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June 10, 2011

TO: Members, Pennsylvania House of Representatives

FROM: Representative Mark Mustio, 44th Legislative District

RE: Unemployment Insurance Reform

In the near future I will introduce legislation that will reform our unemployment insurance system and eliminate all of the concerns raised in recent debate. This legislation will be drafted with five primary objectives.

The five primary objectives are as follows:

1. Refinance the \$3,200,000,000 in Unemployment Insurance debt owed by Pennsylvania to the Federal government. The payment of the refinancing payments will be made by the continuation of the payment by the employer of the 0.008 of the first \$7,000 of employee wages. In addition, each employee will continue to pay the 0.0008 of their earned income through June 30 of 2015, plus \$1.00 per week. This will pay off the debt by December 2015.
2. Restructure the system and the terminology to reflect the use of insurance language, practices and actuarial benchmarks to prevent future insolvency. We have become accustomed to the use of the word tax when referring to payments made to support the current system. The correct term for a payment for insurance coverage is a premium payment. In insurance the person that primarily benefits from the insurance coverage is the person paying the premium. The law of large numbers needs to be put to work for workers and the system.
3. Convert the unemployment insurance system to one that is solely financed by employees also known as the premium payor, policyholder or beneficiary. Many times under our current system, the premium payor is at odds with the beneficiary at the time of the claim.
4. Eliminate all employer premium payments for unemployment insurance by December 2015. Effective January 2016, the premium payments will be made by the employee at the experience rate previously paid by the employer. This will free up money for the employer to hire and train more employees, making their contribution to the law of large numbers which keeps premiums down for the employee/policyholder.
5. An unemployment oversight board shall be made up of resident Pennsylvania employees. After December 2016, the board can recommend a system different than the experience rating system.

If you are interested in becoming a cosponsor of this legislation please contact Joy McKee at 717-787-6651 or by sending an email to jmckee@pahousegop.com

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