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State seeks to cut debt

Herald-Press 10-19-15 P1

More than $300 million could be saved by businesses

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The State of Indiana may be able to save businesses more than $300 million in 2016 thanks to a move to use surplus funds to pay off unemployment insurance debt..

On Friday the Indiana State Budget Committee met and gave their recommendation in approval of a plan that would place $250 million from the state's general fund into the Unemployment Insurance Trust Fund, effectively paying off debts owed to the federal government that would in turn save Indiana employers roughly $327 million in unemployment premium pay.

Indiana Gov. Mike Pence must approve the plan for it to move forward. However, in July Pence was in favor of using surplus to pay off the debt, according to the Indianapolis Star.

Unemployment insurance trust fund history

Although most reports cite the issue of paying off the funds began with the request to borrow federal money for the fund in 2008, Indiana State Rep. Dan Leonard, R-Dist. 50, said that he had been monitoring the fund since 2003. He explained the fund had fluctuated from a substantial surplus to heavy debt throughout the last 15 years.

"In 2000 there was about a $2 billion surplus in that fund and the General Assembly decided...(to) get that money into the economy. So, they lowered premiums on employers and raised benefits to unemployed people," Leonard explained.

Leonard acknowledged that this initial decision was before he came into office in 2002, explaining that if he were in the situation he could have done the same thing given the economic climate at the turn of the century. That climate eventually turned for worse beginning about 2005, he said.

By the time the Great Recession hit, Indiana was borrowing roughly $2.2 billion in the Unemployment Insurance Trust Fund from the federal government, Leonard said.

He said that without any action regarding the trust, employers would pay $126 per employee in 2016.

Leonard said with the proposed plan approved by the budget committee Friday the state will be running three years ahead of schedule with payments to the federal government.

"I'm really encouraged by the way things are going in Indiana," Leonard said. "We are going to be able to pay that (debt) off and save employers a significant amount of money, which I am sure they will reinvest into their businesses or into employees. It should make a huge difference."

See DEBT / Page A2

DEBT

Continued from A1

Leonard explained that the authority to make the transfer of funds for the purpose of paying off the federal loan was put within the budget approved by this year's state General Assembly.

Leonard said that if the final step, Pence approving the recommendation from the committee, happens by Nov. 9 the $126 per employee penalty goes away.

Leonard explained the structure of the approval of the budget allowance, enabling the state budget committee to decide the ultimate course of action (in this case shifting funds to pay off the debt), was deliberate in order to give lawmakers enough time to be sure the course of action was the right one.

"Unemployment is going down in Indiana; the trends are all in the right direction and so we are are going to get it done," Leonard remarked.

Local impact

In Huntington County, the cessation of an unemployment penalty could result in millions saved.

Huntington County Economic Development Executive Director Mark Wickersham said that with the nearly 18,000 jobs affected by the development, county businesses could save about $2.25 million.

Wickersham remarked that the development was one of the most exciting things he has seen from the General Assembly in the last few years.

"I cannot image a faster and easier way for the state government to disburse $2.2 million in our county in a way that just absolutely makes sense for everybody involved," Wickersham remarked. He added the motion would not involve effort from anyone outside of the legislators involved with the decision, though hundreds of millions of dollars statewide would be saved for Indiana businesses.

Although Wickersham did not attempt to predict what local business owners affected by the development would do with their newfound easement on pay penalties, he was sure that the development was nothing but good for the county and Indiana as a whole. He remarked that regardless of if a different use was targeted with the $250 million used to pay off the debt, that debt would still need to be paid off eventually.

"The state was going to have to pay this back sometime anyway, and with the time-value of money and (how) interest accrues and other budgetary challenges, when you have the funds available it just makes all the sense in the world," Wickersham remarked.