



Testimony of Eric Gjede
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 Before the Finance, Revenue & Bonding Committee
 Hartford, CT
 March 17, 2021

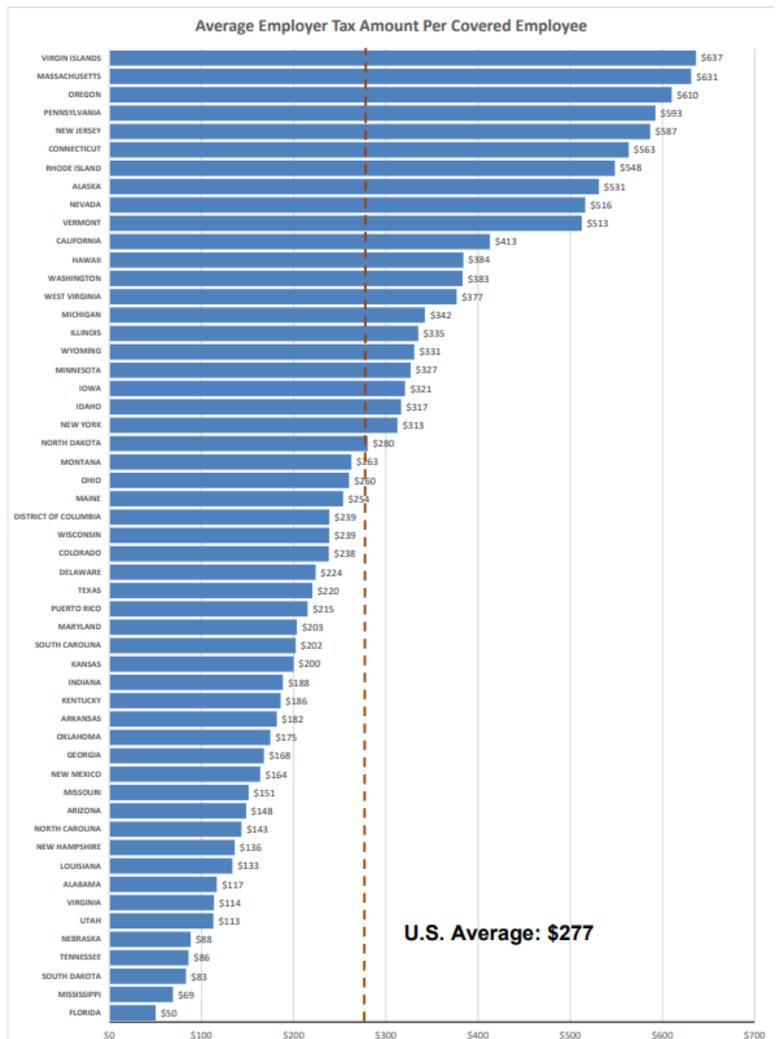
Testifying on

HB 6633: AN ACT RESTRUCTURING UNEMPLOYMENT INSURANCE BENEFITS AND IMPROVING FUND SOLVENCY

Good afternoon Senator Fonfara, Representative Scanlon, Senator Martin, Representative Cheeseman and members of the Finance, Revenue & Bonding Committee. My name is Eric Gjede and I am the vice president of government affairs for CBIA, the Connecticut Business & Industry Association. CBIA is Connecticut’s largest business organization, with thousands of member companies, small and large, representing a diverse range of industries from across the state. Ninety-five percent of our member companies are small businesses with less than 100 employees.

CBIA opposes HB 6633 as currently written and offers our assistance in drafting a more balanced means of providing stability to the unemployment trust fund.

As you know, the state borrowed nearly \$1 billion from the federal government to maintain the solvency of the unemployment trust fund during the 2008-2009 recession. The business community was solely responsible for repaying this debt. As a result of our unpaid balance, the federal government increased the interest businesses paid on the loan each year. Additionally, businesses were charged special assessments each August to pay down the interest on the loan. At one point, Connecticut businesses paid four times the federal unemployment taxes paid by our neighboring states. These high taxes could have been spent on hiring workers rather than repaying the loan. Thankfully, this debt was satisfied, yet our fund’s lack of solvency remains a problem.



Unfortunately, we find ourselves back in these circumstances due to the economic hardships and business closures caused by the pandemic.

The business community has been advocating for measures to return solvency to the unemployment trust fund for last decade. States have a lot of discretion in setting their unemployment tax rate (which is charged in addition to the federal tax) and under what criteria the benefits are paid out. Our neighboring states take in virtually identical, and in most cases less, state unemployment taxes as Connecticut. Despite collecting the same amount of revenue, they have historically been able to achieve fund solvency and retire federal debt far more quickly than Connecticut. The reason is that they have adopted unemployment benefit reforms to curtail waste and abuse that Connecticut has long refused to adopt that has helped preserve their fund for workers. While we firmly believe the reason for the fund’s insolvency is the failure on the part of the labor department and policymakers to support meaningful benefit reforms rather than always revert to tax increases, we have been open to reasonable compromise.

HB 6633 is not reasonable in our view. This proposal would increase the taxable wage base from \$15,000 to over \$70,000, then call for yearly indexed increases to the wage base thereafter. Not only would this make Connecticut have the highest taxable wage base in the nation, but it also maintains some of the least stringent criteria for benefit payouts.

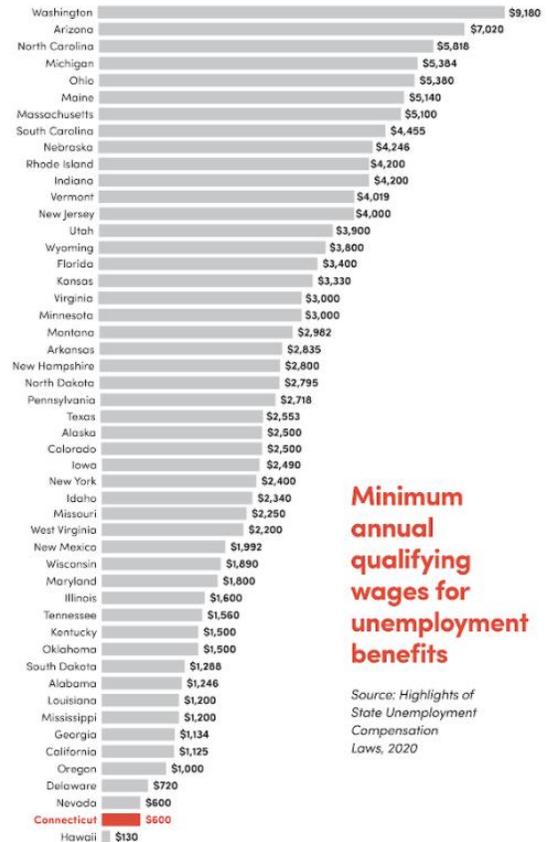
It is important to remember the unemployment trust fund is exclusively funded by the business community. In fact, in an unprecedented move, the state recently tapped into this fund to provide unearned additional funds for individuals so they could qualify for federal supplemental benefits. This fund has never been used in the past by lawmakers to fund policy objectives.

History has repeatedly shown us that we cannot tax our way out of deficits. Efforts in the past have resulted in reduced economic activity and growth in the state. The business community is very interested in ensuring this fund is solvent for future workers while simultaneously being concerned about the burden of more new business taxes.

We would be remiss if we did not recognize that HB 6633 makes rate adjustments to better distribute the tax burden of the fund. Further, there are minimal benefit reforms that are appreciated, but not on par with the long-term implications of the proposed tax increase. For example, HB 6633:

Year:	Connecticut	Massachusetts	New York	Rhode Island*	Vermont	Maine	New Hampshire
2020	\$15,000	\$15,000	\$11,600	\$24,000	\$16,100	\$12,000	\$14,000
2019	\$15,000	\$15,000	\$11,400	\$23,601	\$15,600	\$12,000	\$14,000
2018	\$15,000	\$15,000	\$11,100	\$23,000	\$17,600	\$12,000	\$14,000
2017	\$15,000	\$15,000				\$12,000	\$14,000
2016	\$15,000	\$15,000	\$10,700	\$22,000	\$16,800	\$12,000	\$14,000
2015	\$15,000	\$15,000	\$10,500	\$21,200	\$16,400	\$12,000	\$14,000
2014	\$15,000	\$14,000	\$10,500	\$20,600	\$16,000	\$12,000	\$14,000
2013	\$15,000	\$14,000	\$8,500	\$20,200	\$16,000	\$12,000	\$14,000
2012	\$15,000	\$14,000	\$8,500	\$19,600	\$16,000	\$12,000	\$14,000
2011	\$15,000	\$14,000	\$8,500	\$19,000	\$13,000	\$12,000	\$12,000
2010	\$15,000	\$14,000	\$8,500	\$19,000	\$10,000	\$12,000	\$10,000
2009	\$15,000	\$14,000	\$8,500	\$18,000	\$8,000	\$12,000	\$8,000
2008	\$15,000	\$14,000	\$8,500	\$14,000	\$8,000	\$12,000	\$8,000
2007	\$15,000	\$14,000	\$8,500	\$14,000	\$8,000	\$12,000	\$8,000
2006	\$15,000	\$14,000	\$8,500	\$16,000	\$8,000	\$12,000	\$8,000
2005	\$15,000	\$14,000	\$8,500	\$16,000	\$8,000	\$12,000	\$8,000
2004	\$15,000	\$14,000	\$8,500	\$14,000	\$8,000	\$12,000	\$8,000
2003	\$15,000	\$10,800	\$8,500	\$12,000	\$8,000	\$12,000	\$8,000
2002	\$15,000	\$10,800	\$8,500	\$12,000	\$8,000	\$12,000	\$8,000
2001	\$15,000	\$10,800	\$8,500	\$12,000	\$8,000	\$12,000	\$8,000
2000	\$15,000	\$10,800	\$8,500	\$12,000	\$8,000	\$12,000	\$8,000
1999	\$15,000	\$10,800	\$8,500	\$14,000	\$8,000	\$7,000	\$8,000
1998	\$13,000	\$10,800	\$7,000	\$18,200	\$8,000	\$7,000	\$8,000
1997	\$12,000	\$10,800	\$7,000	\$17,600	\$8,000	\$7,000	\$8,000
1996	\$11,000	\$10,800	\$7,000	\$17,000	\$8,000	\$7,000	\$8,000
1995	\$9,000	\$10,800	\$7,000	\$16,800	\$8,000	\$7,000	\$8,000
1994	\$9,000	\$10,800	\$7,000	\$16,400	\$8,000	\$7,000	\$8,000
1993	\$7,100		\$7,000			\$7,000	

- Raises the minimum earnings to qualify for unemployment benefits to \$1,200. Currently, 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, most states require between \$3,000 and \$5,000 in earnings. The state of Washington requires more than \$9,000 in earnings. **The earnings requirement in Connecticut has not been raised in 53 years.** We encourage the committee to require \$5,000 in earnings to qualify for benefits – which demonstrates an employee’s meaningful attachment to the workforce.
- Prohibits claimants from receiving unemployment benefits until they have exhausted their severance pay. We support this provision.
- Freezes the maximum weekly benefit rate for one year. The maximum benefit rate increases by up to \$18 every year and did increase throughout the recession. **This rate should be frozen for not less than three consecutive or nonconsecutive years.** This reform would result in savings to the fund without any reduction in individual benefit levels.



Although not included in the bill, we would also encourage the committee to amend the bill to redefine “one instance” of unexcused employee absence from work to mean a single day of no call, no show to work. Current law defines one instance as “one day or two consecutive days.” Employers commonly misinterpret this rule and end up being on the hook for unemployment benefits for employees who abandoned their job or simply stopped showing up. This reform would not impact the solvency of the unemployment trust fund, but it is a small token to provide in exchange for the need for more revenue from the business community.

We reiterate our commitment to working with the committee to find a balanced approach to returning solvency to the state’s unemployment trust fund. HB 6633, as written, is little more than a significant tax increase packaged with a few minor benefit reforms. We must have an honest conversation about whether the state is appropriately spending funds provided by the business community for the unemployment safety net.

Connecticut businesses have suffered enough over the past year. We have incurred massive federal debt to ensure every unemployed person, whether truly eligible for unemployment or not, received their benefits. We already have some of the highest unemployment taxes in the country. While we appreciate the overall strategy behind this proposed reform, it falls short of what is needed.

For these reasons, we oppose HB 6633 as written.