



**Public Hearing Testimony of  
Scott D. Jackson, Commissioner  
Department of Labor  
Labor and Public Employees Committee  
March 3, 2016**

Good Afternoon Senator Gomes, Representative Tercyak, Senator Hwang, Representative Rutigliano and members of the Labor and Public Employees Committee. Thank you for the opportunity to provide you with testimony regarding **House Bill No. 5367, AAC the Total Unemployment Benefit Rate and an Online Employment Exchange**. My name is Scott Jackson and I am the Commissioner of the Department of Labor.

I am here to speak in opposition to this bill. Any proposal addressing the unemployment insurance system should be reviewed in the context of a comprehensive reform package concerning both the eligibility for and the financing of unemployment insurance benefits as both components impact the ability to achieve solvency in the Unemployment Insurance Trust Fund. Regarding the specifics of this particular bill, portions of this bill contravene federal unemployment compensation requirements and would place Connecticut law out of conformity, with catastrophic results to the Department of Labor and the employer community. Other portions negatively impact the most vulnerable claimants by significantly increasing the threshold to qualify for benefits. Finally, the bill would place a huge administrative burden on the Department and would negatively impact ongoing information technology processes in the Department for a long time.

Section 1 of the bill proposes two changes to C.G.S. section 31-231a(b): changing the weekly benefit rate calculation from the two highest quarters to the average of the four quarters of the claimant's current benefit year's base period wages, and increasing the minimum weekly benefit rate from \$15 to \$50. The first proposed change would require the unemployed worker to establish earnings of \$5,200 combined in the current benefit year's base period in order to qualify for unemployment benefits. This is a dramatic change from the current eligibility standard of established earnings of \$600 combined in the current benefit year's base period, an approximate 866% increase in required earnings. Further, this change is specific to only one of the three rate calculations (omitting 'construction' and 'alternate' calculations), which creates undue hardship on a targeted unemployed worker classification. Therefore, the proposed bill will not achieve the desired outcome because if the unemployed worker is not eligible under the

'regular' calculation, then they might be eligible under the 'alternate' calculation. The lack of unemployment insurance accessibility also will negatively impact Connecticut businesses which benefits support, and any potential ineligibility provisions would impact social safety nets, such as programs administered under the Department of Social Services.

Moreover, having a different wage threshold for regular base periods and construction base periods (\$15 vs. \$50) would raise federal conformity and compliance issues. A state may not, consistent with Sections 3304(a)(4) of the Federal Unemployment Tax Act (FUTA) and section 303(a)(5) of the federal Social Security Act, condition eligibility for unemployment compensation benefits in the lower amounts (between \$15 and \$49) based on whether a claimant works in the construction industry. To do so would not condition the receipt of unemployment compensation on the fact or cause of the claimant's unemployment, but rather on whether he/she worked in a certain industry. What industry an individual performed services in while employed does not have a reasonable relationship to the fact or cause of the individual's current unemployment.

The consequences of being out of conformity and out of compliance are the possible loss of certification for tax credits for all employers liable for the FUTA tax and could result in the loss of federal administrative funding for DOL. The loss of certification for tax credits under FUTA could result in an additional cost of approximately \$500 million for Connecticut employers. The loss of federal administrative funding would be catastrophic for DOL, as the funding is approximately 60% of the Department's budget.

Section 1 of the bill proposes a third change to C.G.S. section 31-231a(b), freezing the maximum benefit rate for years 2016, 2017 and 2018. The proposal would not have an impact on DOL, but would negatively affect the unemployed worker. A Connecticut unemployed worker is dependent upon the unemployment insurance benefit, which typically replaces only 42% of what was earned prior to the employment separation. Not increasing the benefit rate on an annual review could potentially decrease the replacement amount that is desperately needed by claimants.

Section 2 of the bill proposes to amend C.G.S. 31-236(a) to require DOL to disqualify a claimant when he/she fails to post his/her resume on an online employment exchange. While this proposal is a noteworthy concept, this could present a conformity issue if it is deemed a permanent disqualification. To meet federal unemployment insurance law, an individual may be disqualified for any week in which the claimant fails to meet the reporting/resume requirement. Thus, once the claimant satisfies the reporting requirement by posting his/her resume, he/she must be paid benefits for the subsequent weeks if otherwise eligible.

Finally, to make any of the proposed changes put forth in the bill would require significant automation initiatives that would necessitate DOL having to abort most current and future automation efforts to address the modifications required. If it were to pass, additional funding would be necessary to implement the information technology modifications and to administer the new requirements.

Thank you for the opportunity to provide this testimony. I am available to answer any questions you may have.