

OFFICE OF FISCAL ANALYSIS

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<http://www.cga.ct.gov/ofa>

sHB-6633

AN ACT RESTRUCTURING UNEMPLOYMENT INSURANCE
BENEFITS AND IMPROVING FUND SOLVENCY.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Labor Dept.	UCF - Savings	See Below	See Below
Labor Dept.	UCF - Revenue Gain	See Below	See Below
Labor Dept.	GF - Cost	None	Potential Significant

Note: UCF=Unemployment Compensation Fund; GF=General Fund

Municipal Impact: None

Explanation

The bill, which makes a number of changes to the unemployment insurance system beginning in FY 24, results in the following fiscal impacts to the Unemployment Compensation Trust Fund (UCF):

Expenditures

- Freezing the maximum weekly benefit rate for four years results in a savings of approximately \$33 million annually by 2027.
- Increasing, from \$600 to \$1,600, the minimum earnings claimants need to qualify for the minimum benefit and indexing it to inflation results in a savings of approximately \$1.25 million annually beginning in FY 24.
- Eliminating the exception that allows certain claimants to receive unemployment benefits during a week for which they

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received severance pay or vacation pay results in a savings of approximately \$50 million per year beginning in FY 24.

- Shortening the length of certain absences from work for which an employee may be fired and disqualified for benefits results in a minimal savings beginning in FY 24.

Revenues

- Increasing, from \$15,000 to \$25,000, the taxable wage base and indexing it to inflation, and adjusting the fund solvency and experience tax rates results in an estimated revenue gain of \$130.9 million annually beginning in FY 24.¹

The bill also results in potentially significant implementation costs to the Department of Labor beginning in FY 23. Any potential costs are dependent on: 1) how much is performed in-house versus by a contractor, and 2) if federal funds cover a portion of the costs.

The Out Years

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

¹ Solvency tax revenue would eventually drop in future years as the UCF becomes solvent.