



Testimony of  
**Sal Luciano, President Connecticut  
AFL-CIO**

Appropriations Committee  
March 26, 2021

***SB 705 An Act Establishing an Office of Pandemic and Public Health Preparedness***

***HB 5607 An Act Concerning the Use of COVID-19 Relief Funds to Replenish the Unemployment Compensation Trust Fund***

***SB 1079 An Act Concerning Competitiveness and Labor Costs at the Connecticut Airport Authority***

***HB 6659 An Act Concerning the Establishment of the Connecticut Baby Bond Trust***

***HB 6662 An Act Declaring Racism as a Public Health Crisis and Establishing a Commission on Racial Equity in Public Health***

***SB 885 An Act Implementing the Governor's Budget Recommendations for General Government***

***SB 134 An Act Requiring the Comptroller to Fund the Unfunded Pension Liability Portion of Fringe Benefit Costs for the University of Connecticut Health Center***

***HB 5149 An Act Excluding Reimbursements to State Employees for Mileage and Payments for Overtime from the Calculation of Retirement Outcome***

***HB 5209 An Act Excluding Overtime Pay and Legislative Mileage Allowances from the Calculation of State Pensions***

***HB 5750 An Act Excluding Reimbursements for Mileage and Payments for Overtime from the Calculation of Retirement Income***

***HB 5754 An Act Excluding Mileage Reimbursements and Overtime Pay from the Calculation of Retirement Income***

Good morning Senator Osten, Representative Walker and members of the Appropriations Committee. My name is Sal Luciano, and I am proud to serve as the President of the Connecticut AFL-CIO, a federation of hundreds of local unions representing more than 220,000 members in the private sector, public sector and building trades. Our members live and work in every city and town in our state, reflecting the diversity that makes Connecticut great. Thank you for the opportunity to provide testimony on a number of bills impacting working families.

### ***SB 705 An Act Establishing an Office of Pandemic and Public Health Preparedness***

Connecticut, like many states, was caught flat footed at the onset of the COVID-19 pandemic. We have learned a great many lessons since Governor Lamont first declared a public health and civil preparedness emergency on March 10, 2020. SB 705 positions the state to be more effective in its response to the next crisis.

By establishing the Office of Pandemic and Public Health Preparedness, Connecticut will prepare itself to take a more collaborative approach to the next emergency, requiring the legislative and executive branches to work together. We are especially appreciative of the provisions in Section 5 which recognizes the need to support essential workers and requires the development of a comprehensive program to provide the kinds of assistance they have needed. We applaud the Committee for raising this bill and urge members to support it.

## **HB 5607 An Act Concerning the Use of COVID-19 Relief Funds to Replenish the Unemployment Compensation Trust Fund**

The American Rescue Plan (H.R. 1319) extends provisions of the federal CARES Act II legislation. While we wait for more detailed guidance from the federal government about how states may use funds provided by the American Rescue Plan, it does not appear that HB 5607 would be a permissible use of such funds. Section 9901 includes the following:

*“A State or territory shall not use the funds provided under this section or transferred pursuant to section 603(c)(4) to either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase.”<sup>1</sup>*

It does not appear that this language allows American Rescue Plan funds to shore up depleted unemployment trust funds, as that would essentially act as a tax cut for employers. The bill does, however, extend the interest waiver for trust fund loans September 6, 2021. This reduces the financial liability for Connecticut companies that pay a special assessment to repay interest normally associated with trust fund borrowing.

Before the pandemic, Connecticut’s unemployment insurance program needed modernizing. The taxable wage base, the portion of employee earnings on which employers pay unemployment taxes, is just \$15,000. This level hasn’t been raised since 1999. Raising the taxable wage base and indexing it to inflation would go a long way toward making the trust fund solvent.

Members of this Committee will no doubt deliberate long and hard about how to use American Rescue Plan funds in the most productive, efficient and responsive manner. We suggest that using those funds, whether permissible or not, to replenish the unemployment insurance trust fund is not the best use of one-time federal dollars. Without raising the taxable wage base, investing American Rescue Plan dollars would be an imprudent, short-term fix.

## **SB 1079 An Act Concerning Competitiveness and Labor Costs at the Connecticut Airport Authority**

This bill would exclude future hires of the Connecticut Airport Authority from the same pension and healthcare benefits that every other state employee enjoys. The intent, it appears, is that by moving Authority employees to a defined contribution plan, the Authority will save money, reduce its fringe rate and capitulate to airline demands. The proposal before you is poorly conceived and should be rejected.

Defined benefit plans, like the State Employee Retirement System (SERS) enhance the state’s ability to attract and retain qualified employees. They provide secure retirement benefits based on a person’s salary and period of service and help sustain local and state economies by ensuring an adequate standard of living throughout retirement.

Switching to a defined contribution or 401(k) style plan would limit this ability, possibly exacerbating labor shortages in key service areas by increasing employee turnover rates. Higher turnover rates, in turn, could lead to increased training costs, more overtime costs and lower levels of productivity. Establishing a defined contribution plan would also likely result in lower and less secure retirement benefits for many state employees, putting pressure on the state to augment financial assistance for retirees. In addition, defined benefit plans also earn higher investment returns and pay lower investment management fees than defined contribution plans.

A 2017 *Wall Street Journal* article “The Champions of the 401(k) Lament the Revolution They Started”, quotes the head of the American Society of Pension Actuaries as saying “The great lie is that the 401(k) was capable of replacing the old system of pensions. It was oversold.”<sup>2</sup> Near-retirees participating in 401(k) plans have, on average, accumulated only a third of what they need to maintain their standard of living in retirement and high

<sup>1</sup> [H.R. 1319](#) (2021), Section 9901.

<sup>2</sup> <https://www.wsj.com/articles/the-champions-of-the-401-k-lament-the-revolution-they-started-1483382348>

earners (those in the 90th to 99th percentile of the income distribution) are almost as ill prepared as low- and moderate earners. Almost one-third of families have no retirement savings at all, leaving them to depend on taxpayer-funded subsidies for emergency health or other costs they'll face in retirement.

The Transportation Committee rejected a similar effort earlier this session. We urge the Committee to reject this bill.

### ***HB 6659 An Act Concerning the Establishment of the Connecticut Baby Bond Trust***

Connecticut has the third highest rate of income inequality in the nation. A report released by Connecticut Voices for Children in September finds that the average yearly income for the top one percent of Connecticut households is 41 times the average household income.<sup>3</sup> The report also found great racial income gaps with Black households earning 58 percent of what median white households earn. The median Hispanic household earns 55 percent. The pandemic has contributed further to these disparities.

We applaud the Committee for hearing such an innovative proposal as HB 6659 to combat income inequality and the racial wealth gap. By providing each child born onto Husky the resources to continue their education, start a business or buy a home, this proposal begins to tackle income inequality and provides each recipient a better chance of securing their economic future.

In addition to providing a solid beginning to each child, this proposal could make great strides toward reducing income inequality, which contributes to economic stagnation. By investing in our children, the state would be investing in its own economic growth. Investing in Connecticut's children is a far more worthwhile (and dare we say profitable) endeavor than providing endless tax credits and incentives to corporations who pay poverty wages and/or leave the state when those incentives expire.

We encourage the Committee to support this proposal.

### ***HB 6662 Am Act Declaring Racism as a Public Health Crisis and Establishing a Commission on Racial Equity in Public Health***

COVID-19 did not create the vast racial and economic disparities within our state, but it did shine a light on the depth and breadth of those divisions for those who had chosen to ignore them. We thank the Committee for raising this important bill. Only when we recognize a problem, and name it, can we begin the work to fix it. Declaring racism, a public health crisis is the first of several steps we must take to make our state more equitable for residents of color.

We encourage the Committee to consider adding the Commissioner of Labor to the Commission on Racial Equity in Public Health. There are many job-related issues tied to racial health disparities, including workplace exposures and limited access to workforce development programs. Our system of employer-based healthcare also presents many challenges linked to eliminating health disparities.

We've seen many of these issues play out during the pandemic. Low-wage workers, many of them Black, Brown and female, have been most exposed and felt the disproportionate impacts of COVID-19. They have not had the luxury of working from home, if they were able to keep their jobs at all. These workers contracted the virus at higher rates and were more likely to develop severe symptoms and die. More often than not, they lacked, and still lack, access to affordable healthcare. We must do better.

We urge the Committee support this important bill.

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<sup>3</sup> <https://ctvoices.org/wp-content/uploads/2020/09/SOWC-2020-Executive-Summary-Final.pdf>

***SB 885 An Act Implementing the Governor's Budget Recommendations for General Government***

The coronavirus pandemic has decimated large sectors of Connecticut's workforce. More than 200,000 workers are still collecting unemployment benefits. They are looking for work, hoping their old jobs come back online and considering education and training options to prepare them for different opportunities. The Department of Labor has always been a one-stop-shop for workers facing these kinds of circumstances.

We have concerns about removing workforce development strategies from the Department of Labor. While the administration has said that the Office of Workforce Strategy located within the Department of Economic and Community Development will collaborate with the Department of Labor, it seems like that should work in reverse. The Department of Economic and Community Development should collaborate with the Department of Labor, which has significant expertise and experience in this area. Creating strategic initiatives that meet the needs of specific economic sectors is an important way to develop the workforce pipeline. We just think those efforts would be more effective and more efficiently executed at the Department of Labor.

***SB 134 An Act Requiring the Comptroller to Fund the Unfunded Pension Liability Portion of Fringe Benefit Costs for the University of Connecticut Health Center***

We take issue with the statement of purpose of this bill but support the substance of the legislation.

UConn Health Center is the state's only public academic medical center, housing the University of Connecticut's medical and dental schools and premier academic research facilities. It brings in more than \$100 million in research grants and provides nearly \$2.2 billion in positive economic impact for the state and the region. UConn Health is also home to John Dempsey Hospital, the state's only public hospital, serving over one million patients, 25% of whom are Medicaid patients. We can be very proud of UConn Health and the dedicated professionals who make it work. These are significant state assets that contribute to our quality of life, our economy and to our state overall.

UConn Health has inherited challenging legacy costs from administrations that refused to honor the promises they made. The fringe benefit costs, together with years of flat funding, have increasingly hampered the organization's ability to secure grant dollars and remain financially competitive with similar private institutions. Requiring the Comptroller's budget to cover the fringe benefits for UConn Health Center employees would recognize the burdens previous administrations have placed on the agency and position it to be eligible for more research dollars.

In 2018, the General Assembly ordered UConn Health to secure a public-private partnership to strengthen its financial footing. After a nationwide search, no proposal was deemed viable. If the General Assembly decides that a second search for private partners should take place, no venture should take place without the input, engagement and approval of the General Assembly. This body is best positioned to protect the taxpayer-funded investments made in UConn Health and the essential services it provides to Connecticut residents. SB 134 should be passed regardless.

We urge the Committee to support this bill with an amended statement of purpose.

***HB 5149 An Act Excluding Reimbursements to State Employees for Mileage and Payments for Overtime from the Calculation of Retirement Outcome***

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These bills are frequently recycled proposals that fail to recognize the contributions of state employees who deliver essential public services. Bills like these that restrict certain income from state employee pension calculations are also efforts to undermine collective bargaining. When pensions are a mandatory subject of bargaining, all related issues are part of the discussion between management and labor. Often, issues are exchanged for others over time in the bargaining process.

Assigning and allocating overtime a management responsibility. Rank-and-file state employees do not have the ability to work overtime without the express approval or direction of management. With the state workforce now being as small as it was in 1960, it is no surprise that in recent years more overtime has been required to effectively deliver public services. That was a set of policy choices made by the Governor and the General Assembly who formulate the state budget. If agency management cannot fulfill the state's obligations without employing the use of overtime, workers should not be penalized for those decisions. If this body wants to reduce overtime, it should appropriately fund state agencies so they may staff appropriately.

In addition, there is a difference between agency managers seeking volunteers to work overtime and employees who are mandated to work overtime. Volunteer employees have a choice. Mandated employees do not. We must recognize that in certain sectors – law enforcement, healthcare, corrections, transportation, etc. – overtime will always be required because public safety is at stake. Refusing to recognize the full scope of an employee's work at retirement unfairly punishes those who had no choice in the matter.

Further, state government was inadequately staffed to manage the impacts of the coronavirus pandemic. Hundreds of unfilled vacancies and long-term disinvestment in agency budgets left departments scrambling to respond. The Department of Public Health, the Department of Labor, the Department of Correction and other frontline agencies had to rely heavily on overtime just to meet the most basic needs. Employees did not choose to work overtime. They were directed to work overtime during a one-in-a-century public health crisis. It seems particularly mean spirited to thank these essential workers for their service and sacrifice by arbitrarily discounting their pensions and holding them accountable for management's failure to manage.

Legislating the exclusion of mileage from state employee pensions is redundant. Mileage is reimbursed to rank-and-file state employees when they incur it in the course of their work. It is not calculated as part of their income. No rank-and-file state employees are able to count mileage reimbursements in their pension calculations. Legislators, however, receive a taxable mileage stipend and include it in their pension calculations. If there are abuses related to mileage in pension calculations, we should focus attention where it belongs.

We urge the Committee to reject these bills.