



Testimony of Eric W. Gjede
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Before the Committee on Labor and Public Employees
Hartford, CT
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Testifying on SB 221 AAC Paid Family Medical Leave

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 opposes SB 221.

CBIA is not opposed to employers voluntarily adopting paid family and medical leave programs that are affordable and work for both the employer and employees. We are, however, opposed to the type of inflexible state mandate proposed in SB 221.

As many state rankings have shown, operating a business in Connecticut is often more costly than running the same business in other states. With each additional workplace mandate we adopt, the cost separation between Connecticut and other states increases. Despite claims to the contrary, this new mandate is not good for business. This tilts the playing field against Connecticut businesses to other states - typically ones that are not forcing such mandates on their businesses. This is why more than 70 of Connecticut's leading business organizations and chambers of commerce sent lawmakers a letter this past January urging rejection of this very concept. I have attached a copy of the letter to this testimony.

The one-size-fits-all mandate found in SB 221 is not practical in the modern workplace. Fewer and fewer employees work traditional workweeks. Many businesses are already offering flexible work hours or options like telecommuting. These developments, which are growing popular with employers and employees alike, are happening organically - not by government fiat. In fact, according to a recent CBIA survey, 54% of our membership has added additional flexibility to their leave policies in the last five years to accommodate employees. The business community is already moving in the direction of more workplace flexibility.

CBIA is also opposed to this bill because of the massive cost - particularly Connecticut's smallest businesses.

SB 221 is costly for employees that are forced to contribute a portion of their paycheck to this program. As the Hartford Courant recently reported, even the proponents do not know how much of an employee's paycheck will need to be confiscated by the state to support this unsustainable mandate. One advocate argued only .5% would be needed - which is absurd. That would mean an employee earning \$52,000 a year would need only contribute \$260 a year to the program, yet would be able to collect \$12,000 each year. At this rate, this program will be financially unsustainable from the day its implemented.

This program is costly for employers because it requires them to maintain a job for an employee that is absent up to 12 weeks each year, as well as continue to pay for that employee's expensive non-wage benefits. For most small businesses, it is financially impossible to do what this bill asks of them.

This program will also be extremely costly for taxpayers. It is inappropriate to compare the proposal in SB 221 and the TDI programs offered in Rhode Island, New Jersey, and California. These are apples to oranges comparisons – especially since those programs are considerably more limited and have been on the books in those states for more than 60 years. Even still, these programs are not ones Connecticut should aspire to adopt. In her February 2nd, 2016 budget address, Rhode Island Governor Gina M. Raimondo noted that to make it easier to do business in her state, lawmakers need to "target waste and fraud, especially in our TDI system".

The only true cost comparison is the program that was abandoned in the state of Washington. A less expansive program in Washington carried a price tag of \$235 million per biennium in administrative costs. If enacted in Connecticut, SB 221 would require the state to hire a significant number of new state employees to run this new program. Under federal law, the current staff at the labor department cannot administer this program because they receive federal dollars to solely administer the unemployment program. This bill requires the department to make determinations about employee eligibility for the program, review documents relating to eligibility, develop and implement a public education campaign, hold hearings on complaints by those participating in the program, and investigate fraudulent activities by participants. These are the exact same responsibilities required to run the unemployment compensation trust fund - which requires hundreds of state employees. It is unclear if any existing state building can accommodate this many new state employees.

Washington State Fiscal Note on Paid FMLA

Bill Number: 1457 S HB	Title: Family & med leave insurance	Agency: 540-Employment Security Department			
Part I: Estimates <input type="checkbox"/> No Fiscal Impact					
Estimated Cash Receipts to:					
ACCOUNT	FY 2014	FY 2015	2013-15	2015-17	2017-19
Family Medical Leave Enforcement Account-State 10W-1 Total \$		337,450,807	337,450,807	1,219,317,082	1,399,275,318
Estimated Expenditures from:					
	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	25.7	35.9	30.8	120.9	139.6
ACCOUNT					
Family Medical Leave Enforcement Account-State 10W-1 Total \$	8,542,000	113,945,330	122,467,330	905,460,670	1,164,247,000

State administration costs \$235 million

Source: Washington State Employment Security Division; 1457 S HB Family & Medical Leave Insurance (2013)

Further, the department of labor fully admits they do not have the IT infrastructure to run this program. This program will need to be able to access and protect every claimant's protected health information as well - opening the state up to additional liability for data breaches.

I've attached a comparison chart between the proposed Connecticut program and the Washington state program. I've also cited to the fiscal note on the Washington proposal in order to provide the committee with a better understanding of the true cost of this massive new government program.

We urge you to reject the mandate found in SB 221, and to pursue policies that will incentivize businesses to continue adopting their own innovative paid leave programs.

PROGRAM ASPECTS	WASHINGTON LAW	CONNECTICUT'S SB 221	NOTES
Reasons for paid leave	1. Pregnancy or the birth or adoption of a child <i>Failed 2013 legislation would have added:</i> 2. A non-work related illness or injury 3. The need to care for a family member with a serious health condition	1. Pregnancy or the birth or adoption of a child 2. A non-work related illness or injury 3. The need to care for a family member with a serious health condition	Connecticut's proposal is more expansive
Definition of family member	Does not apply to 2007 law (<i>Failed 2013 legislation would have included spouses, domestic partners, and parents.</i>)	Includes spouses, parents (defined as biological, foster, adoptive, step parent, anyone who served in loco parentis, and parent in laws), siblings, grandparents, grandchildren, and next of kin	Connecticut's proposal is more expansive
Maximum length of paid leave	Five weeks (<i>Failed 2013 legislation would have increased this to 12 weeks.</i>)	Twelve weeks per calendar year	Connecticut's proposal is more expansive
Minimum amount of paid leave time	Eight hours	Eight hours over the course of a week	Connecticut's proposal more difficult for employer to administer
Employee eligibility requirements	1. Must establish a qualifying year (have worked 4 out of 5 quarters prior to leave application) 2. Must have been employed at least 680 hours in the qualifying year	Employee must have earned at least \$9,300 in a 12-month base period with one or more employers	Connecticut's proposal is more expansive, potentially allowing employees to use leave without working a single hour with a new employer
Size of employer covered	All employers; self-employed can opt in	Employers with two or more employees; self-employed can opt in	
Benefit amount	\$250/week for individuals working 35+ hours a week, pro-rated for part-time workers (<i>Failed 2013 legislation would have increased this to a maximum of \$1,000 per week.</i>)	100% of an employee's average weekly earnings, up to a maximum of \$1,000 per week	
Department administering program	Employment Security Department (administers the state's UI program)	Labor Department (administers the state's UI program)	
Approximate # of employees in state	3,273,300 (July 2014)	1,749,300 (July 2014)	
Estimated cost to implement	Increases contained in failed 2013 legislation would have cost \$235 million¹ per biennium	Undetermined	

¹ Fiscal note to Washington bill 1457 S HB, Family & Medical Leave Insurance (2013)