



TO: The Honorable Members of the House Labor and Industry Committee
FROM: Alex Halper, Manager of Government Affairs
DATE: December 12, 2011
RE: Support S.B. 1310 – Unemployment Compensation

On behalf of our thousands of statewide member businesses of all sizes and crossing all industry sectors, the Pennsylvania Chamber of Business and Industry writes to express support for S.B. 1310, which the House Labor and Industry Committee is scheduled to consider this week. This legislation will save employers money and begin to address the debt our Commonwealth has accrued borrowing from the federal government to pay unemployment compensation benefits. The bill passed the Senate on Nov. 15th with bipartisan support.

Pennsylvania's UC Trust Fund is bankrupt and the Commonwealth has been forced to borrow from the federal government since March 2009 to pay state unemployment compensation benefits – accumulating over \$3 billion in debt. This debt is a significant burden on businesses, which face automatic tax increases totaling hundreds of millions of dollars per year until the amount borrowed, plus interest, is paid off.

S.B. 1310 would direct the Pennsylvania Economic Development Financing Authority to issue bonds to pay off the amount owed to the federal government in full and generally improve cash flow to and from the UC Trust Fund, **saving Pennsylvania businesses between \$160 million and \$256 million**. The bill further includes a temporary amnesty program for businesses that are delinquent in paying UC taxes to have 50% of the interest waived if they pay the principal in full, and provisions to target businesses evading UC taxes and recoup illegitimate overpayments made to claimants. These provisions, among others in the bill, are estimated to increase annual revenue to the UC Trust Fund by \$32 million.

The bill also adjusts the formula that determines the amount of UC taxes assessed on employers per employee by raising the taxable wage base with a corresponding decrease of the tax rate. These adjustments are revenue neutral and therefore acceptable to the PA Chamber. Yet it is worth noting that in 2010 Pennsylvania had the *highest* UC tax rate per employee in the country and we consistently rank among the top states in average UC taxes paid by employers and overall benefits paid to employees.

Pennsylvania's UC program, as currently administered, is unsustainable and significant changes will be necessary to bring solvency to the UC Trust Fund. In the meantime, S.B. 1310 will help prevent our debt to the federal government from continuing to expand at such a detrimental pace. We urge you to support this legislation. If you have any questions or concerns, please contact Alex Halper at 717-720-5471 or ahalper@pachamber.org.