Defending Georgia’s UI Program: Responding to Proposals to Cut Benefits

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Georgia’s Unemployment System: Tax Cuts Depleted Reserves

- Georgia’s UI Trust Fund became insolvent in December 2009.
- Georgia has borrowed $721 Million from the federal government.
- Insolvency was caused by more than a decade of UI Tax Holidays and tax cuts.
  - Since then, the automatic triggers that would have imposed UI tax surcharges were legislatively derailed -- costing the system hundreds of millions of dollars every year.
  - As the Trust Fund dwindled, nothing was done to restore Trust Fund solvency, and no surcharges were imposed until January 2011.
Georgia DOL Blueprint to Meet the Crisis Proposes Benefits Cuts

- Department of Labor created in-house “Task Force” to develop solvency proposals.
- Held private meetings with Chamber of Commerce, NFIB, textile and poultry industries.
  - Failed to include legislative leadership, labor unions, or advocates for working families in developing the proposal.
  - No transparency. No outside input.
Cuts and Obstacles to Benefits Justified by View of UI Taxes as Employer Burden and Unemployed as Undeserving

- Georgia DOL and some politicians have view of UI not based on facts.
  - UI just “welfare.”
  - Extending UI increases unemployment and stops people from returning to work.
  - Half of people receiving UI are deserving; the rest are not and game the system.
    - “They know what to do to get laid off for no fault of their own.”
    - “Workers fired for failing a private employer’s drug test often spend unemployment checks on drugs.”
    - They won’t really start looking for work until their benefits run out.
    - Reducing access to UI “saves” state tax dollars.

- DOL: Having employers pay a fair unemployment tax stifles job creation.
  - Never address purpose of unemployment insurance to keep people connected to work or its importance as an economic stimulus and job creation/job saving tool.
  - Benefits cuts measured in savings to Trust Fund/Employers, not burden on unemployed workers and their families.
Georgia Labor Commissioner Proposes 2012 Legislative “Solvency Measures” that Rely on Cutting Benefits to the Unemployed

- Impose a “Waiting Week”, Cut Benefits and Cut Weeks
  - Impose a mandatory waiting week before recipients receive benefits.
    - *Projected loss in benefits of $35 Million per year.*
  - Reduce the maximum weekly benefit amount from $330 to $300.
    - *Projected loss in benefits of $58 Million per year.*
  - Reduce state benefits from a maximum of 26 to a maximum of 20 weeks.
    - *Projected loss in benefits of $163 Million per year.*
Regulatory Changes In Process

- Commissioner exercising regulatory authority to Institute new internal processes to identify and collect overpayments though Georgia has low overpayment (44th) and fraud (39th) rates.
  - Reducing time to seek a waiver of obligation to repay overpayment from 90 days to 15 days.
  - Vesting sole discretion to grant waiver to Commissioner (and removing authority from Review Board).
  - Eliminating right of appeal on waiver decision.
  - Requiring repayment even absent fraud, based on any error.
  - Repayment required even without current ability to repay; must prove permanent inability to repay in the future.

- New internal processes to enforce job search requirements.
- HOWEVER, no action taken to address misclassification of workers that robs the system of millions every year.
More Legislative Proposals to Limit Access to Unemployment Insurance Coming in 2012

- Legislators are jumping on the anti-unemployed band wagon.
  - Bill to require mandatory drug testing of UI applicants as a condition of eligibility.
  - Bill pre-filed (SB 294) to require mandatory 24 hours of “voluntary” community service to a charitable organization each week as a condition for receiving UI.
  - More on the way…
Georgia’s UI Taxes are Too Low

- Georgia has a taxable wage base of $8,500 that has remained unchanged since 1990. (42\textsuperscript{nd} lowest in U.S.)
  - In 1990, $8,500 reflected 40\% of taxable wages. Taxable wages have grown consistently (nearly tripling from $52 Billion to over $130 Billion). Today the taxable wage base reflects less than 25\% of taxable wages.

- Georgia’s average UI tax rate on taxable wages is 2.2\% ($187 per employee per year). (36\textsuperscript{th} lowest in U.S.)
  - 30\% of Georgia employers paid only .03\% in 2010 ($2.55 per employee per year).
Low Benefits to Unemployed Workers

- Average weekly benefit amount is $270.
  - 34th lowest in U.S.
  - 32.4% of average weekly wages (37th in U.S.).
- Maximum weekly benefit amount is $330.
- Average duration of benefits is 13.7 weeks.
  - 52nd in U.S. in 2011 (and consistently at or near the bottom over the past decade).
- 22% recipiency rate. (42nd in U.S.)
Proposals to Return Georgia to Solvency Without Cutting Benefits: Financing Reform is the Key

- **Broaden tax base** by raising the taxable wage base from $8,500 to $13,000 (Commissioner’s proposal) or higher -- $16,000 would reflect growth in average annual wages since 1990.

- **Make sure everyone is paying their fair share.**
  - 30% Georgia employers paying only .03% or $2.55 per employee per year.
  - Raise minimum to at least 1% or $85 per employee per year.
  - Collect taxes that are due. Pass misclassification legislation to correct abuse of “independent contractor” status that avoids taxes.

- **Change the system to build in accumulation of reserves** for eventual downturn in the economy.

- **Eliminate structural reliance on tax increases when times are bad.**
  - Current system relies on keeping minimum in reserve and imposing surcharges when Trust Fund dips too low. Surcharges were not allowed to go into effect.

- **Restore fairness and predictability** to the system to benefit employers, avoid risk of FUTA tax increases, and eliminate the cost of borrowing, etc.
Advocates passed needed UI reforms in the past decade to increase access to UI benefits despite Georgia’s pro-business, anti-tax environment:

- 2002: ABP (with sunset);
- 2004: ABP permanent;
- 2005: Increase max and min WBA and improve benefit formula;
- 2006: Military trailing spouses;
- 2009: UIMA funds and enactment of part time worker provision, expand provisions for UI for retraining, and enact language to receive federally funded EUC and EB;
- 2011: Technical fix to allow Georgia to receive federally funded EB through 2011.
Strategies for Making the Case

- Engage a broad coalition of advocates for working families, labor, women, low income people, children, seniors, veterans, people with disabilities, etc.
- Educate legislators on the mysteries of UI – leadership, caucuses and Committee Chairs.
- Engage with the media.
- Research and resources are key – NELP, CBPP, IWPR, UGA and GBPI.
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