

## **No solution on jobs fund crisis**

By Peter Hirschfeld Vermont Press Bureau  
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MONTPELIER – After weeks of negotiations, lawmakers and the Douglas Administration remain at loggerheads over how to replenish the state's bankrupt unemployment fund. Barring a compromise in the next 24 hours, legislative leaders said Thursday they will plow ahead with their own solution to one of the most pressing financial crises in state government.

Both sides said Thursday that their private talks have been productive. But leadership in the House and Senate say they are ready to proceed unilaterally should the parties fail to come to terms before late in the day Friday.

"I'm certainly willing to find some common ground," Gov. James Douglas said during his weekly press conference.

But reaching that common ground, Douglas said, will require a "balanced approach that does not put all or most of the burden on employers."

That employers will see higher taxes is a foregone conclusion. Even proposals from the Douglas administration impose significant increases in employer obligations to rescue a fund decimated by unemployment from the recession.

While neither Douglas, House Speaker Shap Smith nor Senate President Peter Shumlin would offer insights into their negotiations, debate is likely stuck on whether the unemployment fix should include a commensurate reduction in outgoing benefits.

"We have to find a balanced approach that reduces benefits responsibly and also increases employer-contribution rates," Douglas said.

The administration proposal would cut outgoing benefits to the unemployed by more than \$100 million in the next four years. The savings would include cutting the maximum weekly benefit from \$425 to \$409; instituting a one-week waiting period for the newly unemployed; and reformulating the way in which benefits are calculated. That new formula would calculate benefits based on earnings over the last four quarters of employment, rather than the last two.

The revision, proponents say, would prevent seasonal workers from enjoying the same benefit levels as longer-term employees whose layoffs are more unexpected.

Douglas and Commissioner of Labor Patricia Moulton Powden say that benefit reductions are crucial to solving the structural problems that saw the unemployment fund fall from \$300 million in 2001 to a zero balance earlier this year.

But Democrats are reluctant to cut the benefits of out-of-work Vermonters already suffering financially from job losses. Reducing the maximum weekly benefit – which was frozen by lawmakers as part of a stopgap measure last year – is a nonstarter for Shumlin and Smith.

And they have also expressed opposition to changes in benefit formulas and the one-week waiting period.

Earlier this week, a national organization called the Douglas proposal one of the most draconian in the nation.

A proposal by a Senate committee to impose a "workers tax" on nearly all wage-earning residents in the state has been rejected by Smith, Shumlin and Douglas.

"The benefit restrictions are among the most severe being proposed in the entire country," George Wentworth, a policy analyst with the National Employment Law Project, said in a statement Monday.

The New York-based organization, which testified at unemployment hearings in Vermont earlier this year, focuses on unemployment insurance issues.

"There are currently 34 states that have seen their trust funds go into debt since the beginning of the Great Recession," Wentworth said, "but none has adopted a package of cuts as tough on the unemployed as the one proposed by the Douglas administration."

Douglas said Vermonters should take that criticism with a grain of salt.

"Vermont is a very generous state in other programs," said Douglas, citing government subsidies for food, fuel and human services. "I think if you look at the comprehensive package of benefits Vermont's employees enjoy in this state, I'd be happy to compare us to other states."

Moulton Powden said Vermont needs to act quickly to restore the fund. The federal borrowing necessary to pay out the \$4 million in weekly unemployment claims has the state on pace to borrow \$184 million by the end of 2011. Interest payments – which could amount to tens of millions of dollars over the next few years – will have to be paid directly from the general fund.

And a prolonged fund deficit, she said, would mean significant tax increases for businesses, who would see the federal unemployment tax credit reduced by .3 percent for every year the fund remains in the red.

"Employers are the folks in Vermont who create jobs, and as their costs increase ... they're going to be less able to create good-paying jobs," Douglas said. "It would be quite an irony to increase the cost of the unemployment tax ... and in doing so eliminate jobs."