



TO: The Honorable Members of the Senate Labor and Industry Committee

FROM: Sam Denisco, Director of Government Affairs

DATE: May 9, 2011

RE: SB 1030 – Unemployment Compensation Amendments

On behalf of its thousands of statewide member businesses of all sizes and crossing all industry sectors, the Pennsylvania Chamber of Business and Industry is writing you to express our **support of SB 1030**. The bill is scheduled to be considered by the Senate Labor and Industry Committee on Tuesday, May 10. This legislation provides for automatic relief from charges for employers under the UC Law.

The bill provides for a new administrative procedure for the department to grant an automatic relief from charges for those base year employers who had an employee denied for unemployment benefits based on a separation from their employment. This legislation changes the current process by which an employer has to submit an application for relief from these charges to an automatic process.

On committee consideration of SB 1030, you will have two amendments before you – one deals with a work share program and the other provides for general amendments to the UC Law.

Specific to the work share amendment, the PA Chamber supports this concept so long as it is voluntary, does not result in a significant drain on our UC Fund and is part of a larger, broad-based UC reform package.

A second amendment providing active work search, telephone testimony, severance pay, calculation of the maximum weekly benefit rate and extended benefits is aimed at generating savings for the UC Trust Fund. This amendment is a good start, but much more by way of reform needs to be done in order to put the Commonwealth back on track in addressing solvency of the UC Trust Fund.

As you may know, our UC Fund is currently operating on money borrowed from the federal government and has a significant structural deficit. In simple terms, more money is being paid out of the fund than has been coming in. We have borrowed \$3.6 billion from the federal government through March 2011 (third highest to CA and MI). This is attributed to the liberalization of benefits over recent years - a situation that has certainly been exacerbated by the current economic downturn.

We need to ensure that the unemployment compensation safety net is there for Pennsylvanians who truly need it. This is a challenge and cannot be achieved under the current process. The growth of the Commonwealth's UC Fund needs to be slowed and our rich benefit system needs to be scaled back. Pennsylvania is second only to California in the amount of UC benefits paid out over the past year, despite an unemployment rate that is lower than most states across the nation.

Pennsylvania must take steps to restore balance, fairness and sound financial principles to the UC system. SB 1030 is a step in the right direction to achieve these goals.

If you have any questions or concerns, please contact me at 720.5580 or sdenisco@pachamber.org.