

From the National Employment Law Project

For Immediate Release: August 10, 2010

Contact: Tim Bradley, 314-440-9936 or Anna Deknatel, 646-200-5311

Workers contact: <http://www.nelp.org/page/s/BenefitQuestions> or 212-285-3025 x 309

NELP PAPER:

NY Jobless Fund \$3.2 Billion in Debt – State Faces Extra Tax Penalties Without Repair

New Analysis Shows How Pending Bills in Albany Can Restore Solvency and Stability of the Unemployment Insurance Trust Fund and Strengthen Safety Net for Jobless New Yorkers

NEW YORK – New York State’s fund that pays out jobless benefits to the unemployed is in dire condition, a new paper released today by The National Employment Law Project shows. It finds that years of inadequate financing, combined with the crush of unemployment claims, have left the state’s unemployment trust fund \$3.2 billion in debt to the federal government, while the weekly unemployment check for jobless New Yorkers, unchanged in a decade, has fallen drastically behind the rising cost of living.

The paper, “[Albany’s Chance: Restoring the Solvency and Stability of the Unemployment Insurance Trust Fund](#),” offers independent analysis of two financing proposals pending in the state legislature, S2245B/A4921A and S8423/A11607, that could help the state pay off the debt and restore solvency. Absent action, New York businesses will have to pay the federal government \$1.3 billion in interest payments – and as much as \$5 billion in tax penalties – by 2018. These costs could be cut by 60 percent if reforms are enacted.

“Albany has not been a faithful steward of the state’s unemployment program finances, despite ample warning before the start of this recession. New York is trailing all of its neighbors in maintaining a solvent fund that provides a benefit people can survive on. Although the state’s unemployment rate is starting to improve and it has recently seen job growth, unemployment will remain a long-term problem. The state needs a strong program over the next several years both to stabilize the economy and support the nearly 500,000 New Yorkers out of work,” said **Andrew Stettner, Deputy Director of the National Employment Law Project.**

The financing crisis has its roots in years of poor policy decisions, the report says. In New York, the pool of wages on which employers pay taxes into the jobless fund, called the “taxable wage base,” has remained frozen at \$8,500 since 1999, even as inflation has risen. New York exhausted its trust fund by January 1, 2009 when it began borrowing from the federal government. At the end of July 2010, the state’s trust fund loans stood at \$3.2 billion, trailing only Michigan and California among the 32 insolvent states. The debt owed will top \$4 billion by 2011.

The financing of the state’s program has also short-changed unemployed New Yorkers. While consumer prices have increased 27% nationally since 1999 (and by 32% in the New York City metro area), New York’s stagnant weekly unemployment benefit pays a maximum of \$405 and replaces only 36% of average weekly wages in the state. In contrast, laid-off workers qualify for \$600 per week in New Jersey, \$537 per week in Connecticut, \$564 per week in Pennsylvania and \$629 per week in Massachusetts. And

when each state's average weekly wage is compared to its average weekly benefit amount, New York ranks 49th out of all 50 states in terms of how well its UI benefits replace paychecks.

The two active bills in Albany, including one submitted by Governor Paterson in July (S8423/A11607), would put the state on the right track toward solvency. Several committees have already approved the older proposal (S2245B/A921A), and the newer proposal was moved directly to the Rules committee, because of when it was introduced, and has been getting serious consideration by the Assembly, Senate and Governor.

As the NELP paper explains, both proposals would:

- Gradually increase the taxable wage base to account for economic growth;
- Enable employers to reduce the federal tax penalties for the state's delayed repayment of trust fund loans;
- Return the state trust fund to solvency over a number of years; and
- Index weekly benefit amounts to keep pace with economic growth.

"With viable proposals coming from the legislature and the Governor, Albany has an excellent opportunity to create a strong unemployment insurance system after years of neglect. As it currently stands, the unemployment trust fund is in dire straits and current law will only mire New York in greater debt and taxes. Here's a chance to turn things around and establish a structurally sound program for generations of New Yorkers to come," said Stettner.

The report is on the web at <http://www.nelp.org/page/-/UI/NYSolvencyReport.pdf>.

###