

FACTS about

SB 100, LCO 1661 and the UI Trust Fund Solvency Issue

The UI Trust Fund has been insolvent since 2009. It is not insolvent because unemployment benefits are too generous.

Forty states replace a higher percentage of workers' average wages than Connecticut does.

The UI Trust Fund is insolvent because the wages on which UI taxes are assessed has not increased in 17 years. Our taxable wage base has been frozen at \$15,000 since 1999.

CT's taxable wage base would be \$21,800 if it had kept up with wage growth. Our fund would have weathered the Great Recession without having to borrow millions of dollars from the federal government, and employers wouldn't have had extra assessments or higher tax rates to repay the interest on the borrowed funds.

The solution is to fix, once and for all, the financing structure of the UI tax fund. The taxable wage base should be increased, and it should be indexed to wage growth so that our trust fund establishes a robust balance in economically vibrant years and can weather the next, inevitable, economic downturn.

Proposals like imposing a waiting week and four quarter earnings averaging, cut benefits but do nothing to fix the system.

A waiting week impoverishes families:

A waiting week means no money for a family at the outset of unemployment, immediately destabilizing family financial security. The DOL estimated that a waiting week would impact 91,500 workers. Many workers and families have no financial margin. Rent and utility bills may go unpaid, leading to a domino effect of eviction, shut offs, and loan defaults. A waiting week also takes money out of our state economy. UI is a highly effective stimulus for local economies because unemployed workers are most likely to spend benefits on essentials like housing, food and health care.

Four quarter averaging punishes workers with variable schedules:

Unemployment benefits are currently based on the highest two quarters of earnings in a base period. Business interests would change that to **four quarters**. This change would fall harshly on seasonal workers and workers whose earnings vary week to week or month to month, because their employers don't give them full-time or steady hours.

These low wage workers in our food, health care, and retail industries cannot afford a significant cut in their weekly unemployment benefit if they lose their jobs.

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