The undersigned business and employer associations strongly oppose proposals to increase unemployment insurance benefits without a significant infusion of state funds into the unemployment insurance fund, which remains deeply in debt due to government-mandated shutdowns during the COVID pandemic.

We also oppose proposals to quicken access to UI benefits by striking workers, who are already afforded broader access to UI benefits than typically allowed under federal or state unemployment insurance law.

Importantly, state-level unemployment insurance benefits are funded exclusively by payroll taxes on New York employers, with zero contributions from employees or the state General Fund. Therefore, any increase in benefit costs would be borne totally by New York businesses, who are already paying record-high UI taxes, as well as absorbing costs due to increased wage and benefit mandates.

Any consideration of increased benefits needs to be done as part of a comprehensive plan to restore the state's UI fund to financial stability and reduce UI taxes on employers.

Ongoing UI Fund Debt – Due to New York's "reduction in force" mandate, the state lost 1.7 million jobs in March 2020. Claims for UI benefits overwhelmed the state's UI fund and resulted in significant federal borrowing to continue inue benefit payments, with borrowing hitting a high of $9.7 billion by April 2022.

As of March 1, 2024, the state's outstanding federal debt still stands at more than $7.4 billion. New York has paid more than $2 billion in federal repayments, plus several hundred million more in interest charges, all fully financed through increased state and federal payroll taxes on New York's employers.

While many states had to resort to federal UI borrowing in 2020, only two – California and New York -- still have outstanding federal UI advances dating back to the COVID pandemic. Based on Tax Foundation and other reports, thirty-four states have used more than $25 billion of CARES Act, ARPA or state general funds to help restore their UI programs to financial stability. However, New York remains the only state that has taken no significant action to address the financial impact on employers caused by federal UI advances.

Impact on Employer Taxes - The cost of administering the UI program at both the federal and state level, and the cost of "regular" state-level UI benefits, are paid for through state and federal payroll taxes on employers.

Under New York law, employers are subject to a "general" experience rated UI tax that is also subject to automatic increases during times of high benefit payments; a "supplemental" tax that pays the state's cost of managing its UI system; and a small "re-employment services" tax, used for support job services programs outside the UI system. '

New York employers are also subject to special assessments for the payment of interest on any outstanding federal advances to the state's UI fund. In addition, under federal law, employers in states with outstanding federal loans also see their net federal UI taxes increase each year.

The following example illustrates the impact of these UI taxing mechanisms on an "average" New York employer who in 2019 would pay a combined federal and state unemployment insurance tax of $302, is paying more than double that amount by 2023.

TAX	**2019**	**2023**
State Tax Rate	2.2%	3.8%
NYS taxable wage base	$11,400	$12,300
Base State UI Tax	$251	$467
NYS UI Subsidiary Tax	$0	$77
NYS Reemployment Service Tax	$9	$9
Net FUTA Tax (with credit)	$42	$126
NYS Interest Assessment	$0	$22
Total UI Tax	**$302**	**$701**

Under current law, and making optimistic assumptions about interest rates, overall economic conditions, and other factors, we project that New York employers will continue to pay elevate levels of state and federal unemployment insurance taxes for the rest of this decade before the federal debt is fully repaid.

Note that current law also provides for automatic increases indexed to increases in the state average weekly wage but suspends increases when the state has a low UI fund balance. It is estimated that restoration of these indexed benefit increases would cost more than $500 million annually – an expenditure that would require increased federal borrowing or further increases in employer UI taxes.

Strikers' Benefits - The unemployment insurance system pays benefits to employees who, in most cases, have lost employment due to factors beyond their control but who remain in the labor market and continue to seek employment.

Strikers' benefits run counter to these core provisions of federal and state UI laws, and New York is one of just two few states that provides UI benefits to workers on strike.

We strongly oppose legislation to shorten the wait period for benefits for striking workers to one week, as proposed in S.4402 (Kennedy)/A.1443 (Wallace).

Some argue this would create "parity" between striking and non-striking claimants, but strikers already enjoy special treatment as they are not required to be available for and actively seeking work to receive benefits –eligibility standards applicable under both federal and state UI laws to the general workforce.

Recommendations - Since a large share of New York's job loss during the pandemic resulted from state RIF mandates rather than employer actions, the cost of the resulting unemployment insurance benefits should not be borne solely by private sector employers. Instead, it makes sense that public funding be part of the state's response to its multi-billion federal UI program debt -- an approach that has already been taken by a majority of states.

In its FY 2025 budget, New York should dedicate funding to reduce the burden of UI taxes on state employers. Options range from using available federal relief funds or general state resources to make a significant payment on New York's outstanding federal advances to paying annual interest on New York State's federal UI program debt, a cost of about $150 million each year to providing employers with payments or tax credits to offset the annual increase in FUTA taxes; and/or

These steps would provide significant UI tax relief for New York employers, especially small businesses, at a time when they continue to face inflation, workforce shortages and other business challenges. Moreover, these proposals reflect approaches already employed by many states and will provide a more equitable sharing of the cost of pandemic-related unemployment insurance benefits.

CAPITAL REGION CHAMBER

FIA FOOD INDUSTRY ALLIANCE of New York State, Inc.

EDC NEW YORK STATE Economic Development Council

NFIB

RBA

ORANGE COUNTY CHAMBER OF COMMERCE www.orangeny.com

the Chamber Cortland Area Chamber of Commerce

ACEC New York American Council of Engineering Companies of New York

CONSTRUCTION EXCHANGE of Buffalo & WNY, Inc.

New York State CHEMISTRY COUNCIL

PRINT & GRAPHIC COMMUNICATIONS ASSOCIATION

TANY TRUCKING ASSOCIATION OF NEW YORK

NYACS New York Association of Convenience Stores

WESTERN NEW YORK ASSOCIATION OF PLUMBING AND MECHANICAL CONTRACTORS, INC.

For more information, please contact: Ken Pokalsky, VP, Business Council of NYS at 518-694-4460 or ken.pokalsky@bcnys.org