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**Public Hearing Testimony of  
Heidi Lane, Legal Director  
Department of Labor  
Labor and Public Employees Committee  
March 15, 2022**

Good Morning, Senator Kushner, Representative Porter, Senator Sampson, Representative Arora and members of the Labor and Public Employees Committee. Thank you for the opportunity to provide you with testimony regarding **Raised Bill No. 417 - AN ACT CONCERNING AMNESTY FOR NONFRAUDULENT UNEMPLOYMENT OVERPAYMENTS**. My name is Heidi Lane and I am the Legal Director of the Connecticut Department of Labor.

This bill seeks to create a “pandemic unemployment nonfraudulent overpayment account” within the General Fund to pay established nonfraud overpayments on behalf of a claimant/applicant. The notice of the overpayment must have been provided to the claimant between March 10, 2020, and May 1, 2022. Claimants denied a waiver of the recovery of the overpayment by the Connecticut Department of Labor (CTDOL) may apply to the fund for reimbursement to repay the overpayment to the Department, except those individuals who received a paycheck protection program loan are ineligible for reimbursement from the account. The account and application process would be administered by CTDOL. Funds from the account may be used for reimbursement purposes to assist the individual in repaying the nonfraudulent overpayment and for spreading awareness of such account.

To begin, it is noted that the Governor’s budget does not include \$50M in funding required by this bill. With that said, if this bill were to proceed, we find that there are issues for which we seek clarification. Our issues include, but are not limited to, the following concerns. What are the parameters for determining eligibility for reimbursement upon denial of the waiver? Are there criteria, or is it simply first come first serve? What is the relevance of the May 1, 2022 date and why is the application period not later than the six months after the effective date of the proposed bill? As you know, overpayments are still being established for benefits paid throughout the pandemic.

If an individual is determined eligible for reimbursement but has partially repaid the overpayment, will amnesty program pay the outstanding balance and refund the individual for payments made toward the overpayment?

Additionally, CTDOL notes that lines 27-28 of the bill states that individuals who received a paycheck protection program loan (PPP) are ineligible to apply for reimbursement from the fund. However, I believe those lines are meant to refer to an individual who received payment from an employer who received a paycheck protection program loan.

Further, as written, as the Department did not begin establishing overpayments for the CARES Act programs until October 2020, this will incorporate overpayments for pre-pandemic unemployment benefits. Was that the intent?

As to the language in the bill pertaining to treatment of the reimbursement for tax purposes, CTDOL is concerned about how this would be received by the US Treasury, as well as the impact of this position on CTDOL's issuance of 1099G to claimants, as unemployment benefits themselves are generally considered income under both state and federal law. Moreover, the effective date of this bill would need to be delayed until minimally the fall of 2022 to permit the Department to make the requisite technological changes to the Department's modernized system, scheduled to launch in July 2022.

Finally, as you know, funds from our federal unemployment grant may not be used for a solely state initiative. Therefore, the agency will need funding for technology and staff.

If substitute language is being contemplated, our subject matter experts welcome the opportunity to work with the Committee on this bill.

Thank you for the opportunity to provide this testimony.