



NEW YORK STATE SENATOR

George Onorato

The Case for Unemployment Insurance Reform in New York State

GEORGE ONORATO August 5, 2009

| ISSUE: **LABOR**

By State Senator George Onorato

Chairman, Senate Standing Committee on Labor

During this severe economic crisis, it comes as no secret to anyone that more and more New Yorkers are losing their jobs and turning to our state's unemployment insurance system to keep themselves and their families afloat. But what may not be as well known to the general public is the fact that New York's Unemployment Insurance Trust Fund – the pool of money used to pay out benefits to jobless workers – is bankrupt. This is a result of growing numbers of unemployment insurance claims, and the state's failure, for more than a decade, to increase the required level of contributions made to the Fund. Overall, this entire state of affairs points to the dire need to reform and stabilize our unemployment insurance system, both for the sake of jobless workers and our business community, as we go forward in these difficult times.

It has now been 11 years since New York's maximum unemployment benefit rate for jobless workers was increased, along with the taxable wage base – which is used to calculate the level of employer contributions that support the Trust Fund. Today, New York's maximum unemployment benefit is \$430 a week (temporarily raised by Congress from \$405

earlier in the year), and the taxable wage base stands at \$8,500.

Since the state's maximum unemployment benefit was raised to \$405 in 1998, its spending power has decreased by 20 percent to some \$330. The current rate places many unemployed New Yorkers and their families below the poverty level, and is much lower than the maximum benefit paid in neighboring states. In New Jersey, the rate is \$560. In Connecticut, the maximum benefit is \$519. And in Massachusetts, job-seeking residents may receive up to \$628 a week.

In addition, New York's taxable wage base of \$8,500, which ultimately determines the amount of money in the Unemployment Insurance Trust Fund, is much lower than nearby states. New Jersey's taxable wage base is \$28,900, while Connecticut's stands at \$15,000 and Massachusetts at \$14,000.

So what does this all mean? It means that jobless New Yorkers are having a great deal of trouble keeping their heads above water and are in danger of turning to public assistance – at an increased cost to state and local governments – if they are unable to find work when their benefits run out. It means that, without increased contributions to the Unemployment Insurance Trust Fund to bring it back to solvency, our state will continue to borrow billions of federal dollars to pay unemployment benefits to those in need, and be required to pay back millions of dollars in interest. It means that New York will owe the federal government more than \$1.5 billion by the end of this year, and that both employers and the state will face significant new costs if the Trust Fund is not restored to solvency.

For New York employers, the continued insolvency of the Fund will result in increased federal unemployment taxes. When the Fund is solvent, employers are eligible to receive a

federal tax credit reduction against the 6.2 percent tax they pay under the Federal Unemployment Trust Act, lowering their tax liability to .8 percent. But when the Fund lacks sufficient resources to repay borrowed federal money, the value of the credit is reduced, increasing taxes for employers. If action isn't taken, these increased taxes on New York businesses could reach as high as \$6.4 billion from 2009 through 2018.

To address these issues, I am sponsoring legislation, which has already been approved by the Senate Labor and Finance Committees, which would gradually increase both the maximum weekly benefit and the taxable wage base over the next five years. The unemployment benefit would initially increase to \$475, and gradually rise to \$625 in 2012. After that, the benefit would be calculated by the State Labor Department to equal one-half of New York's average weekly wages. Similarly, to restore solvency to the Trust Fund, the taxable wage base would be increased in stages until 2012, when the State Labor Department would calculate the resources needed to support increases in the maximum employment benefit.

Unemployment insurance reform, whether it is achieved through this legislation or similar proposals, is crucial to the future of New York State. We must bring our Unemployment Insurance Trust Fund back to fiscal health – both for the sake of employers who will otherwise face significantly higher taxes, and for the sake of job-seeking New Yorkers who are struggling to subsist on an unemployment benefit, while they search for work, that provides them with an inadequate, sub-poverty-level income.

- 30 -

Read the "Case For Unemployment Insurance Reform in NYS" at [The Queens Gazette](#)