Public Hearing

before

SENATE LABOR COMMITTEE
ASSEMBLY LABOR COMMITTEE

"Testimony regarding the fiscal condition of the
State Unemployment Insurance Trust Fund and related issues"

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: March 18, 2010
10:00 a.m.

MEMBERS OF JOINT COMMITTEE PRESENT:
Senator Fred H. Madden Jr., Chair
Senator Sandra B. Cunningham, Vice Chair
Senator James Beach
Senator Richard J. Codey
Senator Michael J. Doherty
Senator Joseph Pennacchio
Assemblyman Joseph V. Egan, Chair
Assemblyman Nelson T. Albano
Assemblyman Craig J. Coughlin
Assemblyman Wayne P. DeAngelo
Assemblyman Frederick Scalera
Assemblyman Ronald S. Dancer
Assemblyman Jay Webber

ALSO PRESENT:
Gregory L. Williams
Robert A. Melcher
Office of Legislative Services
Committee Aides
Eugene Lepore
Senate Majority
Owen G. Fletcher
Assembly Majority
Victoria Brogan
Senate Republican
Joseph Glover
Assembly Republican
Committee Aides
Committee Aides

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey
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SENATOR FRED H. MADDEN JR. (Co-Chair): If everyone will take their seats, please.

Okay, we’ll start the meeting.

Ladies and gentlemen, welcome to a joint public hearing between the State Senate Labor and the State Assembly Labor Committees.

The testimony in the hearing today will focus on New Jersey’s Unemployment Insurance Trust Fund. The purpose of today’s hearing is simply to get the stakeholders at the table with the legislators to talk about current trends; the effects, or lack thereof, of our current unemployment system; the conditions of what it’s like living under the unemployment world out there right now; to give the legislators the ability to be asked questions of you and, at the same time, have the legislators ask questions of yourself for clarification.

The sole purpose of today’s meeting was simply to continue to talk, keep an open dialogue and partnership with those who are affected by the unemployment world so that the legislators can stay on top of their game, so to speak.

Do I have any opening comments from members of the panel? (no response)

May I have a roll call, please?

MR. WILLIAMS (Committee Aide): First the roll call for the Senate Labor Committee; Senator Pennacchio.

SENATOR PENNACCHIO: Here.

MR. WILLIAMS: Senator Doherty.

SENATOR DOHERTY: Here.

MR. WILLIAMS: Senator Codey.
SENATOR CODEY: Here.
MR. WILLIAMS: Senator Beach.
SENATOR BEACH: Here.
MR. WILLIAMS: Vice Chairwoman Cunningham.
SENATOR CUNNINGHAM: Here.
MR. WILLIAMS: Chairman Madden.
SENATOR MADDEN: Here.
MR. MELCHER (Committee Aide): And the roll call for the Assembly Labor Committee; Chairman Egan.

ASSEMBLYMAN JOSEPH V. EGAN (Co-Chair): Here.
MR. MELCHER: Vice Chairwoman Evans. (no response)
Assemblyman Albano.
ASSEMBLYMAN ALBANO: Here.
MR. MELCHER: Assemblyman Coughlin.
ASSEMBLYMAN COUGHLIN: Here.
MR. MELCHER: Assemblyman DeAngelo.
ASSEMBLYMAN DeANGELO: Here.
MR. MELCHER: Assemblyman Scalera.
ASSEMBLYMAN SCALERA: Here.
MR. MELCHER: Assemblyman Dancer.
ASSEMBLYMAN DANCER: Here.
MR. MELCHER: Assemblyman Peterson. (no response)
Assemblyman Webber.
ASSEMBLYMAN WEBBER: Here.

And apologies from Assemblyman Peterson. He’s got a conflict with the Appropriations Committee. So he would be here if he could.
SENATOR MADDEN: Okay. Thank you.

The first individual up to testify today will be Assistant Commissioner from the New Jersey Department of Labor and Workforce Development, Mr. Ron Marino.

Mr. Marino, we’re asking you to step forward to take the microphone and testify. We’re asking you to, at a minimum, focus your comments on current trends, past practices, what unemployment has done over the landscape of at least the past six months -- nine months if possible -- so the Committee can open up with a general idea of what’s really happening out there, comments. We’d appreciate having an update on those numbers as they apply to the newly unemployed applying for weekly benefits. And also, if you could address those who have exhausted all of the extensions, we’d appreciate it.

Thank you, again, Commissioner.

ASSISTANT COMMISSIONER RONALD L. MARINO: Thank you very much, Senator Madden.

I also have with me our CFO, George Krause, who may be able to answer any fiscal questions that you may have concerning unemployment insurance.

Currently, we’re nearing 500,000 people who are currently collecting unemployment insurance in the State of New Jersey. Right now, the maximum unemployment insurance amount that anyone can receive in any given week is $600. Last year alone, in excess of 700,000 new people filed for unemployment insurance in the State of New Jersey. And as I just mentioned, 500,000 -- or nearing 500,000 -- are filing unemployment.
However, the trend of people who are filing unemployment this year is down compared to that of last year. Data through March 15 of this year shows 21 percent of the people who are -- new claims that are being filed -- less than what was filed a year ago. That trend now is seemingly going down in the State of New Jersey, which basically is a good thing. It’s showing the fact that the economy is picking up; it’s showing the fact that New Jersey is having a much more positive impact with regard to employers, the various customers in the State of New Jersey; and more jobs may, in fact, be being created -- employers bringing back people in the State of New Jersey.

What I wanted to do was perhaps give the panel a background a little bit with regard to unemployment insurance. An individual who files for unemployment insurance can collect up to 26 weeks of unemployment. After the 26 weeks of unemployment-- There was Federal legislation that was passed in 2008 that provided for an additional amount of federally funded -- 100 percent -- unemployment insurance to these individuals. Currently, people who would have filed a year or so ago could collect up to a maximum of 99 weeks of unemployment insurance. Twenty-six weeks of that would be for regular unemployment insurance. You have four various tiers of unemployment, which is what the Federal government has allocated. We call it Tier 1, which is an additional 20 weeks; Tier 2, an additional 14 weeks; Tier 3 is an additional 13 weeks; and Tier 4 is an additional 6 weeks.

In addition to that, the State has what is known as extended benefits. Extended benefits are based on what the condition of the unemployment rate is for the past three months -- average. If the past three months’ average is 6 percent unemployment or greater, they would be
getting an additional 13 weeks. If, however, the unemployment rate was an additional 8 percent for a three-month period -- average -- you would get actually 20 weeks. So if you add all of those together, you come up to 99 weeks of unemployment insurance.

Unfortunately, what happened last year was that when they initially did the various tiers, they stopped after Tier 2. So when a claimant was collecting unemployment, they collected the 26 weeks. Then they collected 20 weeks of Tier 2, and then they collected Tier 2, and then after that they went on to extended benefits and collected another 20 weeks. There was a hiatus between the months of August, September, October, going into November. In November, the Federal government passed additional legislation, which was Tier 3 and Tier 4, which I just recently mentioned. So what you had last August, September, and October were people who were exhausting all available unemployment insurance that they had, and they were actually not getting anything from the State. They lasted until November, where the Feds then came back and said Tier 3 and Tier 4. They now started to collect additional unemployment benefits. That Tier 4 is now ending. By the end of this month, we will have approximately 51,000 people who would have exhausted all Federal and State unemployment insurance benefits.

Also, in addition to what the Federal government was paying, the Federal government also had what is known as the Federal Additional Compensation. I mentioned that maximum $600 per week. The Federal government also said that, what they would be doing is, they would give that individual an additional $25 a week. So basically an individual is
collecting $625 maximum a week. And, again, that would have been for the 99 weeks.

Now, the Federal government just recently passed an extension of those requirements. It was supposed to end on February 28, 2010, with a phase-out period of people being on whatever tier they would have been on. They recently passed an amendment that extended that to April 5, 2010. And that’s been approved by the President.

Yesterday, the House voted and approved an additional amendment to carry it through May 5. It is now with the Senate in order for the Senate to pass that legislation. Basically, the reason why they are passing it for this particular month is that there is legislation already there to extend all of these programs to the end of 2010. Unfortunately, they haven’t crossed every t and dotted every i, and they felt they were going to go into Easter break, and that they would not be able to pass that legislation properly before the April 5 breakdown date. So they’re extending it to May 5. It’s only now with the Senate in order to continue with that additional extended unemployment program.

I do want to add another comment that we have. Part of the program that the Federal government is paying— They also came back and said, “If you’re having extended benefits, as opposed to it being a 50/50 breakdown -- whereby the State would pay 50 percent of the extended benefit and the Federal government would pay 50 percent of the extended benefits -- the Federal government will pay 100 percent of the extended benefits.” So that exists. That continues through the April 5 date. And as I mentioned, that is also part of the amendment to make it May 5, and also
part of the potential amendment to make it last through December 31, 2010.

So if there are any questions that you may have with regard to that, I’d be very pleased to answer those.

ASSEMBLYMAN EGAN: Could I ask you a question about the $25? Is the $25 above the $600?

ASSISTANT COMMISSIONER MARINO: Yes, it is. It is totally above the $600. So if an individual is making $300, they’re going to get $300 through the UI program and an additional $25 through the Federal Additional Compensation Program, for $325 a week. I mentioned the maximum being $600. So an individual would get $600 plus an additional $25.

ASSEMBLYMAN EGAN: Thank you.

SENATOR MADDEN: Assemblyman Scalera.

ASSEMBLYMAN SCALERA: Thank you, Chairman.

I’ll be honest -- this is not my total expertise. I made some notes while you were speaking, because I have a couple of questions.

Of those 92 (sic) weeks, only 26 weeks are truly covered by the cost from New Jersey. The remainder of those weeks are covered--

ASSISTANT COMMISSIONER MARINO: Of the 99-week maximum that anyone could collect unemployment, 26 weeks are the weeks in which it will be an impact on New Jersey’s Unemployment Trust Fund.

ASSEMBLYMAN SCALERA: Okay. So anybody who’s been on the system for more than that is over on the Federal side.

ASSISTANT COMMISSIONER MARINO: That’s correct.
ASSEMBLYMAN SCALERA: I want to talk about our Fund and where we have to go. So our fund is failing just covering the initial 26 weeks, not the remaining weeks up to 99.

ASSISTANT COMMISSIONER MARINO: You are correct.

ASSEMBLYMAN SCALERA: And that’s also the one we’re cutting back now between the $600 and the $625 -- and we’re cutting it back by -- our payments -- we’re cutting them back by, what, $50 -- I think is it -- the proposal?

ASSISTANT COMMISSIONER MARINO: The Governor’s plan is to put a freeze on and, in fact, reduce the unemployment -- the maximum unemployment benefit rate down to $550.

ASSEMBLYMAN SCALERA: And it’s still within-- But after those 26 weeks, they would go up to the Federal number.

ASSISTANT COMMISSIONER MARINO: No, the Federal formula says, “You take what exists for the unemployment numbers and just carry those numbers through, basically, for the balance of the 99-week period.”

ASSEMBLYMAN SCALERA: Okay. So by us bringing back the $550 then, they’re at that $550 for up to 99 weeks because that’s our number -- that’s what the State is going to pay the most -- I mean the Feds are going to pay the most of.

ASSISTANT COMMISSIONER MARINO: That’s correct.

ASSEMBLYMAN SCALERA: Okay. Thank you.

SENATOR MADDEN: Governor Codey.

SENATOR CODEY: How many New Jerseyans are presently receiving unemployment?
ASSISTANT COMMISSIONER MARINO: As I mentioned, it’s nearing 500,000 people.

SENATOR CODEY: Nearing 500,000.

ASSISTANT COMMISSIONER MARINO: The data as of a week ago was 496,000 people collecting unemployment in New Jersey in one of those -- either regular unemployment insurance of 26 weeks, or one of the Federal extended programs.

SENATOR CODEY: Oh, okay. Do you know how many of those are on the extended program as opposed to the regular?

ASSISTANT COMMISSIONER MARINO: No, I don’t. But the last estimate that we had, which was based on data through the end of last year, had approximately 36 percent of the people collecting unemployment through the regular unemployment program.

SENATOR CODEY: Okay.

ASSISTANT COMMISSIONER MARINO: Most of the people went through the regular unemployment program, and--

SENATOR CODEY: But now extended.

ASSISTANT COMMISSIONER MARINO: --dumped into the Federal programs.

SENATOR CODEY: Okay. What the Governor’s proposed -- why would that result in a loss of Federal unemployment dollars?

ASSISTANT COMMISSIONER MARINO: I’m sorry, would you repeat that please?

SENATOR CODEY: What the Governor has proposed, from my understanding of what I’ve heard and read, would result in a loss of Federal dollars.
ASSISTANT COMMISSIONER MARINO: It’s not actually a loss of Federal dollars.

SENATOR CODEY: What is it?

ASSISTANT COMMISSIONER MARINO: What the Governor’s plan is -- there should be-- New Jersey, right now, is one of the five highest states with regard to unemployment insurance. Massachusetts, in fact, is the highest. Last year, New Jersey was the highest. Massachusetts was paying out $628 a week. New Jersey was paying $584 a week. Under the Governor’s plan, even reducing this down to $550 still keeps New Jersey in the top five or six states with regard to unemployment insurance program.

The issue really is: We are paying out a maximum of $600 in unemployment insurance. New Jersey is one of the most liberal states with regard to the payout programs for unemployment insurance. It’s not just that amount of money, but there are also other programs for collecting unemployment insurance that New Jersey has in place. And basically that is becoming a drain with regard to the Unemployment Insurance Trust Fund.

SENATOR CODEY: Okay, but my question, sir--

ASSISTANT COMMISSIONER MARINO: I’m sorry, $25.

SENATOR CODEY: So we do lose Federal money.

ASSISTANT COMMISSIONER MARINO: We will lose Federal money if, in fact, that takes place. You are correct.

SENATOR CODEY: Okay. We are one of very few states in the country that employees contribute. Is that correct?

ASSISTANT COMMISSIONER MARINO: Yes, we are.
SENATOR CODEY: How many states have the same system we do, sir, where the employees contribute?

ASSISTANT COMMISSIONER MARINO: I believe there are three states in which employees contribute unemployment insurance -- employees add money to the Unemployment Insurance program.

SENATOR CODEY: It just seems rather odd that we would be reducing their benefits when we are an anomaly, nationwide, in that employees contribute to this; and yet we’re going to reduce it, where in other states they’re not, but yet they don’t even contribute.

ASSISTANT COMMISSIONER MARINO: Again, you’re looking at what the condition of the Unemployment Trust Fund is and the health of that Unemployment Trust Fund.

As I mentioned, I have George Krause, our CFO, from Labor. And he can address, if you wish, information that you may want to ask or may want to know about with regard to the condition of the Trust Fund, currently, and why these things need to be done in order to make the UI Trust Fund solvent.

SENATOR CODEY: Okay. But it is very different. Most people don’t know that it’s both the employer and the employee who contribute there, as opposed to the rest of the country.

ASSISTANT COMMISSIONER MARINO: That’s correct.

SENATOR CODEY: But yet we’re going to cut that.

SENATOR MADDEN: That could happen if-- What would happen is--

SENATOR CODEY: That was my question under what the Governor has proposed.
SENATOR MADDEN: Just basically what would happen, Governor, is the high level -- the $600 recipient would lose $50 of State money and $25 of Federal money -- and actually $75 of Federal money if you're in the extended program.

ASSISTANT COMMISSIONER MARINO: If, in fact, the plan that the Governor has put in -- is interested in doing. I was in contact with the U.S. DOL. And prior Governor Corzine signed an agreement with regard to the $25 Federal Additional Compensation Program. Included in that analysis, which does seem to have some legalese about it, stipulated that if, in fact, the states were to modify the computation that it uses in order to determine the maximum unemployment rate that people will be getting, that $25 would be rescinded. And you cannot change it anything later than -- or anything other than the December of 2008-- When the Governor made that determination, the FAC program was going to expire prior to July 1, 2010. So at that juncture then, the plan would be valid, because the FAC program was going to be phased out by that particular date.

Since that timeframe, what has occurred is this additional extension to April 5, and another potential extension to May 5, and again another extension to the end of December of this year. The extension to April 5 will now bring the phase-out period to some time in late July. If you were to do it by May, add another four weeks to that to sometimes -- perhaps early September. Again, if the Federal government extends the FAC program -- all of these extended programs -- to the end of the year, you're looking at some time in May 2011 before that phase-out period would take place.
Obviously, the Governor’s legislative recommendation would be not to reduce the maximum unemployment rate because of the impact that it’s going to have with regard to the $25 additional unemployment compensation that would be given through the Federal government.

SENATOR CODEY: Okay. So we’re right to say that--

ASSISTANT COMMISSIONER MARINO: That’s correct.

SENATOR CODEY: --if we did what he wants, we lose that $25.

ASSISTANT COMMISSIONER MARINO: Right, if, in fact, he did what he wants. But, again, that decision to go that route was done with the understanding that the $25 phase-out program was going to be before the end of June. And the proposal was going to be effective as of July 1. Obviously, since that’s now been extended, modifications would have to be in place to say, “Notwithstanding whatever the phase-out, whatever the closure of the Federal Additional Compensation agreement is, the Sunday after that or the following period after that would be when that modification to the maximum unemployment rate would be -- would take place.”

SENATOR CODEY: Could you explain to me what are the differences amongst other states in how they administer unemployment?

ASSISTANT COMMISSIONER MARINO: Most states administer unemployment--

SENATOR CODEY: Other than the fact that we have our employees contribute.

ASSISTANT COMMISSIONER MARINO: Most states operate in a similar fashion as the State of New Jersey has. Employers make
contributions based on a prescribed work history that they may have. And that may, in fact, modify whatever the taxable amount of money that employers would be making into the Trust Fund.

Some states, where the issue you’re finding out is-- The liberalization that the State of New Jersey has with regard to eligibility for benefits is far more open and allows a lot more people to enter into the unemployment program and to collect unemployment benefits, as opposed to comparisons with other states.

For instance, the unemployment maximum for the state of New York is $405. The maximum unemployment benefits for Pennsylvania is $578. It’s very different throughout various states based on prescribed formulas that exist. And as I mentioned, New Jersey not only has a much more liberal formula that we use, New Jersey also allows a lot of other people to collect unemployment benefits who normally would not be collecting unemployment benefits in other states. And if you want, I could maybe mention a couple of those.

New Jersey has partial unemployment. Somebody can collect unemployment and also have -- and also work one or two days during the week. There’s only a small handful of states that have partial unemployment. New Jersey has what is known as a waiting week that -- no longer has a waiting week. January 1, 2002, legislation was put in place whereby New Jersey eliminated the waiting week. So anybody who was collecting unemployment will collect unemployment from week one. In the past, prior to January 1, 2002, if an individual only was unemployed for two weeks, they would have only gotten paid for one week. If an individual was unemployed for say four, five, or six weeks, they would have gotten that
additional first week of unemployment. A very small number of states have this elimination of the waiting week parameters.

One other thing that exists, which is also a drain on the Trust Fund—It has to do with misconduct. In New Jersey, if you’re ineligible to collect unemployment because of misconduct -- something that you did, something that the claimant did -- chronic absenteeism, excessive lateness, failed drug test, those kinds of things. What happens in New Jersey currently is, you have a waiting week of six weeks, and then you can collect the additional 99 weeks of unemployment. In most other states, what happens is, they treat that individual similar to as if they were voluntarily quitting their job, which then means that you have to find -- you get no benefits, you have to find another job, you have to work $X$ amount of weeks at another job, earn $X$ amount of money, and then be laid off from that job through no fault of your own. That is a much more strict mechanism with regard to this misconduct as opposed to what New Jersey has.

So there’s just a couple which have been a major drain on the unemployment insurance program.

SENATOR MADDEN: Okay. Thank you, Commissioner.

Commissioner, I just want to run back to the $600 per week that an individual in New Jersey can receive as a maximum. And I just want to make sure that we bring home something that I think the Committee needs to hear.

Your testimony is that the $600 weekly unemployment benefit is the number one highest weekly benefit in the country.

ASSISTANT COMMISSIONER MARINO: Can I interrupt you a second? No, sir, it isn’t. It is one of the top five.
SENATOR MADDEN: One of the top five.

ASSISTANT COMMISSIONER MARINO: The state of Massachusetts is the highest currently.

SENATOR MADDEN: And do you know what that is?

ASSISTANT COMMISSIONER MARINO: Yes. Well, last year it was $628.

SENATOR MADDEN: Okay, hold on. Just bear with me for a second. If we were to eliminate $50 a week from that range, you actually testified we would drop down a little bit to be somewhere around five.

ASSISTANT COMMISSIONER MARINO: Right.

SENATOR MADDEN: Now, apples to apples, to compare our weekly benefit rate in New Jersey against the weekly benefit rate across the country in some of the lower paying states -- the Carolinas, the lower mid-west, and things of that nature -- do you know what the average weekly wage is in New Jersey? It is $1,050. The average weekly unemployment benefit -- the average weekly benefit, not the highest, the average -- was $333 -- or $393.

ASSISTANT COMMISSIONER MARINO: Actually, last year it was $379. And if I could address that--

SENATOR MADDEN: So what percentage-- When you rate unemployment, in terms of its average weekly payout, against the average weekly wage in New Jersey, where do we rank there?

ASSISTANT COMMISSIONER MARINO: Well, let me take a step back.

SENATOR MADDEN: No. Do you know where we rank as a state? What’s our number? We’re throwing numbers out there that we’re
one, we’re the highest here. Where are we, in terms of our average weekly benefits that we pay employees who contribute to the system versus the average weekly salary or pay?

ASSISTANT COMMISSIONER MARINO: That information I don’t have offhand right now.

SENATOR MADDEN: My numbers say we’re ranked 30th, and we’re below the national average.

ASSISTANT COMMISSIONER MARINO: Right. But if--

SENATOR MADDEN: Right? Okay.

ASSISTANT COMMISSIONER MARINO: Yes, we are.

SENATOR MADDEN: Okay.

ASSISTANT COMMISSIONER MARINO: But if you-- But if I could address--

SENATOR MADDEN: I think the Committee needs to know that, because there’s a lot of talk about us being number one, we’re paying the highest money out weekly. And it’s misleading. The people who are actually receiving the unemployment, who are living on what they’re getting out of a system they contributed to -- those numbers are below the national average, in terms of percentage, based on the average weekly salary. And the Committee needs to know that.

ASSISTANT COMMISSIONER MARINO: Senator, if I may make one comment about that: Those numbers are somewhat skewed. And the reason why they’re somewhat skewed is what I just mentioned a few minutes ago. It has to do with partial unemployment. So if, in fact, $600 is the maximum that you can collect-- If, in fact, you are getting a partial benefit amount, you are already counted in the number of people
collecting unemployment. But since you are also making $300 during that week, you’re also getting $300 in unemployment benefits. That $300 in unemployment benefits is, in fact, drawing down the actual average amount of unemployment insurance throughout the entire State of New Jersey. So what I’m saying is that $379 figure -- which is the average amount of unemployment insurance that claimants are collecting now -- really should be higher if you eliminated those individuals who are collecting partial unemployment from the State of New Jersey.

SENATOR MADDEN: Well, we can move those numbers. I mean, how many-- All right, of the 496,000, I believe, who are collecting unemployment right now, what percentage of those, or what number of those, are into this category that you’re classifying where they work partial -- they collect partial unemployment (indiscernible)?

ASSISTANT COMMISSIONER MARINO: Those numbers I do not have.

SENATOR MADDEN: We don’t have those.

ASSISTANT COMMISSIONER MARINO: I do not have those numbers available to me now, unfortunately.

SENATOR MADDEN: Okay. What is, by way-- When we throw out New York, for instance, or we throw out Pennsylvania--Pennsylvania is -- their highest week is $578. By formula, on New Jersey’s average weekly pay-- Every year you get that number in Labor, correct?

ASSISTANT COMMISSIONER MARINO: Yes.

SENATOR MADDEN: And we take 56-and-two-thirds percent of that average weekly, and that becomes our highest number that we will pay out in benefits. So it’s already set by formula. Nobody is just coming
up and giving money away. There’s a structure to this. So as the economy or the workforce makes more money on an average week -- if they become unemployed, the potential is that the unemployment number moves along with that proportionately.

If our 56-and-two-thirds percent that we pay out in unemployment-- Do you know what Pennsylvania -- since we’re talking about Pennsylvania a lot -- do you know what their percentage is that they do on their average weekly pay? It’s 66-and-two-thirds. It’s actually 10 percent higher than New Jersey.

And I think it’s important for the Committee to understand that also. We take what somebody makes a week, and we’re giving them a percentage based on a fund that they contribute to. And we’re actually taking less of a percentage out of the fund than some of these other states. So when people start really just throwing numbers out and where we land-- I just want to make sure that we try to stay -- and really talk about what’s really happening here in terms of the overall averages.

ASSISTANT COMMISSIONER MARINO: Senator, may I respond to that?

SENATOR MADDEN: Yes.

ASSISTANT COMMISSIONER MARINO: Each state has a different way in which they do the calculations with regard to what that maximum benefit amount is going to be. In New Jersey, 56-and-two-thirds percent-- However, what most states do is take 50 percent of that amount to come up with the maximum rate. In Pennsylvania and a lot of the other states -- in most of the states it’s 50 percent. So really, you’re looking at a
different scenario than-- Even though the percentage of the average wage is higher than Pennsylvania, we take 60 percent of that.

I’ll give you an example: $1,000. Somebody makes $52,000 a year, $1,000 a week. Sixty percent of that, $600, that’s the maximum that would take place. In a lot of other states -- again, that may be a higher percentage -- but they would only take 50 percent of that to get to their maximum. It’s the same situation in--

SENATOR MADDEN: But they’re in a-- Commissioner, we’ll carry this on, because I have some other questions. But the reality is, the structure and the cost of living in these other states is a whole lot less than New Jersey. And I just don’t want the Committee to think that we just have this most expensive payout in unemployment in terms of what people are making versus the percentage of the pay we’re replacing in their households on unemployment. There are some states-- We’re throwing numbers around. But there are states that calculate this -- their payout at 70 percent of the average wage, and we know that. So we’re at 56-and-two-thirds. Just realize that we are not number one in the percentage of payout on our weekly pay. That’s really the point that I’m trying to drive home. If you take the average of our average weekly check versus the average weekly wage, we’re, like, below the national average in terms of percentages. We come out, like, number 30 out of 50 states. So this isn’t something where people just have this great fund that they’re being overly compensated from, in my personal opinion.

I’m going to defer to Assemblyman Egan, Chairman Egan, for further questions.
ASSEMBLYMAN EGAN: I’ve got a question before you leave, Commissioner. But I believe Assemblyman Coughlin--

ASSEMBLYMAN COUGHLIN: One of my questions was answered, Mr. Chairman. It was about the percentage relative to income.

However, I do have a question. How many people currently receive unemployment benefits in the State of New Jersey as of today?

ASSISTANT COMMISSIONER MARINO: The figures as of today I don’t know. The figure as of the 15th was 496,000 and change.

ASSEMBLYMAN COUGHLIN: At what rate are the claims declining?

ASSISTANT COMMISSIONER MARINO: As I mentioned, the comparison I did was from January 1 of this year to March 15 of this year. And I compare that to January 1 of last year to March 15 of last year. And there’s a 21 percent reduction in the amount of new claims being applied.

ASSEMBLYMAN COUGHLIN: And how about going forward? Have you made any projections with regard to periods beyond the end of March?

ASSISTANT COMMISSIONER MARINO: The initial projections are that the unemployment rate, which now stands at 9.9 percent, will be going down at obviously a slower pace. And obviously as the unemployment rate goes down, and those people eligible to collect unemployment goes down, the fund will get somewhat healthier. But obviously the fund is in dire straits as we speak.

ASSEMBLYMAN COUGHLIN: And how many -- 51,000 I think you said.
ASSISTANT COMMISSIONER MARINO: Yes, 51,000 people will exhaust all unemployment benefits as of March 27, and approximately 1,500 per week thereafter.

ASSEMBLYMAN COUGHLIN: Okay. That’s my question. Thank you.

ASSEMBLYMAN EGAN: Assemblyman DeAngelo.

ASSEMBLYMAN DeANGELO: Thank you, Mr. Chairman. Through you, Chair, a couple of questions. In reference to Pennsylvania, do their employees contribute into their unemployment fund?

ASSISTANT COMMISSIONER MARINO: I believe they do not contribute.

ASSEMBLYMAN DeANGELO: Also, how many people -- or the percentage of -- how many people are now receiving the maximum benefit?

ASSISTANT COMMISSIONER MARINO: Approximately 36 percent of the people currently collecting unemployment are getting $600, their maximum amount.

ASSEMBLYMAN DeANGELO: From that maximum amount, are you factoring in those individuals who are getting partial payment?

ASSISTANT COMMISSIONER MARINO: No.

ASSEMBLYMAN DeANGELO: Okay. That’s all. Thank you, Mr. Chairman.

ASSEMBLYMAN EGAN: Yes, Assemblyman.

ASSEMBLYMAN ALBANO: Thank you, Chairman.
Just a quick question: If the unemployment fund was at a zero balance right now, we were starting all over, would the funds that are coming in from the employer and the employee -- how many people could the unemployment fund sustain and stay at that balance?

GEORGE M. KRAUSE: I’m not sure I understand that question. How many people?

ASSEMBLYMAN ALBANO: Do we know, on a year’s average, how much money actually comes in from the employer and the employee to the Trust Fund?

MR. KRAUSE: Yes, it depends on what tax bracket we’re in. But in 2009, total contributions were just about $1.8 billion.

ASSEMBLYMAN ALBANO: Okay, $1.8 billion.

MR. KRAUSE: Yes, $1.8 billion.

ASSEMBLYMAN ALBANO: Okay, but that $1.8 billion-- How many people can this fund sustain on unemployment at that time and stay at a level balance? Are we talking 250,000, 300,000, 400,000 people without going into the negative?

MR. KRAUSE: That’s difficult to answer. I can tell you though, that in 2007 we paid out about $1.9 billion in benefits. So whatever we had on the rolls in 2007-- Now, again, you’re looking at 2007 benefit rates, so we’re not talking apples and apples here. But essentially, at $1.9 billion -- I don’t know if we can tell how many people that would-- It depends on the average rate.

ASSISTANT COMMISSIONER MARINO: That would be difficult. And I’m trying to remember exactly what the numbers were for 2007. At the start of 2007, we were at approximately 4.6 percent
unemployment at that juncture. So if you want to equate the percentages of unemployment compared to the 9.9 percent that we’re handling now, you’re obviously looking at approximately twice as many people collecting.

ASSEMBLYMAN ALBANO: Okay. So we could probably--The system could probably sustain a 4 to 5 percent unemployment rate. That would be--

MR. KRAUSE: I would say--

ASSEMBLYMAN ALBANO: Ballpark.

ASSISTANT COMMISSIONER MARINO: Based on those numbers I would say that would be--

MR. KRAUSE: Lower fours.

ASSEMBLYMAN ALBANO: Okay. That answers my questions. Thank you.

Thank you, Chairman.

ASSEMBLYMAN EGAN: Assemblyman Scalera.

ASSEMBLYMAN SCALERA: Thank you, Chairman.

I have to come back-- I’m doing math here on the side. So if I put everything together -- what you said -- and I’ve listened to what you said to Senator Codey and Senator Madden -- and I’m trying to look at how it affects the unemployed person. Basically, by us cutting that $50 for the 26 weeks, it’s about $1,350 cost that we’re saving per person, per state.

But by doing that over the 90 (sic) weeks, the resident unemployment is actually losing over $6,200. Because if we reduce it, the $25 comes off the top. So for an expenditure of us saving $1,300 per person, we’re losing $4,900 in Federal funds. But the real number is to the person on unemployment, in trouble -- they’re losing $6,200 over the 90
weeks. Because if we reduce ours, we lose the $25 from there. So they’re losing $50 from us, the $25 from the State (*sic*), figure it all out. The person, after 90 weeks, made $6,200 less on unemployment than he would have if we left our -- the $600 in place for the first 26.

ASSISTANT COMMISSIONER MARINO: As I mentioned, the intention of the Governor’s plan is not to interfere with the FAC agreement that currently exists. So none of that would take place, with regard to the Federal extensions, because they would have all ended. Some day the Federal extensions are going to end, whether it be this year, whether it be some time next year. Someday they’re going to end. When that Federal Additional Compensation agreement ends is when the Governor’s plan would become effective.

ASSEMBLYMAN SCALERA: Okay. Well, whenever that date does occur-- When is that date again?

ASSISTANT COMMISSIONER MARINO: Right now it’s-- You have April 5, which is the FAC -- all of the extensions. And now you have a phase-out period of approximately 20 weeks thereafter.

ASSEMBLYMAN SCALERA: But from that time period -- if I did my math correctly -- a person -- once we reduce our fund and add the Federal money, that person lost about $6,200 over the 90 weeks.

ASSISTANT COMMISSIONER MARINO: Again, what I’m saying is the fact that there would not be -- they would have lost that anyhow, because the Federal government would have also stopped the additional unemployment.

ASSEMBLYMAN SCALERA: Well, in my first notes -- and then I will be quiet -- but in my first notes, they’re possibly -- definitely
taken to the end of 2010. So let’s split the difference. So if it’s from the May time period, and we phased it out -- because April to May -- until we phase it out -- they could still lose about $3,000 then.

ASSISTANT COMMISSIONER MARINO: By taking-- If the Federal government extends their programs to the end of this year, the Governor’s plan would not be effective until after that.

ASSEMBLYMAN SCALERA: Okay.

ASSISTANT COMMISSIONER MARINO: It would not be effective until after that.

I mentioned earlier that the figure was February 28, and the phase-out period would be prior to July 1 of this year, at which time the Governor’s plan would go into effect -- the Governor’s legislation would go into effect. Since now we’ve had one extension, we’ll probably have additional extensions carrying it through the end of this year, together with the phase-out period. In all probability, the Governor’s plan will not take effect until sometime in 2011.

ASSEMBLYMAN SCALERA: So if we get to 2011, the Feds have done it, our reduction doesn’t affect the Federal portion then, you say?

ASSISTANT COMMISSIONER MARINO: That’s correct. That’s what I’m saying.

ASSEMBLYMAN SCALERA: Okay. Thank you.

ASSEMBLYMAN EGAN: Assemblyman Webber.

ASSEMBLYMAN WEBBER: Thank you, Chairman, through you, a couple of questions on both the rates -- the taxation rates on both employees and employers.
I didn’t realize that we were one of three states that requires employees to pay into the system. What is the rate for an employee to pay in the system?

MR. KRAUSE: It’s about .38 percent.

ASSEMBLYMAN WEBBER: And that’s frozen and uniform across the board for every employee in the state?

MR. KRAUSE: Yes.

ASSEMBLYMAN WEBBER: And the two other states that require employees to pay in -- do you know what their rates are?

MR. KRAUSE: I do not.

ASSISTANT COMMISSIONER MARINO: I do not either.

ASSEMBLYMAN WEBBER: And how did we come up with the .38 percent? Is that frozen in statute, or is that a formula that--

MR. KRAUSE: It’s in the statute.

ASSEMBLYMAN WEBBER: Do you know how that came about or why that figure was chosen?

MR. KRAUSE: No, it came about probably in 1948, and it’s been modified a couple of times since then. But I don’t think it’s based on any scientific formula.

ASSISTANT COMMISSIONER MARINO: That rate had been much higher, and it is now down to the 3.8 (sic) percent, as George mentioned.

ASSEMBLYMAN WEBBER: When was it reduced last, do you know?

MR. KRAUSE: Probably 2000, 2002, something like that. It’s been awhile.
ASSISTANT COMMISSIONER MARINO: The rate that was provided for the worker was also modified because a portion of that went for charity care, and that ended several years ago. So the rate, say -- and I just want to throw out a number -- let’s just say it was 4 percent that was being deducted out of the worker, half of that -- 2 percent -- was going for charity care.

ASSEMBLYMAN WEBBER: And that--

ASSISTANT COMMISSIONER MARINO: That ended a couple of years ago, correct. So now all is going to the unemployment fund or literacy fund that we have.

ASSEMBLYMAN WEBBER: But the tax on the employees stopped being used for charity care, but the unemployment insurance fund still had diversions to pay for charity care after the tax went down or went away.

MR. KRAUSE: No, they stopped at the same time.

ASSEMBLYMAN WEBBER: Okay. And then the rate on employers -- I understand that’s affected by their experience rating. Do you have an average -- what the average employer pays for the average employee?

MR. KRAUSE: The current weighted average is just about 2.6 percent.

ASSEMBLYMAN WEBBER: Of wage or salary?

MR. KRAUSE: Of taxable wages.

ASSEMBLYMAN WEBBER: And that’s what the category-- Are we at A or B?

MR. KRAUSE: We’re at B.
ASSEMBLYMAN WEBBER: We’re at B. And if the fund goes--is insolvent, runs out of money March 31--

MR. KRAUSE: The fund is insolvent.

ASSEMBLYMAN WEBBER: Okay. And my understanding is we go to E plus 10.

MR. KRAUSE: Correct.

ASSEMBLYMAN WEBBER: What would the employers’ rate be then at E plus 10, the average rate?

MR. KRAUSE: I believe it’s 3.9 percent, but let me check. I don’t think I have an average rate for E plus 10. I don’t think we calculate that for E plus 10. Really, it’s a function of where the employers are going to be in those various--I mean, there’s like 30 different rates within each column. So it’s a function of where they’re going to be.

ASSEMBLYMAN WEBBER: Thank you, Chairman.

SENATOR MADDEN: We have just a follow-up here now with Senator Pennacchio, followed by Senator Doherty, and then we will be moving on to further witnesses.

SENATOR PENNACCHIO: Thank you.

I just want to get this straight, because I don’t want to seem like I have to correct you, but I think I have to correct you. It’s not 3.8 percent.

ASSISTANT COMMISSIONER MARINO: It’s .38.

SENATOR PENNACCHIO: It’s .0038. So at a max out of $28,000, the most an employee, per year, can pay is how much?
MR. KRAUSE: The actual wage, currently, is 29.7. The employer rate -- the average employer rate is 2.6. The worker rate is .38.

SENATOR PENNACCHIO: It’s .0038. The maximum amount that an employee can pay is how much?

MR. KRAUSE: It’s that times 29.7.

SENATOR PENNACCHIO: I think it’s $130-plus.

MR. KRAUSE: Well, the $138 includes everything. I think it includes WDP, and literacy, and UI.

SENATOR PENNACCHIO: Now I’m really confused. Take that a little slower, I’m dyslexic.

MR. KRAUSE: If you look at your paycheck -- a paycheck for a typical New Jersey resident -- some employers will not show-- They’ll show the amount withheld for -- they’ll call it unemployment. But really, unemployment -- that rate could consist of unemployment, WDP, and literacy. There are three elements in the amount of tax withheld from workers. Now, depending on how the employers show it, they may not show all those -- those three categories. They might just show one and call it unemployment insurance.

SENATOR PENNACCHIO: All right, but there’s a maximum amount that they can take out.

MR. KRAUSE: Right, it’s the rate times the taxable wage base, which is 29.7.

SENATOR PENNACCHIO: Do we know what the -- if you don’t know the maximum amount of employee contribution -- what the amount would be, in raw dollars, of what went into the system, how much was paid by the employees, and how much was--
MR. KRAUSE: We collect about -- in the UI fund it’s about $300 million from workers.

SENATOR PENNACCHIO: From workers.

MR. KRAUSE: Yes.

SENATOR PENNACCHIO: And the total fund is $1.8 billion, you said, per year that they collect?

MR. KRAUSE: Revenues for 2009 were about $1.9 billion.

SENATOR PENNACCHIO: So out of roughly $2 billion, employees pay roughly $300 million. What is the effect of not doing anything at all and giving that automatic bump into a further column for the employee?

MR. KRAUSE: Employee rates don’t change.

SENATOR PENNACCHIO: No, no, I’m sorry, the employer? If we do nothing, there’s an automatic increase. What will be that trigger, and how much will it affect the employee?

MR. KRAUSE: All right. Employers will go from Column B to Column E plus 10. In total, it’s about a billion dollars for the year.

SENATOR PENNACCHIO: How much?

MR. KRAUSE: A billion.

SENATOR PENNACCHIO: A billion. Okay. What does that come out to in dollars per employee? How much additional will an employer have to pay per employee?

MR. KRAUSE: Again, it depends on where they are. Let me give you an example.

SENATOR PENNACCHIO: Okay.

MR. KRAUSE: Maybe that will help.
Our best employers, at the lowest rate in Column B, pay four-tenths of 1 percent. So that tax is $119 per worker. If they go to E plus 10, their rate will go to 1.32 percent. So they’ll be paying $392. So that is a $273 increase, or 230 percent. That’s our very best employer. Our worst employers, right now, are paying 5.4 percent in Column B, $1,604 per worker. If we go to E plus 10, it will go to 7.7 percent, or $2,287 per worker, an increase of $683, or 43 percent.

SENATOR PENNACCHIO: Through the Chair, that’s why we keep hearing different numbers. It depends on the ratings that you have.

MR. KRAUSE: Right. It depends on where you are. Like I said, there are 30 different rates in each column.

SENATOR PENNACCHIO: Okay. I just want to finish with this and maybe get your comments on it. Because one of the things you briefly mentioned was how some of these people are struggling, and there’s no doubt people are struggling. As they look for part-time work, some of those benefits, they still get -- continue to get some unemployment benefits. But in my view, I know that I don’t like the way the formula is being set up right now. The first 20 percent is -- you can earn 20 percent of what your unemployment benefit is without being penalized at all with unemployment, which really is a trite amount, a small amount.

Don’t you think it’s a disincentive that, afterwards, you’re being penalized dollar-for-dollar, for every dollar you earn, there’s one less dollar of unemployment, especially if these recessions are getting longer and more protracted? Don’t you think that maybe we can look at things like that? That way people can help themselves and not be as dependent on
government for their living while they’re looking for work? That’s just a comment. I open it up for your--

ASSISTANT COMMISSIONER MARINO: Right now, New Jersey has partial unemployment. So if somebody is collecting $600 in unemployment -- don’t count the $25. It has nothing to do with the formula. They can make up to $720 that week and still get some unemployment. If you make--

SENATOR PENNACCHIO: One dollar.

ASSISTANT COMMISSIONER MARINO: Pardon me?

SENATOR PENNACCHIO: One dollar.

ASSISTANT COMMISSIONER MARINO: Well, if you make $300 in a week from working, you will also then get $420 from us for unemployment insurance. So that gets you to a higher figure.

Unfortunately, the more money you make during the week, the less amount of unemployment benefits you’re going to be able to collect. But you will still be able to collect something up to our figures.

SENATOR PENNACCHIO: Ending with this: To me, it seems philosophically-- I’m philosophically opposed to the fact that it seems it’s more dependent on government, because the more you try to earn -- even if it it’s on a part-time basis to try to feed your family while you’re unemployed -- the more you’re being penalized.

ASSISTANT COMMISSIONER MARINO: One of the issues you need to consider is: Will the employer augment their wages that they’re paying to the individual because they’re going to be collecting unemployment? That’s another factor that needs to roll into this.
SENATOR PENNACCHIO: I understand that. But we’re assuming that’s the same employer. If a person has lost their job because the business has gone out of business-- It could be something as simple as driving a cab a couple of nights a week in order to try to sustain their livelihood for their families. Why are we penalizing that?

Thank you.

SENATOR MADDEN: Commissioner, we have one more legislator. I know I spoke to you before the meeting and you have things to take care of. But I’m going to defer now to Senator Doherty.

Senator.

SENATOR DOHERTY: Thank you, Chairman Madden.

During the Governor’s budget address on Tuesday, he noted that there had been an amount of money that’s been diverted over the years from the unemployment insurance fund to general purposes.

ASSISTANT COMMISSIONER MARINO: Yes.

SENATOR DOHERTY: What is that exact amount.

MR. KRAUSE: It’s $4.6 billion.

SENATOR DOHERTY: Okay, $4.6 billion. And how many years was that done? Any idea of when this practice began?

MR. KRAUSE: It started in 1993 and ended in 2006.

SENATOR DOHERTY: And how does this compare to other states in the United States? Any other state have anything similar to $4.6 billion diverted?

MR. KRAUSE: I’m not aware of any other state that has done this kind of diversion for these purposes. I’m not aware of any.
SENATOR DOHERTY: Has any other state ever taken the unemployment insurance fund, one time or at all, and put it into the general fund?

MR. KRAUSE: Again, I’m not aware of any. We didn’t take it from the unemployment insurance fund. What you did was, basically, you altered the taxing structure so that when an employer wrote us a check, they wrote us a check for -- so much went into the UI fund, and then so much went into this, what we called, healthcare fund. So really, the diversion took place when the employer wrote the check. We didn’t come in and actually take it out of the fund. You can’t take it out of the UI fund. That’s illegal. So what happened was the tax rate structure was changed so that rates were diverted at that point in time.

Have other states done that? Honestly, I don’t know. I’m not aware of any, but I don’t know.

SENATOR DOHERTY: I don’t know. Maybe I misunderstood, but it seemed to me that-- I’ve been in the Legislature for eight years, and it seems just about every year around budget time there’s a bill we vote on to divert money from the UI fund to the other -- charity care. The general fund is going to go for hospital coverage. And I know-- I’m not a big employer, but I know that I do contribute for my employee that I have. And I don’t see anywhere on there, when I fill out the forms, that -- “Hey, make your check out to the hospitals as opposed to the UI fund.”

MR. KRAUSE: As I said, it ended in 2006. And what happened was, when you filled out your employer tax return that went to the Division of Revenue, there was a line item on there for charity care --
for health care. So the rates were actually delineated. There was unemployment insurance, there was temporary disability insurance, there was Workforce Development, literacy, and there was healthcare. They were all delineated on that tax form. So when you wrote your check, you basically were telling us how much of that check went to each of those funds. So when it came to us in Trenton, the money went to each fund, based on your check and your return. That’s how it worked.

ASSISTANT COMMISSIONER MARINO: In addition to that, it was also part of your experience rating notice that was being provided. When you saw your experience rate, it was also broken down into unemployment, health care, workforce, and so on.

SENATOR DOHERTY: Just a couple more questions. Let me get this straight. When the Governor said $4.6 billion was diverted from the unemployment fund, that’s not accurate?

MR. KRAUSE: Well, it’s accurate in that, but for that legislation, that money would have gone into the unemployment insurance fund.

SENATOR DOHERTY: Okay. Now, what would the state of the unemployment insurance fund be today over the last 17 years if we hadn’t diverted $4.6 billion? Would we be having this discussion?

MR. KRAUSE: No, we would not. We would not be sitting here having this discussion, all things being equal -- unless there was other action taken.

SENATOR DOHERTY: Okay. So what would you recommend we tell business owners, small businesses? That we’re not going to perhaps do this again in the future? Because a lot of them feel a little
sore, as you can imagine. They’ve been paying their taxes and contributing for this rainy day of 2010 where we have very high unemployment and, in essence, there’s a potential a lot of them are going to be asked to pay twice. They’ve already paid, put this money into the fund, it was raided, and no, in spite of their best efforts to keep their heads above water, now they’re going to have to reach into their pocket again and really pay twice. That just seems very unfair and makes it very difficult to stay in business.

MR. KRAUSE: Senator, I don’t disagree with you.

SENATOR DOHERTY: Thank you.

Thank you, Chairman.

SENATOR MADDEN: Okay, Senator.

Commissioner, one last-- You mentioned a best employer, worst employer, and gave different rates. For clarification, real quick, describe what a best employer is and a worst employer.

MR. KRAUSE: I gave that-- The best employer, by our definition, is the one who has the least experience in laying people off. They lay very few people off. The worst employer is the one who lays off more people. And as Ronny mentioned, we have an experience-rated system. So we have an account, essentially, for every employer. We keep track of the money that comes into the fund that they contribute, and we keep track of the money that gets paid out in benefits. And we determine their ratio based on their experience. Those who don’t lay off many get the lower rate, those who lay off more get a higher rate.

SENATOR MADDEN: No further questions from the panel.

Thank you, Commissioner Marino and Mr. George Krause.
I want to call up to testify Mr. George Wentworth, National Employment Law Project. At the same time we’ll call up Amy Coss, C-O-S-S; and Deborah Dowdell, from the Milford Oyster House Restaurant and New Jersey Restaurant--

We have three. We’re rolling along. I appreciate your patience. It’s been very informative so far.

If you have written testimony, I’d ask that we receive copies of that. One thing that I do ask you is, just don’t come up, and sit, and read two pages of testimony that we can read on our own. If you could summarize your testimony and field yourself for questions, that would help us move the Committee along in a very positive manner.

First, we’ll hear from Mr. George Wentworth.

G E O R G E   W E N T W O R T H,   ESQ.: Chairman Madden and Egan, members of the Senate and Assembly Labor Committees, good morning. Thank you for this opportunity to testify.

My name is George Wentworth. I’m with the National Employment Law Project. NELP is a national law and policy center based in New York that engages in research, policy analysis, and advocacy on behalf of low-wage and low-income workers. We’re committed to improving the effectiveness of the unemployment insurance system by promoting state and Federal policies that maximize program access for low-wage workers and improve income security for all workers.

I have provided extensive testimony which, thankfully, I will not be reading. I do want to just highlight some of the major concerns on the front end of the testimony. In response to the hearing notice, I have a little bit of information about the effectiveness of the unemployment
insurance program, nationally. That’s something that NELP tracks as part of our charge. A little bit about trust fund solvency, which is, in fact, a national issue. And then I’d like primarily to just focus my actual testimony on how New Jersey should respond to its current insolvent trust fund going forward, and also respond to three major benefit cuts that Governor Christie has proposed.

The primary goals of unemployment insurance -- there really are four that you will see in all of the literature. First and foremost is partial wage replacement. Unemployment insurance is really about helping people not fall into poverty and maintain some kind of living standards between jobs. But another very important purpose that sometimes gets overlooked is the -- unemployment insurance is an economic stimulus. Those dollars go into local economies and basically keep other people working, and prevent other layoffs and unemployment from actually spreading. UI, in fact, supports job search, helps people look for jobs at their highest wage and skill level -- which is important to the economy generally -- and helps a lot of workers who have some form of attachment to a particular industry or employer -- just tide themselves and their families over financially during temporary layoffs.

Speaking specifically about New Jersey’s unemployment insurance system: As I think has been testified, in 2009, close to $3.5 billion in regular State-funded unemployment benefits were paid out to New Jersey residents and another $3.6 billion in Federal benefits. The New Jersey unemployment rate today is 9.9 percent, slightly above the national average of 9.7 percent.
The New Jersey unemployment insurance program has been effective and is regarded well, nationally, in terms of meeting the goals that I outlined earlier. Roughly 55 percent of the State’s unemployed receive unemployment insurance benefits, and the average weekly benefit check is somewhere around $389. I think I heard the figure $393 a little bit earlier. On their face, these numbers seem reasonable, and they are in line with what your state’s workforce should expect.

On the other hand, these benefits should be considered in the context of New Jersey’s high cost of living. The average weekly check only replaces about 36 percent of the average worker’s pre-layoff wages, which ranks 27th among the 50 states -- right in the middle. One reason that New Jersey benefits are generally adequate is that New Jersey is one of 36 states that currently indexes your maximum weekly benefit, in some way, to the average weekly wage. New Jersey uses a formula of 56-and-two-thirds percent, which is by no means the highest. About half of the states that do index their maximum rate, index at a rate higher than 56-and-two-thirds. States like Arkansas do 66-and-two-thirds, Utah does 62-and-a-half, and Idaho does 60 percent.

I have a fair amount of information in here that speaks to the economic stimulative impact of unemployment insurance. Basically, this research comes from the Congressional Budget Office, the Center for Budget and Policy Priorities, major studies commissioned by the U.S. Department of Labor, MIT, and a survey of unemployed workers that our organization did in 2008.

And without going through all of it, suffice it to say that unemployment insurance has been, over and over, demonstrated to reduce
poverty. Individuals who receive unemployment insurance are less likely to skip meals and reduce their family’s food consumption than workers who are not receiving unemployment insurance. Workers who receive unemployment insurance are less likely to fall behind in paying their rents, less likely to have their homes foreclosed upon, and are more likely to retain some kind of savings.

One of the major findings of the MIT research was that the average worker, at the point that they become unemployed, has only got about five-and-a-half weeks worth of savings. So the unemployment insurance really fills an important gap there and enables those workers to hold onto those savings longer than they otherwise would have.

And ultimately, there’s lots of research which shows the stimulative effect of unemployment insurance. The Congressional Budget Office, just last month, basically said that for every dollar of unemployment insurance that is paid out, there’s growth in the gross domestic product of up to $1.90.

So let me shift here to the issue of trust fund insolvency. There’s a lot of information in my written testimony about the national issue. It really is a national crisis. Today there are 32 states that have insolvent trust funds. To date, the borrowing from the Federal government is up to about $35 billion. New Jersey’s borrowing is just about $1.4 billion of that. Projections are that borrowing from the Federal government by the state trust funds is going to rise to about $90 billion by 2012 before things start evening out.

It’s important to know that this is different than almost any other prior recession for a couple of big reasons. One is long-term
unemployment. The percentage of workers who are collecting unemployment insurance in this country longer than 26 weeks, which is the Federal benchmark for what’s a long-term unemployed individual, is now 41 percent. Forty-one percent of all people collecting unemployment insurance -- or who are unemployed generally -- are out of work for more than six months. These records have been kept since 1948, and that breaks all previous records. So that is, first and foremost, a distinguishing factor about this recession.

The other thing is that the administration, as recently as two days ago, repeated its projections for the national economy going forward. As I said, the national rate is 9.7 percent now. The Council of Economic Advisors is saying that they expect the national unemployment rate to hover around 10 percent for the rest of this year, to maybe come down to an average of 9 percent in 2011, and probably still be in the 8 percent range in 2012. When you consider that in the context of the unemployment insurance program, what the payouts are likely to be, how you’re going to tackle your borrowing and your insolvency, it is a critical factor in doing any planning. You really, I think, have to plan on your payouts continuing to be high for the foreseeable future.

Like I said, there’s kind of a national trend. You heard about diversions. That is really-- The $4.6 billion that has been diverted out of your fund is quite different from a lot of states. But another thing that this body -- or that this State has done since -- really since 1996 is to do some benefit reductions -- I’m sorry, tax reductions -- interventions basically with the normal functioning of the tax tables. And that has, in addition,
deprived the trust fund of billions of dollars that would otherwise be going into it.

I mean, the greatest danger for the unemployment insurance system is a failure to grapple with the hard financing issues now. States that kind of cobble something together over the -- to try and pull out of this slowly over several years, really run the risk of doing a lot of harm; first in terms of what will probably be repeated -- efforts to kind of fray the safety net further, to make additional benefit reductions -- but also in terms of penalties for employers.

As I said, the story of New Jersey’s trust fund is pretty well-documented. The actual statutes that govern UI taxes in New Jersey are, by themselves, pretty much a model of forward financing for the nation. And forward financing is a term that you will hear a lot of. It’s basically the notion that unemployment trust funds ought to accumulate in good times so that you’ve got the dollars to pay them out in bad times. And that requires a certain amount of political will, a certain financial responsibility.

The actual statutes establish a taxable wage base that’s 28 times the State’s average weekly wage. Right now that taxable wage base is over $29,000. That kind of indexing should normally guarantee that you have sufficient reserves built up in good times to get through the -- to get the fund through the bad times. There are a series of schedules that are sensitive enough to increase payouts to make sure that employer contributions can be normally adjusted gradually and effectively, and thus avert dramatic hikes associated with insolvency. And as has been testified, New Jersey is one of three states that has employee contributions.
If I could just speak to the proposed benefit cuts. First, the $50 cut in maximum benefit rate—There has been discussion of the Federal Additional Compensation agreement. Basically, by cutting the maximum benefit, you’d be in violation of an agreement with the U.S. Department of Labor that says you should not be reducing your average weekly benefit amount. Cutting the maximum would do that. It is true that that is only in place as long as the agreement is authorized by Congress. But the bottom line is, nobody knows how long that agreement is going to be authorized. The Senate just passed something that would authorize it through the end of 2010. And it seems to be tied to Recovery Act provisions that were enacted back in February of ’09, when the national unemployment rate was closer to 8 percent. So we really don’t know how long that agreement is in place.

The waiting week disqualification: It is true that New Jersey is one of a minority of states that doesn’t have a waiting week. But the fact is, the waiting week is an anachronism. It goes back to a time when states needed an extra week in order to calculate benefits. They no longer need that. And the fact is, except for people who collect their full 26 weeks, it really is a one-week disqualification. It’s one week less of benefits that workers are going to get. And the bottom line is: Does it really make sense? Does New Jersey want to embrace a policy that says, “We’re going to start out every unemployed worker’s period of unemployment with a week where they do not get any compensation?” It really reduces financial stability for workers.

Finally, the proposal with respect to extended benefits: The extended benefits program is something that you are required to have by
Federal law. And the bottom line is: It’s being subsidized now as a result of the Recovery Act by the Federal government. The Governor’s proposal would ultimately mean that when the Recovery Act stops the Federal funding, this program would disappear in terms of-- You’d have to have very, very high unemployment rates to ever see extended benefits trigger on again.

Thank you for your attention.

SENATOR MADDEN: Okay, Mr. Wentworth.

Any questions of Mr. Wentworth? (no response)

Seeing none, we’ll jump over to Amy Coss.

AMY COSS: Good morning, Chairmen and members of the Committee.

My name is Amy Coss, and my brother and I own a restaurant in Milford, New Jersey. I am testifying today as a small business owner, and a member of the New Jersey Restaurant Association Board of Directors, about the dire and immediate future consequences of an unemployment tax increase if the Legislature fails to act and fails to pass true reform to the New Jersey unemployment trust fund.

My business employs 22 people, including myself. My experience rating is 2.10 percent. Restaurants are the state’s largest private-sector employer, with over 300,000 working in the industry. We offer many employment opportunities, including entry-level positions, as well as full-time, paying careers.

SENATOR MADDEN: Thank you, Ms. Coss.

I’m reading along with you. I’ve read your letter already.

MS. COSS: Okay. Well, I’ll just say that--
SENATOR MADDEN: For the benefit of the Committee--

MS. COSS: --the difference in this employment--

SENATOR MADDEN: Bear with me here.

MS. COSS: Yes.

SENATOR MADDEN: For yourself and anybody coming up to testify, we have the written testimony in front of us. Some have been submitted prior. In order to move the Committee along, we ask that you summarize the high points of your written testimony and avail yourself for questions from the Committee if we need clarifications on what we read. I’m just trying to move along.

MS. COSS: Thank you.

I have a reserve balance of $13,414.10. This is in a trust fund that I have paid into for the past 13 years. An increase of $300 to as much as $2,000, which has been discussed, would mean the difference between my business surviving and my business going under. I make approximately $0.03 on every dollar that I bring into my business as profit, and I do not have the room in my business to absorb this increase.

SENATOR MADDEN: What increase do you think you’re receiving?

MS. COSS: We were unclear. Deborah Dowdell, President of the Association, reached out to several people. I did include my piece of paper that the unemployment trust fund sends me with my experience rating and my reserve balance. And no one could figure out how to figure what my actual increase would be, including myself and industry experts who were asked. So I don’t know.
SENATOR MADDEN: Any questions from members of the panel? (no response)

Seeing none, thank you, Ms. Coss.

Mr. Wentworth, thank you.

Have a safe day.

Mr. Douglas Holmes, UWC-Strategic Services on Unemployment and Workers' Compensation; Mr. Eric Richard, New Jersey AFL-CIO; and AJ Sabath, New Jersey Building and Construction Trades Council.

When we’re ready, we’ll hear from Mr. Holmes first.

Thank you.

DOUGLAS J. HOLMES: Thank you, Mr. Chairmen, members of the Committee.

SENATOR MADDEN: Same rules stay. If we have written testimony, summarize, get to the high points, avail yourself for questions. That would work best for the Committee.

Thank you.

MR. HOLMES: Thank you very much, Mr. Chairman.

My name is Douglas J. Holmes. I’m President of UWC-Strategic Services on Unemployment and Workers’ Compensation. We’re an organization based in Washington, D.C.

SENATOR MADDEN: Pull it in. (referring to PA microphone)

MR. HOLMES: We’re a national organization representing business in Washington, D.C. We focus on unemployment insurance and workers’ compensation issues, both nationally and with individual states.
I’m also President of the National Foundation for Unemployment Compensation and Workers’ Compensation that does a comparison publication of state unemployment laws on an annual basis.

A couple of things that have not been addressed that I thought would be helpful -- particularly the FAC -- the Federal Additional Compensation that’s been talked about a couple of times. I want to try to be as clear as possible about what’s going on with that provision that was part of the ARRA, the Recovery Act. I think it’s Section 2002. But that section provides-- The background of it is that when they passed the additional $25 per week in new Federal funding, Congress did not want states reducing the state benefit amount by $25 a week to effectively subvert or put the $25 Federal in. So that’s why they’ve added that provision. And it is an agreement requirement so that as a state signs the agreement saying, “We’ll accept the additional $25,” part of the agreement is that you don’t -- and here’s the key phrase -- adopt computations that reduce the average weekly benefit amount as compared to what the computation would have been at the end of 2008. So that’s the language that’s being construed, and that’s why there’s an issue with flatly reducing the maximums that have been talked about before.

No question, we’ve had other witnesses talk about the solvency problems. And New Jersey is at $35.7 billion. It’s up there. I think it’s in the top 10. There are a number of states above it in terms of how much is outstanding in loans. But it is important to note that this is a national problem. The Department of Labor expects 40 states to be borrowing by the end of 2010. And also, it’s important to note that the account -- the very account that states are borrowing from is, itself, bankrupt.
Department of Labor projects that that account -- Federal unemployment account will be bankrupt to the tune of $93 billion by 2012. So every additional dollar that is advanced for unemployment compensation -- the bottom line is, it goes to add to the Federal deficit.

We really need a short-term and a long-term strategy. And given the situation that we’re in, this is true for many, many states, not just New Jersey. I'll give the example of Hawaii in particular. In Hawaii, they had a similar problem that you’re experiencing. They had an automatic increase in their wage base that was triggered on because the trust fund balance went below a certain level. And the increase was dramatic. From 2009 to 2010, they were looking at an increase, on average, of going from $90 an employee to $1,070 per employee -- almost a $1,000 per employee increase in one year. No employer is budgeted for that. They didn’t reasonably expect that they would be seeing that kind of increase. So they took the steps to go through and modify the increase, and reduce it to something that was less than that to alleviate the situation so they didn’t bring their economy to a halt. We should be looking at ways to encourage job creation and employment. This would be a job killer for that kind of an increase.

A couple issues I would like to touch on that were discussed earlier-- On the average tax per employee-- There is a publication that is put out by the Department of Labor every quarter. And I’ve cited, in my testimony, that publication from September 30. There should be one coming out soon. But the essence of this is that as far as the weekly benefit amount is concerned -- at least as of September 30 -- New Jersey had the fifth highest in the country, higher than other states in the region. New
Jersey was $389.05 per week. This is the average, not the maximum -- $389.05, compared to Pennsylvania at $349, New York at $313, Delaware at $258, Maryland at $309. So, yes, New Jersey is a high-tax, high-unemployment benefit state in terms of the weekly benefit amount. You can verify that with the Department of Labor.

It’s also the high tax-- One thing to remember--

SENATOR MADDEN: Let’s bring your testimony home so we can open it up for questions.

MR. HOLMES: Thank you.

On the question of high tax-- The best measure of that is the average tax per employee on total wages. That way you can eliminate the differential problem with the different tax bases. Some states have a state unemployment tax base of $7,000. New Jersey is up to $28,900. But if you do it in terms of total wages -- what is the tax in terms of total wages -- that gives you an apples to apples comparison. And using that -- looking at the Department of Labor reports, Pennsylvania is a little bit higher, but New Jersey’s is 50 percent higher than New York, 181 percent higher than Delaware, and 217 percent higher than Maryland’s tax on total wages. So there’s no question that you’re already moving into a situation where you have high taxes being applied to employers.

Just to close, the three items that, I think, on the benefits side that -- because it’s four items. I agree that it makes sense to look at the elimination of the waiting week. The reason I believe that waiting weeks were adopted initially was because as people become unemployed, their last check shows up a week or two after the end of their employment. Since
unemployment insurance is a wage-replacement program, states reasonably provided for a waiting week before they started to kick into the benefits.

I think also that the total benefits payable could be reduced. The formula that’s being used to determine the weekly benefit amount in New Jersey is higher than other states with similar formulas. By that, what I mean is that you’re at 60 percent of the average weekly wage, plus the dependency allowance. I know that in Ohio it’s 50 percent plus the dependency allowance. I think you can make some modifications to bring New Jersey closer to other states that will save some money for the trust fund.

Finally, let me just say that my organization is working with a national coalition to try and get some relief at the Federal level. We’ve written a letter to the Senate and have been advocating for support of continued relief from Title XII interest penalties, as well as relief from the FUTA offset credit penalties, so that states will have additional time to address solvency in a meaningful way over an appropriate period of time.

Thank you, Mr. Chairman. I’m happy to answer any questions you may have.

SENATOR MADDEN: All right. We’re just going to move on to the next witness first.

Let’s go to Mr. Eric Richard.

ERIC RICHARD: Chairman Madden, Chairman Egan, members of the Committee, good morning.

My name is Eric Richard, speaking on behalf of the New Jersey State AFL-CIO. We’ve distributed to the Committee an extensive position paper on our position on this issue.
I’d like to, if I could, just highlight two specific points. The first is the importance, in our opinion, of maintaining the existing benefit structure for the unemployment insurance system. And the second is recommendations for moving forward.

First and foremost, as we all know, New Jersey residents, specifically the unemployed, are in a particularly difficult period right now. We’re all familiar with the unemployment statistics. We understand that in 2009, our home foreclosure rate was in the top 10 in the nation. These are hard times for unemployed New Jerseyans. In our opinion, the last thing we should be doing is reducing benefits for unemployed workers.

A $50 per week reduction, the elimination of the one-week waiting period, in our opinion, is a bad idea. A lot of folks have said everything must be on the table. Respectfully, the AFL-CIO would ask you to take that off the table. A reduction of benefits for unemployed workers is really the last thing not just the workers need, but that our economy needs. And the statistics reinforce that.

Very briefly, reducing unemployment benefits is counterproductive to the local and State economy. This has consistently been recognized at the Federal level. A comprehensive study spanning 30 years, titled Unemployment Insurance as an Economic Stabilizer: Evidence of Effectiveness Over Three Decades, published by the U.S. Department of Labor, provides the evidence to illustrate the significant economic benefits of unemployment benefits.

More recently, as you know, the Obama administration recognized this and increased weekly unemployment benefits by $25 per week as a component of the stimulus law. And in January of this year, the
CBO, the Congressional Budget Office, announced that an increase in aid to the unemployed was one of the core recommendations for boosting the economy.

Finally, the Chief Economist from Moody’s testified before the United States Senate Budget Committee in November that each dollar of UI money spent produced $1.63 in economic activity. And since that money is typically spent on basic goods and services, local economies benefit the most.

To summarize, reducing unemployment insurance benefits is bad for workers and it’s bad for the local economy.

Moving on to solutions: The New Jersey State AFL-CIO is sensitive to the tax shock argument that the business community has expressed. However, we also believe we need to have an honest conversation with the business community. We can no longer allow or abandon the naturally adjusting schedule, as we have done over the past decade, to change for the UI contributions. Businesses and corporations have been in the lowest possible schedule, the A schedule, from July 1998 to June 2009. In fact, they should have been in either the C or B schedule since 1996. And if the schedule operated naturally without the passage of various laws adjusting the reserve ratio, there would be an estimated $5 billion more in the unemployment insurance system.

Secondly, in regard to recommendations: The State AFL-CIO strongly supports SCR-60, which will be on the ballot this year, to stop future raiding of the fund. We will be mobilizing in favor of the passage of this provision this fall.
Third: We are working with our congressional delegation in an attempt to find solutions and funding, as well as looking to minimizing or postponing payments on the interest of money borrowed from the Federal government.

And fourth: A phase-in for the adjustment to the schedule has been discussed. In light of our argument today, we would need more details on the specific level of funding and the timeframe for that phase-in. I understand legislation has been enacted, or soon will be enacted -- I’m sorry, a bill has been introduced. We have not had the opportunity to look at that bill yet. However, we believe the 17 percent funding level that has been recommended by the Governor is too low, and it is too low once you take into consideration our recommendation to not alter the existing benefit structure.

So, again, those are our recommendations for reform. And, again, we would respectfully ask you to keep the existing benefit structure in place. New Jersey’s workers need it, and New Jersey’s regional economy needs it as well.

Thank you very much.

SENATOR MADDEN: AJ.

AJ Sabath: My name is AJ Sabath, and I’m here today on behalf of the New Jersey Building and Construction Trades Council’s President Bill Mullen.

Mr. Chairmen, Senator Madden and Senator (sic) Egan, members of the Committee, the Building Trades Council appreciates the attention that you’re paying to this. We submitted testimony, so I’m not
going to go into great detail or reiterate a lot of the other things that some of the other people have testified to.

But there are some things specific to the building and construction trades industry that I think are important. You know, while the unemployment rate is hovering just below the national average -- around 9 percent -- there are about 9,700 jobs that were lost in January of 2010. The construction sector is one of the hardest sectors that is hit by loss of jobs. And we all know with just the low home starts, flat construction, with utility and highway construction lagging, and with public construction at a virtual stand-still, it’s no surprise that a sobering fact is the unemployment rate among the building and construction trade ranges somewhere between 30 and 50 percent -- substantially higher than the average workforce. And New Jersey’s unemployment insurance system is a tremendous safety net that helps people in our industry from the time where they’re on the bench between jobs. So it’s very important that we maintain the fund’s integrity.

We don’t have any official position on any of the proposals that have been kicked around, because we-- The only thing that we’re reviewing right now is Senator Madden’s bill that was introduced on Monday to delay the implementation of the phase-in of the employer tax.

But in closing, I just would like to reiterate that we commonly refer to the unemployment insurance benefit as a benefit, and that really is kind of a misleading statement. It’s technically correct. But we’re one of three states that -- New Jersey employees pay into it, as we’ve heard. So when you’re debating reducing New Jersey’s benefits, or when you’re
debating how to potentially exclude current recipients from the future, please consider the fact that employees pay as well.

Thank you very much.

SENATOR MADDEN: Thanks, AJ.

Any questions from members of the Committee? (no response)

Seeing none, thank you for your testimony.

Next we’ll call up from the New Jersey Business and Industry Association, Melanie Willoughby; New Jersey State Chamber of Commerce, Mike Egenton; NFIB, Laurie Ehlbeck.

We’ll start with Melanie Willoughby.

And again, just to reiterate, if we have written testimony before us, just-- You know what you really need to say -- the high points -- and please avail yourself for questions.

Thanks, Melanie.

M E L A N I E   W I L L O U G H B Y: Thank you, Mr. Chairmen, Chairman Madden and Chairman Egan, and members of the Committee for holding this hearing, because it’s very important to us in discussing this critical issue.

As you know, I’m Melanie Willoughby, with the New Jersey Business and Industry Association, and I’m here with my colleagues and we’re representing the UI business coalition that is in support of stopping the impending $1 billion UI payroll tax on private sector employers which, if we do nothing, will take effect on July 1 of this year.

I have provided to you a very substantial amount of information, so I am going to keep this very brief.
First of all, I want to thank the Legislature, because, first of all, in the last two years, an automatic tax increase would have been triggered. But fortunately the Legislature did act. And so by depositing State general revenue funds -- and there were also Federal funds as well -- the Legislature was able to limit the payroll tax to employers. So thank you for taking that action.

And we’re asking you to take action again. Because in the past 12 months, New Jersey’s UI fund has borrowed approximately $1.4 billion from the Federal government to meet the demands now of the unemployment. And, unfortunately, it seems unavoidable that we’re going to have to continue to borrow.

Now, we do believe that New Jersey’s economy will be hurt by a $1 billion tax increase. But we ask that a multi-year phase-in of the UI payroll increase will minimize the adverse impact of the tax burden by providing employers with certainty and being able to plan for the incremental increases.

Now, employers did pay the required taxes that should have left a surplus in the fund, but diversions have left the fund bankrupt. You know our system is designed to automatically build reserves during times of economic expansion and also to shoulder the burden of increased demands for benefits during times of economic recession. However, the diversion of $4.7 billion really did leave the fund insolvent.

Now, I did hear from my colleague that there was a concern about the fact that there was an adjusting of the reserve ratio over that period of time so that there would be no tax increases while the money was being diverted. Certainly that made sense. Why would you be taxing
employers twice? Once because you were diverting the money that we had already paid, and second, in order to then supplement the fund of the money you had diverted. So that was why there was that naturally adjusting schedule to avoid the tax shock on employers.

Now, also moving forward, I want to talk with you about the steps that we are asking the Legislature to take. First, I’ve already mentioned that we want the multi-year phase-in, which would mean you have to act by May 31 in order to ensure that we do not have a hike to E plus 10, which would be a $1 billion increase.

Number two: We also ask that you modify UI benefits. We feel that it’s important in order to ensure our competitiveness that New Jersey should resemble those of other states in our region. And I have given you a list of the UI benefits that we believe you should take a look at. But this list is not complete. We certainly feel that a look at the overall way that we do our UI structure should certainly be in order. The ones that we have mentioned to you are the ones that are pretty common in terms of us being an outlier with other states in our region.

I also want to mention that overall, what we’re talking about today is the fact that there needs to be systemic changes for addressing the long-term needs of the unemployed. The continuation of the UI fund as being the benefit and the last benefit for these individuals is not the answer. We need to look at the fact that if we are going to be in this type of recessionary time, and in order to climb out of it, how are we going to address the jobs that have been lost forever? How are we going to address the training that many of these people need in order to move into a new career? And we need to look at that in addition to looking at the picture of
the UI. If we just focus on UI as being the answer, it is not. It needs to be a much broader look at the whole issue of how we handle people being moved back into being employed.

I also want to mention that employees certainly are part of the solution, as has been mentioned prior, because they do pay into the system. And so certainly we would agree that -- if you were to suggest it, of course -- that the employee rate could also be raised to help with solving -- with the solvency of the fund, if you feel that the employees should be part of the solution, which we do.

So in conclusion, I would certainly be happy to answer any questions. And I now -- to my colleagues.

SENATOR MADDEN: Okay. We’ll just move right over to Mike.

MICHAEL EGENTON: Thank you, Chairman.

I’ll just say that obviously the highlights that Melanie has pointed out -- the New Jersey State Chamber is in line with our other trade associations.

Some key words that Melanie pointed out I want to stress to the Committee: Certainty and predictability is needed in these tough economic times. And I will just use the few minutes that I have, Chairman, to say, to reach the solvency by 2015, 2016, we really have to take the opportunity to implement the reform measures to get to that point. And obviously these reform measures were highlighted, as you know, by the Governor in his UI address. And obviously there have been some points that I wanted to just highlight that are critical to getting to the solvency in the UI fund.
First, we endorse the constitutional amendment on the ballot in November, and we will also help advocate for that. And as you know, that prohibits the Legislature from taking money from any fund for reasons other than the intended purpose. Secondly, to advocate strongly for the Federal government to continue to fully fund any extension of benefits. Thirdly, to bring New Jersey’s unemployment benefits more in line with other states in order to lower the outflow of funds and add stability moving forward.

Some of the recommendations include adding a one-week waiting period for new claims. Currently, Chairman, 40 states have this process. Reducing the amount of benefits received by an employee who is fired for misconduct, such as theft. Chairman, currently 43 states don’t provide benefits or provide limited benefits to those who are terminated for misconduct. And reducing the maximum weekly benefit -- the maximum weekly benefit increased from $584 to $600 in January. Making any extended benefits contingent on Federal funding -- currently Congress is considering extending UI benefits but doesn’t necessarily have to pay for such an extension. Twenty-one states currently make any benefit extension contingent on full Federal funding.

So to just encapsulate, Chairman, in order to move forward to reach the goal of solvency, we certainly encourage and urge this Committee and the Legislature to look at the reform measures that are on the table to help us get to that goal.

Thank you, Chairman.

SENATOR MADDEN: Laurie.
L A U R I E   E H L B E C K: Chairman Madden, Chairman Egan, and members of the Committee, good morning.

My name is Laurie Ehlbeck, and I’m the New Jersey State Director of the National Federation of Independent Business, and I thank you very much for allowing me to speak today about this important issue.

I’ve submitted testimony, and I don’t want to be duplicative. I just wanted to go over a couple of my points.

New Jersey NFIB represents thousands of small businesses in New Jersey: everywhere from commercial enterprises, manufacturers, family farmers, neighborhood retailers, service companies. We’re truly the Main Street businesses of the state. Our average business employs five employees, so we’re really, truly the mom and pop employers of the state.

Small business counts for more than 90 percent of all business in the state. They’re struggling. Every day I talk to one of my members who is thinking about closing his doors when a child graduates from high school, tomorrow, next year. But every single day in my job I have this conversation with someone, and it’s very sad.

New Jersey is becoming an increasingly hostile place to do business. A sudden increase in the payroll tax from Column B to Column E plus 10 could be devastating. It could be the last straw for a lot of these businesses. Therefore, NFIB recommends that the current law be amended to provide for a multi-year phase-in of the tax increase and the capping of future rate increases to one column per year, as we discussed. This change will result in a 17 percent income (sic), approximately -- increase, I’m sorry -- or approximately $130 per employee. It’s a much easier pill to swallow.
In addition, we recommend the modification of benefits to resemble those of other states in the region by requiring a one-week waiting period for the payment of benefits and prohibiting claimants who have been fired for misconduct from collecting benefits. This will help ensure the competitiveness of New Jersey business.

Lastly, we strongly support the consideration and passage of proposed legislation that will put a constitutional amendment on the ballot this November to prevent future raids.

I appreciate the opportunity today to talk to you about the concerns about the Main Street businesses. And I look forward to talking to you in the future.

Thank you very much.

SENATOR MADDEN: Any questions from members of the Committee? (no response)

Your testimony you gave was great. They’re excellent and thorough reports you submitted. And we will be reviewing those also.

Thank you for your time.

MS. WILLOUGHBY: Thank you very much.

MS. EHLBECK: Thank you.

MR. EGENTON: Thank you, Chairman.

SENATOR MADDEN: Mr. Mike Maloney, Business Administrator for Plumbers and Pipefitters Local Union 9.

UNIDENTIFIED SPEAKER FROM AUDIENCE: He had to leave, Mr. Chair.

SENATOR MADDEN: He had to leave. Okay.
Matt McDermott, Mechanical and Allied Crafts Council of New Jersey and New Jersey State Pipe Trades Association; Mr. Edward Fedorko, Insulators and Asbestos Workers, New Jersey State Building Trades; and the third -- we'll call up one more -- Mr. Joe DeMark, Sheet Metal Workers.

Matt, when you’re ready, we’ll start with yourself, followed by Ed Fedorko, and then Joe.

M A T T H E W  M c D E R M O T T: Good morning, Mr. Chairman and members of the Committee. We appreciate the opportunity to be here today.

I’m here on behalf of the 55,000 members of the Mechanical and Allied Crafts Council, which include the crafts of electrical, plumbing and pipefitting, elevator constructor, heat and asbestos insulators, heat/frost insulators, and sheet metal workers.

These are-- I guess to start this way-- At this point, after such great detail, it’s easy to say and comment on what they said -- the folks before us. I think everyone has made very valuable points about the actions that you’re considering today and going forward with respect to the solvency of the unemployment insurance fund.

As for the members of our trades specifically, a lot of these locals are facing unemployment levels -- that have been sustained, unfortunately -- of 20, 30, and 40 percent unemployment. And as we’ve heard already, there is a ripple effect among the economy as to the value of that UI benefit that they get. And almost all of them receive the highest maximum level of the $600. So they would be impacted by a reduction in those weekly benefits.
The other fact is that it is a financial hardship that many of them are facing today. They are out of work, they are coming close to losing the mortgage on their homes, their health insurance. Just trying to make it every single day has become a huge struggle for highly sophisticated, highly skilled, and educated crafts members. And that is a difficulty that we have to address.

So, long-term, I’m not sure what the solutions are other than what many people have already discussed. Federal intervention is going to be important to address some of the interest issues that we face, because I don’t know where we’re going to find the money in our current economic situation to repay that and maintain some fiscal health in New Jersey.

On the business side, certainly we need businesses to grow in New Jersey. Our trades sustain themselves in the private sector. And as we’ve heard earlier, there is not a lot going on in the private sector. Construction and building has been decimated in the private sector. And until we can inspire businesses to reinvest in New Jersey and recognize that this is a great state in which to do work, and to invest, and to grow, we’re not going to have the opportunities to grow out of this the way we need to.

So we support any effort we can to mitigate some of that hardship that they would face in the tax increase, so we commend Senator Madden for his leadership on the bill that he has put in. We are looking at it, as well as other people have said. So we don’t have a particular position yet on it, but we think it’s going in the right direction, and I’m sure that you will figure out the right way to go with that.
So I would like to then turn it over to our locals, for you to hear from them directly as to the issues that they’re facing, and the hardships as well.

SENATOR MADDEN: Thank you, Matt.

Mr. Ed Fedorko.

EDWARD FEDORKO: Mr. Chairmen, Chairman Madden, Chairman Egan, and fellow Committee members, I’d like to thank you for this opportunity to speak this morning.

Unemployment is out of hand in the building trades. We read the newspapers, we see it on the news every night. The numbers are reaching 10 percent. If they were 10 percent in the building trades, we would celebrate. As Matt said, and some of the speakers before us, the numbers are quickly approaching 50 percent. My trade -- I’m Vice President of the New Jersey State Building Trades, representing the insulators and asbestos workers. Our trade numbers are currently at 40 percent.

Collecting unemployment is a way of life for our members. It’s part of the job description. Cutting this benefit would be disastrous to my membership. Our members pay for their own health benefits. We’re hourly employees. If we take a day off, we don’t get paid. If we’re late for work, we don’t get paid. If we’re out of work, we run out of health benefits. Currently, we probably have close to 10 to 15 percent of my membership out of health benefits right now. Families, children, sick people are out of health benefits.

Cutting unemployment in any way would be detrimental to my membership and the entire construction industry.
I’m going to be brief. I mean, everybody spoke on a lot of points that I don’t want to be redundant on.

The thing that is particularly troubling to me is, these cuts are being considered-- Probably the main reason is because of the raiding that’s gone on by past administrations. I mean, it’s ludicrous to have done that in the past, and now to cut benefits on top of it.

Again, I thank you for the opportunity to speak here. I will turn it over to Joe DeMark at this time.

SENATOR MADDEN: Mr. DeMark.

J O S E P H   D e M A R K   JR.: Good afternoon, Chairman Madden, Chairman Egan, Committee members.

Thank you for giving me the opportunity to speak.

I’m the Business Manager for Sheet Metal Workers Local 25. I also sit on the State Building Trades as a Vice President. And I speak for the sheet metal workers throughout the state.

The impact of this is devastating. The economic climate right now, as far as jobs -- to the construction trades, and specific to sheet metal workers -- we’re experiencing, the past two years, 40 percent unemployment; and this year 45 percent unemployment, probably into next year. This cut, this reduction, is, I’m afraid-- Every day it gets worse. On the way in here, I got on my BlackBerry -- e-mail, more layoffs -- day-to-day layoffs that really hurt. Our members have exhausted all their benefits as far as the local union. The only thing they have left -- a prayer -- is this unemployment insurance.

It affects the members, their families, the education of their children -- as far as high schools, as far as extra curricular activities that they
once enjoyed, as far as colleges -- municipal and State colleges. I’ve had disaster stories that members come to me -- and they have to pull their children out of State colleges, municipal colleges. They can’t afford to go on like this. They’re losing their homes, they’re getting divorced. It goes on and on.

But I live this day to day. I commend the Committee, I commend Chairmen Madden and Egan for what they’re doing to try and stop this (indiscernible). But this cut is very serious and is devastating to the building trades. And I would implore the Committee to consider what I have just said.

Thank you for your time.

SENATOR MADDEN: Any follow-up questions from members of the Committee of the witnesses? (no response)

Thank you, gentlemen. Have a safe day.

MR. DeMARK: Thank you.

SENATOR MADDEN: Our last two witnesses for today are Ms. Christina Genovese, Chamber of Commerce, Southern New Jersey.

UNIDENTIFIED SPEAKER FROM AUDIENCE: I believe she had to go upstairs to testify.

SENATOR MADDEN: Oh, you don’t see her.

UNIDENTIFIED SPEAKER FROM AUDIENCE: She’s not here. She had to go up to testify on another bill.

SENATOR MADDEN: Okay. Mr. Ed Waters, Chemistry Council of New Jersey. (no response)

Okay. We don’t have Mr. Waters.
MR. EGENTON: Chairman, South Jersey Chamber is upstairs on the pension bill.

SENATOR MADDEN: Okay.

Is Mr. Waters in the room? No one knows where he is at either?

MR. EGENTON: No, I don’t know, Mr. Chair.

SENATOR MADDEN: Okay. Well, we’re ready to take testimony from the Chamber. They’re the last ones up.

Committee members, in your packet you’ve received written testimony and a written report, one from a Joann DelVescio, from the New Jersey Travel Industry Association, that was issued to you this morning. We ask that you read that thoroughly. There’s no need to testify on her behalf. And also from the New Jersey Staffing Alliance, a report that was issued prior to us coming here. If you could read that -- again, no need to testify. But they’re asking that you read thoroughly their written testimony.

Is there anyone whose name wasn’t called who signed up to testify today? (no response)

Are there any final comments or follow-up questions from any members of the Committee? (no response)

On behalf of Co-Chairman Joe Egan and myself, we want to thank you for attending. Ladies and gentlemen, that concludes today’s joint hearing on labor and the unemployment trust fund.

Thank you.

(HEARING CONCLUDED)