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Testimony in Support of

HB 5851: An Act Concerning Unemployment Compensation Reform
HN 5874: An Act Preventing the Labor Department from Unilaterally Instituting Unemployment Tax Increases

Labor and Public Employees Committee
February 24, 2015

Senator Winfield, Representative Tercyak, Senator Hwang, Representative Rutigliano, and members of the Committee. Thank you for the opportunity to testify in support of legislation related to unemployment compensation.

In October 2009, Connecticut's Unemployment Trust Fund, which supplies required benefits payments to unemployed Connecticut workers, became insolvent. To continue meeting its obligations, the state borrowed about $1 billion from the US Department of Labor. Currently, the loan balance stands at around $400 million. As long as that loan is not paid off, federal unemployment taxes for employers increase. It is in the state's interest to keep the fund solvent and to ensure that employers are not burdened by additional expenses incurred when the fund is not managed well.

HB 5851

This bill introduces several reforms that have in many cases helped other states manage their unemployment trust funds. It proposes: 1) Requiring claimants to wait one week before receiving unemployment benefits, 2) Increasing the base period wages enabling someone to qualify for unemployment benefits to a minimum of $2,000, 3) Requiring claimants to post their resumes online for at least six weeks in order to receive benefits,

4) Basing benefits on an individual's annual salary rather than on the two highest quarters, and 5) Freezing the maximum weekly benefit rate for three years.

HB 5874

Last year, Connecticut became subject to an additional federal "Benefit Cost Ratio" (BCR) tax, because its Unemployment Trust Fund loan from the federal government was outstanding for more than five years. Seven other states and the Virgin Islands were in the same situation. They applied for a BCR waiver and got it. Connecticut's Department of Labor (DOL), however, chose not to apply. The result was a substantial increase to the federal unemployment tax paid by Connecticut employers, which is now the highest in the country. Employers had not only to add to their expenses, but also to do it at a time when they had already planned their budgets for the coming year.

HB 5874 does not address the DOL's decision. Rather, it addresses the DOL's ability to make it – essentially to impose a tax increase on employers -- without consulting the General Assembly. The bill would require the DOL to obtain legislative approval before making such decisions in the future, which I believe are properly left to the legislative branch.