



Testimony of

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Finance, Revenue & Bonding Committee
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SB 1237 An Act Concerning a Phase-In of the Increase in the Unemployment Insurance Charged Rate

SB 1244 An Act Concerning the Awarding of State and Other Project Contracts

SB 1246 An Act Authorizing the Continuation of CSCU, Adjusting Certain Powers of the Board of Regents for Higher Education, Adjusting Certain State Contracting-Related Thresholds and Repealing and Reducing Certain Bond Authorizations

SB 1247 An Act Concerning Inspections of Work Performed Pursuant to a Building Permit Issued by a Building Official

HB 6934 An Act Making Adjustments to the Personal Income and the Earned Income Tax Credit and Concerning the Human Capital Investment Tax Credit, Tax Gap Reporting and the Tax Incidence Report

Good morning, Senator Fonfara, Representative Horn and members of the Finance, Revenue & Bonding Committee. My name is Ed Hawthorne, and I am proud to serve as the President of the Connecticut AFL-CIO, a federation of hundreds of local unions representing almost 250,000 active and retired workers in the private sector, public sector, and building trades. Our members live and work in every city and town in our state and reflect the diversity that makes Connecticut great. I am also here today to testify as a member of Recovery For All, a statewide coalition of faith, community, and labor organizations united to eliminate systemic inequalities and rebuild a better Connecticut.

SB 1237 An Act Concerning a Phase-In of the Increase in the Unemployment Insurance Charged Rate – OPPOSE

Unemployment benefits are essential to sustain families and keep economies running during times of economic hardship. That is why it is extremely important that the UI Trust Fund is adequately funded and ready to pay eligible claims when required.

During the Great Recession of 2007-2009, 36 states, including Connecticut, had no choice but to borrow federal money, with interest, to continue paying out benefits when their state UI Trust Funds ran dry. Connecticut borrowed over \$1 billion. Federal taxes were increased on employers between 2011 and 2015 to repay the loan with interest totaling approximately \$85 million. Unfortunately, policymakers did not take action at that time to reform our outdated UI system to ensure the UI Trust Fund would be robustly funded in the future.

In 2020, when the COVID-19 pandemic hit, mass layoffs in a number of industries caused record levels of unemployment claims to be filed. Connecticut was again forced to borrow from the federal government, this time more than \$800 million, to shore up the UI Trust Fund.

We decided in 2021 that we would learn the lessons from the Great Recession and the COVID-19 pandemic and make sure we wouldn't be caught unprepared a third time. The Connecticut AFL-CIO, along with CBIA, the Governor's Office and others, was a party to negotiations that resulted in Public Act 21-200, a compromise piece of legislation that made significant reforms to the state's unemployment insurance system that would ensure benefits could be paid in the event of another economic downturn. Like any good compromise, it included concessions from all parties. Workers prevailed in some areas and lost in others. The same was true for employers.

Specifically, the compromise included increasing the minimum weekly benefit and the minimum qualifying earnings, increasing the taxable wage base and indexing it to inflation, prohibiting claimants from receiving benefits while they receive severance or vacation pay, shortening the absence period for which an employee may be fired and disqualified for benefits and reducing the Trust Funds' maximum fund balance rate. It also reduced employers' experience tax rates for 2024 and 2025, temporarily reduced the experience period used for calculating employers' experience rates for 2026 and 2027 and expanded the range of experience tax rates from 0.5% to 5.4% to 0.1% to 10%.

Unfortunately, SB 1237 opens this carefully negotiated package to change how employers' experience ratings are calculated at the behest of a particular sector of employers who have a documented history of laying off large numbers of workers on a regular - mostly seasonal - basis, without regard to how those changes would impact the remaining stakeholders of the compromise. In addition to being one-sided in favor of employers, we fear SB 1237, if enacted, would ultimately undermine the growth of the UI Trust Fund balance, which means the state will likely again be unprepared to support laid off workers in the event of a future recession.

In addition, the Department of Labor (DOL) estimates SB 1327 would cost the UI Trust Fund \$192 million over four years for the revised schedule of recalculating employer experience ratings. More than two-thirds of that (\$134 million) would be lost because of the lower caps on experience ratings created in this bill. The remaining \$58 million would be cut from the cap on year-over-year experience rate increases. Employers who rarely lay off workers will be forced to pick up the tab for this recklessness if the state is forced to borrow funds to bolster the UI

Trust Fund like it did during the COVID-19 pandemic and the Great Recession. The imposition of a solvency tax will be placed on all employers, like it was after the Great Recession and the COVID-19 pandemic experience, not just the largest and most frequent users of the UI system.

There would also likely be significant costs to DOL for software reprogramming. The DOL's UI modernization project has been largely based on the UI system updates passed in Public Act 21-200. SB 1237 would require a number of changes that would increase costs for the state and delay implementation of a system that will deliver benefits in a more accurate and timely fashion to eligible workers.

We urge the Committee to reject this bill.

***SB 1244 An Act Concerning the Awarding of State and Other Project Contracts -
OPPOSE***

The Connecticut AFL-CIO opposes Section 1(2), lines 16-26 which allows the Commissioner of DAS to establish "alternative" prequalification requirements from those set forth in Sec. 4a-100 of the C.G.S. This proposed language fails to provide any specific qualification standards, or disclosures of information and essentially circumvents the entire prequalification application and vetting process. It allows the Commissioner to grant prequalification status to any minority contractor who enters into a Joint Venture, regardless of the previously enacted law that requires prequalification applicants to include any settlements with the DOL's Wage & Workplace Division within the past five (5) years.

Wage theft and the exploitation of workers by employers is a serious issue that must be addressed. Disregarding any state contractor's previous history of wage theft only perpetuates the problem and eliminates the transparency needed when awarding state contracts. Providing opportunities for any contractor to bypass the prequalification process undermines the state's long-standing efforts to prevent awarding contracts to corrupt and irresponsible players.

We urge the Committee to reject Section 1(2) of SB 1244.

***SB 1246 An Act Authorizing the Continuation of CCSU 2020, Adjusting Certain Powers of the Board of Regents for Higher Education, Adjusting Certain State Contracting-Related Thresholds and Repealing and Reducing Certain Bond Authorizations -
SUPPORT***

It is important that the State of Connecticut continues its investment in the CSCU system in order to provide students with an affordable and quality education they deserve. We stand with the CT State Building Trades Council (CSBTC) and request that the following workforce development language and other labor protections, provided by the Board of Regents, be included:

In developing any solicitations for projects with construction values about \$15 million, the Board of Regents shall include requirements that bidders commit to payment of not less than the prevailing wage as described in section 31-53 of the General Statutes for laborers, workmen and mechanics performing construction activities with respect to the project, and require that the selected General Contractor or Construction Manager engage in a good faith negotiation of a project labor agreement. The Board of Regents may require that a project labor agreement include provisions intended to provide access to employment, training, and apprenticeships in the building trades for students of institutions within the Board of Regents. The lowest qualified bidder will be enrolled in a registered program approved by the Connecticut Department of Labor.

Project Labor Agreements (PLAs) have been used for generations and protect communities and workers from unscrupulous contractors low-balling bids on taxpayer-funded construction projects by setting wage rates to the local or prevailing standard. Furthermore, they provide a guarantee that projects are completed on time and on budget and they offer employers access to a continuous source of qualified skilled workers. They are also an important tool for preparing our workforce as they utilize registered apprenticeship and job readiness programs. The Connecticut AFL-CIO joins the CT State Building Trades in thanking the Board of Regents for recognizing the importance and benefits of PLAs.

We urge the committee to include, as substitute language, the language provided above that directs the Board of Regents to include Project Labor Agreements (PLAs) in CSCU construction projects valued at \$15 million or above.

SB 1247 An Act Concerning Inspections of Work Performed Pursuant to a Building Permit Issued by a Building Official - OPPOSE

This bill would allow developers to hire and pay their own inspectors to inspect their buildings and construction sites. Building inspectors perform a core public function. They have the important job of maintaining public safety by protecting occupants and/or residents from substandard or faulty work. Inexperienced, badly trained, privately employed or conflicted inspectors may not be as vigilant or motivated to protect workers on construction sites or the building occupants. For that reason alone, building inspectors should be public employees. Therefore, we urge the Committee to reject this bill. Instead, we urge the General Assembly to provide the Department of Administrative Services with the funding it needs to hire and train additional building inspectors so that inspections can be done by appropriate personnel in a timely manner.

We urge the Committee to reject this bill.

HB 6934 An Act Making Adjustments to the Personal Income and the Earned Income Tax Credit and Concerning the Human Capital Investment Tax Credit, Tax Gap Reporting and the Tax Incidence Report - SUPPORT

The 2014 state tax incidence analysis performed by the Department of Revenue Services showed that the bottom 50% of earners contribute 23.6% of their income in taxes, but the top 1% contribute only 7.5%. The long anticipated follow up report released in 2022 shows that low-income households have lost ground. They now pay up to 26% of their income in taxes. Middle income households are also paying more - as much as 15.5%. Yet the ultra-wealthy's effective tax rate has remained flat. To put it simply, Connecticut's tax system is even more regressive now than it was in 2014. As hard as they try, working families just can't get ahead. We ask this committee to give low- and middle-income earners a fighting chance to thrive.

HB 6934 repeats the work this Committee did last session by increasing the Earned Income Tax Credit (EITC), which is a financial lifeline for low-income individuals and families. It has been shown to reduce poverty for working individuals and families and prevent millions of others from being pushed into poverty in the first place. It is an equitable, long-term solution that also reduces racial disparities, builds financial security and creates economic mobility. By raising the EITC to 40%, you allowed working families to take a deep breath. It gave them significant, tangible relief and allowed them to make ends meet. We urge you to pair this proposal with a renewal of the child tax credit (CTC). Unlike the EITC, the CTC is not targeted to just lower-income taxpayers and it is refundable. The CTC would allow all recipients to reduce their tax burdens, but also spend money directly on child-related expenses like childcare. Both have significant multiplier effects. For every dollar Connecticut spends on expanding the EITC, \$1.24 will be spent in the state's economy. For every \$1 spent on the child tax credit, the state can expect a \$1.38 return.

We support the reduction of personal income tax rates on the lowest earners in Section 1 of the bill and the income phase-out thresholds for the personal income tax deductions for pension and annuity income and individual retirement accounts in Section 2. These measures are smart policy, allowing dollars to remain in the hands of those who need it most, i.e., low-income and retired people. Retirees spend their earned pension benefits in their local communities, creating a multiplier effect. In 2020, expenditures stemming from state and local pensions supported \$6.8 billion in total economic output in the state of Connecticut.

We also welcome the directive for the Department of Revenue Services (DRS) to address the tax gap with a strategy to promote compliance and discourage avoidance in Section 5. For too long, DRS has addressed the tax gap with amnesty programs that benefit high income earners and forgive a significant portion of the owed tax without establishing a policy of eliminating the gap altogether. We also welcome the proposed changes to future tax incidence reports in Section 6. They illustrate the need to better understand the impacts of our tax code on taxpayers and will ensure that DRS is collecting the data necessary to better inform tax policy decisions.

We urge the Committee to support this bill.