On Thursday March 24th EANE held a legislative update and roundtable for Connecticut manufacturers. The following is a summary of those discussions:

LEGISLATIVE UPDATE:

The Legislature is about mid-way through its 2016 legislative session, which began in early February and is scheduled to adjourn on May 4th. Most of the Committees have completed their work and as of this writing, neither the House nor Senate has voted on a single piece of legislation.

That is about to change in the very near future as legislative proposals that have been adopted by various committees begin to appear in larger numbers on both the House and Senate Calendars.

Specific legislation discussed includes the following:

HB 5591 AN ACT CREATING THE CONNECTICUT RETIREMENT SECURITY PROGRAM:

Retirement Mandate: Will require businesses with five or more employees automatically enroll any employee not eligible for an employer sponsored plan into a new state sponsored IRA plan. The default contribution rate for employees will be 3% of their pay, and will require employers to transfer contributions to the plan and perform a variety of administrative tasks. The bill does not require an employer contribution.

• Has a projected multi-million dollar startup cost, plus potentially massive loss of tax revenue to the state (depending whether a Roth or Traditional IRA)
• Relies on a series of optimistic assumptions in order to be financially sustainable
• Requires CT businesses to enroll employees into a retirement plan they know nothing about
• Requires participants to enroll in a plan that the state designs, yet the state denies any fiduciary liability for participant's contributions to the plan. Liability likely to fall to taxpayers.

Link to legislation:
https://www.cga.ct.gov/2016/labdata/sl/2016HB-05591-R00LCO03014-0310LAB-SL.PDF

SB 221 AN ACT CONCERNING PAID FAMILY AND MEDICAL LEAVE (FMLA):

FMLA: Applies to businesses with 2 or more employees. Will require employees to pay into a paid leave program that will allow them up to 12 weeks of paid leave a year, at 100% of their pay. The fund would be paid for by employees who would automatically have approximately .1% of their pay deducted and deposited in an account administered by the State.

• Has an unknown cost, although an identical program in Washington state was abandoned after it was projected to cost $235 million per biennium.
• Will likely necessitate the hiring of potentially hundreds of new state employees to administer the program. (Federal restriction prohibit current DOL employees from administering it)

• Requires small businesses to continue to provide expensive non-wage benefits to an employee that is absent up to 3 months every year.
• Is unnecessary one-size-fits-all program. In a recent survey, 54% of CT businesses had made changes in order to add more flexibility to their leave policies in the last 5 years.
• Dramatically expands existing state FMLA laws to apply to even the smallest of business
• Only three states have a similar program, built upon their existing TDI programs, and non offer a benefit period as generous as what is proposed here.
Link to legislation:
https://www.cga.ct.gov/2016/labdata/sl/2016SB-00221-R00LCO02984-0310LAB-SL.PDF

SB 391 AN ACT CONCERNING RECOUPMENT OF COSTS ASSOCIATED WITH LOW WAGE WORKERS:

$15/or Tax: Applies to businesses with 500 or more employees, or franchises whose franchisors collectively have 500 employees. Businesses with all have to pay a tax of $1 per hour worked by any employee making less than $15 per hour.
• Adopted in Seattle, which resulted in many businesses fleeing the city prior to the wage going into effect.
• Based on the false belief that everyone working at a retailer or restaurant is the recipient of expensive state services.
• Will result in less jobs and hours for employees and businesses having to raise prices.
• In a recent survey, 47% of businesses said labor costs have caused them to automate or consider automating their workplace more extensively than they had anticipated.
Link to legislation:
https://www.cga.ct.gov/2016/TOB/s/2016SB-00391-R00-SB.htm

HB 5367 AN ACT CONCERNING THE TOTAL UNEMPLOYMENT BENEFIT RATE AND AN ONLINE EMPLOYMENT EXCHANGE:

Unemployment Benefit Reform:
Why it's needed?
• Our neighboring states take in the same amount of state unemployment taxes as us, yet unlike CT, they have all paid back the loans needed to cover unemployment costs during recession
• Our failure to make the same benefit reforms as our neighboring states has resulted in us paying 4X the same federal taxes a business in MA, RI, or NY would pay. ($189 per employee in CT, $42 elsewhere).
• Since unemployment compensation program is entirely employer funded, benefit reform would have zero impact on the state budget. Would be a boost to businesses using their own money.
The Reforms:

• Raise the minimum earnings to qualify for unemployment benefits to $2,000. An unemployment claimant in Connecticut need only earn $600 to qualify for benefits. This is the fourth lowest earnings requirement in the U.S. Thirty-two states/territories require between $2,000 and $5,000 in earnings. This threshold has not been changed since 1967.
• Require claimants to post their resume online as a condition to receiving benefits after six consecutive weeks. Rhode Island recently instituted this reform, which was already a requirement in Alaska, Hawaii, and Wisconsin. Studies show this type of requirement gets unemployed individuals back to work an average of one week faster.
• Base benefits on an employee's annual salary, rather than two highest quarters, to avoid unfairly rewarding seasonal workers. Unemployment benefits are based on earnings in the two highest of the last four calendar quarters. This creates inequities, as a seasonal worker making $30,000 over two quarters has the same benefits as a full-year employee earning $60,000 a year.
• Freeze the maximum weekly benefit rate for three years. The maximum benefit rate is allowed to increase by $18 every year. By freezing this for three years, the Labor Department projects we could save Connecticut employers as much as $10 million per year over the next 10 years.
Link to legislation:
https://www.cga.ct.gov/2016/labdata/sl/2016HB-05367-R00LCO02985-0310LAB-SL.PDF

HB 5636 AN ACT CONCERNING MUNICIPAL TAX DISTRICT, THE SALES TAX, THE APPRENTICESHIP TAX CREDIT, CERTAIN FEES AND THE TAX CREDIT REPORT:

*Among other things, this legislation would allow manufacturers who are structured as pass through entities to off-set their income tax with apprenticeship tax credits.
Link to legislation:
https://www.cga.ct.gov/2016/TOB/h/2016HB-05636-R00-HB.htm

ROUNDTABLE DISCUSSION

The EANE Connecticut Manufacturer's roundtable discussion focused on the State of Connecticut's on-going budget crisis. Specific discussion items included the following:

- Connecticut continues to show poor revenue projections resulting in a $220 million deficit in the current fiscal.
- Left unattended, this deficit could grow to $900 million and $2 billion respectively, in the next two fiscal years.
- The Legislature is expected to vote on a deficit mitigation package on Tuesday, March 29th that aims to fill the $220 million shortfall we face in 2016.
- It is unclear whether the deficit mitigation plan will include cuts in spending that will carry forward into future fiscal years.
- It is likely that some of the cuts or changes will be one time fixes such as raiding surplus funds from various accounts.

- At this time approximately 17 unions representing State employees are negotiating with the Administration regarding wages and working conditions.
- These negotiations do not include discussions regarding fringe benefits, pensions or health care – an existing contract with the State Employees Bargaining Agent Coalition (SEBAC) covers all State employees regarding these issue. THIS CONTRACT DOES NOT EXPIRE UNTIL 2022.
- The Governor as well as legislative leaders of both the Democrats and the Republicans have called on SEBAC to come to the bargaining table – to date SEBAC has refused.
- The Governor is expected to start laying of up to 2,000 State employees as early as June in an attempt to bring the State's persistent budget problems under control.