

Christie Administration Saves New Jersey Employers From \$211 Million In Tax Hikes

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Unemployment Trust Fund Becomes Solvent

Trenton, NJ – Governor Chris Christie announced today that New Jersey employers will be saving \$211 million because his Administration's anti-fraud reforms and fiscal management practices will bring New Jersey's Unemployment Insurance Trust Fund into solvency next week and spare businesses drastic tax increases.

"We have managed to get a very important safety net for our workers solvent well before anyone thought possible," said Governor Christie. "We've accomplished this without imposing disastrous, annual tax increases on the very same businesses we are relying upon to improve the prosperity of our economy and continue delivering jobs to our state."

Employers faced a major hike in January under the Federal Unemployment Insurance Tax Act (FUTA) to replenish the Trust Fund, which plunged into deficit in March 2009 after \$4.6 billion in diversions over two decades, multiple tax table adjustments and a severe recession that forced the state to borrow federal funds to make benefit payments. The Christie Administration is stopping the FUTA tax increase because it will render the Trust Fund solvent by the end of next week under a fiscal plan that already has spared employers several other annual and compounding tax hikes that threatened to devastate businesses driving New Jersey's economic recovery and job growth.

The \$211 million in savings to New Jersey employers is in addition to the \$1 billion in state tax hikes averted since Governor Christie took office and signed bipartisan legislation to scale back increases triggered by state laws that, like FUTA, called for automatic tax hikes on business owners to replenish the insolvent fund.

"Our first and most effective anti-fraud measure was the simplest, and it alone has saved us more than \$280 million to date," said Harold J. Wirths, Commissioner of the New Jersey Department of Labor and Workforce Development. "We simply began checking the Unemployment Insurance rolls against people listed on the National Directory of New Hires to find out how many people are still collecting benefits after they have returned to work. We still stop as many as 2,000 people each week."

As the Trust Fund moves to a positive balance again in November 2013, New Jersey will meet federal criteria for New Jersey employers to avoid a hike in the FUTA tax for calendar year 2013 and, just as importantly, it triggers the FUTA rate in New Jersey to return to pre-deficit levels for employers.

The Christie Administration has acted on several reforms to protect and improve the Trust Fund across various measures, including:

Anti-Fraud

- Approximately \$300 million has been saved in the Trust Fund since anti-fraud measures were put into place, beginning in 2011, by the Department of Labor and Workforce Development.
- The first measure, the simple process of cross-checking Unemployment Insurance roles against the National Directory of New Hires to determine if claimants returned to work, has resulted in the bulk of the savings.
- Other major anti-fraud measures imposed included software installed to detect claims being illegally filed from foreign Internet Protocol or IP addresses and the Identity Verification checking that requires people filing Unemployment Insurance claims to answer questions to verify their identity.

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Misconduct Reform

- Saved \$188.5 million in the Trust Fund since July 2010.
- Governor Christie, in a conditional veto of legislation in June 2010, changed the misconduct standards to further restrict benefits from being paid to people who lost their jobs because of severe misconduct in the workplace.
- The misconduct statute previously recognized only two levels of misconduct, "gross misconduct" and "misconduct," for which people could be denied UI benefits for certain periods of time.
- The reform measure established three levels of misconduct, increased the Unemployment Insurance benefit penalties in all categories and saved \$188.5 million to date.

Federal Treasury Offset Program or "TOPS"

- Recovered \$1 million since the program was implemented in June 2013
- Through TOPS, the Department of Labor has offset unemployment insurance payments that were illegally collected by individuals by seizing refunds and deductions the individuals were due on their annual federal income tax.
- The system is expected to net the fund more than \$10 million over the next year.

Cross-Match Against County Inmates

- \$1.1 million has been saved since April 2013, when the Labor Department was able to augment its cross-checking against state prisoners collecting unemployment benefits to include a cross-check against inmates in county lock-ups.

Debit Card

- Moving from paper checks to debit cards and direct deposit for Unemployment Insurance payments, as well as Temporary Disability and Family Leave Insurance payments, helped to reduce fraud. While the savings due to prevented fraud cannot be fully measured, the state has saved \$8 million annually in administrative costs by not using paper and postage.

End Diversions

- Between 1993 and 2006, taxes that were supposed to be paid into the Trust Fund were diverted toward other state projects and expenses, leaving the coffers low when the recession hit
- Bipartisan legislation, endorsed by Governor Christie, placed a measure on the November 2010 ballot that was resoundingly adopted by New Jersey voters to stop diversions from the Trust Fund.

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