



OCT 12 2011

Senate of Pennsylvania

DATE: October 11, 2011
TO: All Senators
FROM: Senator John R. Gordner *VRG*
SUBJECT: **Proposed Legislation on Unemployment Compensation Fund**

The Pennsylvania Unemployment Compensation Fund (PUCF) is insolvent. In order to timely pay benefits to our states' unemployed claimants, the PUCF has borrowed almost \$3 billion over the past few years from the Federal Unemployment Account (FUA).

This significant sum is required to be repaid. Until every dollar is repaid, every Pennsylvania business is assessed interest payments as well as the loss of the Federal Unemployment Tax Act (FUTA) credit which amounts to approximately \$110 million per year. The FUTA tax credit reduction doubles in Year 2 (\$220 million), triples in Year 3 (\$330 million), etc.

In the near future, I will introduce legislation that will allow the Pennsylvania Economic Development Financing Authority (PEDFA) to issue bonds in an amount that will allow the FUA to be paid in full and to improve the cash flow of the PUCF. The bonds would be paid by tapping the funding streams currently assessed on Pennsylvania businesses and redirecting them to pay off the bonds. No General Fund monies would be used.

Several other states have utilized this approach to addressing debt owed to the FUA. It is estimated that this mechanism would ultimately save our businesses over \$50 million.

In addition, this legislation would authorize an Unemployment Compensation Amnesty Program for a 3 month period in 2012 that would target businesses that owe monies to the PUCF by waiving 50% of their unpaid interest costs if they otherwise pay their outstanding obligations in full.

Further, this proposal would incorporate several anti-fraud provisions including authorizing the Department of Labor and Industry to utilize the United States Treasury Offset Program to obtain monies owed to the Department.

This proposal is the result of a joint effort with Labor and Industry Secretary Julia Hearthway and her policy team.

Please call my office at 787-8928 if you are interested in cosponsoring this legislation.