



Setting THE record straight

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Only reasonable, responsible solutions will resolve UC Trust Fund's solvency concerns

"We're out of money."

That is the stark summation of the status of the state's Unemployment Compensation Trust Fund from a top state official. Specifically, the 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. In fact, 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.

Maintaining the status quo threatens UC system

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. 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. To that end, 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.

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The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business association, with its membership representing nearly 50 percent of the private workforce. More information is available on the Chamber's website at www.pachamber.org

