

What is unemployment UI? UI is an insurance program that pays defined benefits to individuals who become unemployed through no fault of their own and who are available for and are looking for full time work. It is funded entirely by employers through taxes – both federal and state - on each job.

CURRENT FACTS:

- **Not one unemployed person in Virginia who is eligible for benefits TODAY will lose a penny because we didn't accept the stimulus money.** In fact, many will be receiving MORE benefits:
 - Many will receive an additional \$25/week, a federal tax deduction on the first \$2,400 of benefits AND an additional 13 weeks.
 - Some will be eligible to receive 59 weeks of benefits (*regular 26 weeks + current 20 week extension + 13 more weeks*) - courtesy of Virginia businesses who will pay for it all.
- **Virginia is already receiving \$62.5M in federal stimulus money to pay benefits to existing claimants and lessen the impact on a trust fund that will be broke by the year's end.** Even with this new money, Virginia will start borrowing next year to pay for *existing* benefits.
- **Courtesy of the federal government and the General Assembly, unemployed workers are eligible to have 65% of their health insurance premiums covered by the federal stimulus plan.**

EXPANDING benefits in the midst of a declining economy and unemployment trust fund doesn't make sense. When a company has lay offs, their “experience rating” increases, thereby increasing the amount they pay into the Unemployment Trust Fund. Regardless of the amount of federal money Virginia accepts, these businesses will pay more into the fund.

EXPANDING the list of those able to receive UI benefits will 1) immediately tax the struggling business that had to downsize their staff and 2) cause future tax increases as the trust funds solvency dips. Additionally, this will be a disincentive for businesses to take a chance by hiring new part time staff. Should they be unable to afford their new employee, laying them off will now cost them more money.

Virginia chose to refuse only one portion of the stimulus dollars available for UI coverage because of the strings attached. In order to receive the \$125M in employer (FUTA) money, we would have to **EXPAND permanently** Virginia's UI laws for a **temporary** benefit. Federal guidelines indicate that “*applications should only be made under provisions of state laws that are currently in effect as permanent and not subject to discontinuation. This means that the provision is not subject to any condition – such as an expiration date, the balance in the state's unemployment fund, or a legislative appropriation – that might prevent the provision from becoming effective, or that might suspend, discontinue, or nullify it.*”

- **The costs and effect of expanding UI coverage to part-time workers and those in training programs are not well known at this time, but eventually they will increase Virginia's taxes on jobs and further deplete the state's UI trust fund.** Example: Before the veto session, the Governor's office reported the cost at around \$18.1M/year. A week later, the state's Manufacturing Commission was informed by the VEC that the costs were \$20.1M/year.
- We do know that even without these new law changes, the state's trust fund solvency level will dip to 38.5% this June – triggering new taxes on Virginia employers - and to 20% by June 2010. By next year, Virginia will start borrowing money from the federal government to pay **EXISTING** benefits. **An expansion of benefits will not help this situation.**
 - **AVERAGE STATE TAX ON JOBS** will go from **\$98/job** (FY09) to **\$159/job** (FY10) and then to **\$199/job** (FY12).
- **The AVERAGE STATE TAX ON JOBS is just that, an average. Some employers pay hundreds of dollars in state taxes on each job.** The state tax each employer pays is the sum of the employer's individual tax rate + a "pool tax" that comes and goes to recover charges that no one employer can pay + a "fund builder" tax triggered when the trust fund solvency levels dips below 50%. **These are averages, with some employers already paying hundreds of dollars in state taxes for each job.**
- **In addition to the state unemployment related taxes, there is a federal or FUTA tax on each job. It's \$56/employee/year.**

We need to remember that we often **EXTEND** benefits in tough times, but it's always temporary. **The \$125 million was about temporarily funding a permanent expansion.**