Finance, Revenue and Bonding Committee
JOINT FAVORABLE REPORT

Bill No: SB-515 / Bill Status / Public Hearing Testimony
Title: AN ACT CONCERNING THE CONNECTICUT WORKFORCE AND A PRODUCTIVITY GAP SURCHARGE.
Vote Date: 3/30/2026
Vote Action: Joint Favorable
PH Date: 3/27/2026
File No.:

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SPONSORS OF BILL:

Finance, Revenue, & Bonding Committee

REASONS FOR BILL:

This bill would address the growing impact of artificial intelligence and other automated technologies in workplaces that reduce payroll while increasing productivity. In the hope of creating more of a balance, this bill seeks to implement a productivity surcharge to give more of an incentive for more collaborative work between employees and technology.

RESPONSE FROM ADMINISTRATION/AGENCY:

Daniel O'Keefe, Commissioner, Dept. of Economic & Community Development:
Submitted testimony stating SB 515 directs OPM with the consultation of the Dept. of Revenue Services, Dept. of Labor, and the state's Chief Workforce Officer, to develop and submit by January 1, 2027, an implementation plan on how CT can respond when technology increased business output while reducing payroll. The plan would have to include how the capital can be reinvested and establish a productivity gap surcharge. The surcharge will allow the state to recapture efficiency gains tied to displaced employees. Tax exemptions for administrative procedures and an economic stability account to fund retraining for displaced workers must be created. Commissioner O'Keefe explains that if the general assembly can't enact a plan on time, then the Office of Policy & Management will have to do so with policies published online. The resources for developing the plan are not included in the Governor's budget so funding would need to be allocated.

Kelli-Marie Vallieres, Chief Workforce Officer, Office of Workforce Strategy: Submitted testimony stating the bill calls for the Office of Policy & Management to work with Dept. of

Labor, and Office of Workforce Strategy to develop and implement a plan for productivity gap surcharge. A method must be outlined for a surcharge when payroll is reduced while maintaining or increasing output. A tax exemption for employers that achieve productivity gains that support a stable workforce must be included. The completed plan must be submitted to CGA by Jan1, 2027 for consideration. The funding for the plan is not included in the Governor's Budget and resources would need to be allocated.

Joshua Wojcik, Acting Secretary, Office of Policy, and Management (OPM): Submitted testimony stating the bill would require OPM to collaborate with Dept. of Revenue Services, Dept. of Labor, and Office of Workforce Strategy to develop a surcharge on employers with a productivity gap and a tax exemption for employers with augmented productivity. Employers would be taxed when using technology like AI to reduce their headcount. There would be a tax exemption if the technology is used collaboratively to increase productivity while maintaining the workforce. OPM would need to report to CGA with a plan by Jan 1, 2027, and if a plan is not implemented then OPM would have to do so with policies and procedures. If OPM is if authority it may conflict with State page 2 of the Constitution and be an impermissible delegation of the CGA's authority.

NATURE AND SOURCES OF SUPPORT:

N/A

NATURE AND SOURCES OF OPPOSITION:

Christopher Davis, Vice President of Public Policy, CBIA: Submitted testimony in opposition stating that taxing increased productivity is not the solution. They state that SB 515 would penalize productivity gains with the new surcharge on employers. This would undermine innovation, discourage efficiency improvements, and make CT less competitive. It would create uncertainty on how investments in their workforce would be evaluated and taxed. The bill also calls for OPM to implement the tax surcharge that is likely an unconstitutional delegation of the legislature's taxing authority.

Francis Pickering, Executive Director, West COG: Submitted testimony with general comments in opposition of the bill as drafted. They state the bill relies on a distinction between workforce augmentation and displacement that may be difficult to apply. This could create a challenge in defining what a productivity gap is across diverse industries. Pickering explains that the proposed framework may have consequences for CT's competitiveness and that a surcharge could be triggered when productivity increases with reduced labor intensity. Shifts such as remote work and digitalization may also fall in the scope of the bill. Due to this West COG suggests it be studied how productivity gains can be reliably attributed to workforce displacement, how can productivity gap be measured, how do multi-state or multi-national firms get their surcharge calculated and how would it affect broader economic trends such as remote work?

Reported by: Jason Snukis & Lawrence Sanchez Date: 4/8/26