House of Representatives

General Assembly **File No. 258**

January Session, 2017 Substitute House Bill No. 6461

House of Representatives, March 28, 2017

The Committee on Labor and Public Employees reported through REP. PORTER of the 94th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING UNEMPLOYMENT COMPENSATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 31-231a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) For a construction worker identified pursuant to regulations adopted in accordance with subsection (c) of this section, the total unemployment benefit rate for the individual's benefit year commencing on or after April 1, 1996, shall be an amount equal to one twenty-sixth, rounded to the next lower dollar, of his or her total wages paid during that quarter of his or her current benefit year's base period in which wages were the highest but not less than fifteen dollars, and commencing on or after October 1, 2017, shall be an amount equal to one twenty-sixth, rounded to the next lower dollar, of the average of his or her total wages, as defined in section 31-222, paid during the three quarters of his or her current benefit year's base period in which wages were the highest but not less than fifty dollars nor more than the maximum benefit rate as provided in subsection (b) of this section.

(b) For an individual not included in subsection (a) of this section, the individual's total unemployment benefit rate for his or her benefit year commencing after September 30, 1967, shall be an amount equal to one twenty-sixth, rounded to the next lower dollar, of the average of his or her total wages, as defined in subdivision (1) of subsection (b) of section 31-222, paid during the two quarters of his or her current benefit year's base period in which such wages were highest but not less than fifteen dollars, and commencing on or after October 1, 2017, shall be an amount equal to one twenty-sixth, rounded to the next lower dollar, of the average of his or her current total wages, as defined in section 31-222, paid during the three quarters of his or her current benefit year's base period in which wages were the highest but not less than fifty dollars nor more than one hundred fifty-six dollars in any benefit year commencing on or after the first Sunday in July, 1982, nor more than sixty per cent rounded to the next lower dollar of the average wage of production and related workers in the state in any benefit year commencing on or after the first Sunday in October, 1983, and provided the maximum benefit rate in any benefit year commencing on or after the first Sunday in October, 1988, shall not increase more than eighteen dollars in any benefit year, such increase to be effective as of the first Sunday in October of such year, and further provided the maximum benefit rate shall not increase in any benefit year commencing on or after the first Sunday in October, 2017, if the balance in the Unemployment Trust Fund results in an average high cost multiple that is less than 0.7, as calculated pursuant to subsection (f) of section 31-225a. The average wage of production and related workers in the state shall be determined by the administrator, on or before August fifteenth annually, as of the year ended the previous June thirtieth to be effective during the benefit year commencing on or after the first Sunday of the following October and shall be so determined in accordance with the standards for the determination of average production wages established by the United States Department of Labor, Bureau of Labor Statistics.

(c) The administrator shall adopt regulations pursuant to the provisions of chapter 54 to implement the provisions of this section.

Such regulations shall specify the National Council on Compensation Insurance employee classification codes which identify construction workers covered by subsection (a) of this section and specify the manner and format in which employers shall report the identification of such workers to the administrator.

Sec. 2. Subdivision (4) of subsection (a) of section 31-236 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(4) During any week with respect to which the individual has received or is about to receive remuneration in the form of (A) wages in lieu of notice or dismissal payments, including severance or separation payment by an employer to an employee beyond the employee's wages upon termination of the employment relationship, **[**unless the employee was required to waive or forfeit a right or claim independently established by statute or common law, against the employer as a condition of receiving the payment,**]** or any payment by way of compensation for loss of wages, or any other state or federal unemployment benefits, except mustering out pay, terminal leave pay or any allowance or compensation granted by the United States under an Act of Congress to an ex-serviceperson in recognition of the ex-serviceperson's former military service, or any service-connected pay or compensation earned by an ex-serviceperson paid before or after separation or discharge from active military service, or (B) compensation for temporary disability under any workers' compensation law;

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2017*	31-231a
Sec. 2	*October 1, 2017*	31-236(a)(4)

LAB *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $
Labor Dept.[1]	UCF - Savings	Up to 113.8 million	Up to 151.7 million
Labor Dept.	Employment Security Administration Fund - Cost	Up to 2.1 million	None
State Comptroller - Fringe Benefits	Various - Savings	Potential	Potential

Note: UCF=Unemployment Compensation Fund; Various=Various

Municipal Impact:

Municipalities	Effect	FY 18 $	FY 19 $
Various Municipalities	Savings	Potential	Potential

Explanation

The bill makes various unemployment benefits-related changes which result in an estimated savings to the Unemployment Compensation Fund (UCF) of up to $113.8 million in FY 18 and up to $151.7 million in FY 19, as well as a one-time cost of up to $2.1 million to the Department of Labor's (DOL) Employment Security Administration Fund (ESAF) in FY 18.

Modifying the unemployment benefit calculation based on average

[1] The fringe benefit costs for employees funded out of other appropriated funds are budgeted within the fringe benefit account of those funds, as opposed to the fringe benefit accounts within the Office of the State Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes for other appropriated fund employees is 86.67% of payroll in FY 18 and FY 19.

wages over three quarters for all workers results in an estimated annualized savings of up to $70 million to the UCF.[2]

Increasing, from $600 to $2,000, the minimum base period earnings required to qualify for unemployment benefits results in an estimated annualized savings of up to $1.2 million to the UCF. Based on unemployment claims data from 2016, it is estimated that this change would disqualify up to 3,000 claimants that are currently eligible.

Freezing the maximum unemployment benefit at the current value of $616 until the average high cost multiple (ACHM) of the UCF is at least 0.7 results in an estimated annualized savings of $21.5 million. This estimate assumes the ACHM will remain below 0.7 through at least 2025.

Expanding the circumstances under which a claimant is prohibited from receiving unemployment benefits concurrently with severance pay results in an estimated annualized savings of up to $59 million. This is based on the number of dismissal pay issues adjudicated by the DOL in 2016.

It is anticipated that implementing the benefits changes under the bill's provisions would also result in a one-time cost up to $2.1 million in FY 18 ($1.1 million for salary and $1.0 million for fringe costs) to the ESAF associated with business plan development, implementation/testing, and information technology programming.[3]

To the extent the bill’s provisions result in lower unemployment benefits paid to claimants, there is a potential savings to the state and

[2] It is possible that some claimants would be eligible for unemployment benefits under an alternate wage calculation. Thus, the savings estimate represents a maximum impact to the UCF.

[3] It should be noted that the ESAF is federally funded; however, receipt of funding is contingent upon federal approval. To the extent that federal funding is not approved, this cost would be borne by the agency's General Fund budget.

municipalities as reimbursing employers.[4]

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Labor Department Unemployment Division Statistics

[4] Reimbursing employers are billed by DOL for the actual amount of benefits paid to former employees collecting unemployment; this option is only available to the state, municipalities, Native American tribes, and non-profits.

OLR Bill Analysis
sHB 6461

AN ACT CONCERNING UNEMPLOYMENT COMPENSATION.

SUMMARY

This bill makes several changes to unemployment benefits and how they are calculated. It:

1. requires benefits to be based on a claimant's average quarterly wages over their three highest earning quarters (which potentially decreases benefits for some claimants);

2. increases the minimum weekly benefit from $15 to $50;

3. increases the minimum base period earnings required to qualify for the minimum benefit from $600 to $2,000; and

4. prohibits annual increases in the maximum weekly benefit if the unemployment trust fund holds less than 70% of the amount needed to provide one year of benefits at a recession level payout rate.

Current law generally prohibits claimants from receiving benefits during any week for which they received severance pay but makes an exception if, as a condition for receiving the severance pay, a claimant was required to forfeit a right or claim against an employer. The bill eliminates this exception.

EFFECTIVE DATE: October 1, 2017

BENEFIT CALCULATIONS

Under current law, a non-construction worker's weekly unemployment benefit is calculated as one-twenty-sixth of his or her average quarterly wages during the two highest earning quarters of his or her base period. For construction workers, only the single highest earning quarter is used in the calculation. The bill instead requires benefits for all workers to be calculated as one-twenty-sixth of a claimant's average wages during the three highest earning quarters of his or her base period. Table 1 shows examples of how the bill could affect workers with various quarterly earnings.

Table 1: Examples of Benefits under Current Law and the Bill

Claimant	Quarterly wages	Benefit under Current Law	Benefit under the bill
A (non-construction)	$10,000; $10,000; $10,000; $0	$384	$384
B (non-construction)	$10,000; $10,000; $5,000; $5,000	$384	$320
C (construction)	$10,000; $8,000; $8,000; $4,000	$384	$333

MINIMUM BENEFITS AND EARNINGS

The bill increases the minimum weekly unemployment benefit from $15 to $50. Because the law requires claimants to have earned at least 40 times their weekly benefit during their base period to qualify for benefits, increasing the minimum benefit also increases what claimants must earn over the course of their base period to qualify for the minimum benefit (CGS § 31-235). Thus, to qualify for the bill's $50 minimum weekly benefit, claimants must have earned at least $2,000 ($50 x 40) over their base period, instead of the $600 required by current law.

MAXIMUM BENEFIT CAP FREEZE

Current law caps the maximum benefit allowed for any unemployment claimant at 60% of the average wage paid to the state's production (i.e., manufacturing) workers. The labor commissioner must adjust the cap on the first Sunday of each October but cannot increase it more than $18 each year.

The bill further prohibits the commissioner from increasing the cap in any benefit year starting on or after the first Sunday in October 2017 if the balance in the unemployment trust fund results in an average high cost multiple (AHCM) less than 0.7, as calculated by law. The AHCM is a formula that expresses how many years the unemployment trust fund can pay out benefits at a recession-level payout rate. If the AHCM is 1.0, the fund should be able to cover one year of benefits in a recession that is the average magnitude of the last three recessions.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Substitute				
Yea	12	Nay	0	(03/09/2017)