

VOTE “NO” ON SB 1495

EXPANDED UI PROGRAMS

Background

The American Recovery & Reinvestment Act of 2009 (the federal “stimulus package”) contains many provisions affecting the unemployment insurance (UI) program.

This package contains a number of provisions designed to increase unemployment benefit payments and provide “**incentives**” for states to **EXPAND** the number of **individuals who qualify for unemployment compensation.**

The “incentives” provision transfers \$7 billion in FUTA funds (federal taxes paid by employers) to state accounts if states enact or already have certain state UI laws in place. Of this amount, the Virginia Employment Commission (VEC) estimates that Virginia could receive approximately \$187.5 million if all the conditions are met.

To qualify for these “incentive” payments, a state must have an alternate base period which would entitle it to one-third of its share. Virginia enacted this provision in 2003, therefore, it is already eligible to receive \$62.5 million.

In order to receive the remaining two-thirds of the funding, or approximately \$125 million, the General Assembly must EXPAND our state UI law by passing at least two of the following four provisions:

1. **It must provide benefits to former part-time workers who seek part-time work;**
2. **It must provide additional benefits (up to 26 weeks) to individuals who have exhausted their regular benefits but are enrolled in a state-approved training program or in a job training program. This benefit must prepare the individual for entry into a “high-demand” occupation;**
3. **It must provide benefits for voluntary separations from work for “compelling family reasons.” These reasons must include domestic violence, illness or disability of an immediate family member, and the need to accompany a spouse to a place from where it is impractical to commute and due to a change in the location of the spouse’s employment (i.e., the popular trailing spouse provision);**
4. **It must provide dependents allowances to UI recipients with children.**

During the 2009 General Assembly Session, no bills were introduced or passed that would qualify Virginia for the additional \$125 million.

So, here we are...

The Governor will ask you to vote on receiving the remaining \$125 million when you return on April 8. **Of the four choices on the menu above, he will ask you to EXPAND our law to provide benefits – for the first time - to part time workers seeking part time work and those in job training.** Here’s why that is a concern to those listed below.

- **In order to receive the remaining \$125 million in employer money, you are being asked to EXPAND permanently Virginia’s UI laws for a temporary**

benefit. When the FUTA monies run out, and they will, Virginia employers will be left to foot the bill. That's not a good trade off.

- Some have argued in recent days that the two laws can be EXPANDED until the federal stimulus dollars run out and then we can just return to normal. That has some appeal, except it likely won't happen. Here's why. Federal guidelines inform states applying for these funds that their "*applications should only be made under provisions of state laws that are currently in effect as permanent and not subject to discontinuation. This means that the provision is not subject to any condition – such as an expiration date, the balance in the state's unemployment fund, or a legislative appropriation – that might prevent the provision from becoming effective, or that might suspend, discontinue, or nullify it.*" **People will disagree over exactly what this all means, but while it's being sorted out we need to just recognize that once benefit EXPANSIONS are enacted on a "permanent" basis in "good faith", the likelihood that they ever will be repealed is practically zero.** If Congress had intended that the condition of distribution of these funds could be temporary and subject to discontinuation, it would have said so. It did not.
- **Additionally, the effect of these two provisions, individually and cumulatively, is not well known at this time, but eventually they will increase Virginia's taxes on jobs and employers and further deplete the state's UI trust fund.** We know now – for example - that even without these law changes, the state's trust fund solvency level will dip to 38.5% this June and to 20% by June 2010, and by next year, Virginia will start borrowing money – lots of it - from the federal government to pay existing – not EXPANDED - benefits. We also know now that the average state tax on jobs – even without these law changes – will go from \$98 per job this year to \$159 per job next year and to \$199 per job in 2012. **These changes will not help this situation when the federal monies run out nor will it help now to create jobs.**
- Some also argue that Virginia's tax on jobs of \$98 per year is too low - when compared to other states in the region – and we have room to "grow". North Carolina's tax on jobs, for example, is \$342 per year. South Carolina's tax on jobs is \$148 per year. They may even offer better benefits. **And they're already borrowing from the federal government to pay current benefits – not EXPANDED benefits.** By February, for example, North Carolina had borrowed over \$60 million; South Carolina almost \$133 million. Virginia has borrowed nothing – yet - but that will change next year.
- A better, business preferred solution that has been used in the past would have been a significant distribution of employer paid FUTA funds to state unemployment trust funds - with no federal strings attached - to bolster the solvency of state unemployment trust funds and to pay benefits to those currently out of work. This approach was suggested as the stimulus package was assembled – and rejected.
- We recognize that these are difficult times for all, but we need to remain focused and honor our fiscal commitment to those who are currently unemployed, even if that means we have to borrow money to do it. EXPANDING benefit debates can wait until another day, perhaps until January when we'll have 60 days to discuss their impacts.

**We therefore urge you to reject the Governor's amendments to SB
1495.**

**Appomattox County Chamber of Commerce
Associated Builders & Contractors – Virginia Chapter
Associated General Contractors of Virginia
Bedford Area Chamber of Commerce
Chase City Chamber of Commerce
Emporia Greensville Chamber of Commerce
Fairfax County Chamber of Commerce
Greater Springfield Chamber of Commerce
Greater Washington Board of Trade
Hampton Roads Chamber of Commerce
Harrisonburg-Rockingham Chamber of Commerce
Home Building Association of Richmond
Home Builders Association of Virginia
Loudoun County Chamber of Commerce
Martinsville-Henry County Chamber of Commerce
National Federation of Independent Business
Petersburg Chamber of Commerce
Prince William Regional Chamber of Commerce
Professional Insurance Agents Association
Roanoke Regional Chamber of Commerce
Virginia Association of Non-Profit Homes for the Aging
Virginia Chamber of Commerce
Virginia Forest Products Association
Virginia Hospitality & Travel Association
Virginia Manufacturers Association
Virginia Motorcoach Association
Virginia Motorcycle Dealers Association
Virginia Peninsula Chamber of Commerce
Virginia Pest Management Association
Virginia Petroleum Convenience & Grocery Association
Virginia Poultry Federation
Virginia Retail Federation
Virginia Retail Merchants Association
Virginia Trucking Association
Virginia West Business & Legislative Coalition
Virginia Wholesalers & Distributors Association**