



**HOUSE REPUBLIC POLICY COMMITTEE
UNEMPLOYMENT COMPENSATION: FACT FINDING HEARING
THURSDAY, JUNE 11, 2009**

STATEMENT OF THE PENNSYLVANIA CHAMBER OF BUSINESS AND INDUSTRY

The UC Fund is currently operating on money borrowed from the federal government (borrowing that could reach \$1 billion by the end of the year) and is facing a structural deficit of as much as \$600 million.

In simple terms, more money is being paid out of the fund than has been coming in. This is attributed to the liberalization of benefits over recent years – a situation that has certainly been exacerbated by the current economic downturn.

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.

Adding to the fund's solvency woes, federal stimulus dollars come with strings that will ultimately cost the system more in the long run. That's because requirements for expanded UC benefits would be imbedded into the system. This means that when stimulus dollars run out, an already insolvent UC Trust Fund will be left to absorb the cost of the imposed mandates.

Debate over how the Commonwealth's UC Trust Fund reached this point aside, where we go from here to ensure that the unemployment compensation safety net is there for Pennsylvanians who truly need it is now the challenge facing the state. This is proving to be no easy task.

The state's UC Advisory Council, of which the PA Chamber is a member along with representatives of organized labor, has been charged by the governor to address the borrowing debt, as well as find ways to restore solvency to the UC Trust Fund. Negotiations to date have not resulted in agreement on addressing the Fund's solvency.

Given the fund's dire financial condition – and the economic realities facing businesses and individuals – a multi-pronged solution that impacts employers, employees, eligibility and benefits is a reasonable expectation.

Business put a responsible proposal on the table, one that spreads the burden, proposes commonsense reforms that will help rein in future costs, and preserves benefits for current recipients.

The Commonwealth must come to terms with the UC Trust Fund's insolvency in a fair and responsible manner.

The business community is doing its part and is willing to share some, but not all, of this burden. It's time for other parties to work in the same good faith to restore the fund to solvency.

With a sizeable and growing budget deficit and a looming funding crisis for the state's two pension systems also on the horizon, "solutions" that merely put off problems for another day by failing to address the fund's solvency concerns will only place greater burdens on the Commonwealth's business and individual taxpayers.