

Good morning. My name is Sam Denisco. I am Director of Government Affairs for the PA Chamber of Business and Industry. The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business advocacy association. PA Chamber membership comprises nearly 50 percent of the private workforce. PA Chamber membership ranges from Fortune 100 companies to sole proprietors, and crosses all industry sectors.

Thank you for giving the Chamber the opportunity to present comments on HB 2400 which seeks to implement certain amendments to PA's unemployment compensation law that will allow the Commonwealth to draw down federal stimulus dollars. The provisions contained in HB 2400 have long been the subject of UC Advisory Council discussions over the past several months. To date, there has been no agreement among Council members on these provisions. The business community remains very concerned that enacting an alternative base period would be costly and that extending UC benefits for those who separate from employment due to a compelling family reason is bad public policy. Instead, the framework of any discussion regarding the solvency of the UC Fund should be based on slowing the growth of the fund and bringing more equity to the system, not expanding benefits.

According to USDOL, as of June 10th, Pennsylvania owed just over \$3 billion in Title XII loan principal. Only California, New York and Michigan owe more. In addition, for the 12 months ending the first quarter of 2010, Pennsylvania paid out more than \$4.8 billion in state unemployment compensation while collecting only \$2.0 billion in revenue. The bottom line is clear that not only is the state deep in UI trust fund debt but has an imbalance in annual benefit payment of nearly \$2.8 billion a year. This is certainly not the time to be

increasing long term embedded benefit entitlement increases. Instead the state should be enacting provisions to generate new jobs to increase revenue and reduce benefit payout.

The enactment of Alternative Base Period provisions such as suggested in HB 2400 has increased long term benefit costs in every state in which the provisions have been adopted. According to testimony from an USDOL official, the cost of such provisions are in the 4.0% to 6.0% of benefits paid range annually. Assuming continued annual benefits of \$4 billion, the alternative base period would increase costs by \$160 to \$240 million per year with indexed increases as wages increased. This cost alone easily outstrips any short term federal incentive payments associated with enacting the alternative base period. When deciding on whether PA should implement the alternative base period, policy makers should not merely look to the question whether the most recent wage information should be used in order to determine the proper wage replacement. Instead, our policy makers should look to the long term costs and increased taxes and that impact on our Fund.

It is also important to note that because the Pennsylvania UI trust account is in deficit, the federal unemployment account from which loans are obtained is in deficit, and the federal general revenue fund is in deficit, that every additional dollar paid under Pennsylvania state unemployment law is now increasing the national debt.

In total, there is \$273 million of federal stimulus dollars available to PA if certain UC provisions are enacted. The first third of that money can be drawn down if the alternative base period is enacted. The remaining two-thirds of the incentive payments are contingent on qualifying for the first third and the enactment of two of four entitlement expansions as

follows: an increase in depend allowances; a continuation of unemployment compensation to those entered into an approved work training program; no denial of UC relating to the availability for work, active search for work, or a refusal to accept work solely because the individual is seeking part time work; and a UC allowance for those who separate from employment due to compelling family reasons. HB 2400 seeks to enact the latter two – part time work provisions and compelling family reasons.

These benefit entitlement expansion provisions are vague and inconsistent with the fundamental tenets of the Unemployment Insurance Program - Claimants should have become unemployed through no fault of their own in connection with their work and be able to work, available for work and actively seeking work to be eligible to be paid a week or weeks of unemployment compensation.

Payment of compensation to individuals who separate from employment for “compelling family reasons” is inconsistent with the fundamental tenet that there should be good cause connected with work for an individual to become unemployed. There are many other programs that provide public assistance and other support for individuals who are economically disadvantaged who choose not to be employed. Unlike Unemployment Insurance, these programs are not insurance programs paid for by employers.

The terms in the bill are vague and difficult to administer. For example, the bill provides that a claimant shall not be disqualified for voluntarily leaving work due to the need to address the physical, psychological or legal effects of domestic violence or sexual assault. Is a UI claims taker trained or in position to make a determination of the psychological or legal

effects of domestic violence or sexual assault? Is a mere statement of the individual claimant sufficient?

The definition of “Abuse” is extremely broad, including “attempting” to cause physical harm without actually causing physical harm, engaging in “mental” abuse, depriving another of “necessities of life”, restraining the “liberty” of another. The definition of “disability” includes “mental” disability. The abuse may be committed against a current or former spouse, a person with whom the claimant is cohabitating, related by blood, or had a dating relationship. These definitions are not only inappropriate upon which to determine whether to pay unemployment insurance benefits but are much broader and even more subject to abuse than the definitions required by federal law in order to meet the conditions of the one-time incentive funding. Furthermore, the Department will be faced with a monumental challenge of sorting all of this out when ruling on a claim.

The bill provides that a claimant shall not be disqualified for leaving work to care for an immediate family member who requires care by another individual due to an illness or disability. Is a cold a sufficient illness? Is a claims taker qualified to determine whether an individual is disabled – based on what information? HB2400 would actually prohibit the Department from requiring that the determination of disability be by a medical doctor.

Finally, HB 2400 creates an exception for disqualification due to failure to apply for suitable work or to accept suitable work when offered if the average number of hours of work offered exceeds 20 hours and the claimant worked less than his full-time work for a majority of the weeks in the base year. This means that even if an employer offers a claimant the

opportunity to return to his full-time job, that the claimant may refuse and continue to be paid unemployment compensation.

In conclusion, the Chamber recognizes that the solvency of the PA UC Trust Fund must be addressed sooner than later and that any solvency proposal should not greatly expand benefits or eligible claimants. We look forward to a continued dialogue on this issue which hopefully will result in bringing more fairness to our UC system. I am happy to take any questions at this time.