



## December 2010 Employer Information Notice

### 2010 TAX INFORMATION:

Rate for Newly Established Employers in 2010: 2.9%  
Rate Range for Established Employers in 2010: 1.9% - 6.8%  
Taxable Wage Base: \$15,000

For All New Claims Effective from October 3, 2010 and thereafter,  
the Maximum Weekly Benefit Rate is \$555

2011 Tax Rate Notices Will be Mailed the First Week of March 2011

## Shortfalls in Unemployment Insurance Benefits Funding Leads to Special Assessments:

Unemployment Insurance (UI) benefits are financed by employer taxes. UI taxes paid by employers are used solely to pay UI benefits to workers who become unemployed and are deemed eligible to receive benefits. Due to the severe economic recession, since 2007 the unemployment rate in Connecticut has risen dramatically to its current level of 9.1% in October 2010. During this same time period, the average number of workers filing for UI benefits has grown from 40,000 to approximately 130,000. In 2009, UI benefit payouts exceeded tax revenues by \$700 million. This year UI benefit payouts will exceed tax revenues by more than \$600 million.

As a result of this funding imbalance, Connecticut's Unemployment Trust Fund became insolvent on Oct. 13, 2009. In order to continue paying UI benefits to unemployed workers as required by law, Connecticut began borrowing funds from the United States Department of Labor. To date we have borrowed approximately \$500 million and we project that total borrowing could approach \$1 billion over the next two to three years. This situation is not unique to Connecticut. We are just one of 36 states that have borrowed funds to date – nearly \$41 billion in total. The number of borrowing states is expected to reach 40 with more than \$65 billion in total borrowing.

Generally federal loans carry interest, but the American Recovery and Reinvestment Act of 2009 (ARRA) contains a provision waiving interest on UI trust fund loans through 2010. Unfortunately, Connecticut will still have substantial loan balances outstanding in 2011 and beyond. Under existing federal law we are required to pay interest to the federal government beginning in 2011. CT General Statutes Section 31-225a requires each contributing employer to pay an assessment sufficient to pay this interest. As such, interest costs will be collected through annual Special Assessments levied against Connecticut's employers beginning in 2011 and potentially running through at least 2013. Total interest costs are projected to be approximately \$100 million.

The first annual Special Assessment is scheduled to be levied against Connecticut's employers on August 1, 2011 with the payment due by August 31, 2011. Although exact interest costs for 2011 have not yet been determined, we project the total Special Assessment for 2011 to be approximately \$40 million. Based on this estimate, the average cost per employee will be roughly \$40. For example, a business that employs ten workers can expect a Special Assessment bill of approximately \$400 in August 2011.

The 2011 Special Assessment figures are estimates and are subject to change based on variables such as the actual amounts borrowed, the interest rate charged by the federal government, and the total number of active employers as of August 2011. We are hopeful that you will find this information useful as you attempt to budget your total state UI costs for next year. As we approach August of 2011, more current data will be available and will be included in upcoming Quarterly Employer Information Notices. Also understand that monies collected via the Special Assessment are used solely to pay interest costs on outstanding federal loans and as such are in addition to the normal quarterly UI taxes employers are required to pay.

On November 14, 2010, Governor Rell issued a press release describing a letter written to Congress from the National Governor's Association. The primary focus of the letter was to request a two-year extension of the ARRA provision that granted interest-free loans to states through December 31, 2010. If enacted, that extension could save Connecticut's employers millions of dollars in interest payments. However, as of the printing of this Employer Information Notice, the interest-free loan provision has not been extended.

*Your local Unemployment Compensation Field Audit Office listed below can provide assistance if you have questions concerning any unemployment insurance tax information in this notice.*

Bridgeport (203) 455-2725	Hartford (860) 256-3725	Norwich (860) 859-5700
Danbury (203) 797-4148	Middletown (860) 754-5130	Torrington (860) 496-3340
Enfield (860) 741-4285	New Britain (860) 827-6260	Waterbury (203) 437-3400
Hamden (203) 859-3325	New London (860) 439-7550	Willimantic (860) 423-2689

*Best Wishes for the Holiday Season and the New Year*  
Carl Guzzardi  
UC Director of Accounts