



Governor Chris Christie Conditionally Vetoes Unemployment Insurance Bill

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Trenton, NJ – Governor Chris Christie today conditionally vetoed legislation that failed to include any of the unemployment insurance system reforms that were part of his proposal to prevent a devastating tax hike for New Jersey employers who fund the Unemployment Insurance Trust Fund. The conditional veto achieves the Governor's goals of maintaining critical reforms on unemployment insurance eligibility, minimizing the tax impact on businesses, and setting the course for the Unemployment Insurance Trust Fund's return to solvency.

The Governor's conditional veto of S-1813 also creates an Unemployment Insurance Fund Task Force to study and assess, among other things, the current unemployment insurance crisis and recommend how the state can restore the trust fund to solvency in a way that balances the interests of workers, employers and the overall economy. The task force would replace the Employment Security Council, a group which has not met in over a five years.

"I commend the sponsors of this legislation for helping us stave off the draconian financial impact on business that would have occurred had we not acted on this together and on time," Governor Christie said. "This would be a terrible time for businesses to have to absorb such a financial shock," the Governor said. "We want businesses to be able to create new jobs, not worry about how they'll meet payroll tax obligations for existing employees."

The revisions maintain the most time-critical aspect of the Governor's original proposal and those of the sponsors of S-1813: averting an automatic, per-employee tax increase on July 1 of up to \$683 that would have been needed to fund an insolvent Unemployment Insurance Trust Fund. Instead, the average increase will be reduced to \$130 per employee.

The Governor's revisions also reform unemployment insurance benefits for employees who lose their jobs due to misconduct – reforms which will result in estimated annual savings of between \$150 and \$175 million, significantly helping to restore the Trust Fund's solvency over time. The proposed revisions create a three-tiered structure (misconduct, severe misconduct and gross misconduct) which either prohibit payment of unemployment benefits or extend the waiting period before benefits can be paid.

The task force would also conduct a comprehensive review of all eligibility standards, benefit levels, definitions in the unemployment compensation law, statutory payroll tax triggers, contributions and experience rating tables and more.

In February, in the face of a fiscal emergency and 10.1 percent unemployment, Governor Christie took action to propose reforms that would suspend an automatic employer payroll increase of as much as \$683 per employee that would have been need to fund an insolvent UI Trust Fund after years of being raided by the Legislature.

The UI fund ran out of cash in March 2009, forcing New Jersey to borrow, to date, \$1.75 billion from the federal government to pay unemployment claims. By law, business payroll withholding for UI automatically increases once the fund goes below a certain level. On July 1, employers would have experienced an average per-employee hike of \$400 – a 52 percent increase – while some employers would see an increase of up to \$683.

- [Senate Bill No. 1813 \[pdf 310kB\]](#)

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