

APRIL 8, 2013 | Albany, NY

## Governor Cuomo Details \$1.2 Billion in Savings Resulting from Major Reforms to Workers Compensation and Unemployment Insurance Included in Recently Enacted State Budget

Governor Andrew M. Cuomo today detailed the \$1.2 billion in savings to employers that will occur as a result of the sweeping reforms to the states Workers Compensation and Unemployment Insurance systems that were included in the recently passed state budget.

For too many years, businesses in New York struggled under the burdensome requirements and costs of our states unemployment insurance and workers compensation systems, Governor Cuomo said. Two years ago we pledged to reopen New Yorks doors to business and transform our economic climate to make our state friendlier to job creators and reduce the unnecessary bureaucracy and burdens facing businesses. While there is still work to be done, the sweeping reforms to the workers comp and unemployment insurance system included in the 2013-14 budget are a major victory for our states businesses large and small, and will save our job creators more than one billion dollars.

### **Workers Compensation Reform: \$800 Million in Savings to Businesses while Increasing Benefits for Workers:**

Reforms to the workers compensation law will cut costs for employers, increase the minimum benefit to workers, and overhaul the way the workers compensation system is managed. The reforms will bring immediate savings to businesses by:

- **Providing Relief for Self-Insured Businesses:** The state will create one method for collecting annual assessments from employers, thereby saving self-insured employers an estimated \$500 million dollars. This change will eliminate an overly complicated and bureaucratic system that was not only expensive for the state but also for employers. The new system will achieve administrative efficiencies and provide predictability to employers.

The savings as a result of this reform to self-insured businesses, by region, are outlined below:

• <b>Region</b>	• <b>Projected Savings</b>
• Capital	• \$18,748,413
• Central New York	• \$25,788,853
• Finger Lakes	• \$99,940,865
• Hudson Valley	• \$14,695,105
• Long Island	• \$1,528,248
• Mohawk Valley	• \$4,672,260
• New York City	• \$258,378,618
• North Country	• \$6,959,474
• Southern Tier	• \$38,947,703

• Western New York	• \$30,340,462
• <b>Total</b>	• <b>\$500,000,000</b>

- Closing the Fund for Reopened Cases: Previous law allowed payments in certain old and re-opened claims to be made out of a special fund known as the Fund for Reopened Cases. The Governor's reforms close this fund, eliminating the need for New York businesses to make payments into a fund that is unnecessary.
- Increasing competitiveness in the workers compensation insurance market: The Governor's reforms include a series of measures to increase competitiveness in the workers compensation marketplace that will help to drive down costs and provide relief to businesses.

These changes will reduce annual workers compensation assessments on New York businesses by \$300 million. The savings, detailed by region, are outlined below:

• <b>Region</b>	• <b>Percent of savings</b>	• <b>Savings</b>
• Capital	• 4.4%	• \$13,132,845
• Central New York	• 2.8%	• \$8,257,898
• Finger Lakes	• 4.5%	• \$13,441,707

• Hudson Valley	• 9.2%	• \$27,495,102
• Long Island	• 12.5%	• \$37,371,306
• Mohawk Valley	• 1.4%	• \$4,071,596
• New York City	• 57.4%	• \$172,109,053
• North Country	• 1.1%	• \$3,244,915
• Southern Tier	• 2.1%	• \$6,372,360
• Western New York	• 4.8%	• \$14,503,218
• <b>Statewide</b>	• <b>100.0%</b>	• <b>\$300,000,000</b>

*Source: New York State Department of Labor, Quarterly Census of Employment and Wage, 2011 Average Annual Data*

- Resolving Defaulted Group Trust Crisis: Providing a path to resolution for companies involved in the Group Self Insurance Trust crisis will provide relief for 10,000 businesses across New York State, who are currently saddled with an estimated \$850 million in liabilities. The crisis resulted from deceptive business practices among several insurance entities that offered low-cost premiums to companies, yet failed to

maintain adequate funds for workers comp benefits. When the fraud was discovered and it became clear the trusts were insolvent, thousands of New Yorks businesses were socked with high and often unmanageable costs. The Governors reforms created a bonding program that will assist the self-insured employers resolve their liabilities.

- **Increasing Benefits for Workers:** The Governors reforms assist the states most vulnerable injured workers, increasing the minimum benefit from \$100 to \$150.

In addition, this summer the Workers Compensation Board will begin accepting injury reports electronically from insurers using a national standard. This will cut paper-handling costs, greatly improve system oversight and guarantee benefits are paid timely to injured workers. As a result of the Governors reforms, New York is reforming the electronic filing process and leveraging technology to implement an aggressive agenda of structural change in the workers compensation system.

### **Unemployment Insurance Reform: \$400 Million in Savings to Employers while Increasing Benefit Rates for Claimants**

The enacted reforms to the states Unemployment Insurance system include:

- **Significant interest payment savings for employers:** As a result of the reforms, employers will be able to pay off their \$3.5 billion debt to the federal government by 2016 two years earlier than planned reducing interest payments by \$200 million.
- **New measures to ensure trust fund solvency:** Employers will have predictability like never before with a stabilized UI Trust Fund, decreasing the risk New York will have to borrow in the future to pay out claims.
- **Strong anti-fraud measures:** The reforms will improve New Yorks nationally recognized UI fraud prevention measures. Beginning Oct. 1, 2013, a claimant who fraudulently collects benefits will be assessed a penalty. The reform will also increase fairness to businesses by not charging them for the future claims of employees who have been terminated for misconduct or voluntarily resigned.
- **Help for unemployed to get back to work more quickly:** As part of the reform, the Department of Labor will be issuing new work search regulations to help claimants find a job sooner. Those regulations will include the use of new electronic work search tools, establishing a weekly employer contact goal and maintaining supporting documentation for the claimant to track their progress.
- **Increased minimum and maximum benefit rates for unemployed workers:** Those who have become unemployed and are looking for work will see an increase in their maximum weekly rate from \$405 to \$420 beginning in October 2014 and additional increases will continue and be indexed to 50% of the states average weekly wage. The minimum weekly benefit rate will increase from \$64 to \$100. Rates were last increased

in 1999.

The estimated savings to employers due to unemployment insurance reform by region below:

<ul style="list-style-type: none"><li>• <b>Region</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Estimated Savings</b></li></ul>
<ul style="list-style-type: none"><li>• Capital</li></ul>	<ul style="list-style-type: none"><li>• \$21,000,000.00</li></ul>
<ul style="list-style-type: none"><li>• Central New York</li></ul>	<ul style="list-style-type: none"><li>• \$16,000,000.00</li></ul>
<ul style="list-style-type: none"><li>• Finger Lakes</li></ul>	<ul style="list-style-type: none"><li>• \$24,000,000.00</li></ul>
<ul style="list-style-type: none"><li>• Hudson Valley</li></ul>	<ul style="list-style-type: none"><li>• \$41,000,000.00</li></ul>
<ul style="list-style-type: none"><li>• Long Island</li></ul>	<ul style="list-style-type: none"><li>• \$60,000,000.00</li></ul>
<ul style="list-style-type: none"><li>• Mohawk Valley</li></ul>	<ul style="list-style-type: none"><li>• \$8,000,000.00</li></ul>
<ul style="list-style-type: none"><li>• New York City</li></ul>	<ul style="list-style-type: none"><li>• \$183,000,000.00</li></ul>
<ul style="list-style-type: none"><li>• North Country</li></ul>	<ul style="list-style-type: none"><li>• \$6,000,000.00</li></ul>

<ul style="list-style-type: none"> <li>• Southern Tier</li> </ul>	<ul style="list-style-type: none"> <li>• \$11,000,000.00</li> </ul>
<ul style="list-style-type: none"> <li>• Western New York</li> </ul>	<ul style="list-style-type: none"> <li>• \$30,000,000.00</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Statewide</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>\$400,000,000.00</b></li> </ul>

Department of Labor Commissioner Peter M. Rivera said, Under Governor Cuomos leadership, we have seen tremendous success with our programs to help people find work and help those at risk of losing their job stay employed. These much-needed reform measures will dovetail with our existing programs to combat employment fraud and level the playing field for businesses across our state.

Heather Briccetti, president and CEO of The Business Council of New York State, Inc. said, The reforms proposed by Governor Cuomo and enacted by the state legislature will provide much needed stability to the system and give businesses a clearer way to manage their unemployment insurance costs. It does this by repaying \$3.5 billion in federal unemployment insurance debt thereby restoring the states Unemployment Insurance Trust Fund to long-term solvency. This return to solvency decreases the likelihood that the state will need to borrow from federal trust fund in the future, while still providing an increase in benefits to the unemployed. Also, we appreciate the Governors continued commitment to fix the workers compensation system, improve assessment mechanisms and solve the self-insured group trust issues and the Boards commitment to continued regulatory reforms.

Mario Cilento, President of the New York State AFL-CIO, said, We thank Governor Cuomo for crafting this historic unemployment insurance legislation and ensuring its enactment in this years budget. For the first time in 14 years, the woefully inadequate benefit cap which impacts a staggering 40% of recipients will be raised, and for the first time ever, it will be indexed moving forward. Never again will our states benefit fall to its current last in the nation status in terms of wage replacement. In addition, by raising the minimum benefit by 56%, low wage earners will receive a long overdue increase that takes into account their already precarious income level. This modernization of the system will help unemployed workers provide for the basic needs of their families and stay in their homes, allowing them to focus on finding new jobs. We also thank Governor Cuomo for including a 50 percent increase in the minimum workers compensation benefit in his Executive Budget and ensuring its enactment in the final agreement. This increase, which is the first adjustment in six years, will help workers who are injured on the job make ends meet. When coupled with the minimum wage increase and boost in the minimum unemployment insurance benefit, New York is making real strides in recognizing the hardships faced by low wage earners each day.

Brian Sampson, Executive Director of Unshackle Upstate, said, We have advocated for years for the state to enact proactive changes to the unemployment insurance system that would

make it affordable, predictable and fair to both employers and labor. Driven by the leadership of the Governor and his staff, we now have a plan that will bring balance to the system and drive down costs for employers. Equally as important, those receiving unemployment benefits will now see an increase in their weekly payments. We need more legislation like this that will help our businesses meet the challenges of competing in a global economy by reducing their costs and bringing equity to a government system that has consistently treated them unfairly.