

Unemployment insurance talks begin

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BY [DAVID ROEDER](#)

Business and labor leaders said Monday they have begun negotiations to eliminate long-term deficits in Illinois' unemployment insurance trust fund, which provides benefit checks for laid-off workers.

The lobbyists are trying to agree on legislation that, with their combined backing, could sail through the General Assembly. But it doesn't appear that a cure for the fund's deficits, expected to hit \$500 million by yearend, will be found in time for the spring legislative session.

To assure that benefits can be paid, the state borrows from the federal government once the fund hits deficits. But the money must be repaid with interest, adding to the state's financial woes.

Sources said that with other budgetary matters grabbing the Legislature's attention, a solution probably must wait until the fall veto session.

"We haven't even agreed, to this point, on the scope on the problem," said David Vite, president of the Illinois Retail Merchants Association. Vite is negotiating on behalf of several business organizations.

The talks include the Illinois Department of Employment Security, the agency that runs the trust fund, and Margaret Blackshere, president of the Illinois AFL-CIO.

Compromise would suggest a menu of benefit reductions and increasing what businesses pay to support the fund. But Blackshere insisted that she won't accept cuts in benefits, noting that a Republican-led General Assembly rolled back the fund's tax rates in the mid-1990s.

State officials have said the fund has been caught in a collision of higher unemployment, benefits that rise with inflation and business premiums that are limited by law. Deficits trigger automatic premium increases that could double business payments into the program to about \$2.5 billion annually by 2006, but that still might not restore hefty surpluses.

Otherwise, the fund works like insurance, with premiums based on each employers' layoff history.

To cover benefits, state officials began borrowing from the federal government in March.

Brenda Russell, director of the IDES, declined to suggest parameters for a settlement. "It's a start, with business and labor talking, and that's a good thing," she said, adding that she expects a resolution by the end of the year.

She said a more pressing issue regarding unemployment is getting Congress to extend federal benefits that are scheduled to expire. In Illinois, the state pays for 26 weeks of unemployment benefits and the federal government currently guarantees another 13 weeks.

That extension will end May 31 unless Congress acts. Russell joined three members of the U.S. House from Chicago and Sen. Dick Durbin (D-Ill.), at a press conference to urge Congress to expand the benefits.

House Democrats favor a \$27 billion package that would guarantee for nine months a 26-week benefit extension beyond each state's protection. U.S. Rep. Jan Schakowsky (D-Ill.) said 102,000 Illinoisans will exhaust their state benefits between June and November 2003.

Rather than help most workers, President Bush would rather cut taxes for the rich, the Democrats charged. "America's commander in chief is in full retreat when it comes to our economy," Durbin said.

In an interview with the Sun-Times' editorial board, House Speaker J. Dennis Hastert did not rule out the Democratic plan, but hinted he favors a shorter extension. He said he is concerned that extended benefits might spur extended unemployment.

"Unemployment benefits are good, and they're just," he said. "The only caveat that I have is, if you extend it for too far and people know that these things are coming down the line forever and ever, there's no incentive for some people to go out and get a job."