

Protecting New Jersey's Small Businesses and Laying the Foundation for Job Creation Gov. Christie's Strong Action Provides Critical Relief During Economic Crisis

In the face of a fiscal emergency and skyrocketing unemployment, Governor Chris Christie took strong action to stave off a devastating, automatic tax hike for New Jersey small businesses. Governor Christie recognizes that with an unemployment rate hovering around 10 percent and a business climate that ranks dead last in the nation, now is not the time to further burden our small businesses.

The impending employer tax increase would have imposed the highest rate created under the law, forcing small business owners to pay on average an increase of 52 percent, or \$400 per employee, or up to \$683 in some cases.

The action taken by Governor Christie in conditionally vetoing S-1813 ensures that automatic increase of up to \$683 will be mitigated and reduced to \$130 per employee, giving employers room to breathe, the flexibility to plan for them in advance, and the ability to assume the costs over time.

The Governor's revisions also reform 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.

The conditional veto 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.

Small businesses already struggling to survive against the highest taxes in the nation should not be asked to bear the burden of a depleted Unemployment Compensation Fund, when nearly \$4.6 billion of employer and employee contributions were previously diverted for other purposes.

The billions of dollars in diversions from the UI fund has directly contributed to the State being forced to borrow over \$1.75 billion from the federal government to maintain benefits for out of work New Jerseyans.

At a time when New Jersey is struggling to create jobs, Governor Christie's strong action will give small businesses some needed flexibility and provide critical relief during these tough economic times.

GOVERNOR CHRISTIE TAKES ACTION TO PROTECT NEW JERSEY'S SMALL BUSINESSES

Reducing the Automatic Tax Increase Threatening Struggling Small Businesses. The legislation and Christie's action reduces the employer tax increase required under current law. The impending employer tax increase will impose the highest rate created under the law (it jumps from the second lowest rate to the highest column E + 10). This change would increase the employer tax on average by 52 percent or \$400 per employee. Never before has the rate increased as dramatically as it is slated to do July 1. The legislation and the Governor's conditional veto reduces this increase to one step on the tax table. Consequently, on July 1, employers will experience an average 17 percent increase or approximately \$130 per employee.

Bringing New Jersey Unemployment Benefits In-line with Other States. Right now New Jersey is an outlier compared to other states when it comes to unemployment benefits. While it is important to help those New Jerseyans who are looking for work, the State's current benefits structure exceed what practically every other state in the nation provides.

In order to keep the Unemployment Compensation Fund solvent for the future, the following changes were made as a result of Governor Christie's conditional veto:

Reforming Misconduct Standards. The proposed revisions create a three-tiered structure (misconduct, severe misconduct and gross misconduct) which either prohibit payment of unemployment benefits or extend the waiting period before benefits can be paid. While virtually all states have more stringent standards for individuals dismissed due to misconduct, New Jersey's treatment of these individuals is more lenient. This change will result in estimated annual savings of between \$150 and \$175 million, significantly helping to restore the Trust Fund's solvency over time.

- **Misconduct** – a person would be ineligible for misconduct for 8 weeks (the week in which the individual has been suspended or discharged for misconduct connected with the work + 7 weeks thereafter). Under current law, the waiting period is 6 weeks for approximately 34,000 misconduct cases. These cases have the same penalty without regard to the individual's level of misconduct.
- **Severe Misconduct** – The individual would be disqualified for benefits until he/she becomes reemployed for 4 weeks and until he/she earns in employment at least 6 x the individual's Weekly Benefit Rate before becoming unemployed through no fault of his/her own. Examples of severe misconduct include, but are not necessarily limited to, the following: repeated violations of an employer's rule or policy, repeated lateness or absences after a written warning by an employer, falsification of records, physical assault or threats that do not constitute gross misconduct, misuse of benefits, misuse of sick time, abuse of leave, theft of company property, excessive use of intoxicants or drugs on work premises, theft of time, or where the behavior is malicious and deliberate but is not considered gross misconduct.
- **Gross Misconduct** – An individual would be disqualified for benefits until he/she become reemployed for 8 weeks and until he/she earns in employment at least 10 x the individual's Weekly Benefit Rate before becoming unemployed through no fault of his/her own.
- **Other Changes** – Voluntary Quit classifications of employment termination will be treated the same as Gross Misconduct. Sections of the Administrative Code will be amended to provide for greater employee protections when evaluating disqualification under the revised misconduct standards, which will require employers to provide written documentation to demonstrate the alleged level of misconduct.

Reform For Long-Term Stability In The UI Trust Fund. The Governor's conditional veto of S-1813 also creates 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.

Preventing Future Diversions from the Trust Fund. Governor Christie continues to support a constitutional amendment (SCR-60) on the ballot this November to prevent future raids of the Unemployment Compensation Fund.