



Testimony of Eric W. Gjede
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Before the Committee on Labor and Public Employees
March 3, 2016

Testifying in support of HB 5367

AN ACT CONCERNING THE TOTAL UNEMPLOYMENT BENEFIT RATE AND AN ONLINE EMPLOYMENT EXCHANGE

Good afternoon Senator Gomes, Representative Tercyak, Senator Hwang, Representative Rutigliano and members of the Labor and Public Employees Committee. My name is Eric Gjede and I am assistant counsel at the Connecticut Business and Industry Association (CBIA), which represents more than 10,000 large and small companies throughout the state of Connecticut.

CBIA supports HB 5367.

Thank you for raising this bill to address the rising cost of unemployment taxes that have impacted every business in the state. This is exactly the type of courageous and necessary action you should be taking to provide relief to your constituents. The best part is these reforms have ZERO cost to the state.

As you know, the state had to borrow nearly \$1 billion from the federal government to maintain the solvency of the unemployment trust fund during the recession. The business community is solely responsible for paying this debt back. As a result of our remaining unpaid balance, the federal government has increased the interest businesses pay on these loans each year. Additionally, businesses have also been charged special assessments each summer in order to pay down the interest on the loan. Currently, Connecticut businesses pay four times the federal unemployment tax that businesses pay in Rhode Island, Massachusetts, or New York.

Why have businesses in these states been able to pay off their federal loans so quickly? States have a lot of discretion in the state unemployment tax rate (which is charged in addition to the federal tax) and the amount of benefits paid out. Our neighboring states take in virtually identical, and in most cases less, state unemployment taxes as Connecticut. Despite bringing in the same amount of revenue, they were able to retire federal debt far quicker and restore solvency to their unemployment trust funds. The reason is that they have adopted unemployment benefit reforms that Connecticut has long refused to adopt. For example:



- **Raising the minimum earnings to qualify** for unemployment benefits to \$2,000. Claimants in Connecticut need only earn \$600 in a year to qualify for benefits—the third lowest earnings requirement in the U.S. For

perspective, 32 states/territories require between \$2,000 and \$5,000 in earnings. The earnings requirement in Connecticut has not been raised since the statute went into effect in 1967.

- **Requiring claimants to post their resumes online** to receive benefits after six consecutive weeks of unemployment. Rhode Island recently instituted this reform which studies show gets the unemployed back to work faster. Connecticut's labor department already has an online resume listing portal in operation that can be utilized for this purpose.
- **Basing benefits on an employee's annual salary** rather than two highest quarters, to avoid inequitably rewarding seasonal workers. Sixteen states base employees' benefits on a full year's salary. Under current law, a seasonal worker in Connecticut earning \$30,00 over the course of two calendar quarters would get the same amount of unemployment benefits as a full time worker that earns \$60,000 over four quarters.
- **Freezing the maximum weekly benefit rate** for three years. The maximum benefit rate is allowed to increase by \$18 every year. Freezing this for three years could save as much as \$10 million per year.

Thank you for raising HB 5367. Connecticut needs to follow other states' lead on unemployment benefit reform if we are serious about preserving our unemployment compensation trust fund for future workers. The suggested reforms are not draconian cuts, they simply get Connecticut back on par with neighboring states. Adopting these measures will help return solvency to our unemployment trust fund and prevent heavy borrowing from the federal government during future recessionary periods.

