

Labor and Public Employees Committee

JOINT FAVORABLE REPORT

Bill No.: HB-5480

Title: AN ACT CONCERNING UNEMPLOYMENT COMPENSATION BENEFITS.

Vote Date: 3/20/2018

Vote Action: Joint Favorable Substitute

PH Date: 3/13/2018

File No.:

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SPONSORS OF BILL:

Labor and Public Employees Committee

REASONS FOR BILL:

The Unemployment Trust Fund needs updating to assure solvency in the future.

****Substitute Language (LCO #2959):** *removes a provision that would have required a claimant's benefits to be calculated using their average earnings over three, rather than two quarters.*

RESPONSE FROM ADMINISTRATION/AGENCY:

Scott Jackson, Commissioner, CT Department of Labor: Unemployment benefits are a critical support beam in the economy which is much larger and more dynamic than employer groups and/or employee groups alone. It would put the agency out of conformity with federal law because the change to three-quarter averaging does not apply to all claimants. As drafted, the bill places the burden of reform solely on claimants. The only path through the intractable impasse that has surrounded this issue is one where both employers and claimants make sacrifices for the good of the overall economy. This "comprehensive reform" falls well short of that mark.

NATURE AND SOURCES OF SUPPORT:

Greater Danbury Chamber of Commerce, Northwest CT. Chamber of Commerce and CT Coalition of Property Owners: These common sense reforms will restore and maintain the solvency of the Unemployment Trust Fund. By suspending automatic maximum benefit

increases in any year the fund balance is an average high cost multiple of less than 0.7, CT will not increase employers' cost during economic downturns. Increasing the cost of doing business when employers are struggling helps no one but does exacerbate CT's ability to recover.

Connecticut Restaurant Association: His testimony of support said this legislation would provide permanent funding relief for the unemployment trust fund, not cost the state money, and will not result in any reduction in benefits for the average full-time worker. CT needs to follow the lead of other states and take proactive steps to reform the unemployment compensation system to ensure its future solvency.

Utility Contractors Association of Connecticut: The reforms in the bill are reasonable and commonsense. In the construction industry, prices are under significant pressure and margins are low as a result of increased competition. Many contractors have not completely recovered from the recession and numerous contractors have very little work lined up. This bill provides some much-needed relief. Connecticut would be more attractive to businesses if the unemployment trust fund were on a par with neighboring states.

Daniel C. Giungi, Connecticut Conference of Municipalities (CCM):

This is a common sense reform that will not have any cost to the state or result in a reduction of benefits for the average full-time worker who becomes unemployed through no fault of their own.

Eric Giede, Counsel, CBIA: Eric testified this bill is truly a do-no-harm approach to restoring solvency to our state's unemployment trust fund because in addition to avoiding any benefit reduction for most individuals, it does not contain job-killing tax increases on businesses. Raising unemployment taxes would further hinder job creating efforts which already lag. Pouring more tax dollars into our trust fund is not the answer. This would help get CT back on par with neighboring states, return solvency to our unemployment trust fund and prevent heavy borrowing from the federal government.

Joe Horvath, Director of Legislative Outreach, Yankee Institute for Public Policy: Our state's unemployment trust fund is in dire straits and the last thing anyone wants is for it to be unavailable to those who need it. CT has one of the lowest earning thresholds for unemployment insurance benefits in the nation. This means that not only work is disincentivized, but also businesses must pay administrative and general compliance costs. This bill allows businesses to reinvest in the State rather than paying taxes that do nothing to benefit the people of CT.

David Krechevsky, Director of Public Policy, Waterbury Regional Chamber: The proposed reforms would cost the state nothing to implement and wouldn't reduce benefits for the average full-time worker who becomes unemployed. It will have a significantly positive effect on the state's unemployment trust fund. These changes raise the minimum earning to qualify for unemployment benefits from \$600 to \$2,000/year, require claimants to exhaust their severance pay before receiving unemployment benefits and freezes the maximum weekly benefit rate in any year in which the trust fund solvency falls to 70% or below. Together, these reforms will save the unemployment trust fund tens of millions of dollars annually.

George Motel, Owner, Sunset Meadow Vineyards, Goshen, CT: The wine industry is different than most other alcohol purveyors because they are the product's grower, manufacturer, distributor, retailer and a tourist destination. General business issues and their affordability are inherent to the success of this business. This bill would restore the trust fund's solvency without a reduction in benefits and wouldn't increase the cost for businesses like theirs.

National Federation of Independent Business (NFIB): The modest reforms proposed would increase the base wage earning needed to qualify for unemployment and limit the collection of benefits by those receiving severance pay from a past employer during such time period. CT's small businesses, as the financiers of the state's unemployment compensation system, have been straining under high unemployment taxes and have suffered from surcharges. CT was the only eligible state which inexplicably chose twice not to seek a waiver from the U.S. DOL from the BCR (Benefit Cost Rate) add-on charge assessments during times of fund insolvencies.

Wayne Pesce, President, Connecticut Food Association: This long overdue benefit reform will help restore solvency to the unemployment trust fund. It is an important safety net and is crafted in a way so no full-time worker will see any reduction in benefits. Some eligibility requirements are tightened up after being ignored for almost 50 years. It is a practical approach and does not contain tax increases on business that would be a hindrance to job creating efforts.

Ashley Ranslow, Lumber Dealers Association of CT: They are in support of this bill because it includes necessary reforms to the unemployment compensation program and would restore solvency without a reduction in benefits or increased costs. CT. needs to take proactive steps to reform unemployment programs. Raising taxes on businesses again would be detrimental and drive more businesses out of state. This bill provides permanent relief for one of the state's most important programs.

NATURE AND SOURCES OF OPPOSITION:

National Employment Law Project: Claimants for the entire low-wage group would see approximately a 12.6% reduction in their benefits. Three-quarter averaging is cruelest to low-wage workers who represent 1/3rd of the UI system's customers. It would dramatically reduce benefits of construction, temporary, part-time and other seasonal workers.

Lori Pelletier, President, Connecticut AFL-CIO: Lori explained some of the history of why the unemployment Insurance Trust Fund became insolvent and how an Advisory Security Board (comprised of 4 worker and 4 employer representatives) was created. In 2015, this Board presented a balance set of solutions that updated the archaic financing system and adjusted benefits equitably. This bill now proposed would place the entire responsibility of restoring solvency on the worker's shoulders and asks nothing of employers. It slashes unemployment benefits for those whose work may vary throughout the year. The Fund did not become insolvent because benefits were too generous; it became insolvent because the wage base has not kept pace with inflation. This bill enacts a one-sided approach to unemployment insurance in favor of employers at the expense of low-wage seasonal and temporary workers.

Sue Garten, Attorney for Greater Hartford Legal Aid and Member of Employment

Security Advisory Board: The proposed bill does not present a balanced approach and places the entire burden of restoring the health of the UI Trust Fund on workers without asking anything of employers. It punished vulnerable workers by cutting their benefits and freezing the maximum benefit rate for recipients instead of allowing the benefit to increase up to \$18/year. No other state has $\frac{3}{4}$ averaging and CT should not be the first. She submitted written information supporting her reasons.

Zak Leavy, Legislative and Political Advocate, AFSCME: This is an unfair attack on working people. It would reduce the benefit amount workers are entitled to while raising the threshold for workers to qualify. It also stops benefit increases if the Unemployment Trust Fund is less than 70% solvent. The solution should not come on the backs of working people.

Sara Parker McKernan, Legislative Policy Advocate, New Haven Legal Assistance: She explained why the UI Trust Fund was insolvent. This proposal punishes unemployed workers who need the benefits most and low-income worker whose schedules vary. The financing structure of the UI tax fund should be fixed once and for all. The taxable wage base should be increased and be indexed to wage growth so the trust fund establishes a robust balance in economically vibrant years and still would be able to weather the next inevitable economic turndown.

Reported by: Marie Knudsen

Date: March 23, 2018