \$105 per employee in 2013 (1.5% rate) and were already due to pay an estimated \$126 per employee for the 2014 tax year (1.8% rate).

Paying \$84 extra per employee due to the state's failure to repay its FUTA loan is bad enough. But in addition to this penalty, Connecticut employers now face an additional penalty. Since our FUTA loan has been outstanding for 5 years, it is now subject to a special "Benefit Cost Ratio" (BCR) add-on tax of .5% - or an additional \$35 per employee - for a total of a \$161 per employee. That's an additional \$119 that our state's employers will have to pay for every single person they employ, and all due to our state's failure to repay our federal loan in a timely manner.

However, we could have prevented the BCR add-on tax if our state had just applied for a waiver. Every other state in the same situation as ours applied for, and was granted, a waiver of the BCR tax. But our state's Department of Labor decided, unilaterally, not to apply for this waiver. Consequently, Connecticut's employers are the only employers in the country that have to pay this additional tax and are now paying the highest FUTA tax rate nationwide.

HB 5874 would prevent the Department from implementing such broad-based unemployment tax rate increases without first getting approval from the General Assembly. While it may be true that a waiver would have delayed the payoff of our loans, and thus cost our state's employers more in interest over the longer term, we should at least have the opportunity to fully debate such a decision. Just because you save interest costs by having a 15 year versus a 30 year mortgage doesn't mean you should automatically get the 15 year mortgage. You may not be able to afford the higher monthly payment. You certainly ought to be given the chance to evaluate the pros and cons and not have such an important decision made for you without your input.

Our proposal provides an opportunity for that input and oversight and would give our state's employers a chance to evaluate whether paying higher taxes now would truly be in their best long-term interest - or not.

I urge the Labor Committee to pass House Bill 5872, House Bill 5873, House Bill 5861, and House Bill 5874. Please allow the full General Assembly the opportunity to debate these issues and to pass legislation to insure that our state's unemployment benefits system is free from fraud and that our state's businesses aren't subject to unemployment tax rate increases without legislative oversight.