

Finance, Revenue and Bonding Committee JOINT FAVORABLE REPORT

Bill No.: HB-6633

AN ACT RESTRUCTURING UNEMPLOYMENT INSURANCE BENEFITS AND

Title: IMPROVING FUND SOLVENCY.

Vote Date: 4/22/2021

Vote Action: Joint Favorable Substitute

PH Date: 3/17/2021

File No.:

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

SPONSORS OF BILL:

Introduced by:

The Finance Revenue and Bonding Committee

Co-sponsors:

Rep. Jason Rojas, 9th Dist.

Rep. Mary M. Mushinsky, 85th Dist.

Rep. Joseph P. Gresko, 121st Dist.

REASONS FOR BILL:

The purpose of this bill is to restore solvency to the unemployment compensation trust fund. Connecticut's unemployment trust fund has been insolvent for 48 of the last 50 years. This bill works to create a fund now so that if another recession were to occur, we will have the program funded instead of having to borrow money and pay it back with interest.

RESPONSE FROM ADMINISTRATION/AGENCY:

Jonny Dach, Policy Director – Office of Governor Lamont supports this bill stating that having this fund will help to keep families out of poverty and our community in motion during a recession. He testified that during the Great Recession, CT borrowed \$1.25 B from Washington and had to pay that back plus \$85 M in interest. During this current recession, CT has borrowed \$638 M and counting which will have to be paid back plus interest. If this bill were to pass, it would give CT a better chance if another recession were to occur. He also states the "program has to be funded – you pay it forward or you pay it later, with interest"

NATURE AND SOURCES OF SUPPORT:

None Expressed

NATURE AND SOURCES OF OPPOSITION:

Kristen Brainerd Abrahamson, Executive Vice President – The Mechanical Contractors Association of CT opposes this bill stating that it will increase the taxable wage base significantly. Ms. Abrahamson states that if this bill were to be adopted, CT would have the highest taxable wage base in the US. Because the unemployment trust fund is funded exclusively by businesses, if the wage base is increased it will also increase a tax on businesses.

Eric Gjede, Vice President of Government Affairs for Connecticut Business & Industry Association opposes the bill as it stands. During the 2008-2009 recession, the business community alone had to pay back the loan that the state took out. Mr. Gjede states that the unemployment fund is not an issue with the revenue we take in, the issue more deals with the benefits we pay out. He states that many changes must be made which include increasing the minimum earnings claimants need to qualify for the minimum benefits which is currently at \$600- this number has not changed since 1968 and has not been adjusted due to inflation. CBIA reiterates their 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.

Sal Luciano, President of CT AFL-CIO cautioned passage of this bill as written. Although he believes that the pandemic has exposed holes in our unemployment system, he states that as we find a way to make the unemployment insurance trust fund solvent it is important that we do not add to the hardships of unemployed workers. Proposals to raise the base period are concerning as it would make it more difficult for recently hired and low-wage workers to collect unemployment when they are terminated or laid off. A higher wage base could exclude them from benefits in another economic downturn. We also suggest that large, corporate employers who rely heavily on part-time workers and have high rates of turnover require unique treatment. We must also be certain that we do not adversely impact on our state and local economies. Unemployed workers spend their unemployment benefits on basic necessities. AFLIO urges the Committee to be vigilant in its efforts to keep unemployed workers, those who've suffered the most during this pandemic, from experiencing further economic pain.

Mark McGoldrick, Chairman – Home Care Association of America opposes this bill stating that during the 2008-2009 recession, home care agencies paid substantial amounts back that were borrowed by the state from the federal government to maintain the solvency of the unemployment trust fund. As a result of Connecticut's unpaid balance, businesses had to pay interest that the Federal Government increased. While HCAOA Connecticut supports rate adjustments in House Bill 6633 that more equitably distribute the tax burden of the unemployment trust fund they seek an alternative to increasing the higher taxable wage base and providing for automatic annual increases in the wages.

National Federation of Independent Business opposes the original bill that was drafted stating although the bill was well intended, it does not provide relief to struggling smaller employers and may result in higher costs for some small businesses in the future.

Michael Thompson, Executive Director – Associated Sheet Metal – Roofing Contractors of CT opposes this bill noting that the proposal would increase the taxable wage base significantly and provide for automatic annual increases in taxable wages thereafter. Contractors support meaningful reform to ensure the fund is solvent for future workers, but the bill wouldn't provide stability in the unemployment trust fund

Reported by: Christina Pen

Date: 5/5/2021