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CONNECTICUT
GENERAL ASSEMBLY
HOUSE

PROCEEDINGS
2012

VOL.55
PART 18
5829 – 6187

Those voting Yea 145

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SPEAKER DONOVAN:

The bill is passed in concurrence. Will the Clerk please call calendar 329.

THE CLERK:

On page 15, calendar 329 substitute for Senate Bill number 258, AN ACT CONCERNING AN INCREASE TO THE MAXIMUM ALLOWABLE UNEMPLOYMENT COMPENSATION TRUST FUND BALANCE. Favorable report by the committee on labor.

SPEAKER DONOVAN:

The fine Representative of Southington, Representative Zalaski of the 81st, you have the floor, Sir.

REP. ZALASKI (81st):

Thank you, Mr. Speaker. Great to see you up there but maybe nobody told you we already had UConn day but that's okay.

SPEAKER DONOVAN:

Representing our flagship university, Representative.

REP. ZALASKI (81st):

Mr. Speaker, I move for acceptance of the joint committee's favorable report and passage of the bill in concurrence with the Senate.

SPEAKER DONOVAN:

The question is on acceptance of the joint committee's favorable report and passage of the bill in concurrence with the Senate. Representative Zalaski, you have the floor, Sir.

REP. ZALASKI (81st):

Thank you, Mr. Speaker. Mr. Speaker, this bill phases in a change in the method of calculating the unemployment compensation trust fund balance and increase the amount that can be retained in the fund by increasing the fund's current goal.

This increases the future long term solvency of the fund in the event of future recessions and may avert future borrowing. The bill satisfies one of the requirements this State would need to meet in order to

qualify for potential future interest free borrowing from the federal government in the event of a future insolvency in the fund. And there is no fiscal impact to the State or municipalities.

SPEAKER DONOVAN:

Thank you very much, Sir. Will you remark further on the bill before us? Representative Rigby of the 63rd district, you have the floor, Sir.

REP. RIGBY (63rd):

Thank you. Mr. Speaker, good afternoon.

SPEAKER DONOVAN:

Good afternoon, Sir.

REP. RIGBY: (63rd):

I'm pleased to see your shirt as a 1992 graduate of the University of Connecticut. You're making me very happy. And if I may a series of questions to the proponent of the bill.

SPEAKER DONOVAN:

Please proceed, Sir.

REP. RIGBY (63rd):

Mr. Speaker, through you to the distinguished Chair of the labor and public employee's committee, the proponent mentioned a future insolvency. Mr. Speaker, is there an insolvency as we debate this bill today? Through you.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, as a matter of fact the fund has been completely depleted and we owe the federal government over 700 million dollars. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Rigby.

REP. RIBGY (63rd):

Thank you. I appreciate the answer. And Mr. Speaker, through you, what is the anticipated balance that we have to achieve as a State to give relief to the business community? Through you.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I think it's approximately 1.2 billion dollars.

SPEAKER DONOVAN:

Representative Rigby.

REP. RIGBY (63rd):

Thank you. Mr. Speaker, the proponent mentioned in his opening remarks that there is no cost for the State or for municipalities. My question is is there a cost for the business community should this bill become law? Through you.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that's a great question by the ranking member of the labor committee. It's not going to increase the cost to a business at any point in the near future. They're already paying back

the loans that we have already taken from the federal government. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Rigby.

REP. RIGBY (63rd):

Thank you. And while I agree with the Representative's response to my question, right now the business community pays at a rate of one point four percent of total payroll. Mr. Speaker, my concern is that this bill would increase the number of years required that the business community has to pay at the maximum withholding rate. Mr. Speaker, what year would the business community be relieved of paying at the one point four percent under current statute? Through you.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, they will keep paying into the fund until it hits the cap that we have on it now. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Rigby.

REP. RIGBY (63rd):

Thank you, Mr. Speaker. The current cap would -- if -- if the business community -- if the total payroll revenue was to remain consistent right now we would hit the cap in 2018 and theoretically the business community would see reduced rates of withholding for unemployment compensation. So if this bill were to become law what year could they expect it to hit the -- the desired fund balance? Through you.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I guess it's depend -- it's completely dependent on the economy itself as to exactly what year we would hit that after the 2018. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Rigby.

REP. RIGBY (63rd):

Thank you. That's a reasonable answer given that we can't predict what the revenues will be going forward. We can only take a snapshot of where they are today and then, you know, make an estimate as to when we might hit the goal that's outlined in the bill before us. Mr. Speaker, through you, if we were to take no action and disregard the legislation before us what would it mean for our unemployment compensation trust fund balance?

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that's a good question. That's a point that we should make sure we clarify and that is that if we do not do this bill and in the future we have another recession we will not be able to borrow tax free from the -- interest free -- sorry -- interest free from the federal government. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Rigby.

REP. RIGBY (63rd):

Thank you. Mr. Speaker, through you is that interest free lending that the Representative mentions, is that on all forms of federal reimbursement for unemployment compensation? Through you.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, it's on short term loans.

SPEAKER DONOVAN:

Representative Rigby.

REP. RIGBY (63rd):

Thank you. And Mr. Speaker, if we were to take no action and if we were to allow current statute to remain the law of the land, what would the interest rate be on the loans going forward? What would we see as a difference? We talk about a zero interest loan

versus what -- what the future may hold. Can the Representative estimate for the Chamber what the interest rate could go to? Through you.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, we think it could at least four percent depending on the economy again.

SPEAKER DONOVAN:

Representative Rigby.

REP. RIGBY (63rd):

So, Mr. Speaker, given the Representative's answer if the rate could go as high as four percent it could mean -- theoretically it could mean hundreds of millions of dollars over the course of -- over the time period that this bill addresses. So I understand the -- the reason for the legislation.

My question to the Representative is does the business community support this measure? I know we considered it last year. We talked about it as a committee and then we also failed to bring it up as a

legislative body here in the House. But Mr. Speaker, through you, does the business community back this proposal?

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, another good question and maybe I should have made it clear earlier in the debate and that is that there was a negotiation between CBIA, the -- the Restaurant Association and those types of organizations with the Department of Labor and they came up with this agreement on this bill. So again the CBIA and the business -- I mean the Restaurant Association is onboard with this bill. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Rigby.

REP. RIGBY (63rd):

The Representative makes it seem like this is a necessary evil almost that we have to extend out the amount of time that the business community has to bear

the burden of an enhanced withholding rate of one point four percent. And you know, I urge members of the Chamber to carefully consider this bill, participate in the debate and we have to make sure that we're doing the right thing for both the business community and the workers that this would affect with their unemployment benefit.

And my concern is too -- and if the Representative would be kind enough to address this concern, is there any way that the State of Connecticut could somehow redirect the funds in the unemployment compensation trust fund to a different use? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Thank you. Through you, Mr. Speaker. That's a good question and I -- I definitely want to make sure that we clarify this that we cannot borrow from this fund federally or statewide -- federal and State law prohibits us from doing so. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Rigby.

REP. RIGBY (63rd):

Thank you. That -- that gives me a measure of comfort to hear that there is no way that these funds can be used for any other purpose other than funding our -- our unemployment compensation benefit for the -- for the workforce. Mr. Speaker, through you has there ever been an instance when those funds have been diverted for another purpose other -- rather than paying the benefit?

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, no it's never been done.

SPEAKER DONOVAN:

Representative Rigby.

REP. RIGBY (63rd):

Thank you. I appreciate Representative Zalaski's assessment of this measure and I plan to support it

but I'm eager to hear comments from -- from both sides of the aisle in terms of what impact this might have on our great State and the people that it concerns. Thank you very much and I appreciate the answers.

SPEAKER DONOVAN:

Thank you for your comments, Sir, and thank you for complimenting me on my shirt. Representative Candelora of the 86th, you have the floor, Sir.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. Good evening. If I may a couple of questions to the proponent of the bill.

SPEAKER DONOVAN:

Please proceed, Sir.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. As I understand this we're doing this -- I guess it was stated that we're doing this possibly because of -- in order to maintain our interest free loans that we get from the federal government. And I just wanted to be clear that it is -- there's -- it's undisputed that if we do not make

this change we would -- we would lose the ability to have interest free loans? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that's a good question and under the -- OLA has said, you know -- in the report from the OLA under regulations implemented by the U.S. Department of Labor in 2010 that law was passed that we -- to qualify for short term interest free unemployment loans from the federal government we have to make these adjustments to our State's trust fund.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. And as I read this we have the solvency tax where when an unemployment trust fund is running lower and we need to replenish this pool that there's a solvency tax that's assessed on the employers. And as I read this does this bill do

anything to change the current one point four percent maximum solvency tax? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, no it does not.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. So going forward in the out years the maximum exposure just -- for a business continues to be one point four percent regardless of what level the trust fund is at? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. And also the way this fund is -- is replenished, we hear discussions about federal loans and the State paying those loans. But the unemployment benefits under this bill and under current law are -- am I correct they are one hundred percent funded through the private sector, through businesses and the payment of wages? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that is correct.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. And also in the bill -- in the last part of the bill, lines 41 through 53 -- would I be able to get just a general explanation on

what that area speaks to? As I'm reading it I think the first section of the bill is addressing the adjustment that we're making on the overall unemployment trust fund.

And I see that this second portion deals with a multiplier effect. And as I read it I think that that second section is addressing the level of -- of the funds, of how much is in the pool. If I could just get a general explanation? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker. Line 41 through 53 generally has a way of -- so we look at the last three big -- or the last three recessions that we've had. It's a look back so we can see -- we can dictate to ourselves how much we need in the fund to -- to be able to pay for unemployment for up to a year. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. So -- because as I read this then the fund currently is set at a certain level so does this now this new language allow the fund -- I think what the good Gentleman was saying is it allows the fund now to fluctuate based on, you know, how we're performing, what demands are placed on that fund.

So this section is -- is just dealing with the funding level so if we're in a situation where a lot of money is being paid out and the fund is running lower that this calculation will kick in to raise that -- the overall fund level? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALSKI (81st):

Through you, Mr. Speaker, it's to make sure that we have enough money for those times when things are low and unemployment is high. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. And one of the discussions I think that was in the committee that I was reading I think in the LOR report deals with the -- when these changes need to occur in order to come into compliance with federal law.

And as I understand it we are I guess making these changes now but is it possible that we could extend out -- extend these changes into -- at a future date so that the fund level wouldn't be increased say until 2014? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, holding off on this just increases the chances that if we do have a recession in the next five years we -- we will not be able to borrow money from the federal government at interest free. So it could cause businesses a lot more expense. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. And as I understood this in the testimony at the committee level the business community is agreeable to this change because, you know, they're taxed -- there's a solvency tax of one point four percent and many of these businesses are paying that maximum one point four percent because our funds level has gone down to zero.

So that if we are increasing the fund level right now it doesn't have an impact on these businesses right now because they're paying -- they're paying that full amount already. Does the good Gentleman know that -- that if we implement it now under this bill at what point in time would we achieve our goal of fully funding to the -- to the bill's requirement? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Zalaski.

REP. ZALSKI (81st):

Through you, Mr. Speaker, I've heard dates of like 2024 but again it depends on the economy. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker. I could appreciate that answer. So I guess as we -- if we continue to see a great demand on our unemployment trust funds obviously the pool -- the pot isn't going to fill up as quickly so I appreciate the answer. I think I'm through with my questions and I appreciate the answers to my questions. I do stand in reluctant support of this bill.

I think it is a necessary evil that needs to be implemented for Connecticut. And I think the statement needs to be made and shouldn't be lost on this chamber that what we are doing here is similar to what we have seen with our budget and our revenues. We have seen great strain being put on our unemployment trust funds and it should not go without notice I think that the unemployment trust fund is

paid for not by tax dollars but by the business community.

And so while we continue to struggle with our revenues the business -- businesses also continue to struggle. And this fund certainly is a necessary safety net when individuals are laid off from work but we need to remember that the fund is paid by the private sector. And we've certainly now seen a greater strain on our community and the need to expand this pool because we've now found after a number of years that it's no longer sufficient to meet the growing demands that we have in Connecticut.

And while I think the ultimate driver in this is the fact that federal law is sort of making us do this because we need that federal money interest free in order to sustain this fund because without that federal money if this fund dries up and goes to zero these people go without benefits. And certainly a big safety net in Connecticut is lost. And so I think the driver certainly is that we need to come into compliance with federal law.

And I think that's why I do stand -- stand here reluctantly to support it but I am very concerned

overall with what this does to the business climate in Connecticut because what we are doing here is by increasing the funds that is one hundred percent funded by the private sector and nonprofit sector in Connecticut we are forever increasing a cost on business.

So say the fund is at a one billion dollar level we are now going to uptick it to just say arbitrarily a two billion dollar level. And so that increase is going to be paid for by the private sector. And I think that it's important for this chamber to remember because as we look at other bills that are affecting business this is just one of those bills that might inconsequentially pass through the Chamber under the claim that we need to do this as part of a federal mandate.

But the reality is that we cannot dispute here it is another cost on business and it is significant. And I think it's important to note that the business community has also stepped up to the plate and has recognized that this is a bill that is necessary for the greater good of Connecticut to maintain that safety net of unemployment benefits.

And so I think it's a good demonstration of our business community stepping to the plate when they need to and to say that yes we're willing yet again to come and support what is necessary to run government and to help people in the most dire times.

And so I hope when we look at other bills that might be detrimental to business we might listen to them a little bit more and realize that they aren't only thinking about themselves and at times when it's necessary to do something for the greater good and for employees throughout the State of Connecticut that businesses do rise to the challenge and say we're willing to do it.

And when they don't rise to that challenge and they do say to us don't pass that bill because it's going to hurt our community, it's going to hurt jobs, I think we need to take a second look because I think the employers are credible in the positions that they're making because clearly under this bill they've made a very credible argument and shown I think much integrity in supporting what we need to do here today. Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Representative Lavielle of the 143rd .

REP. LAVIELLE (143rd):

Thank you very much, Mr. Speaker. Good -- good evening. Yes. It's evening. I wonder if I could ask some questions to the proponent of the bill, please.

DEPUTY SPEAKER RYAN:

Representative Zalaski, would you like some questions to be asked of you?

REP. ZALASKI (81st):

No thank you.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

I appreciate the good Representative's willingness. Thank you and I wish him a good evening. So through you, Mr. Speaker, a number of -- of questions here. First off we have a reference here to an increase in the balance of the fund which I interpret as a limit. Does that mean that the fund -- it's sort of like a receptacle and it can hold that

much if we so choose or that we would be obligated to fill the fund up to that limit? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, what it means is we have to -- the businesses will have to keep paying into it until we hit that balance which is what -- which would be one year of unemployment benefits for workers in the State. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle -- Lavielle- excuse me.

REP. LAVIELLE (143rd):

Thank you, Mr. Speaker. I recall that I think answering Representative Rigby's question the answer that currently the balance we're aiming to achieve is one point two billion dollars. And so under this bill the new balance would be how much? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, it's the opposite. The one point two is the new balance.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

And then the current balance is -- the current goal for the balance is what? Mr. Speaker, thank you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Six hundred million.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. So, through you, Mr. Speaker, we're talking about doubling the balance in the fund? Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, yes.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

I thank the Representative for that answer. The -- I see the sections here with the calculations, how all of the -- how the rate is calculated and so on but I would be interested to know whether the current number of businesses and jobs held in those businesses actually affects the rate at which businesses are taxed to fill this fund. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, they all pay the one point four percent.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

So that if, we were to have fewer businesses that could actually pay, let's say a number of businesses were to close, they wouldn't subsequently have to pay more because there were fewer of them? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, no.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Would they then have to pay that same rate for longer to attain the balance level? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, if there's less of them I would guess that to be true. Yes.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. And through you, Mr. Speaker, if we pass this bill what is the -- what is the immediate impact on businesses over the next years say through 2018? Through you, Mr. Speaker. Does it change? Does the amount they pay change? Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, no their amount will not change.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. But they would continue to pay it for a larger number of years than they would have without the passage of the bill? Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker. Yes that would be true but we still have to remember if they -- we didn't do this bill and they had -- we had a recession and they had to borrow they would have to pay interest on that money. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. And they would have to pay that interest even before 2018? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, yes.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. There is a reference -- I'm sorry I can't find it in the bill but in the OLR report -- well in the fiscal note actually there is a reference to the fact that the -- the action outlined in the bill would allow us to fulfill one of the federal requirements for obtaining interest free loans. What are the others? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Could you -- you know, what page you're on. I'm not looking at the same thing as you.

REP. LAVIELLE (143rd):

Sure.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Sorry. Excuse me. I am looking at the OFA fiscal note and it has the table and then it has municipal impact none, then it has explanation and it's in the second paragraph under explanation, the first line; additionally the bill satisfies one of the requirements the State would need to meet, et cetera. Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker. The OFA report?

REP. LAVIELLE (143rd):

Yes. Oh, I'm sorry. Yes.

REP. ZALASKI (81str):

Through you, Mr. Speaker, which line are you speaking again about?

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

It's the fiscal note.

REP ZALASKI (81st):

Yes.

REP. LAVIELLE (143rd):

And there is the table which is titled State impact. It's a very short table. And then it says municipal impact none and then it says explanation. And after -- in the explanation section there's a first paragraph which starts with the words the bill phases.

And then there's the second paragraph which starts with additionally the bill satisfies one of the requirements the State would need to meet in order to qualify for potential future interest rate borrowing, et cetera.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that means that we have to -- have to actually meet that goal by 2020.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you but are there other requirements because it actually says one of the requirements? Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Sorry. Is that -- are you talking about on page five of the OLR report?

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

I'm sorry. I'm looking at a print out. I'm not looking at it online and it's -- on my print out it's the fiscal note.

REP. ZALASKI (81st):

Through you, Mr. Speaker, the fiscal note that I have, you know I -- I'm not sure I have the same paper as she has to be honest.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. It says OFA fiscal note and it's -- well on my printout here it's page four in the printout of the substitute bill and so it appears after the text of the bill. Through you.

DEPUTY SPEAKER RYAN:

Can you find it, Representative Zalaski?

REP. ZALASKI (81st):

Through you, Mr. Speaker. The part that -- I see where it says there is no fiscal impact to the State and municipalities as they do not pay unemployment taxes. Is it after that?

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. I will just for the convenience of the Representative I will look online and see if there's something different there than what I have if I may. Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. I am looking at the fiscal note online and it's right there on the front page of the fiscal note, through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I'm looking at the fiscal note too and I just don't -- I'm not sure but let me answer it this way, again there -- the second part of it is the United States Department of Labor passed a law in 2010 siting criteria for interest free borrowing by states.

First states must have a trust fund reserve goal that enables it to pay benefits are recessionary levels for one year. Second, states must actually meet the reserve goal prior to requesting interest free borrowing.

DEPUTY SPEAKER RYAN:

The Chamber will stand at ease.

(Chamber at ease.)

DEPUTY SPEAKER RYAN:

Representative Lavielle. Chamber's back in order. Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you, Mr. Speaker. I don't know if we were waiting. I guess I could -- I could phrase my question in another way and just say are there any

other requirements for interest free loans besides this one? Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, yes there is two requirements. First, states must have a trust fund reserve goal that enables it to pay benefits at recessionary levels for one year. Second, the states must actually meet the reserve goal prior to requesting interest free borrowing. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. And Mr. Speaker, through you, what -- how do we define a recessionary level of unemployment? Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker. That's a very good question and everyone should know that once I tell them. You go back to the last three recessions and average them out. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you, Mr. Speaker. What's our current recessionary level for purposes of defining the availability of what's in the fund? Through you.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I don't have that.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Okay. I have a concern related to this that comes up often as I've been in committee discussions particularly in appropriations which is that we seem to be very concerned about -- and with -- justifiably

so with increasing levels of unemployment or consistently high levels of unemployment that require us to maintain funds large enough to pay the benefits that that necessitates. And are we anticipating that these levels will continue high enough to warrant a doubling of the amount in the unemployment compensation trust fund? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I would say yes.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you, Mr. Speaker. Have we had to pay increasing amounts of unemployment benefits over the past three years from this fund? Have we -- have we each year seen the payouts grow larger? Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, we have since we have -- we have steadily been paying through the recession we have now.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. At what point did this fund become insolvent? Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, two years ago.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. And before that we were not obliged to borrow funds from the federal government? Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, we did also in 1993

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. And how long did it take us at the time to reconstitute the balance of the fund to a level that we considered at the time to be satisfactory? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALSKI (81st):

Through you, Mr. Speaker, I do not have that factual number but I can tell you that this as many of you -- I'm sure everybody in the House knows, this is the worst recession since the 30s. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you, Mr. Speaker. And I'd be interested to know the Representative's view on the likelihood -- well the ability of the measures that we have been taking as a General Assembly to improve the business friendliness of the State and to help small businesses in certain ways for example with the jobs bill, to reduce our exposure to having to pay these benefits in the coming years. Do you think that the effect of that will be significant? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I'm not sure I could answer that.

DEPUTY SPEAKER RYAN:

Representative Lavielle.

REP. LAVIELLE (143rd):

Thank you. I'll just offer some remarks if I may and give the Representative a rest and I thank him for his answers. One of the things that has struck me as I have sat in committee and also listened to the debates in this chamber is that we -- we spend as a body a great deal of time and effort and ultimately financial resources on thinking about and discussing how we can find the money to pay for situations that have become progressively worse, in this case unemployment.

And sometimes we tend to do that to the exclusion of thinking about what we can do to fix the problem in the first place. And I have in this case some concerns about the dynamic between letting things go as they are or nearly go as they are and continuing to worry about the burden of unemployment and how to pay for it and thinking seriously about wait a minute, if we just could let businesses get on with their business and create an environment where they can hire more, there might be less unemployment and less need to make disbarments out of this fund and to deplete it.

And in this case we're also asking businesses to continue to pay for perhaps an indefinite period of time a high assessment. As Representative Candelora said a few minutes ago they certainly have played ball. They certainly have done what they could to contribute to trying to keep our funds solvent but it hasn't been without withstanding great duress.

And I know that the businesses I talk to constantly are really struggling under the burden of the recent tax increases, health insurance costs, gas prices, property tax reductions and mandates like paid sick leave. This assessment on them this year was kind of like the last straw.

And I have some serious questions about whether we're not feeding into that burden at the moment and continuing to require them even into the future, even past 2018 and we know that whatever happens between now and 2018 -- I'm not talking 2014 or 2016 but between now and 2018 we know we're going to have a new president.

We know we're going to have a new federal administration. We know that things in this country could change one way or the other. Laws could change.

Obligations could change. And we're thinking of a requirement in the future that we're going to impose on businesses that are now struggling, that perhaps they won't have to assume that far out.

And so I'm very conscious of the burdens that they're already putting up with and concerned about putting more obligations on them in the future. I understand the thinking.

I am not sure that it is the most instructive and that it's indicative of an attitude that we would want to adopt in this State of actually saying come on what can we do to help people who hire get more jobs before we start thinking of what can we do to continue to subsidize the lack of jobs.

I know we have to do that to an extent but the more priority we put on enabling more jobs to exist ultimately the better off we will be as a State. So I continue to have some uncertainties about this bill although I appreciate the thinking behind it. I thank the Representative for his answers and thank you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Thank very much, Madam. The Representative from the great City of Waterbury, Representative Noujaim, you have the floor, Sir.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker, my good friend from Southington. I appreciate the floor, Sir. And through you, Sir, I do have some questions and some issues in reference to this bill that I would like to address to the Chairman of the labor committee.

DEPUTY SPEAKER ARESIMOWICZ:

I believe the Representative from the neighboring town is prepared, Sir, so please proceed.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. And Mr. Speaker, through you to Representative Zalaski. By statute, Representative Zalaski, and I'm sure you are Chairman of the labor committee, you have this information on your -- the tip of your finger. We are supposed to be -- the State of Connecticut has a threshold which it always has money always available to pay for unemployment for the unemployed.

Do you have an idea about the amount that is required by statute for this -- for this issue? Thank you, Mr. Speaker, through you.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, as I stated before its 600 million.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. And I appreciate the staff's help as well in this matter and it's good that we have the staff here to give us the information on the finger -- the fingertips.

And I would like to ask through you, Mr. Speaker, what is the balance in the fund right now? What do we have available to pay for unemployment at this time? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker to my good friend from Waterbury, manufacturing capital. It's -- as I stated before but for the second time I'll explain it's over 700 million dollars we owe. We have nothing in the fund. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. And through you, Mr. Speaker, so if I am to summarize that we by statute should have 600,000 -- 600 million dollars. We owe 700 so we are in the whole by one point three billion dollars? Through you, Mr. Speaker, am I correct?

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker. Being a business owner, you're pretty good at math. I guess you're correct. Thank you.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. Through you, Mr. Speaker to Representative Zalaski, now with our unemployment level at eight point two percent do we have an idea, which I'm sure we do, what are we paying in unemployment compensation every week to those who are unfortunately unemployed? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, number one I just heard that our unemployment is seven point eight percent so I'd just like to clarify that. The other part of the question I do not have the answer for.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. That's fine. It's something perhaps we should look into. And through you, Mr. Speaker, back on -- in the year 2009 when I was -- I had the honor of being on the labor committee with Representative Zalaski, obviously our unemployment ran out and we had to go and borrow from the federal government at the rate of 25 million dollars a year.

Does Representative Zalaski know what was the total amount that we borrowed from the federal government; five, six, 800 million, (inaudible)? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I think it was around 800 million.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. And through you, Mr. Speaker to Representative Zalaski, has the State of Connecticut paid anything to the federal government as a repayment for that loan? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Yes. Through you, Mr. Speaker, I think we've paid back 100 million so far. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. And through you, Mr. Speaker, I know for a fact back then that the federal government had given us the loans and they were granting us an interest free until January 2010 and when we were unable to pay in January 2010 the federal government allowed us an extension to August of 2010. Since then, after August 2010 have we paid anything to

the federal government from that loan? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, yes, 100 million dollars.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. I'm very appreciative for the fact that we're able to pay something back to the federal government. Are we currently paying anything for -- to the federal government from the State of Connecticut to compensate the federal government for this loan they've given us? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, yes we're paying the interest on the loan.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM. (74th):

Thank you, Mr. Speaker, that's great news. That's good news to me as a matter of fact but what are we paying and how much are we paying per week, through you, Mr. Speaker and what's the percentage we are paying on it?

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that's a very good question but I don't have figures in front of me.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. And through you, Mr. Speaker to Representative Zalaski, since he is also employed by a manufacturing company I'd like to mention that because the State of Connecticut was unable to pay--to start paying on this loan the federal government in July of 11 sent in a special assessment to every employer assessing them at three tenths of one percent of the unemployment which means it translated to 38 dollars per employee.

And to a company like the company Representative Zalaski works for or the company that I work for it was a really good amount of money that the business had to pay. Essentially what the federal government has done is did not even ask, did not even request, did not even ask permission from the State of Connecticut, basically what the federal government did -- said I am assessing businesses this rate which is three tenths of one percent translating to 38 dollars per employee and the federal government through the State just sent in those invoices to -- to businesses and asked them to pay. No choice. You had to pay it.

It's an assessment that must be paid. And through you, Mr. Speaker to -- to Representative

Zalaski, I know that our rate right now is one point four percent and I know that in the conversation with Representative Rigby, Representative Candelora, and representative Lavielle it's said that this is our top rate. Here is my concern, Mr. Speaker, and I'd like Representative Zalaski to tell me if I'm wrong if I'm not wrong.

I think I heard him say in that if it comes down to recession God forbid in the future and the fund runs out like it is out now the federal government or the State of Connecticut will increase the rate on businesses to pay -- to be able to fund unemployment. Am I correct? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALSKI (81st):

Through you, Mr. Speaker, I guess they may, yes.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker, which means this would be another mandate on -- on businesses to be able to pay more than the businesses have been paying right now. And does the Representative know by some chance the amount that could be levied on businesses or potentially levied on businesses.

I understand this is looking into the future but I think in our planning and I'm sure the Labor Department has all of this information in so far as forecasting for the future to know what kind of percentage may be applied to businesses or may be levied to businesses.

And I'm glad there is a representative from the Department here who perhaps can support in that -- in answering this question. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I don't know if they've sat down and talked about that. I wasn't privy to it. through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. Through you, Mr. Speaker, then we will -- the businesses are going to be hit with an increase in the future. We don't know when. We don't know how much. Am I correct? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, as -- as at any time we never know when something's going to hit us. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. And through you, Mr. Speaker, I would like to ask Representative Zalaski to really clarify for me and I know probably he tried to

do it before in answer to someone else but I really did not understand the answer. Lines 46 to 48 of this legislation; I'd just like to wrap my arm around it and understand it. Actually it is lines 43 to 47. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, what it means is every year they'll have to look back on any recessions we had and how much -- how much there was paid by employers in the State. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Through you, Mr. Speaker. Through you, Mr. Speaker, I am really glad I received this answer because I -- in my opinion and I believe I would like Representative Zalaski to either ask -- to either confirm or tell me that I am wrong. Is there a possibility that the State and or the federal

government may look into the past to assess businesses additional fees for unemployment if we are short in funds? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I don't believe so.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. And through you, Mr. Speaker, didn't the State of Connecticut do this in the past, looking into the past and then assessing -- assessing businesses backwards rather than just going forward and I think it did happen once before in the history in the State of Connecticut only a few years ago. Am I correct? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, in that section it does say they looked back because how would they know if there were recessions in the past or how would they know how much employers paid out if they don't look back the year previous? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Preventative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. Mr. Speaker, I am very much alarmed and very sincerely hesitating about this piece of legislation. I would like to paraphrase something that my colleague Representative Candelora said a few minutes ago. He said businesses once again are stepping up to the plate and this is the problem that we have in the State of Connecticut.

It's always businesses stepping up to the plate. Businesses stepping up and paying more and paying more and paying more. The cost of gasoline is going up, businesses are paying more. The cost of power is going up, businesses are paying more. The cost of regulations is going up, businesses are paying more. The cost of unemployment is going up, businesses are

paying more. And the cost of regulations are paying up, businesses are paying more. Transportation is going up, businesses are paying more.

And we have to get to one point and say to ourselves how much more we can ask businesses to pay? How much more we can ask businesses to pay? These are the business that employ us. These are the businesses that give us our paychecks. And I think every single one of us in here in the Chamber is a person who is working for somebody and receiving a paycheck.

And that business essentially one of these days is going to say I am unable to stay here in the State of Connecticut. I am unable to be able to operate here and somebody down south or overseas is going to be taking my jobs away from me.

As much as I love to do this, as much as I think this is a federal mandate and as much as I think that we have no choice but to do this like what Representative Candelora said, as much as Representative Rigby said I will be supporting this bill reluctantly, as much as we all may push green or red in there I am always, always, always alarmed by the fact that other states are stealing our

businesses, stealing our workforce and stealing our profitability and stealing our ability to do business and survive in the State of Connecticut.

I really cannot vote yes. I cannot vote yes for the simple reason that in the past we could not pay for unemployment. We ran to the federal government. The federal government bailed us out and they gave us money, 25 million dollars a week at no interest rate so that we can pay those people who are unfortunately unemployed. Now all of a sudden we might do the same thing again.

But what we are doing by this bill in error we are already assuming -- assuming that we are going to run out. We are assuming that the federal government is going to come upon us. But my answer will be what if the federal government does the same thing that they did before, they give us the money with no interest to be paid.

And somehow the federal government will end up assessing the employers once again and the businesses again. As much as I wanted to say yes to this bill, Mr. Speaker, I am unable to support it. Thank you, Sir.

DEPUTY SPEAKER ARESIMOWICZ:

Thank you very much, Sir. Will you remark further? Representative Miner of the 66th, you have the floor, Sir.

REP. MINER (66th):

Thank you, Mr. Speaker, and good evening. If I might a few questions to the proponent of the bill please.

DEPUTY SPEAKER ARESIMOWICZ:

Please proceed, Sir.

REP. MINER (66th):

Thank you, Mr. Speaker. And the Gentleman may have mentioned the question but I'm not sure. If he could tell me if he knows what the current level of this fund is, through you, please.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, for the third time yes I'd be happy to answer that question because the good friend from my own committee, 700 million dollars.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker. So we currently do have a fund that should we have a downturn in the economy that employees if the State if they become unemployed would be eligible to draw on. Is that correct? Through you.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, maybe I misspoke because we owe 700 million. We don't have anything in the fund now. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Miner.

REP. MINER (66th):

And just -- thank you, Mr. Speaker. And just so we don't get off on the wrong foot here, I in no way associate any of this mess with the Chairman of the labor committee and so if I do repeat a question it's not in any way meant to be a trick or anything else.

I'm just trying to make sure that if I choose to oppose this piece of legislation I have the facts -- the best facts that I can. And so we don't currently have anything in this reserve fund and if I understood the Gentleman correctly we're still on the hook with the federal government for something on the order of about 700 million. Is that correct? Through you.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that's correct.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker. And so if a situation occurred where unemployment began to grow right now if

the Gentleman knows, would we be eligible to borrow money from the federal government at an interest exempt rate? Through you.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, we can borrow but it will not be interest free.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Miner.

REP. MINER (66th):

Okay. So it sounds to me like we've gone past the point of free interest and we're now still in that position where we don't have any of our own money. No matter what the rate established by Representative Noujaim is is current law that's not replenishing this fund. It's not keeping us even.

And so it only as I understand it makes us go to the negative. Any money we've paid in then we start to draw on at the federal level. If the Gentleman knows between now and the time we replenish our fund

to the new level are we always at a risk of paying interest to the federal government? Through you, please.

REP. ZALASKI (81st):

Through you, Mr. Speaker, yes.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Miner.

REP. MINER (66th):

So this has been going on probably since 2010. And I know we've had a number of conversations with the agency. Having served on the department -- the labor committee since 2010 about this issue what strikes me is that it really hasn't changed much since 2010.

While many of us know that other states have chosen to deal with this issue in other ways the State of Connecticut, the Department of Labor has been steadfastly -- steadfastly focused on putting this burden back on business. So we should be clear here, business does not support this tax.

I know CBIA has submitted testimony and a couple of others have submitted testimony but I can assure you if you go down Main Street in Litchfield or Main Street in Woodbury while they know they have to pay this tax, this is not a plan that they have weighed in on an supported. We have taken the word of people who have paid lobbyists to be here to advocate for the largest of employers.

Is there anything in this bill, through you, Mr. Speaker, that would restrict our ability to enhance the payment to an unemployed person between now and the time this fund is replenished? Through you.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, yes you can't -- you cannot -- while we owe the federal government money we cannot change any of the rules for unemployment. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker. And so once we finish paying down the 700 million dollars -- am I correct that once we finish paying off the federal government then we begin replenishing the money in our own fund. Is that correct? Through you.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, yes that's correct.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker, and I thank the Gentleman. So the clear answer is that until we finish paying back what we owe the federal government we can't make an enhancement. And the real answer is that even though we may not have finished putting this full amount back into our own savings account there's no restriction in here to improving what that payment might be to employees of the State of Connecticut.

Have I got that right, Mr. Speaker, through you?

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, could you ask -- give me that question again, please?

DEPUTY SPEAKER ARESIMOWICZ:

Representative Miner, would you please repeat the question, Sir?

REP. MINER (66th):

Certainly. Thank you, Mr. Speaker. I would agree that we can't make a change until we finish paying back the 700 million. The question is once that's done is there a restriction on us paying out more to an employee that would become unemployed even though our fund isn't replenished to the current obligation under the federal guideline and what this bill would be? Through you.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

If I have your question right I would say that the legislature could make rule changes once this fund is paid back, yes.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Miner.

REP. MINER (66th):

And just as a clarification the answer to that question was once the federal fund is paid back? Through you.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, yes that's correct.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Miner.

REP. MINER (66th):

And the State -- through you, Mr. Speaker, the State fund does not have to be fully funded before making that change? Through you.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that is correct but I would like to point out that if -- if as I stated before, if the State does not have a trust fund reserve goal -- it's the goal that we have to change that makes -- because if we don't change the goal we won't be able to borrow interest free from the federal government. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker. I don't think I have any questions further. I -- and I do appreciate the Gentleman's working on this issue and I do appreciate his responses to the question. Mr. Speaker, I understood the answer earlier to be that there are two

things. One is that you have to have a goal and the other is that the goal has to be funded.

I stated earlier that to my knowledge this hasn't changed much in the last couple of years. This is pretty much what people wanted a couple years ago. And so there's no money in here being paid back by employees. All right.

So there's an insurance policy that's paid for by employers and not one nickel -- not one nickel is paid for by any employee. Just so nobody misunderstands here I'm not out to gouge anybody. But I wonder what the formula would look like if we as employees of the State of Connecticut, private employers, public employers kicked in five cents on the dollar, five cents on 100 dollars.

What I'll tell you is to my knowledge the Department of Labor never, never in the time that I've offered has come back to me and said well we'll look at that option and we'll let you know what the run looks like. This is what they wanted to do. As Representative Noujaim said these are compounding taxes; one point eight billion in income tax and business increases in the last year.

Now there's a new federal tax here for unemployment. There isn't one person that operates a small business that doesn't know exactly what this bill will do and does. What concerns me is there was plenty of opportunity to talk about options.

What concerns me is there was plenty of opportunity to put language in this bill that made it clear to the business community that until we replenished that fund that the legislature's intent was not to increase the benefit to employees. But it's not in here.

It's not in here. And so whether we reluctantly support it or reluctantly oppose it, it is very clear in what's in here and that is that business is paying again. No one -- no one won during this recession, not employees that had to make due on small checks from the State of Connecticut or the federal government or business.

But I do think there was an opportunity here in the State of Connecticut to look at a model that would have sent a different message to the business community. And that model very well could have said

we got into this together and maybe we can get out of it together.

And most people that I know, most people that I've talked about that with have said, you know we benefited for what is it 99 weeks. I got my check for 99 weeks. If it took a little bit maybe, maybe that would be a fair way to go back about this.

I do see at least in 2019 there is an opportunity to what I would interpret in this language as to roll back the tax so that it stays at that level. I think that's so that if there is a growth in employment then theoretically you don't need the same tax if you have more people paying into it.

So I am not reluctantly going to oppose it, Mr. Speaker, I am wholeheartedly going to oppose this. I understand we have an obligation to the federal government and I understand that we have an obligation to get our train back on the tracks but I'm not sure we really thought this out fully. Thank you.

DEPUTY SPEAKER ARESIMOWICZ:

Thank you very much, Sir. Will you remark further on the bill? Representative Aman of the 14th district, you have the floor, Sir.

REP. AMAN (14th):

Yes. Thank you very much. I do recognize the problem that we're in and somehow the trust fund has got to be replenished and things -- something has got to be done. I do not know if this is the best way to do it.

I agree with the previous speaker that said that it seems like over the last few years the only discussion has been is how much and for how long are we going to charge the employers and we haven't looked at any other things that may or may not be able to be done. They may be good ideas or bad ideas, the thing that bothers me is that we didn't even have a discussion of other ideas in a serious manner. I do have some questions for the proponent of the bill, through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski, please prepare yourself. Representative Aman, please proceed, Sir.

REP. AMAN (14th):

We're currently the 700 million dollars in debt, the number that you have given out several times. Over the last few months has that number been increasing, decreasing or saying roughly the same? We've had a slight uptick in employment. We've had people dropping off the rolls so I'm just trying to figure out which way the trend line is currently going in data. Representative Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, it has remained pretty constant and that is because we're paying the interest first.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

Let me then maybe rephrase that a little bit. Over the last few months has the amount being paid in and the amount of claims being paid out, have they

been roughly equal or climbing or falling, through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I can only speak to our unemployment -- how much unemployment there is in the State and that has gone down a little, through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

I'm just a little -- by the answer is that the -- I know the unemployment rate has gone a little bit down but has the amount of money flowing in still is it equaling the amount of money flowing out of the fund at this time, through you, Mr. Speaker?

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I wouldn't have those figures for you. I'm sorry.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

I'm a little disappointed because I think that would let us know whether that one point four figure that we've been talking about what it's real impact or one of it might be. Under this bill is there any change of the base where currently businesses are paying I believe only on the first 15,000 dollars of income of any one individual, through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, there's no change.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

And also we're -- currently a business pays an unemployment tax and it's made up of at least two factors, the experience rate, how much they layoff or if they've never laid anybody off you have a different experience rate and a base rate. Is this one point four percent that we're talking about is that currently or what is in the base rate part of that equation now? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, another good question and that is -- that is the base rate that we use.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

So we are currently using a one point four percent base rate and under this bill in the future we'll be using then what as a base rate since we're talking about a change? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, the same.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

So the tax that we'll be paying as a percentage of that 15,000 or the dollar amount someone's paying from that 15,000 is going to stay the same pretty much indefinitely into the future whether we pass this bill or not, through you, Mr. Speaker?

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, no if you didn't pass this bill then you wouldn't have as high a goal.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

Until -- let me then try to rephrase again, until the 700 million dollars is paid off we'll be paying a one point four percent base rate into the fund. It's my feeling if I remember right earlier in the discussion and I will definitely stand corrected if my memory is wrong, the current goal -- or current goal that we have without this bill is 600 million so that we would be paying one point four percent until the 700 million is paid.

At the same rate we'd continue until 600 million to be paid. If we did not change the goal once we reach that 600 million would the base rate drop to zero or what would happen to it? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, the base rate drops.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

Okay. I just wanted people to be very clear what we're talking about is once we reach our current goal the tax would continue under this bill. It would -- which would not have happened if we didn't have it. the money coming out and coming in and coming out, they've talked about is being roughly equal. Does -- has there been any calculations as to the additional cost to the system for the benefits that have been added over the last couple of years?

I can remember when you could only receive for instance for 26 weeks now you can go up to two years under certain circumstances. The amount of total benefits and the way it's calculation has been changed several times.

And I'm just wondering if someone has calculated not only the downturn in the economy but the change in benefits how that has impacted our 700 million dollars in debt. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, not that I'm aware of.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

I think that would be a very important thing to look at as we go forward. What we're doing at one point is setting a new benchmark up very much higher that we're not going to be able to change what we're doing whether higher benefits or lower benefits until we get the debt paid off and the 600 million added.

But now we're raising the bar before we can do anything, it's my interpretation much higher. And through you, Mr. Speaker, is that interpretation correct or am I missing something in the Speaker's explanation? Through you.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker. Could you give me that question one more time? I'm sorry.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman, could you repeat your question?

REP. AMAN (14th):

Since we have not done any calculations of the impact that benefits and change in benefits have had on the fund as we go over the 600 million it's my understanding that we cannot make any changes at least until we're paid off and I would presume that somewhere in the statute it says that we cannot make any changes until we reach what our current goal is. Is that correct? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, the -- the goal that we're speaking of they have estimated at 2018.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

No, I'm sorry. It's when we reach -- our current law I believe says that we are to have approximately 600 million dollars in the fund and it's also from what I thought I heard the Chairman say is that until we reach that 600 million there can be no change in benefits either increasing or decreasing. Is that correct? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that is correct.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

Okay. And now when we raise the goal to 1.2 billion dollars in the fund are we able to change the -- anything in benefits either up or down until we reach the 1.2 billion dollar figure. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, we can make changes after the federal government has been paid back.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

So that's different from what I thought I heard him -- you say a few seconds ago that it was -- that we couldn't do anything until we reached our current goal that we have. Taking another look at things, if things go right in the future we're going to have over a billion dollars sitting in that fund.

All of us have sat through the sweeps that were funds that absolutely couldn't be touched until the general fund was running out of money and all of a sudden this legislature said okay, notwithstanding what we said before we're sweeping that money away. Is the way this fund set up exempt from that possibility of sweeping? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, yes it is.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

And how is that protection put in because I've looked at some of our transportation funds, banking funds and some of the others that we all thought were not able to be swept but when we needed the money we found a way. What makes this money reserve different from all those other funds that have been set up, through you, Mr. Speaker?

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, it's in the General Statutes.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (81st):

If it -- unfortunately -- I'm really not happy with that answer because if it's the General Statutes we can change it at anytime which means that this billion dollars could be tapped at any time if the only protection is General Statutes is because as a legislative body we of course have the right to change those at any time. So I'm -- just want -- maybe I'll redirect the question again and say what -- is there any way to keep it from being protected permanently? Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Zalaski, do you wish to answer the question again?

REP. ZALASKI (81st):

Sure. Again, it is in our General Statute but it's also federal law. Through you, Mr. Speaker.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Aman.

REP. AMAN (14th):

I thank you very much because one of the things is to ask business that would be higher taxed to put up a billion two in reserve and then all of a sudden have it swept away and then be told I'm sorry business you're in a deficit position we've got to raise your taxes again because after all the fund is broke because we swept it is a major problem I think for the business community.

Again as was said by a prior speaker I think it's very, very unfortunate that we are talking again about solving a problem only by increasing taxes.

All of us are very, very sympathetic to the poor person that's unemployed receiving benefits but it's not only a matter of the check it's a matter of how it's determined who's eligible, who's not eligible for benefits, the size of the payment, how long a payment goes, how hard someone has to look for work to be able to continue receiving those benefits.

I really wish that some of those items were placed within this bill. I think I would be much more comfortable saying to my business community we're going to increase your taxes over a period of years by close to a billion dollars to increase the reserve --

of course we could take it away maybe at some point, and we're not going to look at the spending side of the equation.

I think that same sort of logic has got us much into trouble at the State level where we in the past year have looked at the revenue side, how to increase the amount of revenue coming in and have not taken as good a look at the spending side of the budget.

And I think and I'm afraid that we are doing exactly the same thing today with the unemployment compensation fund, looking a way to increase the taxes but not spending any effort whatsoever, not even setting one of our famous study commissions to look at how we can look at benefits to make it more efficient, make it more encouraging for people to get back to work.

So I thank the Speaker and I thank very much for the question and answering.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Representative Williams of the 68th district.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker and good evening. Mr. Speaker, through you a few questions to the proponent of the bill, please.

DEPUTY SPEAKER RYAN:

Please proceed, Sir.

REP. WILIAMS (68th):

Thank you, Mr. Speaker. Through you to Representative Zalaski, I understand that our rules here in the House prohibit us from talking about bills that are not before us but in the context of a bill that you did have I'd like to know -- I believe a labor committee bill, House Bill 5402 was a taskforce study with regard to the very issue that Representative Aman is concerned about, the level of benefits that we are paying out.

And as you described earlier it's sort of a money in money out situation. Right? People are paying into the system -- employers are paying into the system and unemployed persons are taking money out of

it. And not just with regard to benefits but additionally with regard to waste and fraud as it may exist in the unemployment compensation fund.

I'm curious as to why the issue of a -- at the very least a taskforce had not been included in this bill. At least I don't believe that it's been from my reading of the bill. Why a taskforce to study waste and fraud in the unemployment compensation fund had not been included? Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski, do you want to respond to why something isn't in the bill?

REP. ZALASKI (81st):

Through you, Mr. Speaker, I must admit I don't really remember the bill he's talking about.

DEPUTY SPEAKER RYAN:

Representative Williams.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker. Was there any discussion in the labor committee of including either a study of

or additional funding for waste or fraud tracking or enforcement, through you?

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I don't -- I don't remember if we had discussions on that. The only thing I do remember if we want to do some memory search that would be we talked about restricting the unemployment when they got their last raise to -- but that's when we find out you couldn't make changes like that to it while we owed money to the federal government. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Williams.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker. It concerns me that we are not dealing with the waste or fraud issue. Is there anything in our current statute which would prohibit -- let me take a step back.

You mentioned earlier that changing eligibility requirement is prohibited by federal law as long as we have an outstanding debt. Is my understanding of your answer earlier correct, through you?

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I believe that was my answer.

DEPUTY SPEAKER RYAN:

Representative Williams.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker. So through you is there anything that you're aware of in our federal law that would prohibit the State of Connecticut from increasing enforcement action against those individuals who may be abusing the unemployment compensation system? Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, our Department of Labor is vigorously doing that already. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Williams, questions on the bill please okay.

REP. WILLIAMS (68th):

Yes, thank you, Mr. Speaker. So specifically then how -- the new rate that we are calculating as Representative Aman asked you earlier and I believe you answered would not increase above and beyond the 1.4 percent. It would simply increase the term. Is that correct, through you?

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that's correct.

DEPUTY SPEAKER RYAN:

Representative Williams.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker. So could we -- could I have a little bit of an explanation as to in lines 46 through 53 as to how this is calculated? It certainly is a confusing -- not through anyone's fault of course but a very complex calculation as to the new calculation in this section. Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, lines 46 through -- what 53?

DEPUTY SPEAKER RYAN:

Could you repeat that for him, Representative Williams?

REP. WILLIAMS (68th):

Yes. The lines were -- it speaks about December 30 and the 12 months ending on December 30 through the end of the bill, line 53.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, generally December 30 is my birthday and they've decided I guess to go back one year from that date to look at any recessions they had or how the -- how much -- what the wages were throughout the State. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Williams.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker. Well if I was to sketch this out in terms of math though, if I was to create the calculus -- how we're going to calculate this, I'm having a hard time understanding how the new calculation would be made. If you could answer that, through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, as I've stated before this was a -- a negotiation through the business communities and the Department of Labor and I wasn't sitting in there. Don't know how they do the calculation, through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Williams.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker. I guess I'm just looking for an explanation of the calculus that is spoken about in lines 46 through 53. In other words, the bill reads that with respect to the total wages paid -- I guess it's actually lines really 41 through 53.

This is a formula that is being laid out as to how the average high cost multiple will be calculated. And I'm having a hard time understanding exactly what this means from a practical perspective and how it will be calculated if Representative Zalaski could explain that. Through you.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I cannot.

DEPUTY SPEAKER RYAN:

Representative Williams.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker. I had intended to support this bill based on what Representative Candelora said. What we know here today -- what we've learned in this discussion is that we have no really way to discuss or even acknowledge potential waste or fraud in the unemployment compensation system and we have no way of knowing how the average high cost multiple which is a big part of this bill will be calculated.

I mean at some point we have to say to ourselves we're crushing the small business community with everything that we've done here in this legislative session and everything that we did in the last legislative session.

Small businesses are hurting and what the answer that we're giving them is we don't know how we're

going to do this. We're passing a bill that we don't know how we're going to calculate it. This is what we're saying to people. People sitting at home watching CTN must say oh my God, what are you people doing?

You can't explain how we're going to calculate the average high cost multiple? That's a big deal in this bill and it can't be explained? The small business community is getting crushed with regulation after regulation, with law after law, with tax after tax, every single day.

And people think about businesses sometimes in this Chamber and they think oh you know, Enron, or you know, big oil or big tobacco or Kmart of Wal-Mart but as Representative Miner said, walk down Main Street in Litchfield, walk down Main Street in any of our communities.

Talk to the small shop owners. Talk to the people who are just trying to make a living and we keep crushing them. We keep crushing them. What we do right here. And the worst part is sometimes we can't even explain how we did it or why. So is it any

wonder that we're in the situation we're in? Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Representative Adinolfi of the 103rd district.

REP. ADINOLFI (103rd):

Thank you, Mr. Speaker. Just through you, I have one question for the proponent of this bill.

DEPUTY SPEAKER RYAN:

Please proceed, Sir.

REP. ADINOLFI (103rd):

Thank you, Mr. Speaker. On an unemployment check they deduct federal and State tax. Has the Department of Labor ever considered that portion that's taken out of State tax instead of going into the General Fund that it goes into the unemployment fund? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, could you repeat that question again?

DEPUTY SPEAKER RYAN:

Representative Adinolfi.

REP. ADINOFLI (103rd):

As it stands now when you receive an unemployment check State and federal taxes are deducted from that check. Has the Department of Labor ever considered taking the State tax money and putting it -- instead of putting it into the General Fund to put it in the unemployment fund basically as a fee in the unemployment and don't charge -- don't charge the State tax on the unemployment insurance? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ADINOLFI (103rd):

I'm talking about the employees' checks, Sir. Thank you. Through you, Mr. Speaker.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I'm sure that's a good question but I don't see that has anything to do with this bill.

DEPUTY SPEAKER RYAN:

Representative Adinolfi.

REP. ADINOLFI (103rd):

I -- through you, Mr. Speaker, I'll speak no longer with the question but I think it certainly has something to do with this bill because it's another way of funding the unemployment fund. So I think it's something that should be considered if not now at least in the further.

I also believe that this bill -- passing this bill and reluctantly many of us have to vote for it, is that it is the straw that breaks the camel's back. There are many small businesses that are hanging on by a thread. They're paying their rent.

They're paying their overhead. They're paying their utility bills but they're not making any money. And all of a sudden they get an increase in the unemployment insurance it might lead to that small business closing up because they no longer can afford

it and lead to more and higher unemployment within the State.

So I think is something that the labor committee and Department of Labor and so on should really get their act together and consider doing a lot more to help fund this unemployment compensation fund. And one way to do that is to -- let's make businesses grow in Connecticut and let's stop passing legislation that puts more mandates on them and drives them out of the State. Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Representative Smith of the 108th.

REP. SMITH (108th):

Thank you, Mr. Speaker and good evening to you. And just a few questions if I may to the proponent.

DEPUTY SPEAKER RYAN:

Please proceed.

REP. SMITH (108th):

I apologize in advance if some of the questions I ask have been asked. I was out working on some other

legislation and I wasn't able to hear all the answers so I hope I don't repeat some questions but I probably will.

My first question is just scanning the bill as quickly as I could and looking at the title and I realize the title is not always indicative of what the bill is all about. But assuming it is in this instance. Does the bill increase the amount of money each employer will have to pay into the fund? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, what do you -- I'm not sure I -- could you rephrase the question?

DEPUTY SPEAKER RYAN:

Representative Smith, could you rephrase the question?

REP. SMITH (108th):

I'd be happy to. So I'm wondering if this particular piece of legislation if passed will

increase the amount of money each employer would have to pay into the unemployment compensation fund. Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, it would make them pay longer into it until we hit the goal.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

So if a particular employer was paying -- and I'm just going to use imaginary numbers, if he was paying or she was paying 100 dollars per month into the unemployment compensation fund will this bill as it's drafted increase from 100 dollars to a higher amount or will it just make it 100 dollars for a longer period of time? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, the figure that we use is 1.4 percent of their payroll and it would continue out at a longer time.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

So the current figure is 1.4 percent? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Excuse me. Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that's correct.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

And if this legislation was passed that 1.4 percent would remain the same? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that's correct.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

And the 1.4 percent that would remain in effect through the period that it's supposed to run out through and I'm not sure what the termination date is because I haven't had a chance to fully look at the bill but let's assume it's 2014. Would it run through the end of the term? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker. It will -- it stops when you hit the goal.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

And what would the goal be? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski, would you like to answer this again?

REP. ZALASKI (81st):

Through you, Mr. Speaker, the new goal would be 1.2 billion.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

And the 1.2 billion is an increase of how much? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Six hundred -- through you, Mr. Speaker, 600 million.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

And how long will it take to reach that new goal of 1.2 billion? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, we believe that it depends on the economy.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

Well have there been any averages or projections throughout the committee meetings or the public hearings, through you, Mr. Speaker?

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, I had heard 2024.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

And why is there a need to increase this by 1.2 billion dollars through the year of approximately 2024? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, as I stated a couple times so far the -- if we don't do this we will -- if we have to go into another recession and have to borrow from the federal government we will not have interest free short term loans.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

Thank you. Is that the only factor that we're considering, just the interest free short term loans or are there other indicators? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, that is it.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

And what would be the interest rate if in fact we had to pay the federal government as opposed to getting the interest free loans? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, we believe it's -- well it could fluctuate but it's around four percent.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

And that four percent would be added to the cost to the employer? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Zalaski.

REP. ZALASKI (81st):

Through you, Mr. Speaker, the fund is funded by businesses so yes.

DEPUTY SPEAKER RYAN:

Representative Smith.

REP. SMITH (108th):

You see one of the concerns I have with the whole unemployment situation as it exists right now is as has been mentioned just in the brief time I was in the Chamber is the employer, the small business guy is

getting hurt by having to continually fund the unemployment compensation for the rest of the State.

And for instance I know in this bill looking through it there's preexisting language in here about rates and what would happen if you do lay off an employee. Speaking from my own experience, I've had several employees who I've kept on the payroll for over ten years and during het recession one was laid off so my employee -- employment rate which was very low, I think the lowest that the State allows automatically jumped up to what is now the highest rate that the State allows.

In addition to that all the -- as a result of all the unemployment the employers are now, including myself are being hit with an unemployment tax to help fund this unemployment fund I guess. So it's just another cost to do business that employers can no longer drive. I think what has happened and I've spoken interestingly enough to a number of people who are unemployed and have learned also that many times it's more beneficial for them to stay unemployed than it is to take another job that pays about the same or a little bit less.

So I think this whole are needs to be taken -- have a serious look taken to see where we're going with unemployment. You have to have your heart feel for those who are unemployed and truly looking for work and cannot make ends meet.

On the other hand there is abuse, there is fraud and there's just outright gouging that occurs with unemployment as well that are put on the backs of employers who are honestly trying to make a living. This is just another nail in the coffin in my mind.

I've been advocating since I've been here about helping small businesses. We do a little bit at a time and then we take step backwards. And I just can't imagine asking more money to be taken out of the weekly payroll for the employer as he's trying to make ends meet. So I would -- I just wonder where we're going.

I guess that's the biggest concern I have. You know I understand we're in a recession. I understand that we're trying to make matters work. I also understand that what we're doing with this type of bill is just to hurt employers and small businesses.

So for that reason I'm going to take another look at the bill and see if there's any way we can make this a better bill and I may ask to speak a second time if we have any more time but if not I urge my colleagues to consider the fact that what we're doing to small businesses week after week as we pass legislation in this Chamber. Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Will you speak further on the bill before us? Will you speak -- remark further on the bill before us? If not, will staff and guests please come to the well of the House. Will the members please take your seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll call. The House is taking a roll call vote. Members to the Chamber please.

DEPUTY SPEAKER ARESIMOWICZ:

Have all the members voted? Have all the members voted? If all the members have vote please check the board to make sure your vote's been properly cast. If

all the members have voted the machine will be locked. The Clerk will take a tally. The Clerk will announce the tally.

THE CLERK:

Senate Bill 258 in concurrence with the Senate.

Total Number voting	138
Necessary for adoption	70
Those voting Yea	92
Those voting Nay	46
Those absent and not voting	13

DEPUTY SPEAKER ARESIMOWICZ:

The bill is passed in concurrence. Will the Clerk please call calendar 326.

THE CLERK:

On page 15, calendar 326 substitute for Senate Bill number 205, AN ACT CONCERNING INSURANCE COVERAGE FOR THE BIRTH TO THREE PROGRAM. Favorable report by the committee on insurance.

DEPUTY SPEAKER ARESIMOWICZ:

Representative Johnson of the 49th, you have the floor, Madam.

JOINT
STANDING
COMMITTEE
HEARINGS

LABOR AND
PUBLIC EMPLOYEES
PART 1
1 – 305

2012
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CONNECTICUT

TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)
BY
ANDY MARKOWSKI, CONNECTICUT STATE DIRECTOR
BEFORE THE
LABOR & PUBLIC EMPLOYEES COMMITTEE
FEBRUARY 28, 2012

HB 5240
SB 258

A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees. NFIB membership is scattered across the state and ranges from sophisticated high technology enterprises to "Main Street" small businesses to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, I offer the following comments:

Many of the proposals before you today would significantly impact small employers either in their personnel practices or in labor costs. As such, NFIB/Connecticut ***supports*** the following pieces of legislation, which would have a positive impact on small businesses in Connecticut:

- **SB 149** AAC The Denial Of Unemployment Compensation Benefits To Certain Drivers Who Are Unemployed As A Result Of A Drug Or Alcohol Test. This bill is a common sense measure that simply denies unemployment compensation benefits to certain individuals who lose their jobs due to their own fault and under certain circumstances. Small business owners applaud this type of much needed legislation.

- **SB 152** AAC One Day Equals One Absence. This bill would allows employers to count each day of an employee's absence without good cause or notice to the employer, count as a separate instance of absence for the purposes of eligibility for unemployment compensation benefits. Again, this is a common-sense employer-friendly matter and the bill ought to pass.

Unfortunately, despite the positive proposals above, several proposals before you today would have a negative impact on small businesses in Connecticut and therefore NFIB/Connecticut ***opposes*** the following bills:

- **HB 5199** AAC Discriminatory Hiring Practices And Unemployed Individuals. This ill-

conceived legislation seeks to include an individual's unemployed status to the protected classes along with race, gender, sexual orientation, disability, etc., under state civil rights law. NFIB/Connecticut is concerned this such legislation may have a chilling effect on hiring, just as unemployment rates are decreasing, subjecting employers to potential legal action that would be very difficult to defend against. Please be aware that this proposal would increase an employer's risk of liability and may very well stunt the confidence in hiring that several other state initiatives are trying to inspire.

- **HB 5240** AA Requiring Double Damages Be Awarded In Civil Actions To Collect Wages Or Benefits. This bill would make the award of double damages automatic in claims for unpaid wages where an employee prevails. As such, it removes discretion from courts to make factual determinations of when such damages is necessary and appropriate. NFIB/Connecticut opposes this legislation as it is unnecessary, overly broad and inflexible.

Finally, NFIB/Connecticut makes the following comments ***regarding*** **SB-258,** AAC An Increase In The Maximum Allowable Unemployment Compensation Trust Fund Balance:

It is NFIB's understanding that this bill would increase the target amount of money that must be retained in the Unemployment Compensation Trust Fund pursuant to federal directive for purposes of anticipating future benefit needs. As we understand it, this bill should not increase the amount of unemployment taxes for employers for several years. It must be noted that Connecticut's small businesses are already straining under high unemployment taxes and recent surcharges. In order to ease this burden on our state's job creators, NFIB/Connecticut recommends that changes need to be made to the eligibility and administration of the unemployment benefits system in order to maintain long-term solvency and to ensure the fiscal health of our state's employers.

Thank you for the opportunity to comment.

JOINT
STANDING
COMMITTEE
HEARINGS

LABOR AND
PUBLIC EMPLOYEES
PART 3
606 – 958

2012

CHAIRMEN: Senator Prague
Representative Zalaski

MEMBERS PRESENT:
SENATOR: Guglielmo

REPRESENTATIVES: Rigby, Aman, Esposito, Hewett, Kiner, Miner, Santiago

REP. ZALASKI: -- this public hearing to order, sort of.

As everybody knows, there's two doors. If there's an emergency, please file out; you know, take your time.

First, we're going to go to the Legislators, Constitutional Officers, Agency Heads, Chief Municipal Elected Officers.

First, we're going to start with Heidi Lane, Carl -- you know Carl -- Gary Pechie.

Thank you.

SB 258	SB 330
HB 5232	SB 183
SB 184	HB 5236
HB 5239	HB 5234
SB 328	SB 180

HEIDI LANE: I'm Heidi Lane. I'm a principle attorney at the Department of Labor. Unfortunately, the commissioner had fully planned on being here today, but he ended up being unavailable. So I am sending his apologies to everyone here.

I'm just going to briefly go through the many bills that we are testifying on today, and we have experts here to answer the questions. We have Carl Guzzardi and Gary Pechie, who can help answer any of the questions that you may have.

So I'm going to start with Senate Bill 258. This is: AN INCREASE IN THE MAXIMUM ALLOWABLE UNEMPLOYMENT COMPENSATION TRUST FUND BALANCE. And in this, basically the proposal seeks to increase the amount of money that can be retained in the Unemployment Compensation Trust Fund so it can support periods -- during recessionary periods, it can support the benefits, the payout. And as of 2014, we -- the federal government is requiring all states to have this type of system in place, so if we ever needed to, we could take advantage of any future interest-free borrowing.

The next bill I'd like to touch on is Senate Bill 330, AN ACT CONCERNING THE EMPLOYERS OF INDIVIDUALS PROVIDING HOMEMAKER SERVICES, COMPANION SERVICES, AND HOMEMAKER-HOME HEALTH AIDE SERVICES. And what this bill does, it seeks to assure that the agencies, the homemaker companion agencies and registries that are providing the home health care services shall be deemed to be the employer, for purposes of wages, overtime and minimum wage, Unemployment, and Workers' Comp Insurance payments. So that's the purpose, basically, of that bill.

5232 is AN ACT CONCERNING HEARINGS BEFORE THE ADMINISTATOR AND THE EMPLOYMENT SECURITY APPEALS DIVISION UNDER THE UNEMPLOYMENT COMPENSATION ACT. And what this does is -- I think as everyone knows, we have two different types of hearings. We have a hearing before the administrator, which is the first level for Unemployment benefits and then the hearing before the Employment Security Appeals Division.

Generally, before the administrator, the first

do that, then this will increase the penalties assessed against employers who fail to disclose the payment of wages and payroll records or who knowingly make a false statement.

And the last bill I want to touch on is our technical bill, 328. And this repeals several obsolete reports, reports that no longer have adequate information in them. It repeals obsolete statutes. It -- it streamlines our incumbent worker training and our individual development account statutes, and there are some other technical corrections in it as well.

So those are the bills. If you have any questions, I'll be glad to answer.

Okay. I've just been informed that Carl Guzzardi would like to add something on trust fund, which I knew there would be questions on anyway.

REP. ZALASKI: Carl Guzzardi, step right up.

CARL GUZZARDI: Thank you.

Just before we, you know, went to questions and answers, I wanted to just clarify or add some detail on the -- the trust fund solvency, Bill 258.

As you know, we -- we introduced this bill last session. It -- it's in its current format, is -- is unchanged. And this particular bill strikes a balance between the need to restructure the Unemployment Insurance financing system with the desire to maintain lower costs for the business community. We felt that that was very important, because the cost for Unemployment Insurance, across the country, that cost is bourne by employers that

do business in your state.

So while we recognized that the current financing system was not sufficient to finance Unemployment Insurance benefits at not only today's levels but -- but recessionary levels of -- of any period, that the current proposal seeks to balance that with -- with a lack of increase in taxes on the business community. And it does so because the underlying tax structure is not changed so that, yes, this bill allows us, when times begin to get good again -- and that's going to be several years before we -- we -- we see an increase in the -- the actual amount of money that is retained in the Unemployment Insurance Trust Fund -- this particular proposal has no impact of any kind on employers in the State of Connecticut through at least 2020.

So in the -- in -- in a long-term scenario, we're going to have the ability to secure additional funds that stay in the Unemployment Insurance Trust Fund, and -- and those funds are meant to approximate what you pay out in benefits during recessionary times, which is widely considered to be a more appropriate measure for funds that can be retained in the trust fund. But -- but we felt it was important to note that this particular proposal has no effect on business for the next several years.

Thank you.

REP. ZALASKI: While you're up there, could I just ask a quick question which pertains to what Heidi said, also? Is -- did -- did they say that -- is everybody being forced to go to this eventually?

CARL GUZZARDI: The -- the federal government did pass legislation that requires states to have a sound financing system if it wishes to partake in interest-free borrowing in the future, and that legislation goes into effect beginning in 2014. And it's important to note that the language in that federal legislation, in term of how that goal is established, actually mirrors the language that you have before you in this bill. So what we're -- we're hoping for, again, the long-term goal is to create a sound financing system.

And -- and to answer your question, though, the federal government has particular requirements, that will begin to kick in as of 2014, that in order for states to borrow interest free, and typically states borrow interest free when they borrow monies during the early part of a year - because the Unemployment system is structured where payouts are at their highest during the beginning of the year but revenues don't see their peak until April, May, and June, so what happens is you have this traditional cash-flow problem where you pay benefits to -- to -- to very high levels in January, February, but your tax revenues don't hit your systems until April and May. If you borrow money in that scenario and pay those monies back in full by September 30 of the same year and then further borrow no additional funds through the remainder of that year, those loans are interest free.

And in the past, the states didn't have to meet any financing criteria to take part in those interest-free loans. Beginning in 2014, states will have to satisfy certain financing criteria in order to take part in those interest-free loans.

REP. ZALASKI: Thank you.

CARL GUZZARDI: Thank you.

A VOICE: (Inaudible) has a question.

REP. ZALASKI: I know, but the -- oh, well, do you want to do them? Oh, and --

All right, the other one is Gary Pechie. Is he here?

GARY K. PECHIE: Yeah, I'm right here.

REP. ZALASKI: Were you going to speak to -- also?

GARY K. PECHIE: Ah, no. I think Heidi covered everything.

REP. ZALASKI: Oh.

GARY K. PECHIE: But if anybody has any questions (inaudible).

REP. ZALASKI: Sweet. Okay, then.

Now does anybody on the committee have any questions of them? They are speaking for the commissioner.

REP. ESPOSITO: Yes.

A VOICE: Representative Esposito.

REP. ESPOSITO: Thank you.

On 258, who -- who wants to answer that?

A VOICE: (Inaudible.)

REP. ESPOSITO: He has testified earlier that

there'll be no increase through 2020. Well, yet in looking at the bill quickly, it mentions 2013, 2014, that the rates, you know, will be looked at. If there's going to be no increase, then what is he -- yeah. What really is the need to have the bill raised now, if the fund is solvent now and your --

CARL GUZZARDI: Well, the -- the fund is -- is woefully insolvent. At this --

REP. ESPOSITO: Oh, okay.

CARL GUZZARDI: -- point we've got $710 million of outstanding federal loans that we are working to pay back. And -- and this is -- is a measure that long-term is trying to put us in a position where we don't get where we are today.

REP. ESPOSITO: Okay. We're not solvent now.

CARL GUZZARDI: We are not.

REP. ESPOSITO: But you're saying that there'll be no increases to the fund through 2020.

CARL GUZZARDI: Based on --

REP. ESPOSITO: I --

CARL GUZZARDI: -- current projections, that's correct.

REP. ESPOSITO: But how do we make the fund solvent between now and then or we don't?

CARL GUZZARDI: I -- I think slowly over time what will happen is in its current structure, there are a couple of different components to the -- the Unemployment Insurance taxing system. And the one that -- that works to replenish the

fund is called the "Fund Solvency Tax." That tax can range from zero, if the fund is very healthy, and it can go as high as 1.4 percent if the fund is not healthy or insolvent, as it is today.

REP. ESPOSITO: As it is today.

CARL GUZZARDI: Because the fund is insolvent, we are already at the statutory maximum of 1.4 percent in fund solvency, and we are projecting that even with our current goal, we will remain at that maximum level of 1.4 percent through 2020.

So what we're -- what this bill hopes to do is beyond 2020, when we -- we reach the current goal, which is in today's dollars about 620 to $650 million. When we reach that level, if we'd made no change, that fund solvency tax would begin to decline.

If we raise the goal to this average high cost multiple, when it hits its maximum of one percent, which I believe takes -- takes place in 2019, at that stage the goal will be about $1.2 billion. We'll still be at 1.4 percent in fund solvency because we have not changed that statutory maximum. We can't go higher than 1.4 percent. So in 2020, '21, and '22, what we'll see is we will see that fund solvency tax stay at 1.4 percent instead of declining. So in those out years, you will see taxes stay flat to build the goal to a higher level rather than decline to meet a lower goal. But, again, that doesn't happen until at least 2020.

REP. ESPOSITO: Okay. And I know last year when we talked about the repayment to the feds, I noted there was a question from me and we never heard back. Has the application been made to the

federal government to forgive our loan or forgive part of it, and what -- where is that status?

CARL GUZZARDI: States across the country, the National Governors Association, and various organizations have -- have made pitches to Congress about loan forgiveness, interest forgiveness, and, quite frankly, those have -- have not been answered. That's way above my pay grade, Representative, but I -- I think right now they're struggling just with the idea of how to pay for the benefit extension package that was recently passed. So as we speak today, all states that have loans outstanding with the federal government are required to pay interest, and there has been no debt forgiveness.

REP. ESPOSITO: All right.

And on 184, I know that there's a court case pending right now of --

CARL GUZZARDI: I'm going to turn that over to -- to Attorney Lane.

REP. ESPOSITO: Yeah.

CARL GUZZARDI: Oh, thank you.

REP. ESPOSITO: And I know you said that the Court has ruled that you have to honor the 75 employees, whether they're in state or out -- out of state, but is there anything on our side that bolsters your argument that the intent of the Legislature was to be 75 in-state employees or --

HEIDI LANE: Yes. And it's just the Superior Court that said it can be inside and outside. We're

REP. MORRIS: -- very much for your time.

CRYSTAL RAMSEY: Appreciate it.

REP. ZALASKI: Thank you.

REP. MORRIS: Thanks.

A VOICE: Matt Santacroce (inaudible) Matt.

REP. ZALASKI: He got it; right?

MATTHEW M. SANTACROCE: Close enough.

Good afternoon, Senate Prague, Representative Zalaski, and members of the committee. My name is Matt Santacroce. I'm a Policy Fellow at Connecticut Voices for Children, here to testify today on support of Senate Bill 258, AN ACT CONCERNING AN INCREASE IN THE MAXIMUM ALLOWABLE UNEMPLOYMENT COMPENSATION TRUST FUND BALANCE.

This legislation would take an important step towards remedying one of several structural flaws in Connecticut's UI financing system, which Carl alluded to earlier. Federal labor officials generally recommend that state trust funds maintain an average high cost multiple of 1.0, which this legislation would phase in. Trust funds with this level of savings will ensure that the State has enough money in the banks to pay out one year of UI benefits during a recession of historically average severity.

The average high cost multiple is a commonly used measure of trust fund solvency that uses a state's past performance to assess the adequacy of current reserves by comparing trust fund savings to historically high UI benefit payout

levels in previous recessions.

Currently, Connecticut law sets a trust fund reserve goal that is equal to or greater than 0.8 percent of total wages paid by taxable employers in a given year. This reserve ratio system allowed the UI trust funds to remain relatively solvent through much of the previous decade but left Connecticut ill equipped to withstand the unprecedented unemployment spurred on by the great recession. The average-high-cost-multiple reserve goal provides a more realistic measure of potential liability and would prepare Connecticut, at least in part, for future, large-scale recession-related draw downs on the UI trust fund.

Indeed, only 17 states entered the most recent recession with an AHCM at or above 1.0, but of these 17 states, 13 of them were debt free in the -- in the third quarter of 2011. And the four states that were in debt were Florida, Arizona, and Nevada, states that withstood the very worst of the foreclosure crisis. In contrast, of the 33 states that entered the recession with less than a year savings accumulated, 24 of them including Connecticut have had to borrow from the federal government to stay current on UI payments.

In short, phasing in an AHCM goal of 1.0 is a common-sense fix that would leave us better prepared for future spikes in unemployment; however, this reform as a stand-alone measure fails to address a root cause of Connecticut's current trust fund insolvency. Critically, Connecticut's capacity to accumulate adequate trust fund reserves is severely limited, due to a taxable wage base that has been frozen since 1999.

Generally speaking, UI benefits are paid out as a percentage of a worker's wages, and so as wages in Connecticut have increased over the past decade, so too has our state's liability to potential UI claimants. However, since the amount of each employee's wages that can be subjected to the State UI tax has been capped at $15,000, since 1999, employer-paid UI taxes have become severely misaligned with the wages that they're meant to replace, a situation that's left us unprepared for the worst economic downturn in a lifetime.

It's essential that Connecticut take comprehensive action to fix the way it funds UI by linking employer contributional requirements at the rate of wage growth in Connecticut, something that 17 states including Rhode Island and New Jersey currently do. The UI system would be funded at a rate that reflects the realities of our state's economy. Moreover, these common-sense reforms would reaffirm our commitment to a dependable UI system for all workers, not just those currently out of a job. Employers and the state government must be equal partners in restoring solvency and stability to a work support that provides security to so many in Connecticut.

Thank you for the opportunity to testify today. And for further information, we released, a couple months ago, a full-length issue brief on the U -- on the UI trust fund that provides an in-depth analysis of these points. And I look forward to your questions. And that brief is attached to this testimony.

REP. ZALASKI: I must commend you on finishing in three minutes. I'm hoping everybody could do so. We have a very long list. You did a great

job on --

MATTHEW M. SANTACROCE: I hear --

REP. ZALASKI: -- that (inaudible).

MATTHEW M. SANTACROCE: -- there's a basketball game on.

REP. ZALASKI: Oh.

A VOICE: We'd like to hear about that.

REP. ZALASKI: Now you're telling us.

MATTHEW M. SANTACROCE: Okay.

REP. ZALASKI: Are there any questions from the committee?

Seeing none --

MATTHEW M. SANTACROCE: Thank you.

REP. ZALASKI: -- thank you, very much, for your testimony.

Lori Pelletier; she's up early.

A VOICE: Great.

LORI J. PELLETIER: Good afternoon, Senator Prague and Representative Zalaski.

SB183 SB184 HB5313 (HB5337)

I'm Lori Pelletier, from the Connecticut AFLCIO. I have submitted written testimony and will only do a summary of a couple of things.

First of all -- you're welcome -- Senate Bill 154, AN ACT CONCERNING STATE EMPLOYEES AND VIOLENCE AND ABUSE -- AND ABUSIVE CONDUCT IN

DAVID J. D. EVANS: Thank you.

REP. ZALASKI: Next is Susan Bendici. It's long.

A VOICE: (Inaudible.)

REP. ZALASKI: Well, it's only two more pages.

SB 258

SUSAN NOFI-BENDICI: Good afternoon, Representative Zalaski and members of the committee. My name is Susan Nofi-Bendici, and I'm here today to testify about H.B. 5232, the Unemployment hearings.

I'm the Deputy Director at New Haven Legal Assistance, and I represent claimants in Unemployment Compensation proceedings, and I'm speaking on behalf of all of the legal services' organizations in Connecticut.

As Attorney Lane mentioned in the initial presentation, there's two types of hearings. The one we're really concerned about are the -- the referee hearings. Those, in Unemployment proceedings are truly the only in-person hearing that a party gets. That's where they get due process. They can introduce evidence and witnesses and examine evidence against them and cross-examine witnesses.

A party that loses at the referee level can appeal to the board, but the board will not grant another hearing. They don't generally accept any additional evidence, and they -- they rarely overturn a credibility determination made by the referee.

A party losing at the board level can appeal to court, but their -- their review is even more limited, as explained in my written testimony.

We don't object to language about telephone and other electronic means; in some cases, that's appropriate and can be convenient for the parties, but we -- we need to keep that language in there to preserve the right to in-person hearings.

And in -- and we also support S.B. 258, the trust-fund bill. It does not solve the current insolvency problem but we think it's an important first step to -- to making sure we don't find ourselves in this situation again in the future.

Thank you, very much, for allowing me to testify.

REP. ZALASKI: Thank you for coming.

Are there any questions? I do.

HB 5232

In your testimony, have you -- and you probably have; I hadn't read it all -- but so you do make some suggestions that you've already made to the -- the Department of Labor as to changes we could make in the present language that we've presented that could address some of your concerns?

SUSAN NOFI-BENDICI: Yeah. We -- we discuss all of the concerns. I -- we -- I didn't have written, proposed alternative language at that meeting but I did attach it to my testimony --

REP. ZALASKI: It's attached --

SUSAN NOFI-BENDICI: -- you have.

REP. ZALASKI: -- here; right?

SUSAN NOFI-BENDICI: Uh-huh.

things for them. And that, that is the model; it's an independent-contractor model.

REP. ZALASKI: Thank you, Tom.

Are there any other questions? No.

Thank you, very much.

TOM FALIK: Thank you, very much.

REP. ZALASKI: Appreciate it.

Next is Kia.

KIA F. MURRELL: Very good.

REP. ZALASKI: And you're not even last.

KIA F. MURRELL: I --

A VOICE: (Inaudible.)

KIA F. MURRELL: I'm sorry? Yes, I did. You found a typo; as always, let me know.

Good afternoon, Chairs, and members of the committee. I'm going to keep my remarks extremely brief because it's a beautiful day and I think you all deserve to get outside.

A VOICE: (Inaudible.)

KIA F. MURRELL: I'm going to go right down the list, according to today's agenda.

SB 180 SB 184
HB 5234 SB 258

I'm Kia Murrell from CBIA, here to testify on behalf of our more than 10,000-member companies from throughout the -- across the State of Connecticut.

that. And if you're going to leave it that way, we -- we oppose it. We'd be happy to talk to you about what we think a more reasonable option would be.

The most important bill I'm going to mention today is Senate Bill 258, regarding the Unemployment Trust Fund. As you heard from the Department of Labor, the state employment -- Unemployment Trust Fund has been insolvent for a while. As the sole contributors and funders of that fund, the employer community is very concerned about it, but we recognize that unemployment taxes aren't the only taxes that employers have paid.

In the last year, in light of the budget, state budget, federal budget, a variety of things, employers have been hit hard. So when you look at changes to the Unemployment Tax structure, although we are in agreement with this change because we recognize that the federal government is requiring of it, we're not fighting that. But what we say is every time you do something to bring more money out of an employer's pocket, you need to look at the money going out of the fund as well, because that hits employers.

We urge you to always consider benefit-eligibility criteria to make sure that people who are out of work due to no fault of their own actually are encouraged to get back to work as soon as possible, they're actually called to check and make sure that they're looking for work this week as opposed to the honor system which just allows them to check the box when they fill out their e-mail application.

You know, it actually -- as many other states would require them to receive less funds over

the course of time, the longer they're employed. They'd have to now consider jobs that maybe don't pay as much as the one they left, because the goal is ultimately to get them back and allow them to continue searching for something to replace their old income.

All of these things are things that you've heard from me before, but as this bill is considered by the committee -- and it looks like it will probably be considered by the Chambers later -- we want you to know how important the balance between the tax structure and the benefit structure is for Connecticut employers.

REP. ZALASKI: Thank you, Kia.

KIA F. MURRELL: Thank you.

REP. ZALASKI: And I would like to -- hopefully tomorrow you're going to come to the -- we are having a hearing on --

KIA F. MURRELL: I love those Friday-afternoon hearings.

REP. ZALASKI: Yeah.

KIA F. MURRELL: Yes, I'll --

REP. ZALASKI: Right.

KIA F. MURRELL: -- be here. Maybe you don't know if --

REP. ZALASKI: We're going to make sure.

KIA F. MURRELL: -- you'll be here, but --

REP. ZALASKI: You know, it's going to rain anyway,

so we're --

KIA F. MURRELL: Yeah.

REP. ZALASKI: -- going to make --

KIA F. MURRELL: Oh, really?

REP. ZALASKI: -- sure that it's -- yeah. It's going to be --

KIA F. MURRELL: I will --

REP. ZALASKI: -- tomorrow.

KIA F. MURRELL: -- be here. And if there's an opportunity for me to speak, since I'm not an invited speaker, I welcome it.

REP. ZALASKI: Yeah.

KIA F. MURRELL: I can craft something pretty quickly and give you our perspective.

REP. ZALASKI: I'd bet you could give it off the cuff (inaudible).

But I would like to say that people may not know this, and we have -- I and Edith had conservations about changing Unemployment, the way it's administered, but having found out later that because we borrowed all that money from the federal government, no changes could be made at this time.

KIA F. MURRELL: Well, that's not necessarily true, but I get where you're going. The problem is that we've borrowed so much that it kind of limits our flexibility until we pay back those loans. So we could make --

REP. ZALASKI: Yeah.

KIA F. MURRELL: -- the changes, but it's not going to make a difference because you're in such a hole, you've got to crawl out of it before you can look at what changes you want to --

REP. ZALASKI: Well, that --

KIA F. MURRELL: -- make for the long term.

REP. ZALASKI: That really isn't the case. We were told by the Department of Labor that we could not make the changes while we owed money to the federal government, until --

KIA F. MURRELL: They're --

REP. ZALASKI: -- that was --

KIA F. MURRELL: -- probably right.

REP. ZALASKI: -- (inaudible).

KIA F. MURRELL: I know that you can, though, that what the federal government wants to make sure of is that you don't start playing around with your fund before they get their money.

So we could look at some long-term changes. Like you could enact something today and say it takes effect in 2016 or '17 or '18; doesn't mean you can't do it, but for right now --

REP. ZALASKI: Uh-huh.

KIA F. MURRELL: -- you're not supposed to.

REP. ZALASKI: Right.

KIA F. MURRELL: Because their concern is making

sure that the federal fund is solvent at all times. And if every fund started playing around, a lot -- a lot of people would leave the feds holding the bag.

REP. ZALASKI: Then and just let me just say that I've had this conversation about -- with a -- with employers personally that always say that, you know, I offered somebody a job and they didn't take it, and they still get to collect and, you know. And I say, Well, did you report it? They says, No, if I report it, it doesn't do me any good and I don't want to be tied up.

Well, you know, we can't do anything about people doing the things that people don't think they should unless it's reported by the employer. And, you know, I -- I've -- I've heard that story, time and time again, of -- of, you know, people that I know personally that have their own businesses. And I just -- when you ask them did you ever call about that? And no. Well, we can't do much unless they do; you know?

KIA F. MURRELL: Yeah.

REP. ZALASKI: So --

KIA F. MURRELL: No. Yeah, you're preaching to the choir. I'm sure if you're getting calls, imagine how many I get.

REP. ZALASKI: Yeah.

KIA F. MURRELL: And one of the things that we want to make sure is -- is very well promoted, both in this building and in the public -- is that employers have to participate in the system. You know, unfortunately, there's been such a lack of confidence in the system, a lot of

people think that, you know, Connecticut's benefits are generous and you can kill two people with witnesses and still get a benefit check, no matter what you did -- figuratively speaking, obviously. In light of the bullying, I don't want to make light of that because, you know, it might be sensitive for some people.

But the whole point is a lot of employers have felt that the system was tilted against them for many, many years, and because of that, we've got a lot of work to do. You know, that's why I mentioned that on a benefit side, if you reevaluate some of the eligibility criteria, look at what other states are doing. You know, a lot of this is not rocket science; you can boost the credibility and the confidence in your system to encourage people to be more engaged in it. I'd definitely take that role on as being, you know, one of the -- the CBIA staff, but it's a collective problem that we've all got to address.

REP. ZALASKI: Are there any questions?

I don't think there is.

Thank you for coming in. We really appreciate it.

KIA F. MURRELL: Thank you.

REP. ZALASKI: Next is Peter -- Peter, what's --

A VOICE: Goselin.

REP. ZALASKI: Goselin. You scribble your name; you must be a lawyer.

A VOICE: Or a doctor (inaudible).

CONNECTICUT AFL-CIO

56 Town Line Road, Rocky Hill, CT 06067
860-571-6191 fax 860-571-6190

SB184 SB258
SB259 HB5232
HB5234 HB5313

Testimony of Lori Pelletier
Secretary-Treasurer Connecticut AFL-CIO
Before the Labor and Public Employees Committee

March 8, 2012

Good afternoon Senator Prague and Representative Zalaski, and members of the Labor and Public Employees committee. My name is Lori Pelletier and I serve as the Secretary -Treasurer of the Connecticut AFL-CIO, and I am here to testify on behalf of our 900 affiliated local unions who represent over 200,000 union members from all 169 cities and towns.

S.B. No. 154 (RAISED) AN ACT CONCERNING STATE EMPLOYEES AND VIOLENCE AND ABUSIVE CONDUCT IN THE WORKPLACE.

We support this legislation. Workplace violence has been on the rise. Despite all of our best efforts every 16 hours someone dies on the job and nearly 40% of this workplace deaths are attributed to a homicide situation. For women the numbers are staggering. Workplace violence accounts for nearly 80% of women's death on the job. The time is now for protecting workers because in less time than we think a worker will be impacted if we don't.

S.B. No. 180 (RAISED) AN ACT INCREASING PENALTIES ON EMPLOYERS FOR REFUNDS OF WAGES IN EXCHANGE FOR FURNISHING EMPLOYMENT.
We support this bill. Bad employers should be held accountable because they hurt all of those law abiding businesses. This is a simple change and will go a long way to making Connecticut business friendly for those who follow the rules.

S.B. No. 183 (RAISED) AN ACT ADDING MEMBERS TO THE JOINT ENFORCEMENT COMMISSION ON WORKER MISCLASSIFICATION.
We support this bill. Adding the Insurance commissioner and Consumer Protection commissioner make sense. This enforcement commission will ensure that employers aren't cheating the system. This is a good bill.

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Lori J Pelletier

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S.B. No. 184 (RAISED) AN ACT CONCERNING THE DEFINITION OF EMPLOYER IN THE FAMILY AND MEDICAL LEAVE ACT.
We oppose this bill as written. The consequences of this bill is that huge companies who have more than 75 employees, they could have 75000 employees but if they have only 74 in this state they would be exempted under the FMLA coverage. The purpose of FMLA is not for willy nilly time off, it is regulated and documented and this change makes no sense except to allow huge employers to get out from their responsibilities. This bill as written should not go any further than today's hearing.
S.B. No. 258 (RAISED) AN ACT CONCERNING AN INCREASE IN THE MAXIMUM ALLOWABLE UNEMPLOYMENT COMPENSATION TRUST FUND BALANCE.

We support this legislation because In the long run, the changes are most desirable as it is now obvious that our Trust Fund cannot meet present demands and would be less able in the future to do so if the state has to continue borrowing to cover the deficit.

The DOL's proposal is to change the formula for the determination of the balance needed for the UCTF payment of benefits. The formula currently is based on wages and the revision is based on the costs of the benefits themselves. The proposal will increase employers' costs annually for about five years (according to the DOL) and then stabilize at the higher rates. However, the proposed formula for determining the balance is used by many other states.

By this change, the DOL hopes that it will result in the fund being able to meet future costs more adequately. It could reduce further borrowing from the Treasury (and thereby saving the added costs of interest on the shortfalls) and may stabilize the UCTF balance in the future. We believe this change only, about 1% per year for the total of 3-5% when it stabilizes.

We would argue that this change is in the long run most desirable as it would assure not only that the state would be in a position to meet the next downturn in better shape and thereby avoid increasing their costs at a time when such increases can block recovery.

S.B. No. 259 (RAISED) AN ACT ESTABLISHING THE CONNECTICUT HEALTHCARE PARTNERSHIP.We support this legislation. By opening up the state employee pool an it's lower rates to municipalities and non profits we open the door for these entities to be able to provide healthcare a reasonable cost.

Testimony
Robin Wilson
President & CEO
Quinnipiac Chamber of Commerce
Before the
Labor Committee
March 8, 2012

The Quinnipiac Chamber of Commerce has heard from countless members regarding the difficulties of remaining competitive and, in some cases - remaining open - in this difficult economy. Bills that increase taxes and labor costs further erode our economy, causing job losses in almost every sector. We cannot say it enough - to help stem the tide of job losses, we must refrain from adding to the cost of doing business in Connecticut.

We do, however, understand that there must be some adjustment in the amount employers pay with respect to unemployment compensation due to the insolvency of the fund. If the insolvency is not addressed, employers could wind up paying more down the road. We are therefore comfortable with the approach outlined in **SB-258, An Act Concerning an Increase in the Maximum Allowable Unemployment Compensation Trust Fund Balance, which was negotiated with the business community last year.**

However, we absolutely must do more to tighten up the eligibility standards and work search verification requirements to ensure that the system works as intended – that it provides individuals who are unemployed through no fault of their own with temporary assistance until they can find employment. Given that the federal government has extended the timeframe for collecting unemployment, the fund is going to continue to run into financial issues unless Connecticut acts to address inequities in the current system that allow individuals to collect without actively seeking employment. We also need to address issues regarding eligibility to ensure that individuals who are terminated due to absenteeism or violation of drug and alcohol policies are not eligible for benefits. Failure to address eligibility requirements to ensure that the system continues to be a temporary measure to tide people over while the actively search for work will result in a system that imposes an untenable burden on the employer community.

The Quinnipiac Chamber of Commerce serves more than 650+ member companies from the North Haven and Wallingford area. We are the largest non-metropolitan chamber in the state.

CONNECTICUT

TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)
BY
ANDY MARKOWSKI, CONNECTICUT STATE DIRECTOR
REGARDING
SB-258, AAC AN INCREASE IN THE MAXIMUM ALLOWABLE UNEMPLOYMENT COMPENSATION TRUST FUND BALANCE
BEFORE THE
LABOR & PUBLIC EMPLOYEES COMMITTEE
FEBRUARY 28, 2012

A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees. NFIB membership is scattered across the state and ranges from sophisticated high technology enterprises to "Main Street" small businesses to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, I offer the following comments:

It is NFIB's understanding that SB-258 would increase the target amount of money that must be retained in the Unemployment Compensation Trust Fund pursuant to federal directive for purposes of anticipating future benefit needs. As we understand it, this bill should not increase the amount of unemployment taxes for employers for several years. The incremental approach to phase in the targeted balance increase contemplated in this legislation is a common sense approach.

It must be noted, however, that Connecticut's small businesses are already straining under high unemployment taxes and recent surcharges. In order to ease this burden on our state's job creators, NFIB/Connecticut recommends that significant changes need to be made to the eligibility and administration of the state's unemployment benefits system in order to maintain long-term solvency and to ensure the fiscal health of our state's employers. This could include additional efforts to target waste and fraud in the system and also to tighten up the work-search requirements for those receiving benefits. NFIB/Connecticut would be happy to work with the Administration and members of the Labor Committee in such an endeavor.

Thank you for the opportunity to comment.

National Federation of Independent Business — CONNECTICUT
1245 Farmington Avenue, Ste. 103 • West Hartford, CT 06107 • 860-216-8810 • 860-349-2406 • www.NFIB.com/CT

CONNECTICUT
VOICES
FOR CHILDREN

Independent research and advocacy to improve the lives of Connecticut's children

Testimony Supporting S.B. 258: *AAC An Increase in the Maximum Allowable Unemployment Compensation Trust Fund Balance*

Matthew M. Santacroce
Sharon D. Langer

Labor and Public Employees Committee
March 8, 2012

Senator Prague, Representative Zalaski, and distinguished members of the Committee:

My name is Matt Santacroce, Policy Fellow at Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well-being of Connecticut's children, youth, and families. I am here today to testify in support of S.B. 258, *An Act Concerning an Increase in the Maximum Allowable Unemployment Compensation Trust Fund Balance.*

This legislation would take an important step towards remedying one of several structural flaws in Connecticut's UI financing system. Federal labor officials generally recommend that state trust funds maintain an AHCM of 1.0. Trust funds with this level of savings will ensure that the state has enough money in the bank to pay out one year of UI benefits during a recession of historically average severity. The average high-cost multiple (AHCM) is a commonly-used measure of trust fund solvency, using a state's past performance to assess the adequacy of current reserves by comparing trust-fund savings to historically high UI benefit payout levels in previous recessions.

Currently, Connecticut law sets a trust-fund reserve goal that is equal to or greater than 0.8 percent of total wages paid by taxable employers in a given year. This "reserve ratio" system allowed the UI trust fund to remain relatively solvent through much of the previous decade, with counter-cyclical increases in the fund balance tax rate used to recoup drawdowns on the trust fund in times of higher-than-normal unemployment – but left Connecticut ill-equipped to withstand the unprecedented unemployment spurred by the Great Recession.

The AHCM reserve goal provides a more realistic measure of potential liability – and would prepare Connecticut, at least in part, for future large-scale, recession-related drawdowns. Indeed, only 17 states entered the most recent recession with an AHCM at or above 1.0. Of these seventeen states, all but four were debt-free in the third quarter of 2011. And of these four states, three – Florida, Arizona, and Nevada – withstood the very worst of the foreclosure crisis. In contrast, of the 33 states that entered the recession with less than a year's savings accumulated, 24 – Connecticut among them – have had to borrow from the federal government to stay current on UI payments. **Phasing in an AHCM goal of 1.0 is a common sense fix that would leave us better prepared for future spikes in unemployment.**

However, this reform as a standalone measure fails to address a root cause of Connecticut's current trust-fund insolvency. Critically, Connecticut's capacity to accumulate adequate trust fund reserves is severely limited due to a taxable wage base that has been frozen since 1999. Generally speaking, UI benefits are paid out as a percentage of a worker's wages – so as wages in Connecticut increased over the past decade, so too did our state's liability to potential UI claimants. However, the amount of each employee's wages that can be subjected to state UI tax has been capped at $15,000 since

1999. As a result, employer-paid UI taxes in Connecticut are severely misaligned with the wages they are meant to replace – a situation that left us unprepared for the worst economic downturn in a lifetime.

In sum, it is essential that Connecticut take comprehensive action to fix the way it funds unemployment insurance. By linking employer contribution requirements to the rate of wage growth in Connecticut – something seventeen states, including Rhode Island and New Jersey, currently do – the UI system would be funded at a rate that reflects the realities of our state's economy. Moreover, these common-sense reforms would reaffirm our commitment to a dependable, affordable UI system for all workers – not just those currently out of a job. Employers and state government must be equal partners in restoring solvency and stability to a work support that provides security to so many in Connecticut.

Thank you for the opportunity to testify today. For further information, Voices has released a full-length issue brief on the unemployment compensation trust fund that provides in-depth analysis of these points. The brief is attached to this testimony, and is also available on our website, www.ctkidslink.org.

I look forward to your questions.

Connecticut's Unemployment Insurance Trust Fund: A Splintering Work Support

Matt Santacroce

January 2012

The state-federal unemployment insurance (UI) system is a critical support for the unemployed. Created in 1935, the UI system is a form of social insurance – contributions are paid into the system on behalf of workers, who are guaranteed partial and temporary replacement of wages (unemployment compensation, or UI benefits) if and when they become unemployed.

The system acts as an economic buffer in periods of high unemployment, with UI dollars helping to sustain consumer demand and supporting the economic security of working families when joblessness occurs.[1] In addition, strong UI programs protect jobless workers and impacted communities, and support worker participation in the economy by subsidizing employment searches during times of unemployment and reducing the risk of job loss.[2]

Today, with nearly 150,000 unemployed workers in Connecticut,[3] our state's UI system is an especially important support for working families. Nearly 50 percent of Connecticut's unemployed have been out of work for six months or more – the 5th highest rate of long-term unemployment in the country; the outlook is far worse for Latinos, African-Americans, and the least-educated.[4] And as more and more families edge towards economic insecurity, unemployment compensation is an increasingly important source of income. Indeed, in 2010, UI benefits kept an estimated 45,000 people out of poverty in Connecticut.[5] However, the UI trust fund is increasingly unstable, placing this crucial benefit in jeopardy at a time when working families can least afford it.

As Connecticut's unemployment insurance trust fund faced unprecedented demand during the recession, it began paying out benefits at a rate that far exceeded that at which employers were paying into the system – leading the state Department of Labor to declare the fund insolvent in October of 2009. Since then, the state has had to borrow over $800 million from the federal government just to stay current on legally-obligated UI payments. Although our situation is not unique – as many as 30 other states have had to borrow from the federal government to fund their UI systems[6] – it is critically important that the state take steps to restore solvency to the system while maintaining this critical work support for families across Connecticut.

This issue brief will be divided into three parts: First, it will provide an overview of how unemployment insurance is funded in Connecticut. Second, the report will trace the stability and solvency of Connecticut's UI trust fund over the course of the recession, and the costs of an insolvent system. Finally, after outlining two relevant solvency reform efforts from other states, it will propose a series of common-sense modifications that could put Connecticut's UI system on firmer footing in the years ahead.

Financing Unemployment Insurance in Connecticut

In Connecticut, as in much of the United States, the UI system is normally funded by employers who pay taxes into the Unemployment Compensation Trust Fund (hereafter, the "UI trust fund"). The amount a Connecticut employer pays in UI taxes consists of a percentage which is the sum of a) the individual employer's Experience Rate, calculated as a ratio of total benefit payments charged to the employer's account during the past three years relative to the total taxable wages paid by the employer during the same period, and b) the Fund Balance Tax Rate. This rate varies yearly and is levied pursuant to a statutory requirement that the balance in the trust fund equal 0.8

percent of the total wages paid to workers by contributing employers during the last fiscal year.[7] The Fund Balance Tax Rate stood at 1.4 percent in FY 2011. Figure 1 illustrates the formula used to calculate employer contributions in Connecticut.

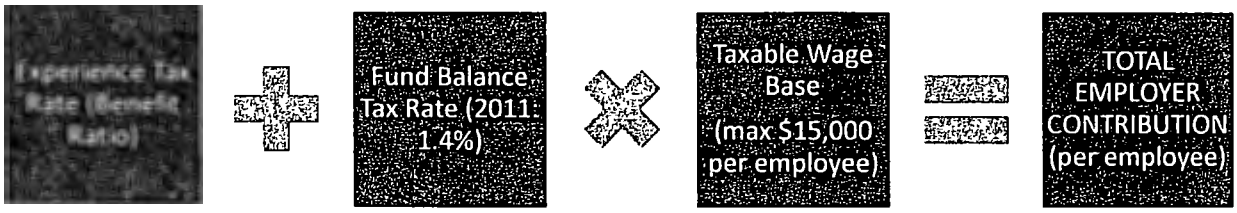


Fig. 1· Benefit-ratio Employer Contribution Formula

A key element of state UI financing mechanisms is the "taxable wage base," or the amount of each employee's wages that can be subjected to state unemployment taxes. In Connecticut, the taxable wage base is capped at $15,000, and has been set at this amount since 1999.[8] As a result, the percentage of total wages subject to UI taxation has dropped (see Fig. 2) while wages covered by UI in Connecticut continued to climb. The ratio of taxable wages to total wages stood at 27.3 percent in the first quarter of 2001; by the first quarter of 2011, this ratio stood at 20.1 percent – a 26.3 percent decline over ten years. Over the same time period, total wages *increased* by nearly 25 percent.[9]

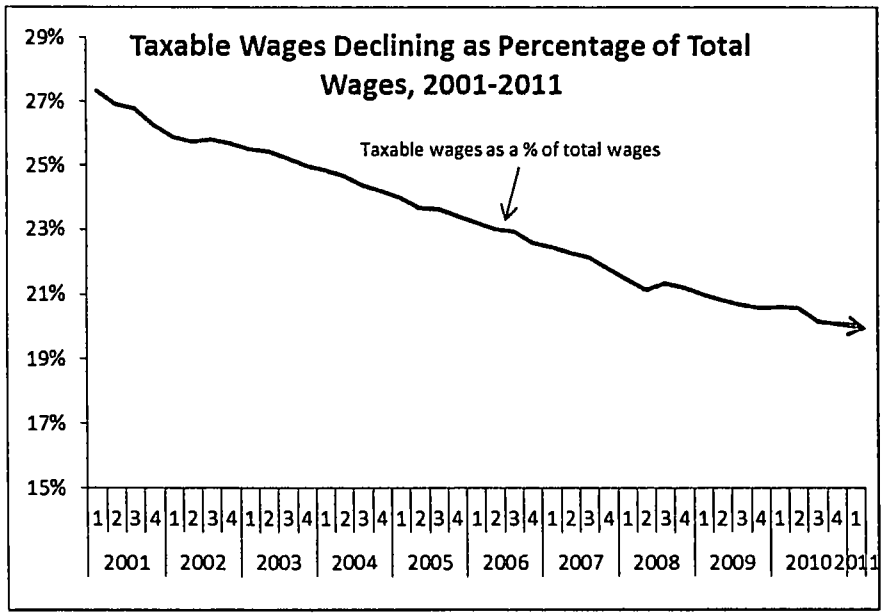


Fig. 2 Source. CT Voices for Children analysis of U S Department of Labor state program data

Connecticut is one of 18 states in the country that utilize the "benefit-ratio" formula to determine employer contribution rates, shown in Figure 1 above as the "experience tax rate." The benefit-ratio formula can be put simply as **benefits charged divided by payroll.** The benefit-ratio system rests on the assumption that if each employer pays a rate which approximates his benefit ratio – or, how much he "costs" the UI system relative to the size of his payroll – the program will be adequately financed.[10]

Measuring the Insolvency of Connecticut's UI Trust Fund

When unemployment spiked in Connecticut from 5.7 to 8.1 percent between 2008 and 2009, Connecticut's unemployment compensation trust fund, placed under an unprecedented degree of stress, began to pay out exponentially more in UI benefits than employers were paying in. On October 13, 2009, the trust fund was officially declared insolvent by the Connecticut Department of Labor.[11]

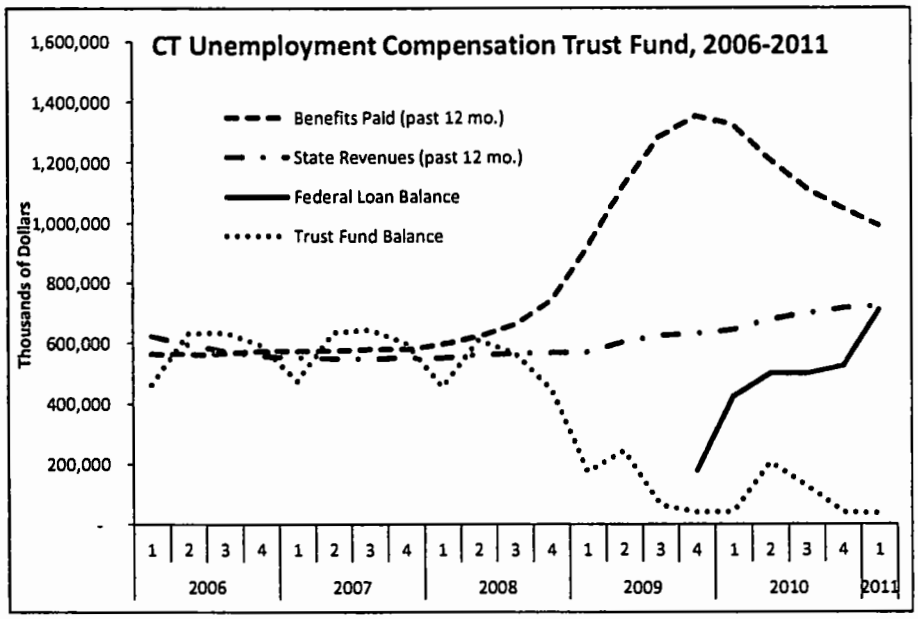


Fig 3. Source: CT Voices for Children analysis of U.S Department of Labor state program data

As illustrated in the above chart, revenues and benefits were in general equilibrium through 2006, 2007, and the early part of 2008. Expenditures began to greatly outpace revenues in late 2008, leading to a draining of the trust fund reserves and the October 2009 insolvency declaration. In order to stay current on its legally-required unemployment compensation payments, Connecticut was forced to begin borrowing from the federal government and is now one of 27 states doing so.[12]

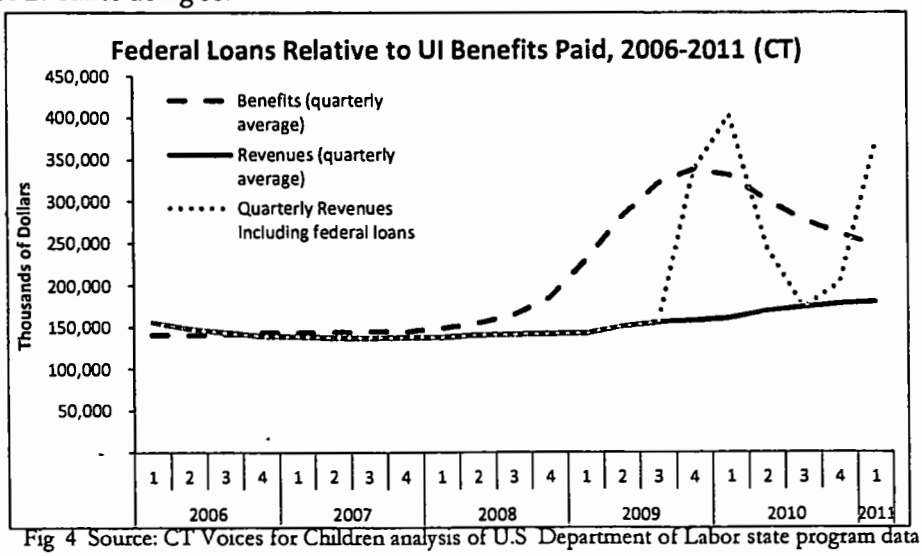


Fig 4 Source: CT Voices for Children analysis of U.S Department of Labor state program data

Figure 4 more fully illustrates the critical role federal loans have played in shoring up Connecticut's unemployment compensation system. In the third quarter of 2011, Connecticut's unemployment compensation loan balance stood at $809,876,000.[13]

Costs of an Insolvent Unemployment Trust Fund

The American Recovery and Reinvestment Act, known as ARRA, waived interest payments on Connecticut's federal loans until December 30, 2010, but since this date, interest has been accruing. According to the Connecticut Department of Labor, interest costs that came due on October 1, 2011 totaled approximately $40 million. Starting on August 1, 2011, all tax-paying employers were billed for a "special assessment" solely to pay the costs of interest on federal borrowing (up to $25.50 per employee).[14] In addition, Connecticut employers are subject to an increase in their Federal Unemployment Tax (FUTA) payments. Because Connecticut has had a loan balance on two consecutive January 1sts and is still borrowing, employers paid an additional $21 per employee in FUTA taxes in 2011; employers will see this tax increase an additional $21 per year until there has been substantial progress made towards restoring solvency.[15]

The following table reflects the CT Department of Labor's most recent projections for total interest costs and additional FUTA taxes into 2015[16]:

Year	Annual Interest Costs	Annual FUTA Credit Reductions[17]	Total Costs to Employers	Total Cost per Covered Employee[18]
2012	$31 million	$30 million	$61 million	$39
2013	$25 million	$60 million	$85 million	$54
2014	$10 million	$90 million	$100 million	$64
2015	$0	$120 million	$120 million	$77

Turning Back the Clock: Trust Fund Solvency before the Recession

There's little doubt that Connecticut's unemployment compensation system currently finds itself on historically shaky ground. However, in order to fully understand the root causes of the current crisis, it is necessary to take a look at the health of the trust fund in the run-up to the recession.

First, a brief explanation of the main measure of historical trust-fund solvency that will be utilized in this report – the "average high-cost multiple," hereafter abbreviated as the AHCM. A commonly-used measure of solvency, the AHCM uses past performance to assess the adequacy of current reserves by comparing trust-fund savings to historically high UI benefit payment levels in previous recessions.

Federal labor officials generally recommend that state trust funds maintain an AHCM of 1.0.[19] Trust funds with this level of savings that will ensure the state has enough money in the bank to pay one year of unemployment benefits during a recession of historically-average severity.[20] Similarly, a state with an AHCM of 0.5 would be expected to be able to pay UI benefits for 6 months during the same recession; at 0.25, 3 months, and so forth.

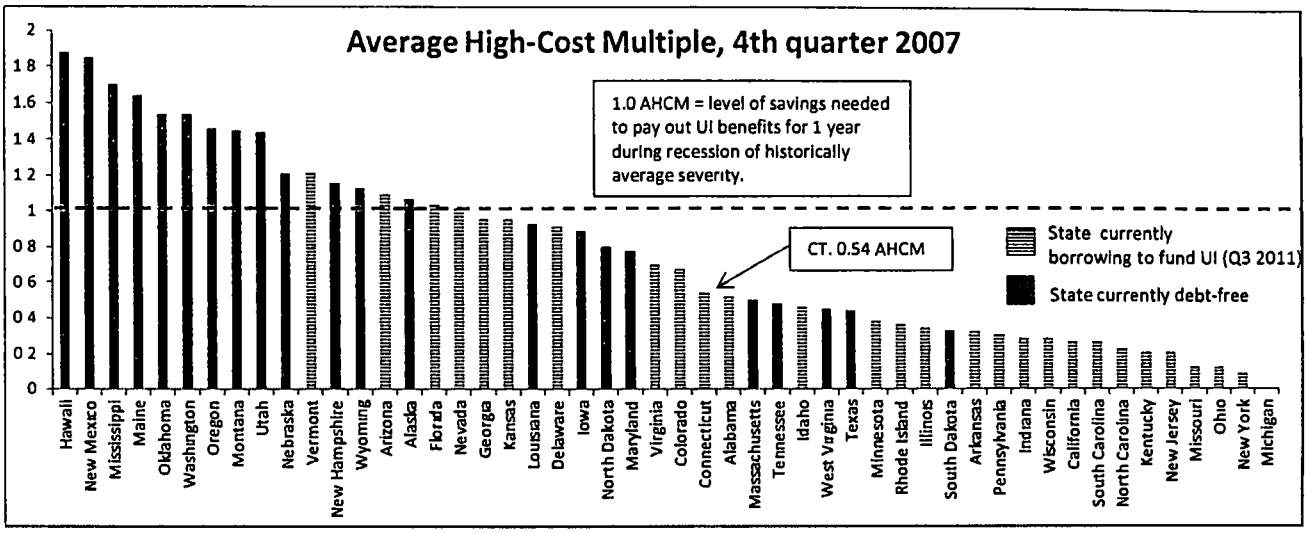


Fig. 5. Source. CT Voices for Children analysis of U.S. Department of Labor state program data

Figure 5 illustrates the fiscal outlook for the 50 state unemployment compensation trust funds in the 4th quarter of 2007, just before the recession hit. All in all, only 17 states entered the recession with an average high-cost multiple at or above 1.0. This marks a sharp downturn in states' preparedness for this recession compared to past – and less severe – downturns. In 2000, for instance, some 30 state trust funds had an AHCM of 1.0 or greater; in 1989, 32 did.[21] On average, state trust funds had enough on hand to pay out about 9 months of UI benefits – an AHCM of 0.77. However, 22 states had AHCM of 0.5 or below – among these states, the average AHCM was 0.29, enough for only about 3 months of UI payments.[22] Of the 17 states that had an AHCM of 1.0 or greater during the 4th quarter of 2007, all but four were debt-free in the third quarter of 2011. And of these four states, three – Florida, Nevada, and Arizona – withstood the very worst of the foreclosure crisis.[23] In contrast, of the 33 states that entered the recession with less than a year's savings accumulated, 24 – Connecticut among them – have had to borrow from the federal government to stay current on UI payments.[24]

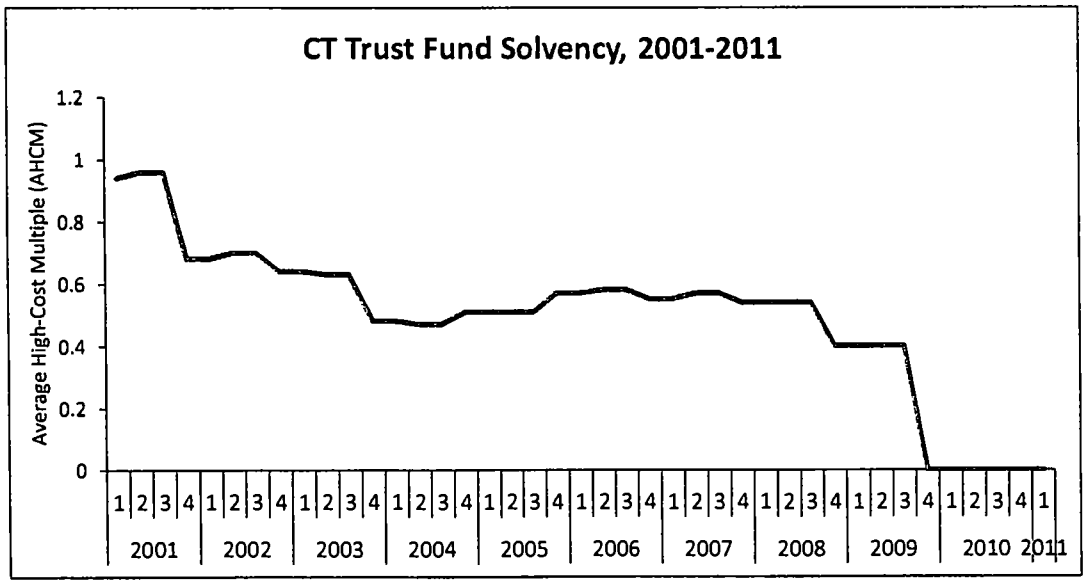


Fig 6. Source. CT Voices for Children analysis of U.S. Department of Labor state program data

On the eve of the Great Recession, Connecticut's trust fund stood at the middle of the pack relative to the 50 states – with an AHCM of 0.54 in the 4th quarter of 2007. However, since peaking at 0.96 AHCM in 2001, Connecticut's reserves steadily dwindled during the recession of the early 2000s and failed to return to this level even during the mid-decade boom years of 2004-2007 (see Fig. 6), thanks to slow job growth and inadequate financing mechanisms. The middle of the decade saw a sluggish labor market recovery in our state, with employment peaking in 2008 at a level that only slightly exceeded the previous highs registered in 2000. By comparison, the country as a whole entered the Great Recession having recovered three times the number of jobs lost in the early-decade downturn.[25]

Although the AHCM is a nationally-recognized and widely-used measure of trust fund solvency, the statutes governing Connecticut's UI system do not employ this metric. As mentioned above, the current goal for trust fund solvency is a balance equal to or greater than 0.8 percent of total wages paid by taxable employers in a given year,[26] and this ratio determines the fund balance tax rate component of the employer contribution (see Fig. 1 above).[27] The fund balance tax rate, capped at 1.4% of taxable wages, was the primary method the state used to recoup the trust fund balance and restore solvency during cyclical downturns through much of the previous decade (see Fig. 7) – a method that proved inadequate during the most recent recession.

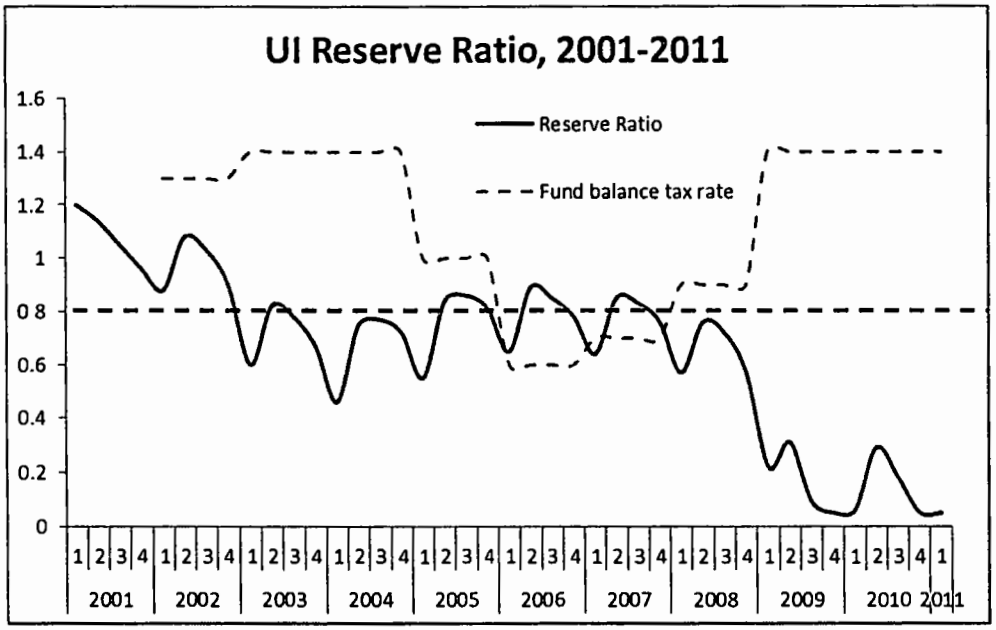


Fig 7. Source. CT Voices for Children analysis of U.S. Department of Labor state program data

Taken as a whole, the current approach to UI financing in Connecticut ensured relative solvency from 2001 until the recession began to clamp down on the state's economy in 2008.[28] However, it is also apparent that Connecticut's UI system was unprepared for a downturn of the depth, severity, and duration of the recession of 2007-2009, and the stagnant labor market conditions that persist to this day. Through much of the preceding 10 years, fluctuations in employment driven by the business cycle resulted in corresponding drops in the trust fund balance. But as demonstrated above, a retrospective analysis of key solvency measures calls into question the ability of Connecticut's UI system to withstand a large-scale, recession-related drawdown.

Two States, Two Approaches to Stability: Rhode Island and Colorado

As noted above, some 30 states have had to borrow from the federal government to stay current on UI payments. And as interest payments come due on the federal loans, putting even greater strain on fiscal resources that are already stretched thin, policymakers in many of these states have placed a priority on system-wide reforms that are geared towards more sustainable trust-fund projections in the medium to long run.

Two states – Rhode Island and Colorado – have taken significant steps to address the long-term solvency of their UI trust funds through financing reforms. Like Connecticut, both states entered the recession unprepared to absorb the demand on UI reserves spurred by the recession.

Colorado's UI solvency measure, H.B. 11-1288, was introduced in the state legislature with bipartisan co-sponsorship. The law, based on a set of recommendations set forth by a working group convened by the state's Department of Labor, includes a series of adjustments and increases to employer premium rates, and importantly, both raises and indexes the state taxable wage base to reflect wage growth beginning in 2014.[29] The bill passed unanimously in both the House and Senate, and was backed by both the National Federation of Independent Businesses (NFIB) and the AFL-CIO.[30]

Aside from increasing the taxable wage base and indexing it to averages wages in the state, the Colorado bill creates a new fund balance tax rate schedule designed to generate more revenue during solvency and reduce the burden to employers during insolvency and puts in place a "premium credit" designed to reward employers with positive experience history (that is, those who have paid more into the system than they were charged in benefits).[31]

In **Rhode Island**, legislators paired a set of reforms to the state's UI financing mechanisms with a series of adjustments to benefit calculation and eligibility determination. Amid unusually high unemployment, projected fund insolvency until at least 2017, and a frozen taxable wage base, Article IV of the state's FY 2012 budget reflects the proposals of the Rhode Island Employment Security Advisory Council. Specifically, Article IV eliminates the current taxable wage base and replaces it with an adjustment based on the average annual wage that is phased in over three years. In addition, the bill raises the taxable wage base for the highest-rated employers to $3,000 above the taxable wage base for all other employers[32].

In addition, Rhode Island made a series of changes to benefit calculation and eligibility standards. However, unlike Connecticut, Rhode Island's UI benefits as compared to average wages are extremely generous – second-highest nationally in the third quarter of 2011.[33]

Altogether, the revenue adjustments contained in Rhode Island's solvency measure will result in about $7 million in new annual revenue, and will put the state on track to repay all outstanding federal UI loans by 2015. Further, when combined with the benefit and eligibility reforms also in the bill, these changes will create a UI trust fund reserve of $443 million by 2020.[34]

Connecticut's SB 988

In 2010, a trust-fund solvency measure (Senate Bill 988, *An Act Concerning the Solvency of the Unemployment Compensation Trust Fund*) was introduced in the Connecticut General Assembly on behalf of the state Department of Labor. The bill would have changed the statutory reserve goal from 0.8 percent of total wages paid by tax-paying employers to an AHCM of 0.5, with this goal increasing by 0.1 percent each year from 2012 to 2018, when the goal AHCM reaches 1.0. The bill received bipartisan support in the state Senate, but was never brought to a vote in the House.[35] While this bill would have taken the important step of increasing the state's fund solvency goal, it failed to increase the capacity of the state to raise additional funds to meet this new standard – and therefore would have not alleviated the structural inadequacy of the current UI financing mechanism.

The Road to Solvency: An Action Plan for Connecticut

On the whole, it is clear that Connecticut's UI trust fund is in need of swift and meaningful reforms. Historic, recession-driven unemployment drastically depleted the trust fund reserves, forcing the state to borrow from the federal government and increasing taxes on employers. Moreover, Connecticut's capacity to dig out of the current hole – and to prepare for the next recession – is limited at best. Without adjustments to the way UI is funded in our state, we will be just as unprepared for future economic downturns as we were for the current one.

Before proceeding with a set of recommendations to move Connecticut closer to solvency while protecting this critical work support, it is important to see where our system stands relative to the 50 states. By benchmarking our state across a series of relevant national indicators, we will be better-equipped to assess the systems strengths and weaknesses – and opportunities for improvement.

Fig. 7: Benchmarking Connecticut's UI System

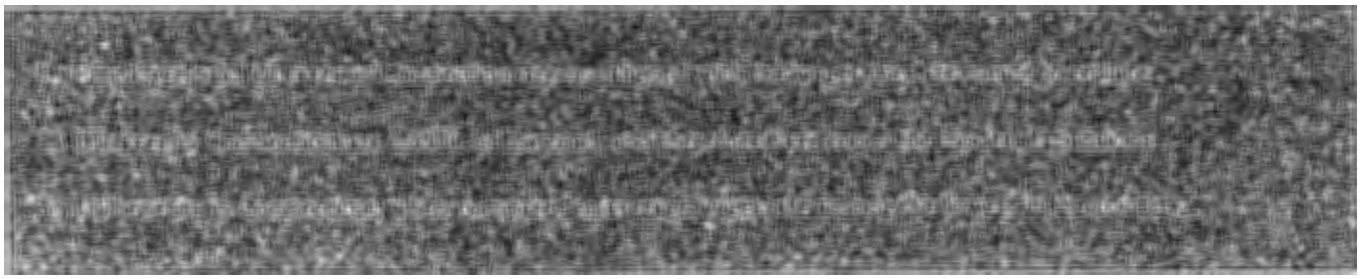
$15,000	State taxable wage base	19th
0.96%	Employer tax rate on total wages	23rd
$1,020	Maximum contribution per employee	26th
$1,161	Average weekly wage	3rd
28.1%	Avg. weekly benefit as percentage of avg weekly wage	45th

Source: CT Voices analysis of US Dept. of Labor state UI program data[36]

As illustrated in Fig. 7, Connecticut's UI-related taxes are middle-of-the-pack when stacked up against the 50 states. While Connecticut boasts the third-highest average weekly wage in the country, our taxable wage base – $15,000 per employee – ranks 19th nationally. At 0.96 percent, employer-paid UI taxes as a percentage of total wages are 23rd-highest. And in Connecticut, the maximum employer contribution at the taxable wage base – $1,020 per employee – is 26th-highest nationally. By these measures, Connecticut's employers pay into the UI trust fund at an overwhelmingly average rate.[37]

In contrast, benefit levels in our state are comparatively low. In Connecticut, the average UI recipient only sees a little more than 28 percent of their previous wages replaced in UI benefits. This percentage, also known as the "replacement rate," is strikingly low; UI recipients in some 44 other states see their wages replaced at higher rates. In Rhode Island, for instance, the average weekly benefit amount in the second quarter of 2011 stood at 44.3 percent of the average weekly wage – second highest nationally.[38]

In this light, it is easy to see why Rhode Island enacted substantial benefit reforms as part of their UI solvency efforts, with an unemployment rate and benefit payouts that both far outpace national averages. However, an analysis of Connecticut's UI system *in the context of the 50 states* leads us to the following conclusions:



Recommendations

Broadly speaking, policy actions regarding UI solvency should be twofold: First, immediate action should be taken to bolster trust fund reserves in the short term and reduce or eliminate the special assessment on employers currently needed to service the state's outstanding federal loans. Second, the state taxable wage base should be indexed to wages, bringing trust fund revenues into closer alignment with the state's economic situation and ensuring the trust fund is better prepared for future economic downturns.

Specifically, the state should consider the following changes to the UI system:

I. **Establish a higher solvency goal of 1.0 AHCM**, phased in over five years. If implemented immediately, the AHCM would increase the state's reserve balance goal from $600 million to about $1.2 billion.[39] In the long run, the AHCM formula would better prepare the state for increased benefit payouts during future recessions.

II. Increase the taxable wage base, and in the first year after solvency, **index the taxable wage base to average annual wage**. Last year, the Connecticut Department of Labor projected that increasing the taxable wage base to $20,000 in 2012 and raising it in $1,000 annual increments until maxing out at $26,000 in 2018 would reduce interest costs by about $40 million, and would eliminate some $210 million in federal unemployment tax increases.[40] Seventeen other states currently index the taxable wage base – and of the sixteen that did so before the recession, more than two-thirds (eleven states in total) have avoided the need to borrow, and the associated costs to employers.[41]

III. For employers with the highest experience rating, **establish a higher taxable wage base and increase the fund balance tax rate.** In Rhode Island, a similar proposal was expected to raise an additional $3.1 million in annual revenue.[42]

In the early 1990s, Connecticut was faced with a similar UI insolvency crisis. The early-decade economic contraction resulted in a spike in those claiming UI benefits, draining the trust fund and forcing the state to borrow to cover payments to those out of work. In response to this crisis, Connecticut took steps to increase its taxable wage base—then only $7,100—in increments, topping out in 1999 at the current $15,000 level. However, this reform effort failed to make the permanent, structural changes to UI financing that would have helped us withstand the most severe economic crisis in a lifetime.

It is essential that Connecticut not fall short yet again. By linking employer contribution requirements to the rate of wage growth in Connecticut—something seventeen other states, including Rhode Island and New Jersey, currently do—the UI system would be funded at a rate that reflects the realities of our state's economy. Moreover, these common-sense reforms would reaffirm our commitment to a dependable, affordable UI system for all workers—not just those currently out of a job. Employers and state government must be equal partners in restoring solvency and stability to a work support that provides security to so many in Connecticut.

Acknowledgements: Thanks to Sharon Langer, Senior Policy Fellow at CT Voices for Children, and George Wentworth, Senior Staff Attorney at the National Employment Law Project, for their contributions to this analysis.

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[1] Center on Budget and Policy Priorities, *Introduction to Unemployment Insurance.* April 2010

[2] See. Howell, David and Azizoglu, Bert. *Unemployment Benefits and Work Incentives: The US Labor Market in the Great Recession.* Political Economy Research Institute Working Paper May 2011.
http //www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_251-300/WP257_revised.pdf

[3] http //www1.ctdol.state.ct.us/lmi/unemploymentrate.asp

[4] http //ctkidslink.org/pub_detail_556.html

[5] CT Voices analysis of U.S. Census Bureau Current Population Survey data.
[6] http://www.nelp.org/page/-/UI/2011/Unraveling_UI_Lifeline_Report.pdf
[7] Conn. Gen. Stat. 31-225a(f) http://cga.ct.gov/2011/pub/chap567.htm#Sec31-225a.htm
[8] CT Department of Labor http://www.ctdol.state.ct.us/uitax/taxdiv.htm
[9] CT Voices for Children analysis of U.S. Department of Labor state program data. Total wage data not adjusted for inflation.
[10] U.S. Department of Labor. *Comparison of State Unemployment Laws.* http://workforcesecurity.doleta.gov/unemploy/pdf/uilawcompar/2011/financing.pdf
[11] http://www.ctdol.state.ct.us/uitax/SpecialAssessment/overview.htm
[12] http://ows.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf
[13] http://ows.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf This loan balance does not include an additional $88 million grant the state received in 2009 under the ARRA Unemployment Insurance Modernization Incentive program.
[14] http://www.ctdol.state.ct.us/uitax/SpecialAssessment/overview.htm
[15] http://www.ctdol.state.ct.us/uitax/SpecialAssessment/FAQs.htm
[16] Email from Carl Guzzardi, UI Tax Director, Conn. Dept. of Labor., November 2011 Projections made out as far as 2015 may be subject to significant modification. This is especially true of unemployment trust fund projections (loan balance, interest costs, FUTA repayments) because they take into account dynamic variables such as the rate of unemployment, the growth in wages, the growth in labor force and borrowing rates.
[17] Under current law, employers pay an additional federal UI tax of 6.2 percent on the first $7,000 of a worker's wages. However, the law provides a credit against federal tax liability of up to 5.4 percent to employers who contribute in a timely fashion to state UI trust funds, reducing effective federal UI tax (FUTA) liability to 0.8 percent. Insolvent states are subject to reductions in FUTA credits, and employers are billed for this increased liability.
[18] Based on Q3 2011 employment figures. Covered employment in this quarter stood at 1,565,000,000. http://ows.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf
[19] *Federal Register.* Vol. 74, No. 121. "Federal-State Unemployment Compensation Program: Funding Goals for Interest-Free Loans." 65 FR 30402 (2009-6-25).
[20] National Employment Law Project Briefing Paper, "Understanding the Unemployment Trust Fund Crisis of 2010." April 2010 http://www.nelp.org/page/-/UI/solvencyupdate2010.pdf?nocdn=1
[21] National Employment Law Project Briefing Paper, "Understanding the Unemployment Trust Fund Crisis of 2010." April 2010. http://www.nelp.org/page/-/UI/solvencyupdate2010.pdf?nocdn=1
[22] CT Voices analysis of U S Department of Labor state program financial data, 2007-2011. http://workforcesecurity.doleta.gov/unemploy/content/data.asp
[23] http://abcnews.go.com/Business/2010-record-29-million-foreclosures/story?id=12602271#.TxWSS6X2ZPw
[24] *Id.*, at 22 above
[25] http://ctkidslink.org/publications/econ10sowctfull.pdf
[26] Conn. Gen. Stat. 31-225a(f) http://cga.ct.gov/2011/pub/chap567.htm#Sec31-225a.htm
[27] *Id.*, at 8 above.
[28] In Connecticut, the recession began and ended later than the national recession, spanning from March 2008 to January 2010
[29] Colorado House Bill 11-1288, *An Act Concerning Unemployment Insurance Solvency Reform.* http://www.leg.state.co.us/clics/clics2011a/csl.nsf/fsbillcont3/328AD84011835EC6872578410072D86D?open&file=1288_enr.pdf
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[31] Colorado Office of Legislative Legal Services, Bill Summary for H.B. 11-1288. http://www.state.co.us/gov_dir/leg_dir/olls/billsummaries/HB1288.htm
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[36] http://ows.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf
[37] U.S. Department of Labor, Office of Workforce Security. *Significant Measures of State Unemployment Insurance Tax Systems.* September 2011 http://ows.doleta.gov/unemploy/pdf/sigmeasuitaxsys11.pdf
[38] http://ows.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_3.pdf
[39] Carl Guzzardi, UI Tax Director, Conn. Dept. of Labor Presentation to the Connecticut General Assembly Labor and Public Employees Committee, February 2011.
[40] *Id.*

[41]Rhode Island, the seventeenth state to index the taxable wage base, did so in response to the recession and is therefore excluded from this calculation See. http.//www.nelp.org/page/-/UI/StateSolvencyStrategies.pdf?nocdn=1?nocdn=1

[42] *Id.*, at 32 above

Opportunity • Guidance • Support

Connecticut Department *of* Labor

Glenn Marshall, Commissioner

Public Hearing Testimony of
Glenn Marshall, Commissioner
Department of Labor
Labor and Public Employees Committee
March 8, 2012

Good Afternoon Senator Prague, Representative Zalaski, Senator Guglielmo, Representative Rigby and members of the Labor and Public Employees Committee. Thank you for the opportunity to provide you with testimony regarding ***Senate Bill #258 AAC Concerning an Increase in the Maximum Allowable Unemployment Compensation Trust Fund Balance.*** My name is Glenn Marshall and I am the Commissioner of the Department of Labor.

I am here to talk about a critical issue to Connecticut: the unemployment compensation trust fund. The unemployment compensation trust fund is used solely to pay unemployment compensation benefits and without a sufficient reserve it can be quickly depleted during recessionary periods, causing the state's employers to incur additional costs associated with borrowing funds to continue paying mandated benefits. This bill seeks to increase the amount of money that can be retained in the unemployment compensation trust fund so that it can support the payment of benefits during recessionary periods.

The United States Department of Labor passed a law in 2010 setting criteria for interest free borrowing by states. First, states must have a trust fund reserve goal that enables it to pay benefits at recessionary levels for one year. Second, states must actually meet the reserve goal prior to requesting interest free borrowing. This bill will allow Connecticut to meet the first interest free borrowing criteria. Many states have trust fund reserves higher than CT and many of those states have experienced healthier trust funds resulting in limited or no federal borrowing. Due to the insolvency of the unemployment insurance trust fund, many constituencies from both labor and business have called for a more sound financing system that balances the need to provide a safety net to unemployed individuals with the need to minimize unemployment costs for businesses. Without this bill, the state would not be able to obtain interest free loans in the future.

200 Folly Brook Boulevard, Wethersfield, CT 06109

This impact of this bill is positive in that the Agency and the State will be making substantial efforts to improve the long term stability of the unemployment compensation benefits financing system.

Thank you for the opportunity to testify here today. If you have questions, I am available to answer your questions.

STATEMENT REGARDING
Senate Bill 258: *AAC An Increase in the Maximum Allowable Unemployment Compensation Trust Fund Balance*
Labor and Public Employees Committee
March 8th, 2012

The MetroHartford Alliance is the Region's economic development leader and the City's Chamber of Commerce. Our investors include businesses of all sizes, health care providers, institutions of higher education, and municipalities. All of these investors share a common interest in the full economic and employment recovery of Connecticut, in a dynamic Capital City, and in the enhanced ability for the Region to compete for jobs, capital, and talent.

To achieve these goals, our top legislative priority this session is to ensure that we adhere to the Constitutional spending cap as a fundamental fiscal discipline needed for economic and job growth. An adequate and solvent Unemployment Compensation Trust Fund is also fundamental.

Today, the Unemployment Compensation Trust Fund is insolvent. Moreover, the state owes several hundred million dollars of principal and interest as a result of borrowing to meet the extraordinary claims resulting from the recent four-year recession. To address both of these issues, Senate Bill 258 will increase the fund's reserve to approximately $1.2 billion by increasing the payroll tax from its current level of 0.8% of total payroll for all Connecticut employers to 1.0% of total payroll by 2019, resulting in a dramatic increase in additional taxes on employers.

This increase mandates that this legislation be amended to incorporate reforms to instill fairness and balance to the benefits administration system and eligibility criteria in order to sustain economic and employment growth for the balance of this decade and beyond. More importantly, the bill must include lockbox safeguards to ensure that these payroll taxes are guaranteed to be used for unemployment compensation and not for any other state expenditures

We therefore support the funding objectives of Senate Bill 258 contingent upon the inclusion of these recommendations

Testimony of the

Connecticut Messenger Courier Association
Connecticut Coalition of Property Owners
Greater Danbury Chamber of Commerce
Lumber Dealers' Association of Connecticut
Milford Chamber of Commerce
Northwest Connecticut Chamber of Commerce

Before
The Legislature's Labor and Public Employees Committee
12:00 PM, Thursday, March 8, 2012
Room 2A, Legislative Office Building
Re: SB 258 AAC An Increase in the Maximum Allowable Unemployment Compensation Trust Fund Balance

Good Afternoon. My name is Marshall Collins. I am appearing in my capacity as the Counsel for Government Relations for the 6 organizations set forth above. Collectively, they represent approximately 3,000 employers in Connecticut. Their members employ nearly 100,000 men and women in Connecticut.

Both individually and collectively, the Organizations recognize that SB 258 is a portion of a painful and necessary solution to restoring solvency to our Unemployment Compensation Trust Fund. We recognize that the federal government requires that the reserve fund balance be increased to approximately $1.2 billion.

Consequently, we request that the increase, which employers alone will pay, be phased in over as long a period as is possible. The Organizations also request that you consider more than just increasing what goes into the fund. The level of expenditures must also be better managed.

They believe that:

- More should be done to reduce employee fraud.
- The definition of suitable work should be updated and should change over the duration that an individual collects benefits.
- Benefit levels must be carefully scrutinized so that the incentive to return to work as soon as possible increases during the time an individual collects benefits.

The cost of implementing SB 258 will be significant for Connecticut employers of all sizes. Please do not let the effort to restore UC Trust Fund solvency make it even harder to create and maintain jobs. Please balance what goes into the fund by

tightening up what goes out. No employer wants to eliminate jobs. However, every time the cost of doing business increases, reducing payroll too often becomes the only option.

In summary, the Organizations, collectively and individually, conditionally support the passage of SB 258. SB 258 should be amended to provide a comprehensive approach. If a balanced and fair solution is to be achieved, we have to recognize that this is both a revenue and expenditure problem. Please treat SB 258 as only a first step to restoring fund solvency.

This completes my testimony. Thank you for your attention.

Testimony of Kia F. Murrell
Associate Counsel, CBIA
Before the Committee on Labor and Public Employees
Hartford, CT
March 8, 2012

S.B. 258 AAC An Increase in the Maximum Allowable Unemployment Compensation Trust Fund Balance

Good Afternoon Senator Prague, Representative Zalaski and other members of the Committee. My name is Kia Murrell and I am Associate Counsel at the Connecticut Business and Industry Association (CBIA). CBIA represents more than 10,000 companies throughout the state of Connecticut, but most of our members are small businesses of 50 or fewer employees.

As a general principle, we oppose legislation that increases labor or business costs in the state. SB 258 increases the amount of unemployment tax revenue that Connecticut employers must pay into the system, which will eventually lead to a longer period of imposition of solvency taxes. Therefore, we would ordinarily oppose the measure. However, the unusual pressure placed on the state unemployment trust fund by the recent economic recession necessitates this change to better equip the fund to withstand the pressure of future recessions. For that reason, we support SB 258 so long as it is implemented in a fair and balanced manner.

What SB 258 does

S.B. 258 increases the Unemployment Compensation Trust Fund (UTF) reserve goal from its current level of 0.8% of total payroll for all Connecticut employers (roughly $625 million) to 1.0% of total payroll (roughly, $1.2 billion). This change would take place gradually over several years up to year 2019 using the Average High Cost Multiple (AHCM) formula. Under that formula, our reserve goal would be based on our three highest years of unemployment benefit payouts over the last twenty-year period; ultimately, employers would pay the trust fund solvency tax for a longer period of time until the new reserve goal is met.

How unemployment taxes impact employers

Pursuant to a new federal rule, states that do not increase their reserve goal to at least one year's worth of reserves based on the average of its three worst recessionary years (i.e., $1.2 billion for Connecticut) will not be eligible for future interest-free borrowing.

That is why all states are increasing their fund reserve goals now and for the immediate future. At the height of the recession, more than 30 states had to borrow from the federal government to meet their unemployment benefit obligations. Connecticut has borrowed more than $710 million to date, and employers will pay more than $40 million in additional taxes because of it this year. After that, millions more are owed to start repaying the loan principal and ultimately restore solvency to the Fund.

The effect of these new taxes and payments has been swift and expensive for many Connecticut businesses still struggling to recover from the worst economic recession since the Great Depression. The state's unemployment rate is decreasing and hiring is improving, but we are not there yet.

Fix the system first

The efficacy of any major change to the state unemployment tax structure depends on accompanying reforms to the benefits administration system and benefit eligibility criteria in order to boost employers' confidence in hiring.

Specifically:

- Eligibility standards must ensure that benefits are awarded only to those claimants who have lost work through no fault of their own.
- Benefit eligibility criteria must reflect the realities of today's economy, so that individuals are encouraged to return to work as soon as possible.
- The distribution of benefits should be fair, balanced and appropriate for the current pool of available jobs.
- The benefits distribution system must be improved to make sure that people receiving benefits are actively seeking meaningful work.
- Safeguards must be implemented to secure the unemployment compensation trust fund from unrelated and unnecessary state spending.

In order to strike a balance between the impact of higher unemployment taxes on employers and the availability of benefits for employees, lawmakers must ensure that the burden of today's difficult economy is not shouldered by employers alone.

This is not the first, nor will it be the last, recession in Connecticut. However, it can be an opportunity for the business community and state government to work together to craft balanced, long-term solutions that will speed our economic recovery and improve job growth and creation in our state economy.

For these reasons, we support SB 258 and urge the Committee to adopt it.

S - 638

CONNECTICUT
GENERAL ASSEMBLY
SENATE

PROCEEDINGS
2012

VOL. 55
PART 3
617 – 941

calendar page 12, Calendar 137, Senate Bill 258.

THE CHAIR:

Mr. Clerk.

THE CLERK:

On page 12, Calendar 137, Substitute for Senate Bill Number 258, AN ACT CONCERNING AN INCREASE IN THE MAXIMUM ALLOWABLE UNEMPLOYMENT COMPENSATION TRUST FUND BALANCE, favorable report of the Committee on Labor and Public Employees.

THE CHAIR:

Senator Prague, good afternoon, ma'am.

SENATOR PRAGUE:

Good afternoon, Madam President.

Madam President, I move the Joint Committee's favorable report and passage of the bill.

THE CHAIR:

It's on acceptance and passage. Will you remark, please?

SENATOR PRAGUE:

Thank you, Madam President.

Madam President, this bill, the language in this bill was worked out with the Department of Labor and CBIA to maintain a balance in the unemployment compensation fund so that in the future, if the State has to borrow from the federal government, there will be no interest charged.

The formula for dealing with the balance in the unemployment compensation fund is documented on lines 17 to 30. It's a very technical formula. It was established by our unemployment compensation fund expert Carl Guzzardi from the labor department.

I remember last year we had a similar bill, and Senator Fasano was concerned about the bill. And we went into the

caucus room and called Carl Guzzardi at the labor department and he explained in detail, very technical detail how the figures and the formula were established. This is a very important step for businesses so that they will not be placed in any kind of precarious position if we run into another situation where the unemployment numbers are high.

I urge passage of the bill, Madam President.

THE CHAIR:

Thank you.

Will you remark? Will you remark?

Senator McKinney.

SENATOR McKINNEY:

Thank you, Madam President.

If I could, a question or two to Senator Prague?

THE CHAIR:

Please proceed, sir.

SENATOR McKINNEY:

Thank you.

And Senator, I do recall this issue last session, which I think passed the Senate but did not pass the House because of -- I don't think it was taken up in the House, not that it failed on a vote.

Through you, Madam President, is this the same language that we passed last year?

Through you.

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

It's my understanding, Senator McKinney, that it is the same language, because the fund has to be maintained at a certain level in order to protect businesses.

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

Thank you.

And through you, Madam President, the way that -- there is a formula, which I've read, but in effect what we're doing in the future, should the fund not have sufficient money to pay off benefits, is to increase the rates imposed on businesses to put money into the fund. Is that correct?

Through you, Madam President.

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

Through you, Madam President.

It would increase the rates minimally and allow us to borrow from the federal government without paying any interest.

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

Thank you, Madam President.

And with respect to the terms of the borrowing with the federal government, could the Senator tell me what she would expect the terms -- obviously, it's interest-free borrowing, but what -- is there a standard term that the federal government uses in loaning money?

I know we already have a huge IOU to the federal government for our unemployment compensation trust fund. But is there terms in how quickly it needs to be repaid? And over what time period?

Through you, Madam President.

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

Through you, Madam President.

Senator McKinney, the bill does not address those terms. What it specifically addresses is the amount of money that the fund must maintain in order for us to get an interest-free loan.

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

And thank you for that. That's actually an important clarification. I appreciate that.

And through you, Madam President, hypothetically speaking -- I understand we're not there right now fiscally -- but hypothetically speaking, if the State of Connecticut had a surplus or money in a rainy day fund, or otherwise wanted to, on our own, appropriate money from the general fund to this trust fund to maintain the sufficient level of funding necessary to get an interest-free loan, through you, Madam President, could we do that?

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

Through you, Madam President.

It's my understanding, Senator McKinney, that yes, we could do that.

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

Great. Thank you, Senator Prague, for answering my questions. I appreciate it.

Madam President, I opposed this measure last year and will again. I understand that all the work that's gone through and business communities signing off on this as a future proposal to protect the unemployment compensation trust fund, but, in effect, the reason why I oppose this is this assumes that the only way we fill or provide money in our unemployment compensation trust fund is by rates, higher rates on businesses.

They've already seen their rates increase twice over the last couple of years. And this assumes that if we need more money, if the fund is running out again, we'll increase their rates. And I think the Senator said, minimal increase, but we're going to increase their rates again. I don't get that.

There are other ways, if it was a priority for us as a government to make sure that people who are unemployed get the benefits, that we could put money into that fund rather than continuing to increase the costs to the very businesses.

Because what happens is, at the time when unemployment is the highest and you need the most money in the fund is the time when those businesses can least afford to pay more. And that's exactly what we're doing.

The other point I would make, Madam President, is that there's been a lot of silence -- and I don't want to be too specific, but there's been a lot of silence from our delegation in Washington about the fact that we've borrowed a lot of money from the federal government to fill our trust fund.

Well, Washington spent a lot of money, republicans and

Democrats, on stimulus package and other things. If they really want to help the states, why don't they wipe their debt, that debt off their books and let us free? Because what's happened here in Connecticut is with unemployment at 7, 7 and a half, 8 percent or more, we have gone to the businesses that are hurting the most who have laid of people because they're hurting in this recession and said now you have to pay more in higher taxes and in higher rates on unemployment. It's a bad recipe.

Again, when unemployment is the highest, when businesses are struggling most, we actually raised rates on them to pay for this. It's a bad recipe. We've gotten no help from the federal government on it, and we have found a solution, which I understand is the best solution under the world of "we're going to make business pay for it," but I don't think that's the only world we should be operating in, and that's why I'm going to stand in opposition.

Thank you.

THE CHAIR:

Thank you. Senator Prague.

SENATOR PRAGUE:

Through you, Madam President, to Senator McKinney.

Senator McKinney, I think that the purpose of developing this formula is to keep the increase rate as low as possible. And if we can avoid businesses having to pay interest on what comes in from the federal government, that could be a very important factor for them.

I know that unemployment compensation is a responsibility of businesses, but this formula that's been developed with CBIA and the labor department keeps it at a minimum rate, as minimum as possible.

THE CHAIR:

Will you remark further?

Senator Suzio.

SENATOR SUZIO:

Thank you, Madam President. It's good to see you today.

THE CHAIR:

Same here, sir.

SENATOR SUZIO:

Through you, Madam President, if I may, to Senator Prague.

THE CHAIR:

Please proceed, sir.

SENATOR SUZIO:

Thank you.

Senator Prague, it's my understanding that the requirement to get the interest-free money from the federal government is that we have to attain a certain funding ratio in the fund. And I think it's tantamount to a ratio of 1.0, if I'm not mistaken. Could you clarify that for me, please?

Through you, Madam President.

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

Through you, Madam President, to Senator Suzio.

Senator Suzio, I believe you're correct. That's what the bill says.

THE CHAIR:

Senator Suzio.

SENATOR SUZIO:

Thank you.

And through you, Madam President, at the projected taxation, unemployment tax rates going up for the next -- through 2018, which I think increase by a tenth of 1 percent each year starting a year out from now -- would -- and given the current claims that are being experienced in the fund, would we be at that ratio by the time we enter the year 2018?

Through you, Madam President.

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

Through you, Madam President.

Senator Suzio, this is a very technical formula, developed very carefully by our experts from the labor department and CBIA to keep that increase at as low a minimum as possible.

And yes, it says, you know, one tenth of 1 percent. "Commencing with calendar year 2019 the administrator shall establish a fund balance tax rate sufficient to maintain a balance in the unemployment compensation trust fund that results in an average high cost multiple equal to 1 percent. If the fund balance tax rate established by the administrator results in a fund balance in excess of the amount prescribed in the subdivision as of December 30th of any year, the administrator shall in the year following establish a fund balance rate sufficient to eliminate the fund balance in excess of said amount."

So it's not the intention of the legislation to continue to increase the tax. They have to keep it at a certain level.

THE CHAIR:

Senator Suzio.

SENATOR SUZIO:

Thank you.

And through you, Madam President, again I just want to make sure I understand because the proposed increases in the taxation rate, I presume, assume that we're going to reach that goal by the year 2018 of 1.0 ratio.

And I was just wondering if the good Senator could confirm that and also confirm what the assumption was as far as the claims of the fund. Because we not only have to calculate the revenues coming in to replenish the fund, but the claims that are projected to be imposed upon the fund in order to determine what the ratio is by 2018.

And I would like to clarify that with the good Senator if she could elaborate a little bit more on the model that was used to determine that this was an acceptable calculation for the rates.

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

Thank you, Madam President.

Madam President to Senator Suzio.

Senator Suzio, I'm no tax expert, but I can tell you that somebody who is developed this formula in conjunction with CBIA, so I have the utmost faith that they did what was in the best interest of business. And the unemployment compensation trust fund is a vital part of our state government.

THE CHAIR:

Senator Suzio.

SENATOR SUZIO:

Yes. And through you, Madam President.

I fully appreciate how important this fund is. My concern just is I want to make certain that we're adequately replenishing the fund so that when we get to the target year of 2018 we have reached the goal, the ratio of 1.0.

And my concern just is, you know, we're obviously increasing the taxation rate by one tenth of 1 percent per year on employers, but I wanted to know what the expectation was as far as the claims on the fund. Because our ability to hit the goal is based on the amount of money we're projecting will be put into the fund minus the amount of money that's going to be claimed on the fund.

So it's clear that we're projecting revenues to be predicated on an increase in the taxation on employers of one tenth of 1 percent per year. But what's not clear, what I'm trying to clarify is what are the anticipated claims on the fund? Are they expected to continue at the present rate, or is there a dramatic decrease that's forecast that the model is assuming are going to occur? Because that, to me, is a very important factor in how reliable the projections are.

So through you, Madam President, if I may, can the good Senator explain at least what the unemployment claims were projected to be in the model that was used to develop the projected taxation rates?

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

Thank you, Madam President.

Madam President to Senator Suzio, the experts at the labor department, I'm sure, used a formula that they felt was appropriate in this calculation. Let's hope that our unemployment rate continues to drop and that we have more and more people coming off of unemployment compensation because they were able to get a job.

I don't know the formula they used, but I know that they did use a formula because these are people who just don't pull figures out of the air. When they do a calculation, they do it based on the best information that these excellent minds have.

THE CHAIR:

Senator Suzio, I think you got your answer, sir.

SENATOR SUZIO:

Yeah. All right. Thank you very much.

I prefer -- I wish I had the actual number in front of me, not that I'm trying to second-guess anyone, but I'm trying to understand what a major assumption is that was built into the model.

And I was just curious to know whether they were assuming a dramatic dropoff in claims because they expect us to be recovering from the recession or whether they forecast a gradual decline in claims. But if you don't have the information, I can't ask you to produce something that you can't produce. And thank you very much, Madam President. And thank you, Senator.

THE CHAIR:

Thank you, Senator Suzio.

Will you remark further?

Senator McKinney.

SENATOR McKINNEY:

Thank you, Madam President. I just wanted, for the second time, my last comment on the bill.

One of the reasons I'm opposed to this is -- and I know you and the Governor did as well -- when I spent a lot of time this past summer touring different companies across our state, one of the consistent themes, regardless of what type of company you were, regardless of what size you were, was frustrations over unemployment compensation. And most employers saying, we don't even send lawyers to challenge at hearings anymore because of the utter ridiculous rulings that have been made.

I won't forget one gentleman somewhere around the greater New Haven area who had a trucking company. And he said they couldn't find one of the drivers. And you know, found him on his cell phone about a day later. He left his truck on the side of the road; all of the materials that were in the truck, a refrigerated truck, on the side of the road,

got up, quit and left. He filed for unemployment, challenged, and the company lost.

I've heard even worse examples of people, in effect, you know, committing outrageous behavior or even borderline criminal conduct in their place of employment being terminated and getting unemployment compensation.

Businesses are so frustrated over this system, and yet here we are saying that when it's insolvent we're going to have them pay a little bit more to make it solvent.

So this isn't probably the right way for me to fix their frustrations with it, but I think by voting no I can at least lodge that. And maybe the next Legislature can try to work on whether or not a lot of these claims or some of the claims -- not a lot, but some of the claims for unemployment that are being granted shouldn't be.

Thank you.

THE CHAIR:

Thank you.

Will you remark?

Senator Prague for the second time.

SENATOR PRAGUE:

Thank you, Madam President.

Madam President to Senator McKinney. Senator McKinney, that's an appalling situation. And the Labor Committee would be very happy to work with you next session to correct some of these inappropriate granting of benefits to people who do outrageous things like that.

THE CHAIR:

Thank you.

Will you remark?

Senator Boucher.

SENATOR BOUCHER:

Thank you, Madam President.

Madam President, I rise to associate my comments with that of my Minority Leader Senator John McKinney.

For the many years in the House I had also experienced some of the same stories that were just provided to us today over multiple years. In fact, the problem became so great that Connecticut did set about to change and reform its unemployment compensation system over a period of years because we had such a costly one. And it was one of the top reasons that, at one time, CBIA would point to as making Connecticut business unfriendly as a state.

However, we seem to have gone backwards and more and more cases like this -- in fact, several of them I've had just this year with phone calls for help or intervention. And some of the small businesses were going through a number of the same issues and problems.

And I agree that this is just one added burden that we're adding. And so I'm going to be supporting a no vote along with my Minority Leader for those very same reasons.

Thank you, Madam President.

THE CHAIR:

Thank you very much.

Will you remark further? Will you remark further? If not, the machines will be open and Mr. Clerk, will you call for a roll call vote?

THE CLERK:

Immediate roll call has been ordered in the Senate. Senators please return to the Chamber. Immediate roll call has been ordered in the Senate.

THE CHAIR:

Mr. Clerk, I'm going to ask you to call another roll call vote, please.

THE CLERK:

Immediate roll call vote has been ordered in the Senate. Senators please return to the Chamber. Immediate roll call vote has been ordered in the Senate.

THE CHAIR:

Senator Hartley.

The machines will be locked. And Mr. Clerk, will you please call a roll call -- I mean, call the tally.

THE CLERK:

On Senate Bill Number 258.

Total Number voting	34	
Necessary for adoption	17	
Those voting Yea		26
Those voting Nay		8
Those absent and not voting	2	

THE CHAIR:

The bill is passed.

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, at this time would like to move a number of items on our calendar to other committees.

If we could begin, Madam President, on calendar page 5, Calendar 52, Senate Bill Number 14, Madam President, would move to refer this item to the Committee on Government Administration and Elections.

THE CHAIR:

Seeing no objection, so ordered, sir.

SENATOR LOONEY: