

For Immediate Release  
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## Advisory

National Employment Law Project (NELP), a leading policy group studying unemployment insurance programs, today criticized efforts in Massachusetts to stop scheduled increases in employer tax contributions to the state's unemployment insurance trust fund. Calling the move "ill-timed and ill-advised," NELP Deputy Director Andrew Stettner, co-author of a 2003 NELP report on unemployment insurance financing in the Commonwealth, commented, "With a recession likely, states should be building reserves now in order to avoid pressure for employer tax increases and unemployment benefit cuts as business conditions worsen and unemployment claims rise in the coming months."

In addition to the risks posed by reducing trust fund revenue when recession is likely to increase unemployment benefit payments, NELP noted that current reserves in the Commonwealth's trust fund fall below desirable levels. "Following a few years of relatively good economic conditions, Massachusetts' trust fund remains well below recommended levels under any commonly used measure of trust fund solvency," stated Rick McHugh, an attorney and analyst with NELP. "Indeed, Massachusetts is going into 2008 with roughly the same level of trust fund reserves as it had in 2002, and those reserves disappeared quickly in the wake of the state's last recession."

NELP pointed out that a similar pattern of legislative interference has previously created financing difficulties for Massachusetts' unemployment insurance trust fund. In its prior report, NELP pointed out that the Massachusetts' legislature had mandated lower than scheduled unemployment taxes in 9 of the prior 10 years, causing reserves to fall below desirable levels and resulting in a loss of federal interest on trust fund reserves. This report is available at <http://www.nelp.org/docUploads/massexec%2Epdf>.

NELP's report followed an April 2003 report of the Senate Committee on Post Audit and Oversight on the state's trust fund. Another analysis by the Urban Institute commended the financial structure in the Commonwealth's unemployment insurance law, and joined the consensus of all these analyses that the best thing the Legislature could do was to stop interfering with the carefully balanced system adopted in existing law.

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