

COMMITTEE STATEMENT:	ASSEMBLY:	Yes	Labor Appropriations
	SENATE:	No	
FLOOR AMENDMENT STATEMENT:		No	
LEGISLATIVE FISCAL ESTIMATE:		Yes	12-18-14 2-19-15
VETO MESSAGE:		No	
GOVERNOR'S PRESS RELEASE ON SIGNING:		No	

FOLLOWING WERE PRINTED:

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REPORTS:	No
HEARINGS:	No
NEWSPAPER ARTICLES:	Yes

"Christie signs 10 bills, including road rage," The Record, 5-5-15

LAW/RWH

P.L.2015, CHAPTER 40, *approved May 4, 2015*
Senate, No. 1622 (*Second Reprint*)

1 AN ACT concerning the withholding of State payments to vendors
2 for delinquent unemployment and disability taxes and ¹the
3 charging of administrative fees to the vendors and¹ supplementing
4 chapter 21 of Title 43 of the Revised Statutes.

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. Upon a determination by the controller, made pursuant to the
10 procedures provided by R.S.43:21-14 or R.S.43:21-16, that an
11 employer has failed to pay any contribution required by R.S.43:21-7
12 to the unemployment compensation fund, the State disability
13 benefits fund, or the Family Temporary Disability Leave Account
14 of the State disability benefits fund, including any contribution
15 which the employer is required to collect from his employees to pay
16 into the funds, has not made the required payment after notification
17 by the controller of the failure, and has not been approved by the
18 controller for an extension of time in which to make the payment or
19 for other deferral of payment, the controller shall notify the Director
20 of the Division of Budget and Accounting in the Department of the
21 Treasury of the failure. For the purposes of section 1 of P.L.1995,
22 c.159 (C.54:49-19), the amount of assessment for contributions,
23 penalties, and interest due shall be regarded as a State tax debt of
24 the employer. If the employer is under contract to provide goods or
25 services to the State or its agencies or instrumentalities, ¹including
26 the legislative and judicial branches of the State government,¹ the
27 division shall utilize the set-off procedures of that section to have
28 payments withheld from the employer under the contract as needed
29 to satisfy the indebtedness in the manner provided by that section,
30 except that, in addition, a fine equal to 25% of the contributions
31 owed shall also be withheld ¹in addition to the amount of the
32 indebtedness¹. ²The provisions of this section shall not apply to
33 any employer that is under contract to provide goods or services to
34 the State or its agencies or instrumentalities, including the
35 legislative and judicial branches of State government, if the dollar
36 amount of indebtedness is less than \$300.² In the case of a failure
37 to pay contributions to the unemployment compensation fund, the
38 delinquent amount of contributions shall be deposited into the
39 unemployment compensation fund and ¹, after the full amount of

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly ALA committee amendments adopted September 11, 2014.

²Assembly AAP committee amendments adopted February 5, 2015.

1 the delinquent contributions have been deposited in to the
2 unemployment compensation fund,¹ the fine, penalties, and interest
3 due shall be deposited into the unemployment compensation
4 auxiliary fund. In the case of a failure to pay contributions to the
5 State disability benefits fund or the Family Temporary Disability
6 Leave Account of the State disability benefits fund, the delinquent
7 amount of contributions shall be deposited into the State disability
8 benefits fund or the Family Temporary Disability Leave Account of
9 that fund, as appropriate, and ¹, after the full amount of the
10 delinquent contributions have been deposited into the State
11 disability benefits fund or the Family Temporary Disability Leave
12 Account of that fund,¹ the fine, penalties, and interest due shall be
13 deposited into the administration account of the State disability
14 benefits fund. The department shall use a portion of the fines to
15 reimburse the Division of Budget and Accounting for expenses
16 incurred by the ¹**【Treasurer】** Department of the Treasury¹ in the
17 implementation of this act.

18

19 2. This act shall take effect immediately.

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24 Provides for withholding of State payments to vendors for
25 delinquent unemployment and disability taxes and charging
26 administrative fees to the vendors.

SENATE, No. 1622

STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED MARCH 17, 2014

Sponsored by:

Senator FRED H. MADDEN, JR.

District 4 (Camden and Gloucester)

Senator JOSEPH F. VITALE

District 19 (Middlesex)

SYNOPSIS

Provides for withholding of State payments to vendors for delinquent unemployment and disability taxes.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the withholding of State payments to vendors
2 for delinquent unemployment and disability taxes and
3 supplementing chapter 21 of Title 43 of the Revised Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. Upon a determination by the controller, made pursuant to the
9 procedures provided by R.S.43:21-14 or R.S.43:21-16, that an
10 employer has failed to pay any contribution required by R.S.43:21-7
11 to the unemployment compensation fund, the State disability
12 benefits fund, or the Family Temporary Disability Leave Account
13 of the State disability benefits fund, including any contribution
14 which the employer is required to collect from his employees to pay
15 into the funds, has not made the required payment after notification
16 by the controller of the failure, and has not been approved by the
17 controller for an extension of time in which to make the payment or
18 for other deferral of payment, the controller shall notify the Director
19 of the Division of Budget and Accounting in the Department of the
20 Treasury of the failure. For the purposes of section 1 of P.L.1995,
21 c.159 (C.54:49-19), the amount of assessment for contributions,
22 penalties, and interest due shall be regarded as a State tax debt of
23 the employer. If the employer is under contract to provide goods or
24 services to the State or its agencies or instrumentalities, the division
25 shall utilize the set-off procedures of that section to have payments
26 withheld from the employer under the contract as needed to satisfy
27 the indebtedness in the manner provided by that section, except
28 that, in addition, a fine equal to 25% of the contributions owed shall
29 also be withheld. In the case of a failure to pay contributions to the
30 unemployment compensation fund, the delinquent amount of
31 contributions shall be deposited into the unemployment
32 compensation fund and the fine, penalties, and interest due shall be
33 deposited into the unemployment compensation auxiliary fund. In
34 the case of a failure to pay contributions to the State disability
35 benefits fund or the Family Temporary Disability Leave Account of
36 the State disability benefits fund, the delinquent amount of
37 contributions shall be deposited into the State disability benefits
38 fund or the Family Temporary Disability Leave Account of that
39 fund, as appropriate, and the fine, penalties, and interest due shall
40 be deposited into the administration account of the State disability
41 benefits fund. The department shall use a portion of the fines to
42 reimburse the Division of Budget and Accounting for expenses
43 incurred by the Treasurer in the implementation of this act.

44
45 2. This act shall take effect immediately.

STATEMENT

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This bill directs the controller of the Department of Labor and Workforce Development, upon a determination that an employer has failed to pay any required contribution to the unemployment compensation fund, the State disability benefits fund (SDBF), or the Family Temporary Disability Leave Account of the SDBF and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Division of Budget and Accounting in the Department of the Treasury of the failure. If the employer is under contract to provide goods or services to the State, the division shall withhold State payments to the vendor equal to the delinquent amount for deposit into the appropriate fund together with a 25% administrative fee to be deposited into the unemployment compensation auxiliary fund or the administration account of the SDBF. A portion of the fines would be used to reimburse the division for its expenses.

SENATE LABOR COMMITTEE

STATEMENT TO

SENATE, No. 1622

STATE OF NEW JERSEY

DATED: MARCH 17, 2014

The Senate Labor Committee reports favorably Senate Bill No. 1622.

This bill directs the controller of the Department of Labor and Workforce Development, upon a determination that an employer has failed to pay any required contribution to the unemployment compensation fund, the State disability benefits fund (SDBF), or the Family Temporary Disability Leave Account of the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Division of Budget and Accounting in the Department of the Treasury of the failure. If the employer is under contract to provide goods or services to the State, the division is required to utilize the set-off procedures provided by law to withhold State payments to the vendor equal to the delinquent amount for deposit into the appropriate fund together with a 25% administrative fee to be deposited into the unemployment compensation auxiliary fund or the administration account of the SDBF. A portion of the fines would be used to reimburse the division for its expenses.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1622

STATE OF NEW JERSEY

DATED: JUNE 5, 2014

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1622.

This bill directs the controller of the Department of Labor and Workforce Development, upon a determination that an employer has failed to pay any required contribution to the unemployment compensation fund, the State disability benefits fund (SDBF), or the Family Temporary Disability Leave Account of the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Division of Budget and Accounting in the Department of the Treasury of the failure. If the employer is under contract to provide goods or services to the State, the division is required to utilize the set-off procedures provided by law to withhold State payments to the vendor equal to the delinquent amount for deposit into the appropriate fund together with a 25% administrative fee to be deposited into the unemployment compensation auxiliary fund or the administration account of the SDBF. A portion of the fines would be used to reimburse the division for its expenses.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that this bill may increase revenue collected for the unemployment compensation insurance trust fund (UI trust fund), the State disability benefits fund and the State unemployment compensation auxiliary fund. The OLS cannot determine with any certainty the revenue that will be generated through this bill, but notes that the Department of Labor and Workforce Development submitted approximately \$100 million in unpaid and underpaid contributions, interest and penalties owed the UI trust fund to the Department of the Treasury for collection in FY 2014.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 1622
STATE OF NEW JERSEY
216th LEGISLATURE

DATED: JUNE 9, 2014

SUMMARY

- Synopsis:** Provides for withholding of State payments to vendors for delinquent unemployment and disability taxes.
- Type of Impact:** Revenue gain for the unemployment insurance compensation trust fund (UI trust fund), the State disability benefits fund (SDBF), and the unemployment compensation auxiliary fund (UCAF).
- Agencies Affected:** Department of Labor and Workforce Development, Department of the Treasury

Office of Legislative Services Estimate

Fiscal Impact	
State Revenue	
UI trust fund	Indeterminate- See comments below
SDBF	Indeterminate- See comments below
UCAF	Indeterminate- See comments below

- The Office of Legislative Services (OLS) estimates that this bill may increase revenue collected for the unemployment insurance (UI) compensation trust fund, the State disability benefits fund (SDBF) and the unemployment compensation auxiliary fund (UCAF).
- The OLS can not determine with any certainty the revenue that will be generated through this bill, but notes that the Department of Labor and Workforce Development (DOLWD) submitted approximately \$100 million in unpaid and underpaid contributions, interest and penalties owed the UI trust fund to the Department of the Treasury for collection in FY 2014.

BILL DESCRIPTION

Senate Bill No. 1622 of 2014 directs the controller of the Department of Labor and Workforce Development, upon a determination that an employer has failed to pay any required contribution to the UI trust fund, or the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Division of Budget and

Accounting in the Department of the Treasury of the failure. If the employer is under contract to provide goods or services to the State, the division is required to utilize the set-off procedures provided by law to withhold State payments to the vendor equal to the delinquent amount for deposit into the appropriate fund together with a 25 percent administrative fee to be deposited into the unemployment compensation auxiliary fund or the administration account of the SDBF. A portion of the fines would be used to reimburse the division for its expenses.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of the State Auditor conducted an audit on the DOLWD's Unemployment Insurance Contribution Revenue for the time period July 1, 2010 to December 31, 2012. The audit found that the UI contribution revenue collection and recording processes were adequate but noted several matters which merited management's attention. One of these matters was that certain State vendors had outstanding unemployment insurance contribution liabilities. The State Auditor tested 170 vendors that owed a total of \$36.7 million in UI contributions and penalties and interest as of June 2013.

State law (N.J.S.A.54:49-19) does require that employers prove that they do not have any outstanding debts to the State when entering into a contract to provide the State services. The debt however is restricted to that which is defined under the State Tax Uniform Procedure Law (N.J.S.A.54:50-12), and does not include taxes collected to fund the UI compensation program, the temporary disability insurance (TDI) program or any resulting fines or penalties from not paying those taxes. Therefore, businesses that are delinquent in their UI or TDI taxes are not barred from receiving a proof of business registration from the Department of the Treasury and contracting with the State, pursuant to P.L.2001, c.134 (C.52:32-44). This bill seeks to change this system and prohibit payments to vendors who have outstanding UI or TDI tax obligations.

Furthermore, the audit found that the New Jersey Comprehensive Financial System (NJCFIS) Garnishment Process within the Department of the Treasury is responsible for withholding payments to vendors that owe the State monies, but the DOLWD does not take advantage of this program. The DOLWD stated that it prepared a service request for the collection of unpaid and underpaid contributions, interest, and penalties, to the Department of the Treasury for inclusion in the NJCFIS Garnishment Process. This included a total of \$102.9 million owed by active employers and \$48.8 million from inactive employers. As of March 20, 2014, a total of \$5.1 million of these amounts had been collected. At that time, the department suspended collection because of concerns regarding the statutory authority to include these debts in the NJCFIS Garnishment process. This legislation seeks to provide that authority.

Section: Commerce, Labor and Industry

Analyst: Robin C. Ford
Senior Fiscal Analyst

Approved: David J. Rosen
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY LABOR COMMITTEE

STATEMENT TO

SENATE, No. 1622

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 11, 2014

The Assembly Labor Committee reports favorably and with committee amendments Senate Bill No. 1622.

This bill, as amended, directs the controller of the Department of Labor and Workforce Development, upon a determination that an employer has failed to pay any required contribution to the unemployment compensation fund, the State disability benefits fund (SDBF), or the Family Temporary Disability Leave Account of the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Division of Budget and Accounting in the Department of the Treasury of the failure. If the employer is under contract to provide goods or services to the State, including the legislative and judicial branches of State government, the division is required to utilize the set-off procedures provided by law to withhold State payments to the vendor equal to the delinquent amount for deposit into the appropriate fund together with a 25% administrative fee which would, after the full amount of the delinquent contributions has been repaid to the respective funds or account, be deposited into the unemployment compensation auxiliary fund or the administration account of the SDBF. A portion of the fines would be used to reimburse the division for its expenses.

COMMITTEE AMENDMENTS

The committee amended the bill to:

(1) include in the provisions of the bill employers who are under contract to provide goods or services to the legislative and judicial branches of the State government;

(2) provide that, in the case of a failure to pay contributions to the unemployment compensation fund, the fines, penalties, and interest due because of that failure shall be deposited into the unemployment compensation auxiliary fund after the full amount of delinquent contributions have been deposited into the unemployment compensation fund; and

(3) provide that, in the case of a failure to pay contributions to the State disability benefits fund or the Family Temporary Disability Leave Account of that fund, the fines, penalties, and interest due because of that failure shall be deposited into the administration account of the State disability benefits fund after the full amount of delinquent contributions have been deposited into the State disability benefits fund or the Family Temporary Disability Leave Account of that fund.

These committee amendments make this bill identical to the Assembly Committee Substitute for Assembly Bill Nos. 3154 and 2946, also reported by the committee.

Fiscal Impact:

The Office of Legislative Services (OLS) estimates that this bill may increase revenue collected for the unemployment compensation insurance trust fund (UI trust fund), the State disability benefits fund and the State unemployment compensation auxiliary fund. The OLS can not determine with any certainty the revenue that will be generated through this bill, but notes that the Department of Labor and Workforce Development submitted approximately \$100 million in unpaid and underpaid contributions, interest and penalties owed the UI trust fund to the Department of the Treasury for collection in FY 2014.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1622

STATE OF NEW JERSEY 216th LEGISLATURE

DATED: DECEMBER 18, 2014

SUMMARY

- Synopsis:** Provides for withholding of State payments to vendors for delinquent unemployment and disability taxes and charging administrative fees to the vendors.
- Type of Impact:** Revenue gain for the unemployment insurance compensation trust fund (UI trust fund), the State disability benefits fund (SDBF), and the unemployment compensation auxiliary fund (UCAF).
- Agencies Affected:** Department of Labor and Workforce Development, Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	
State Revenue	
UI trust fund	Indeterminate- See comments below
SDBF	Indeterminate- See comments below
UCAF	Indeterminate- See comments below

- The Office of Legislative Services (OLS) estimates that Senate Bill No. 1622 (1R) may increase revenue collected for the unemployment insurance (UI) compensation trust fund, the State disability benefits fund (SDBF) and the unemployment compensation auxiliary fund (UCAF).
- The OLS cannot determine with any certainty the revenue that will be generated through this legislation, but notes that the Department of Labor and Workforce Development (DOLWD) submitted to the Department of the Treasury for collection in FY 2014, approximately \$100 million in unpaid and underpaid contributions, interest, and penalties owed to the UI trust fund.

BILL DESCRIPTION

Senate Bill No. 1622 (1R) of 2014 directs the controller of the DOLWD, upon a determination that an employer has failed to pay any required contribution to the UI trust fund, or the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Division of Budget and Accounting in the Department of the Treasury of the failure. If the employer is under contract to provide goods or services to the State or its agencies or instrumentalities, including the legislative and judicial branches of the State government, the division is required to utilize the set-off procedures provided by law to withhold State payments to the vendor. The total amount in withheld payments is equal to the delinquent amount of contributions owed by the vendor in addition to a fine of 25 percent of the contributions owed. These fines are to be deposited into the UCAF or the administration account of the SDBF, after the full amount of delinquent contributions has been deposited into the UI trust fund and SDBF. A portion of the fines would be used to reimburse the division for its expenses.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that Senate Bill No. 1622 (1R) may increase revenue collected for the UI compensation trust fund, the SDBF and the UCAF. The OLS estimate is based on the findings of the State Auditor and the DOLWD's response to OLS Discussion Points, regarding the audit, in the FY 2014-2015 DOLWD Budget Analysis.

The Office of the State Auditor conducted an audit on the DOLWD's Unemployment Insurance Contribution Revenue for the time period July 1, 2010 to December 31, 2012. The audit found that the UI contribution revenue collection and recording processes were adequate but noted several matters which merited management's attention. One of these matters was that certain State vendors had outstanding unemployment insurance contribution liabilities. The State Auditor tested 170 vendors that owed a total of \$36.7 million in UI contributions, penalties, and interest as of June 2013.

State law (N.J.S.A.54:49-19) requires that employers prove that they do not have any outstanding debts to the State when entering into a contract to provide the State services. The debt however is restricted to "State tax" which is defined under the State Tax Uniform Procedure Law (N.J.S.A.54:48-2) as tax collected by the Director of the Division of Taxation, and does not include taxes collected to fund the UI compensation program, the temporary disability insurance (TDI) program or any resulting fines or penalties from not paying those taxes. Therefore, businesses that are delinquent in their UI or TDI taxes are not barred from receiving a proof of business registration from the Department of the Treasury and contracting with the State, pursuant to P.L.2001, c.134 (C.52:32-44). If this legislation is enacted into law, it would change this system and prohibit payments to vendors who have outstanding UI or TDI tax obligations.

Furthermore, the audit found that the New Jersey Comprehensive Financial System (NJCFS) Garnishment Process within the Department of the Treasury is responsible for withholding payments to vendors that owe the State monies, but the DOLWD does not take advantage of this program. The DOLWD stated that it prepared a service request for the collection of unpaid and underpaid contributions, interest, and penalties, to the Department of the Treasury for inclusion in the NJCFS Garnishment Process. This included a total of \$102.9 million owed by active employers and \$48.8 million from inactive employers. As of March 20, 2014, a total of \$5.1 million of these amounts had been collected. At that time, the department suspended collection because of concerns regarding the statutory authority to include these debts in the NJCFS Garnishment process. This legislation seeks to provide that authority.

Section: Commerce, Labor and Industry

*Analyst: Jordan M. DiGiovanni
Assistant Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1622

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 5, 2015

The Assembly Appropriations Committee reports favorably Senate Bill No. 1622 (1R), with committee amendments.

As amended, this bill directs the controller of the Department of Labor and Workforce Development, upon a determination that an employer has failed to pay any required contribution to the unemployment compensation fund, the State disability benefits fund (SDBF), or the Family Temporary Disability Leave Account of the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Director of the Division of Budget and Accounting in the Department of the Treasury of the failure.

If the employer is a vendor under contract to provide goods or services to the State, including the legislature and judicial branches of State government, the bill requires the division to utilize the set-off procedures provided by law to withhold State payments to the vendor equal to the delinquent amount for deposit into the appropriate fund together with a 25% administrative fee which would, after the full amount of the delinquent contributions has been repaid to the respective funds or account, be deposited into the unemployment compensation auxiliary fund or the administration account of the SDBF. A portion of the fines will be used to reimburse the division for its expenses.

As amended, this bill is identical to Assembly Bill No. 3254/2946 (ACS), as also amended and reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the bill may increase revenue collected for the unemployment compensation insurance trust fund (UI trust fund), the State disability benefits fund and the State unemployment compensation auxiliary fund. The OLS lacks sufficient information to quantify the potential increase, but notes that the Department of Labor and Workforce Development

submitted approximately \$100 million in unpaid and underpaid contributions, interest, and penalties owed the UI trust fund to the Department of the Treasury for collection in FY 2014.

COMMITTEE AMENDMENTS:

The amendments exempt certain employers under contract with the State from the requirements of the bill if the dollar amount of the employer's delinquent contributions, penalties, and interest (regarded as the employer's State tax indebtedness) is less than \$300.

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 1622

STATE OF NEW JERSEY 216th LEGISLATURE

DATED: FEBRUARY 19, 2015

SUMMARY

- Synopsis:** Provides for withholding of State payments to vendors for delinquent unemployment and disability taxes and charging administrative fees to the vendors.
- Type of Impact:** Revenue gain for the unemployment insurance compensation trust fund (UI trust fund), the State disability benefits fund (SDBF), and the unemployment compensation auxiliary fund (UCAF).
- Agencies Affected:** Department of Labor and Workforce Development, Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	
State Revenue	
UI trust fund	Indeterminate- See comments below
SDBF	Indeterminate- See comments below
UCAF	Indeterminate- See comments below

- The Office of Legislative Services (OLS) estimates that Senate Bill No. 1622 (2R) may increase revenue collected for the unemployment insurance (UI) compensation trust fund, the State disability benefits fund (SDBF) and the unemployment compensation auxiliary fund (UCAF).
- The OLS cannot determine with any certainty the revenue that will be generated through this legislation, but notes that the Department of Labor and Workforce Development (DOLWD) submitted to the Department of the Treasury for collection in FY 2014, approximately \$100 million in unpaid and underpaid contributions, interest, and penalties owed to the UI trust fund.

BILL DESCRIPTION

Senate Bill No. 1622 (2R) of 2014 directs the controller of the DOLWD, upon a determination that an employer has failed to pay any required contribution to the UI trust fund, or the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Division of Budget and Accounting in the Department of the Treasury of the failure. If the employer is under contract to provide goods or services to the State or its agencies or instrumentalities, including the legislative and judicial branches of the State government, the division is required to utilize the set-off procedures provided by law to withhold State payments to the vendor. The total amount in withheld payments is equal to the delinquent amount of contributions owed by the vendor in addition to a fine of 25 percent of the contributions owed. These fines are to be deposited into the UCAF or the administration account of the SDBF, after the full amount of delinquent contributions has been deposited into the UI trust fund and SDBF. A portion of the fines would be used to reimburse the division for its expenses. The provisions of the bill would not apply to any employer that is under contract with the State if the dollar amount of indebtedness is less than \$300.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that Senate Bill No. 1622 (2R) may increase revenue collected for the UI compensation trust fund, the SDBF and the UCAF. The OLS estimate is based on the findings of the State Auditor and the DOLWD's response to OLS Discussion Points, regarding the audit, in the FY 2014-2015 DOLWD Budget Analysis.

The Office of the State Auditor conducted an audit on the DOLWD's Unemployment Insurance Contribution Revenue for the time period July 1, 2010 to December 31, 2012. The audit found that the UI contribution revenue collection and recording processes were adequate but noted several matters which merited management's attention. One of these matters was that certain State vendors had outstanding unemployment insurance contribution liabilities. The State Auditor tested 170 vendors that owed a total of \$36.7 million in UI contributions, penalties, and interest as of June 2013.

State law (N.J.S.A.54:49-19) requires that employers prove that they do not have any outstanding debts to the State when entering into a contract to provide the State services. The debt however is restricted to "State tax" which is defined under the State Tax Uniform Procedure Law (N.J.S.A.54:48-2) as tax collected by the Director of the Division of Taxation, and does not include taxes collected to fund the UI compensation program, the temporary disability insurance (TDI) program or any resulting fines or penalties from not paying those taxes. Therefore, businesses that are delinquent in their UI or TDI taxes are not barred from receiving a proof of business registration from the Department of the Treasury and contracting with the State, pursuant to P.L.2001, c.134 (C.52:32-44). If this legislation is enacted into law, it would change this system and prohibit payments to vendors who have outstanding UI or TDI tax obligations.

Furthermore, the audit found that the New Jersey Comprehensive Financial System (NJCFIS) Garnishment Process within the Department of the Treasury is responsible for withholding payments to vendors that owe the State monies, but the DOLWD does not take advantage of this program. The DOLWD stated that it prepared a service request for the collection of unpaid and underpaid contributions, interest, and penalties, to the Department of the Treasury for inclusion in the NJCFIS Garnishment Process. This included a total of \$102.9 million owed by active employers and \$48.8 million from inactive employers. As of March 20, 2014, a total of \$5.1 million of these amounts had been collected. At that time, the department suspended collection because of concerns regarding the statutory authority to include these debts in the NJCFIS Garnishment process. This legislation seeks to provide that authority.

Section: Commerce, Labor and Industry

*Analyst: Jordan M. DiGiovanni
Assistant Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY, No. 3154

STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED MAY 15, 2014

Sponsored by:

Assemblyman WAYNE P. DEANGELO
District 14 (Mercer and Middlesex)

SYNOPSIS

Provides for withholding of State payments to vendors for delinquent unemployment and disability taxes and charging administrative fees to the vendors.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the withholding of State payments to vendors
2 for delinquent unemployment and disability taxes and the
3 charging of administrative fees to the vendors and supplementing
4 chapter 21 of Title 43 of the Revised Statutes.

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. Upon a determination by the controller, made pursuant to the
10 procedures provided by R.S.43:21-14 or R.S.43:21-16, that an
11 employer has failed to pay any contribution required by R.S.43:21-7
12 to the unemployment compensation fund, the State disability
13 benefits fund, or the Family Temporary Disability Leave Account
14 of the State disability benefits fund, including any contribution
15 which the employer is required to collect from his employees to pay
16 into the funds, has not made the required payment after notification
17 by the controller of the failure, and has not been approved by the
18 controller for an extension of time in which to make the payment or
19 for other deferral of payment, the controller shall notify the Director
20 of the Division of Budget and Accounting in the Department of the
21 Treasury of the failure. For the purposes of section 1 of P.L.1995,
22 c.159 (C.54:49-19), the amount of assessment for contributions,
23 penalties, and interest due shall be regarded as a State tax debt of
24 the employer. If the employer is under contract to provide goods or
25 services to the State or its agencies or instrumentalities, including
26 the legislative and judicial branches of the State government, the
27 division shall utilize the set-off procedures of that section to have
28 payments withheld from the employer under the contract as needed
29 to satisfy the indebtedness in the manner provided by that section,
30 except that, in addition, a fine equal to 25% of the contributions
31 owed shall also be withheld in addition to the amount of the
32 indebtedness. In the case of a failure to pay contributions to the
33 unemployment compensation fund, the delinquent amount of
34 contributions shall be deposited into the unemployment
35 compensation fund and, after the full amount of the delinquent
36 contributions have been deposited into the unemployment
37 compensation fund, the fine, penalties, and interest due shall be
38 deposited into the unemployment compensation auxiliary fund. In
39 the case of a failure to pay contributions to the State disability
40 benefits fund or the Family Temporary Disability Leave Account of
41 the State disability benefits fund, the delinquent amount of
42 contributions shall be deposited into the State disability benefits
43 fund or the Family Temporary Disability Leave Account of that
44 fund, as appropriate, and, after the full amount of the delinquent
45 contributions have been deposited into the State disability benefits
46 fund or the Family Temporary Disability Leave Account of that
47 fund, the fine, penalties, and interest due shall be deposited into the
48 administration account of the State disability benefits fund. The

1 department shall use a portion of the fines to reimburse the Division
2 of Budget and Accounting for expenses incurred by the Department
3 of the Treasury in the implementation of this act.

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5 2. This act shall take effect immediately.

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STATEMENT

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10 This bill directs the controller of the Department of Labor and
11 Workforce Development, upon a determination that an employer
12 has failed to pay any required contribution to the unemployment
13 compensation fund, the State disability benefits fund (SDBF), or the
14 Family Temporary Disability Leave Account of the SDBF, and has
15 not made the required payment after notification by the controller
16 and has not been approved for an extension of time in which to
17 make the payment or for other deferral of payment, to notify the
18 Division of Budget and Accounting in the Department of the
19 Treasury of the failure. If the employer is under contract to provide
20 goods or services to the State, the division is required to utilize the
21 set-off procedures provided by law to withhold State payments to
22 the vendor equal to the delinquent amount for deposit into the
23 appropriate fund together with a 25% administrative fee which
24 would, after the full amount of the delinquent contributions has
25 been repaid to the respective funds or account, be deposited into the
26 unemployment compensation auxiliary fund or the administration
27 account of the SDBF. A portion of the fines would be used to
28 reimburse the division for its expenses.

ASSEMBLY, No. 2946

STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED MARCH 24, 2014

Sponsored by:

Assemblyman RONALD S. DANCER

District 12 (Burlington, Middlesex, Monmouth and Ocean)

Assemblyman GARY S. SCHAER

District 36 (Bergen and Passaic)

SYNOPSIS

Provides for withholding of State payments to vendors for delinquent unemployment and disability taxes.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/28/2014)

1 AN ACT concerning the withholding of State payments to vendors
2 for delinquent unemployment and disability taxes and
3 supplementing chapter 21 of Title 43 of the Revised Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. Upon a determination by the controller, made pursuant to the
9 procedures provided by R.S.43:21-14 or R.S.43:21-16, that an
10 employer has failed to pay any contribution required by R.S.43:21-7
11 to the unemployment compensation fund, the State disability
12 benefits fund, or the Family Temporary Disability Leave Account
13 of the State disability benefits fund, including any contribution
14 which the employer is required to collect from his employees to pay
15 into the funds, has not made the required payment after notification
16 by the controller of the failure, and has not been approved by the
17 controller for an extension of time in which to make the payment or
18 for other deferral of payment, the controller shall notify the Director
19 of the Division of Budget and Accounting in the Department of the
20 Treasury of the failure. For the purposes of section 1 of P.L.1995,
21 c.159 (C.54:49-19), the amount of assessment for contributions,
22 penalties, and interest due shall be regarded as a State tax debt of
23 the employer. If the employer is under contract to provide goods or
24 services to the State or its agencies or instrumentalities, the division
25 shall utilize the set-off procedures of that section to have payments
26 withheld from the employer under the contract as needed to satisfy
27 the indebtedness in the manner provided by that section, except
28 that, in addition, a fine equal to 25% of the contributions owed shall
29 also be withheld. In the case of a failure to pay contributions to the
30 unemployment compensation fund, the delinquent amount of
31 contributions shall be deposited into the unemployment
32 compensation fund and the fine, penalties, and interest due shall be
33 deposited into the unemployment compensation auxiliary fund. In
34 the case of a failure to pay contributions to the State disability
35 benefits fund or the Family Temporary Disability Leave Account of
36 the State disability benefits fund, the delinquent amount of
37 contributions shall be deposited into the State disability benefits
38 fund or the Family Temporary Disability Leave Account of that
39 fund, as appropriate, and the fine, penalties, and interest due shall
40 be deposited into the administration account of the State disability
41 benefits fund. The department shall use a portion of the fines to
42 reimburse the Division of Budget and Accounting for expenses
43 incurred by the Treasurer in the implementation of this act.

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45 2. This act shall take effect immediately.

STATEMENT

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This bill directs the controller of the Department of Labor and Workforce Development, upon a determination that an employer has failed to pay any required contribution to the unemployment compensation fund, the State disability benefits fund (SDBF), or the Family Temporary Disability Leave Account of the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Division of Budget and Accounting in the Department of the Treasury of the failure. If the employer is under contract to provide goods or services to the State, the division is required to utilize the set-off procedures provided by law to withhold State payments to the vendor equal to the delinquent amount for deposit into the appropriate fund together with a 25% administrative fee to be deposited into the unemployment compensation auxiliary fund or the administration account of the SDBF. A portion of the fines would be used to reimburse the division for its expenses.

ASSEMBLY LABOR COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, Nos. 3154 and 2946

STATE OF NEW JERSEY

DATED: SEPTEMBER 11, 2014

The Assembly Labor Committee reports favorably an Assembly Committee Substitute for Assembly Bill Nos. 3154 and 2946.

This committee substitute directs the controller of the Department of Labor and Workforce Development, upon a determination that an employer has failed to pay any required contribution to the unemployment compensation fund, the State disability benefits fund (SDBF), or the Family Temporary Disability Leave Account of the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Division of Budget and Accounting in the Department of the Treasury of the failure. If the employer is under contract to provide goods or services to the State, including the legislature and judicial branches of State government, the division is required to utilize the set-off procedures provided by law to withhold State payments to the vendor equal to the delinquent amount for deposit into the appropriate fund together with a 25% administrative fee which would, after the full amount of the delinquent contributions has been repaid to the respective funds or account, be deposited into the unemployment compensation auxiliary fund or the administration account of the SDBF. A portion of the fines would be used to reimburse the division for its expenses.

This committee substitute is identical to Senate Bill No. 1622 (1R), as amended and reported by the committee.

Fiscal Impact:

The Office of Legislative Services (OLS) estimates that committee substitute may increase revenue collected for the unemployment compensation insurance trust fund (UI trust fund), the State disability benefits fund and the State unemployment compensation auxiliary fund. The OLS can not determine with any certainty the revenue that will be generated through this bill, but notes that the Department of Labor and Workforce Development submitted approximately \$100 million in unpaid and underpaid contributions, interest and penalties

owed the UI trust fund to the Department of the Treasury for collection in FY 2014.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, Nos. 3154 and 2946
STATE OF NEW JERSEY
216th LEGISLATURE

DATED: DECEMBER 18, 2014

SUMMARY

- Synopsis:** Provides for withholding of State payments to vendors for delinquent unemployment and disability taxes and charging administrative fees to the vendors.
- Type of Impact:** Revenue gain for the unemployment insurance compensation trust fund (UI trust fund), the State disability benefits fund (SDBF), and the unemployment compensation auxiliary fund (UCAF).
- Agencies Affected:** Department of Labor and Workforce Development, Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	
State Revenue	
UI trust fund	Indeterminate- See comments below
SDBF	Indeterminate- See comments below
UCAF	Indeterminate- See comments below

- The Office of Legislative Services (OLS) estimates that Assembly Bill Nos. 3154 and 2946 (ACS) may increase revenue collected for the unemployment insurance (UI) compensation trust fund, the State disability benefits fund (SDBF) and the unemployment compensation auxiliary fund (UCAF).
- The OLS cannot determine with any certainty the revenue that will be generated through this legislation, but notes that the Department of Labor and Workforce Development (DOLWD) submitted to the Department of the Treasury for collection in FY 2014, approximately \$100 million in unpaid and underpaid contributions, interest, and penalties owed to the UI trust fund.

BILL DESCRIPTION

Assembly Bill Nos. 3154 and 2946 (ACS) of 2014 directs the controller of the DOLWD, upon a determination that an employer has failed to pay any required contribution to the UI trust fund, or the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Division of Budget and Accounting in the Department of the Treasury of the failure. If the employer is under contract to provide goods or services to the State or its agencies or instrumentalities, including the legislative and judicial branches of the State government, the division is required to utilize the set-off procedures provided by law to withhold State payments to the vendor. The total amount in withheld payments is equal to the delinquent amount of contributions owed by the vendor in addition to a fine of 25 percent of the contributions owed. These fines are to be deposited into the UCAF or the administration account of the SDBF, after the full amount of delinquent contributions has been deposited into the UI trust fund and SDBF. A portion of the fines would be used to reimburse the division for its expenses.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that Assembly Bill Nos. 3154 and 2946 (ACS) may increase revenue collected for the UI compensation trust fund, the SDBF and the UCAF. The OLS estimate is based on the findings of the State Auditor and the DOLWD's response to OLS Discussion Points, regarding the audit, in the FY 2014-2015 DOLWD Budget Analysis.

The Office of the State Auditor conducted an audit on the DOLWD's Unemployment Insurance Contribution Revenue for the time period July 1, 2010 to December 31, 2012. The audit found that the UI contribution revenue collection and recording processes were adequate but noted several matters which merited management's attention. One of these matters was that certain State vendors had outstanding unemployment insurance contribution liabilities. The State Auditor tested 170 vendors that owed a total of \$36.7 million in UI contributions, penalties, and interest as of June 2013.

State law (N.J.S.A.54:49-19) requires that employers prove that they do not have any outstanding debts to the State when entering into a contract to provide the State services. The debt however is restricted to "State tax" which is defined under the State Tax Uniform Procedure Law (N.J.S.A.54:48-2) as tax collected by the Director of the Division of Taxation, and does not include taxes collected to fund the UI compensation program, the temporary disability insurance (TDI) program or any resulting fines or penalties from not paying those taxes. Therefore, businesses that are delinquent in their UI or TDI taxes are not barred from receiving a proof of business registration from the Department of the Treasury and contracting with the State, pursuant to P.L.2001, c.134 (C.52:32-44). If this legislation is enacted into law, it would change this system and prohibit payments to vendors who have outstanding UI or TDI tax obligations.

Furthermore, the audit found that the New Jersey Comprehensive Financial System (NJCFS) Garnishment Process within the Department of the Treasury is responsible for withholding payments to vendors that owe the State monies, but the DOLWD does not take advantage of this program. The DOLWD stated that it prepared a service request for the collection of unpaid and underpaid contributions, interest, and penalties, to the Department of the Treasury for inclusion in the NJCFS Garnishment Process. This included a total of \$102.9 million owed by active employers and \$48.8 million from inactive employers. As of March 20, 2014, a total of \$5.1 million of these amounts had been collected. At that time, the department suspended collection because of concerns regarding the statutory authority to include these debts in the NJCFS Garnishment process. This legislation seeks to provide that authority.

Section: Commerce, Labor and Industry

*Analyst: Jordan M. DiGiovanni
Assistant Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, Nos. 3154 and 2946**

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 5, 2015

The Assembly Appropriations Committee reports favorably Assembly Bill Nos. 3156 and 2946 (ACS), with committee amendments.

As amended, this bill directs the controller of the Department of Labor and Workforce Development, upon a determination that an employer has failed to pay any required contribution to the unemployment compensation fund, the State disability benefits fund (SDBF), or the Family Temporary Disability Leave Account of the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Director of the Division of Budget and Accounting in the Department of the Treasury of the failure.

If the employer is a vendor under contract to provide goods or services to the State, including the legislature and judicial branches of State government, the bill requires the division to utilize the set-off procedures provided by law to withhold State payments to the vendor equal to the delinquent amount for deposit into the appropriate fund together with a 25% administrative fee which would, after the full amount of the delinquent contributions has been repaid to the respective funds or account, be deposited into the unemployment compensation auxiliary fund or the administration account of the SDBF. A portion of the fines will be used to reimburse the division for its expenses.

As amended, this bill is identical to Senate Bill No. 1622 (1R), as also amended and reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the bill may increase revenue collected for the unemployment compensation insurance trust fund (UI trust fund), the State disability benefits fund and the State unemployment compensation auxiliary fund. The OLS lacks sufficient information to quantify the potential increase, but

notes that the Department of Labor and Workforce Development submitted approximately \$100 million in unpaid and underpaid contributions, interest, and penalties owed the UI trust fund to the Department of the Treasury for collection in FY 2014.

COMMITTEE AMENDMENTS:

The amendments exempt certain employers under contract with the State from the requirements of the bill if the dollar amount of the employer's delinquent contributions, penalties, and interest (regarded as the employer's State tax indebtedness) is less than \$300.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, Nos. 3154 and 2946 STATE OF NEW JERSEY 216th LEGISLATURE

DATED: FEBRUARY 19, 2015

SUMMARY

- Synopsis:** Provides for withholding of State payments to vendors for delinquent unemployment and disability taxes and charging administrative fees to the vendors.
- Type of Impact:** Revenue gain for the unemployment insurance compensation trust fund (UI trust fund), the State disability benefits fund (SDBF), and the unemployment compensation auxiliary fund (UCAF).
- Agencies Affected:** Department of Labor and Workforce Development, Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	
State Revenue	
UI trust fund	Indeterminate- See comments below
SDBF	Indeterminate- See comments below
UCAF	Indeterminate- See comments below

- The Office of Legislative Services (OLS) estimates that the Assembly Committee Substitute for Assembly Bill Nos. 3154 and 2946 (1R) may increase revenue collected for the unemployment insurance (UI) compensation trust fund, the State disability benefits fund (SDBF) and the unemployment compensation auxiliary fund (UCAF).
- The OLS cannot determine with any certainty the revenue that will be generated through this legislation, but notes that the Department of Labor and Workforce Development (DOLWD) submitted to the Department of the Treasury for collection in FY 2014, approximately \$100 million in unpaid and underpaid contributions, interest, and penalties owed to the UI trust fund.

BILL DESCRIPTION

The First Reprint of the Assembly Committee Substitute for Assembly Bill Nos. 3154 and 2946 of 2014 directs the controller of the DOLWD, upon a determination that an employer has failed to pay any required contribution to the UI trust fund, or the SDBF, and has not made the required payment after notification by the controller and has not been approved for an extension of time in which to make the payment or for other deferral of payment, to notify the Division of Budget and Accounting in the Department of the Treasury of the failure. If the employer is under contract to provide goods or services to the State or its agencies or instrumentalities, including the legislative and judicial branches of the State government, the division is required to utilize the set-off procedures provided by law to withhold State payments to the vendor. The total amount in withheld payments is equal to the delinquent amount of contributions owed by the vendor in addition to a fine of 25 percent of the contributions owed. These fines are to be deposited into the UCAF or the administration account of the SDBF, after the full amount of delinquent contributions has been deposited into the UI trust fund and SDBF. A portion of the fines would be used to reimburse the division for its expenses. The provisions of the bill would not apply to any employer that is under contract with the State if the dollar amount of indebtedness is less than \$300.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the Assembly Committee Substitute for Assembly Bill Nos. 3154 and 2946 (1R) may increase revenue collected for the UI compensation trust fund, the SDBF and the UCAF. The OLS estimate is based on the findings of the State Auditor and the DOLWD's response to OLS Discussion Points, regarding the audit, in the FY 2014-2015 DOLWD Budget Analysis.

The Office of the State Auditor conducted an audit on the DOLWD's Unemployment Insurance Contribution Revenue for the time period July 1, 2010 to December 31, 2012. The audit found that the UI contribution revenue collection and recording processes were adequate but noted several matters which merited management's attention. One of these matters was that certain State vendors had outstanding unemployment insurance contribution liabilities. The State Auditor tested 170 vendors that owed a total of \$36.7 million in UI contributions, penalties, and interest as of June 2013.

State law (N.J.S.A.54:49-19) requires that employers prove that they do not have any outstanding debts to the State when entering into a contract to provide the State services. The debt however is restricted to "State tax" which is defined under the State Tax Uniform Procedure Law (N.J.S.A.54:48-2) as tax collected by the Director of the Division of Taxation, and does not include taxes collected to fund the UI compensation program, the temporary disability insurance (TDI) program or any resulting fines or penalties from not paying those taxes. Therefore, businesses that are delinquent in their UI or TDI taxes are not barred from receiving a proof of business registration from the Department of the Treasury and contracting with the State, pursuant to P.L.2001, c.134 (C.52:32-44). If this legislation is enacted into law, it

would change this system and prohibit payments to vendors who have outstanding UI or TDI tax obligations.

Furthermore, the audit found that the New Jersey Comprehensive Financial System (NJCFIS) Garnishment Process within the Department of the Treasury is responsible for withholding payments to vendors that owe the State monies, but the DOLWD does not take advantage of this program. The DOLWD stated that it prepared a service request for the collection of unpaid and underpaid contributions, interest, and penalties, to the Department of the Treasury for inclusion in the NJCFIS Garnishment Process. This included a total of \$102.9 million owed by active employers and \$48.8 million from inactive employers. As of March 20, 2014, a total of \$5.1 million of these amounts had been collected. At that time, the department suspended collection because of concerns regarding the statutory authority to include these debts in the NJCFIS Garnishment process. This legislation seeks to provide that authority.

Section: Commerce, Labor and Industry

*Analyst: Jordan M. DiGiovanni
Assistant Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).