

43:21-7.3

LEGISLATIVE HISTORY CHECKLIST
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NJSA: 43:21-7.3
LAWS OF: 1992 CHAPTER: 205
BILL NO: S1423
SPONSOR(S) Bassano
DATE INTRODUCED: December 10, 1992
COMMITTEE: ASSEMBLY: ----
SENATE: Commerce; Budget
AMENDED DURING PASSAGE: No
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SENATE: December 17, 1992
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1 AN ACT concerning unemployment insurance contributions and
2 amending P.L.1971, c.346.

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

6 1. Section 4 of P.L.1971, c.346 (C.43:21-7.3) is amended to
7 read as follows:

8 4.(a) Notwithstanding any other provisions of the
9 [Unemployment Compensation Law] "unemployment
10 compensation law" for the payment of contributions, benefits
11 paid to individuals based upon wages earned in the employ of any
12 governmental entity or instrumentality which is an employer
13 defined under R.S.43:21-19(h)(5) shall, to the extent that such
14 benefits are chargeable to the account of such governmental
15 entity or instrumentality in accordance with the provisions of
16 R.S.43:21-1 et seq., be financed by payments in lieu of
17 contributions.

18 (b) Any governmental entity or instrumentality may, as an
19 alternative to financing benefits by payments in lieu of
20 contributions, elect to pay contributions beginning with the date
21 or which its subjectivity begins by filing written notice of its
22 election with the department no later than 120 days after such
23 subjectivity begins, provided that such election shall be effective
24 for at least two full calendar years; or it may elect to pay
25 contributions for a period of not less than two calendar years
26 beginning January 1 of any year if written notice of such election
27 is filed with the department not later than February 1 of such
28 year; provided, further, that such governmental entity or
29 instrumentality shall remain liable for payments in lieu of
30 contributions with respect to all benefits paid based on base year
31 wages earned in the employ of such entity or instrumentality in
32 the period during which it financed its benefits by payments in
33 lieu of contributions.

34 (c) Any governmental entity or instrumentality may terminate
35 its election to pay contributions as of January 1 of any year by
36 filing written notice not later than February 1 of any year with
37 respect to which termination is to become effective. It may not
38 revert to a contributions method of financing for at least two full
39 calendar years after such termination.

40 (d) Any governmental entity or instrumentality electing the
41 option for contributions financing shall report and pay
42 contributions in accordance with the provisions of R.S.43:21-7
43 except that, notwithstanding the provisions of that section, the

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.

1 contribution rate for such governmental entity or instrumentality
2 shall be 1% for the entire calendar year 1978 and the contribution
3 rate for any subsequent calendar years shall be the rate
4 established for governmental entities or instrumentalities under
5 subsection (e) of this section.

6 (e) On or before September 1 of each year, the Commissioner
7 of Labor shall review the composite benefit cost experience of all
8 governmental entities and instrumentalities electing to pay
9 contributions and, on the basis of that experience, establish the
10 contribution rate for the next following calendar year which can
11 be expected to yield sufficient revenue in combination with
12 worker contributions to equal or exceed the projected costs for
13 that calendar year.

14 (f) Any covered governmental entity or instrumentality
15 electing to pay contributions shall each year appropriate, out of
16 its general funds, moneys to pay the projected costs of benefits
17 at the rate determined under subsection (e) of this section.
18 These funds shall be held in a trust fund maintained by the
19 governmental entity for this purpose. Any surplus remaining in
20 this trust fund may be retained in reserve for payment of benefit
21 costs for subsequent years either by contributions or payments in
22 lieu of contributions.

23 (g) Any governmental entity or instrumentality electing to
24 finance benefit costs with payments in lieu of contributions shall
25 pay into the fund an amount equal to all benefit costs for which it
26 is liable pursuant to the provisions of the [Unemployment
27 Compensation Law] "unemployment compensation law". Each
28 subject governmental entity or instrumentality shall require
29 payments from its workers in the same manner and amount as
30 prescribed under R.S.43:21-7(d) for governmental entities and
31 instrumentalities financing their benefit costs with
32 contributions. No such payment shall be used for a purpose other
33 than to meet the benefits liability of such governmental entity or
34 instrumentality. In addition, each subject governmental entity or
35 instrumentality shall appropriate out of its general funds
36 sufficient moneys which, in addition to any worker payments it
37 requires, are necessary to pay its annual benefit costs estimated
38 on the basis of its past benefit cost experience; provided that for
39 its first year of coverage, its benefit costs shall be deemed to
40 require an appropriation equal to 1% of the projected total of its
41 taxable wages for the year. These appropriated moneys and
42 worker payments shall be held in a trust fund maintained by the
43 governmental entity or instrumentality for this purpose. Any
44 surplus remaining in this trust fund shall be retained in reserve
45 for payment of benefit costs in subsequent years. If a
46 governmental entity or instrumentality requires its workers to
47 make payments as authorized herein, such workers shall not be
48 subject to the contributions required in R.S.43:21-7(d).

49 (h) Notwithstanding the provisions of the above subsection (g),
50 commencing July 1, 1988 worker contributions to the
51 unemployment trust fund with respect to wages paid by any
52 governmental entity or instrumentality electing or required to
53 make payments in lieu of contributions, including the State of
54 New Jersey, shall be made in accordance with the provisions of

1 R.S.43:21-7(d)(1)(C) and, in addition, each governmental entity or
2 instrumentality electing or required to make payments in lieu of
3 contributions shall, except during the period starting January 1,
4 1993 and ending December 31, 1995 or, if the unemployment
5 compensation fund reserve ratio, as determined pursuant to
6 paragraph (5) of subsection (c) of R.S.43:21-7, decreases to a
7 level of less than 4.00% on March 31 of calendar year 1994 or
8 calendar year 1995, ending July 1 of that calendar year, require
9 payments from its workers at the rate of 0.50% of wages paid,
10 which amounts are to be held in the trust fund maintained by the
11 governmental entity or instrumentality for payment of benefit
12 costs.

13 (cf: P.L.1984, c.24, s.17)

14 2. This act shall take effect immediately.

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STATEMENT

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19 This bill amends section 4 of P.L.1971, c.346 (C.43:21-7.3) to
20 reduce the unemployment insurance contributions paid by
21 employees of any governmental entity or instrumentality electing
22 or required to make payments in lieu of contributions, including
23 the State of New Jersey. Currently, such an employee is required
24 to pay an assessment equal to 0.5% of his unemployment tax base
25 (the first \$16,100 in income during 1993) into a fund held by his
26 employer, which is used to reimburse the unemployment trust
27 fund for the costs of paying unemployment compensation to laid
28 off employees of that employer. The bill eliminates that
29 assessment during the period which starts January 1, 1993 and
30 ends December 31, 1995 or, if the unemployment compensation
31 fund reserve ratio decreases to a level of less than 4.00% on
32 March 31 of calendar year 1994 or calendar year 1995, ends July
33 1 of that calendar year.

34 The purpose of the bill is to ensure that the combined total
35 amount of the assessments collected from those employees for
36 unemployment insurance contributions and the assessments
37 collected for the Health Care Subsidy Fund pursuant to P.L.1992,
38 c.__(C.__)(now pending before the Legislature as Assembly Bill,
39 No.2100(1R)) does not exceed the amount of the assessments that
40 would be collected from those employees for unemployment
41 insurance contributions alone if that act were not in effect. The
42 elimination of the unemployment assessment under the bill occurs
43 only during the period when the assessment for the Health Care
44 Subsidy Fund is in effect.

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Concerns worker UI contributions.

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SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1423

STATE OF NEW JERSEY

DATED: DECEMBER 14, 1992

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1423.

Senate Bill No. 1423 amends section 4 of P.L.1971, c.346 (C.43:21-7.3) suspends the unemployment insurance contributions paid by employees of governmental entities or instrumentalities electing or required to make payments in lieu of contributions, including the State of New Jersey.

Currently, such an employee is required to pay an assessment equal to 0.5% of the unemployment tax base (the first \$16,100 in income during 1993) into a fund held by the employer, which is used to reimburse the unemployment trust fund for the costs of paying unemployment compensation to laid off employees of that employer. The bill suspends that assessment for the period which begins January 1, 1993 and ends December 31, 1995 or, if the unemployment compensation fund reserve ratio decreases to a level of less than 4.0% on March 31 of calendar year 1994 or calendar year 1995, ending July 1 of that calendar year.

The purpose of the bill is to ensure that the combined total amount of the assessments collected from those employees for unemployment insurance contributions and the assessments collected for the Health Care Subsidy Fund pursuant to P.L.1992, c.160 (enacted into law on November 30, 1992) do not exceed the amount of the assessments that would be collected from those employees for unemployment insurance contributions alone if that act was not in effect. The suspension of the unemployment assessment under the bill occurs only during the period when the assessment for the Health Care Subsidy Fund is in effect.

This bill is identical to Assembly Bill No. 2076 of 1992.

FISCAL IMPACT

According to the Department of Labor, this bill will result in a \$6.3 million reduction by June 30, 1993, in the unemployment trust fund maintained by the State as an employer for the payment of unemployment compensation claims to former State employees. For FY 1994, collections for the fund will be reduced by \$7.5 million. Moneys from the General Fund may have to be appropriated to make up for the reduced collections.

Beginning January 1, 1993, any governmental entity or instrumentality electing or required to make payments in lieu of unemployment contributions will suspend the collection of the 0.5% assessment on wages paid to workers.