

ISSUES & POLICIES

About Connecticut's Unemployment Comp System

Unemployment benefits in Connecticut are paid out of the state's Unemployment Compensation Trust Fund, which is financed entirely by employers. For-profit entities pay taxes into the Fund, while nonprofits reimburse it for monies paid out on their behalf.

In the Red

Because of the severity of the recession, the high number of jobs lost, and the high volume of benefits paid out of the system, the fund became insolvent in October 2009. To meet its benefit obligations, Connecticut has had to borrow more than \$800 million from the federal government.

Back to the Black

What's the best strategy for restoring solvency to the fund and maintaining it in the future? CBIA believes the state should first do all it can to ensure the proper functioning of the unemployment compensation system so that it pays only those with legitimate claims and gets them back to work as quickly as possible. That means taking the following steps:

- Strengthen eligibility standards to ensure that benefits are awarded only to those claimants who have lost work through no fault of their own.
- Ensure that benefit eligibility reflect the realities of today's economy, so that individuals are encouraged to return to work as soon as possible.
- Improve the benefits distribution system so that it is fair, balanced, and appropriate for the current pool of available jobs and to make sure that people receiving benefits are actively seeking meaningful work.
- Implement safeguards to secure the Unemployment Compensation Trust Fund from unrelated and unnecessary state spending.

Last Resort

Only after the system is closely scrutinized and all necessary changes are made should modifications to the unemployment compensation tax structure be considered—especially when it's so critically important for employers to retain and create jobs. Higher unemployment compensation taxes will make it that much more difficult to encourage economic development and job creation, ultimately slowing Connecticut's economic recovery.