



Governor Chris Christie Outlines Solutions for the Insolvent Unemployment Insurance Fund

Thursday, February 25, 2010 • Tags: [Budget and Spending](#)

Trenton, NJ - In the face of a fiscal emergency and 10.1 percent unemployment, Governor Chris Christie took action today to stave off a devastating tax hike for New Jersey employers. The Governor proposed suspending an automatic payroll increase of as much as \$683 per employee that would be used to fund the now-insolvent Unemployment Insurance Trust Fund.

At a time when New Jersey is struggling to create jobs, Governor Christie's plan will give small businesses some flexibility and provide critical relief during these tough economic times. The Governor's plan will, among other things, phase in manageable payroll increases that will dramatically limit the impact on employers.

"This is the wrong time, under the wrong economic conditions, to impose such an onerous and undeserved tax hike on New Jersey businesses," Governor Christie said. "If we want to grow payrolls and improve our economy, we cannot ask businesses to shoulder the full brunt of the irresponsible budgeting policies that bankrupted the unemployment compensation fund in the first place."

Governor Christie is scheduled to detail his solutions to the UI problem at a 1:30 p.m. press conference today in the Governor's Office.

The Unemployment Insurance fund (UI) ran out of cash in March 2009, forcing New Jersey to borrow \$1.2 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.

"That is unacceptable and unreasonable," said Governor Christie. "While we are legally obligated to replenish the fund, we will do so in a way that does not force employers to lay off more employees, reduce worker hours, salary or benefits and increase business costs. Those are the consequences of higher unemployment taxes on business."

Governor Christie proposes:

- * Imposing an average increase of \$130 per employee, a 17 percent rise.
- * Phasing in future increases, allowing employers to prepare for them in advance.
- * Reducing the maximum weekly benefit from \$600 to \$550 (New Jersey has the second highest benefit level in the nation; at \$550, New Jersey would be the third highest).
- * Requiring a one-week waiting period before benefits can be claimed, as is done in 40 other states. This would not shorten the benefits eligibility period and would result in \$67 million in annual savings.
- * Requiring employees dismissed for "misconduct" to obtain other employment for a prescribed period of time before qualifying for an unemployment benefit. This would save an estimated \$189 million annually.
- * Making the "extended benefit" provision dependent on the continuation of 100 percent federal funding of benefit costs. This is a provision that has been adopted in 21 other states, including three neighboring states. This would result in \$1.6 billion in savings.

Finally, the plan would call on the federal government to continue full federal funding for extended benefits and to help states avoid job-killing payroll tax increases. Twenty-eight states have insolvent unemployment insurance funds and are now receiving federal loans. It is anticipated that 40 states will be receiving loans by the end of this calendar year.

Insolvency of the UI fund was created by two factors: the diversion of \$4.6 billion of employer and employee contributions between 1992 and 2006 to fund other government programs and operations, and increased unemployment by the recession.

Under the existing law, borrowing from the federal government for the UI fund would continue until 2015. Under the Governor's proposal, borrowing would cease in 2013, and shorten by two years (to 2015 vs. 2017) the anticipated pay back of the federal funds.

Governor Christie supports the proposed amendment (SCR-60) to the state Constitution to end the practice of taking dedicated funds such as unemployment compensation to pay for other needs.

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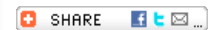
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