

Dear Business Leaders,

Very good news from the Governor's Office!

Earlier today, Governor Christie signed S-1813, which is the bill that reforms the UI system and reduces the automatic tax hike on employers from \$683 per employee to approximately \$130 per employee.

Please share the below news release with your members.



STATE OF NEW JERSEY OFFICE OF THE GOVERNOR

Governor Chris Christie Signs S-1813 to Protect New Jersey Small Businesses and Reform UI Trust Fund

For Immediate Release
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Trenton, NJ – Governor Chris Christie has signed S-1813 into law to protect New Jersey small businesses by preventing a devastating tax hike of up to \$683 per employee for employers who fund the Unemployment Insurance Trust Fund. The bill maintains revisions made by Governor Christie in his June 24, 2010 conditional veto of the legislation. As a result, the bill signed into law today achieves the Governor's goals of maintaining critical reforms on unemployment insurance eligibility, minimizing the tax impact on businesses, and setting the course for the Unemployment Insurance Trust Fund's return to solvency.

"There is no question that such an onerous a tax hike right now on New Jersey's job creators would seriously damage our economy and derail our recovery," Governor Christie said. "I am thankful to the legislature and the bill's sponsors for coming together to mitigate the financial impact on our state's small businesses, while taking the necessary steps to begin restoring solvency to the system."

The bill as signed into law maintains the most time-critical aspect of the Governor's original proposed changes to the Unemployment Insurance Trust Fund and those of the sponsors of S-1813: averting an automatic, per-employee tax increase on July 1 of up to \$683 that would have been needed to fund an insolvent Unemployment Insurance Trust Fund. Instead, the average increase will be reduced to \$130 per employee.

"The action taken by Governor Christie is great news for New Jersey's small businesses," said Labor Commissioner Hal Wirths. "Through the Governor's strong leadership on this issue and the bipartisan, cooperative efforts of the legislature, we were able to take real, timely action for our economy and job market. I look forward to the work of the newly created task force and finding a long-term solution to fix the UI trust fund and bring the necessary reform to prevent small businesses from facing these circumstances in the future."

Additionally, S-1813 includes key reforms to unemployment insurance benefits for employees who lose their jobs due to misconduct – reforms which will result in estimated annual savings of between \$150 and \$175 million, significantly helping to restore the Trust Fund’s solvency over time. A three-tiered structure is now established (misconduct, severe misconduct and gross misconduct) which either prohibit payment of unemployment benefits or extend the waiting period before benefits can be paid.

The Governor’s June 24 conditional veto of S-1813 also provided for the creation of an Unemployment Insurance Fund Task Force to study and assess, among other things, the current unemployment insurance crisis and recommend how the state can restore the trust fund to solvency in a way that balances the interests of workers, employers and the overall economy. The task force will replace the Employment Security Council, a group which has not met in over a five years.

The newly established task force will conduct a comprehensive review of all eligibility standards, benefit levels, definitions in the unemployment compensation law, statutory payroll tax triggers, contributions and experience rating tables and more.

In February, in the face of a fiscal emergency and 10.1 percent unemployment, Governor Christie took action to propose reforms that would suspend an automatic employer payroll increase of as much as \$683 per employee that would have been need to fund an insolvent UI Trust Fund after years of being raided by the Legislature. The bill, as signed today, is consistent with the goals outlined by Governor Christie then to ease the burden on small businesses, reforming misconduct standards and setting a course for future reforms to guarantee the strength and fiscal health of the trust fund in the future.

The UI fund ran out of cash in March 2009, forcing New Jersey to borrow, to date, \$1.75 billion from the federal government to pay unemployment claims. By law, business payroll withholding for UI automatically increases once the fund goes below a certain level. On July 1, employers would have experienced an average per-employee hike of \$400 – a 52 percent increase – while some employers would see an increase of up to \$683.

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