

Senate Commerce Committee

Angela Leach 271-3077

SB 245-FN-A, relative to the financial sustainability of the unemployment compensation fund.

Hearing Date: February 14, 2017

Members of the Committee Present: Senators Innis, French, Sanborn, Soucy and Lasky

Members of the Committee Absent : None

Bill Analysis:

This bill raises the threshold amount in the unemployment compensation fund which triggers changes in the minimum rate and the inverse minimum rate.

Sponsors:

Sen. Feltes

Sen. Lasky

Who supports the bill: Sponsors

Who opposes the bill: None

Who is neutral on the bill: Richard Lavers-Employment Security

Summary of testimony presented:

Senator Sanborn stated that he may or may not have a conflict but will be participating.

Jessica Bourque introduced the bill on behalf of Senator Dan Feltes. This bill is no longer necessary or requested by the department. It is Senator Feltes understanding that the chair may establish a committee to study the unemployment tax discounts, he is in favor of that. NH has the lowest unemployment insurance taxes in the nation. NH employers have had almost \$250 million in unemployment tax cuts since 2009. If the committee wishes to study the discount, Senator Feltes suggests involving input from the department and the Unemployment Insurance Advisory Council.

Richard Lavers- Employment Security- At the time the bill was filed we needed to do something to address a concern with the trust fund solvency. Revised estimates were then done with more reliable data and it was discovered that we didn't need to do anything at this time based on the forecast. The Department and Advisory Council does not feel this bill is necessary. Based on the game of predicting the economy and predicting the trust fund which can be tricky, the committee could hold onto the bill in case the economy went a different way and could be a vehicle to address different concerns at that time.

Senator Innis- One of the concerns that I raised with Senator Feltes and unemployment in general is that it seems the way we have set this up as we enter into a recession, as companies earn less money and lay off people that's when we increase their taxes. Establish a committee to study a better way to capture unemployment taxes. Do you have any thoughts on that.

Richard Lavers- Spent a lot of time in weeds with this issue over the course of the last few

years. At the beginning of 2015, the Unemployment Compensation Advisory Council urged the review of solvency issues coming out of the great recession, NH had to borrow from the feds in order to pay benefits. They wanted us to look at what would we have to do in order to avoid borrowing should we hit another recession. Looked at a lot of the reforms that the legislature put in place to address solvency back in 2009 and businesses saw their unemployment tax bill quintuple during the recession. Now it is back to where it was prerecession. A lot of spikes hitting businesses when they can least afford it. Went to the advisory council and said we didn't think it was necessary now to increase the triggers, which was based on a changed forecast of where we thought the trust fund was going but we also looked at a recession model. We thought it would look mostly like a 2001 modest recession, the trust fund had adequate reserves so that we wouldn't have to put into place any surcharges. Employers receive discounts on the unemployment tax because of the triggers and based upon achieving higher balances in NH to address solvency. NH is unique to other states in addressing the solvency. Could use other triggers, look at total wages, look at your risk, and could look at your high payout years and also look at the trust fund balance. Rather than just looking at the trust fund balance. Could share additional information through a presentation to the committee.

Senator Sanborn- How much are we paying out of the fund.

Richard Lavers -Just under \$ 40 million.

AJL Date Hearing Report completed: February 15, 2017