

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 236

SPONSOR: Senator Dyer and others

SUBJECT: Unemployment Compensation; Alternative Base Period

DATE: March 28, 2000 REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Robinson Pierce</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable</u>
2.	_____	_____	<u>FP</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

## I. Summary:

This bill provides for an alternative base period to be used when calculating unemployment benefits in circumstances in which the individual is not monetarily eligible in his or her base period to qualify for benefits.

This bill amends section 443.036, Florida Statutes.

## II. Present Situation:

### Unemployment Compensation

Chapter 443, F.S., the unemployment compensation law, was established to implement the provisions of the Federal Unemployment Tax Act (FUTA), ch. 23 of the Internal Revenue Code. The chapter delineates how Florida carries out these federal requirements especially with regard to the tax on businesses, the duration and amount of benefits paid to eligible claimants, procedures to appeal benefit and tax determinations, and the regulation of the Unemployment Compensation Trust Fund. The Division of Unemployment Compensation (the division) in the Department of Labor and Employment Security (the department) is responsible for implementing the provisions of ch. 443, F.S.

### Unemployment Compensation Trust Fund

All unemployment compensation benefits are paid from the Unemployment Compensation Trust Fund. (s. 443.201, F.S.) This trust fund contains: unemployment compensation taxes paid by employers; interest earned on money in the trust fund; property or securities acquired through money in the trust fund; earnings of the property or securities; and money credited to Florida pursuant to s. 903 of the Social Security Act. (s. 443.191(1), F.S.) Tax paying employers are assigned varying unemployment compensation rates based on the employer's own employment record and its relationship to the experience records of all other employers. (s. 443.131(3), F.S.)

Unemployment compensation benefits paid to eligible claimants are paid from the Unemployment Compensation Trust Fund and are charged to the employer on a percentage basis. Generally, the more unemployment compensation claims made against an employer, the higher the employer's unemployment compensation tax rate. On December 31, 1999, the balance of the Unemployment Compensation Trust Fund was \$2.04 billion. In calendar year 1999, the trust fund paid out \$642.4 million in benefits and collected \$549.5 million in unemployment compensation taxes.

### **Eligibility for Benefits**

When an unemployed worker files a claim for unemployment compensation, he or she automatically establishes a four-calendar quarter "base period" in the recent past for the purpose of measuring the individual's employment experience. (*See* s. 443.111, F.S.) The amount of work performed and the wages accrued over a base period determine if a worker has sufficient wages to meet the minimum qualifying requirements for any benefits, the amount of the weekly benefits, and the number of weeks the individual may receive in benefits. (*See* s. 443.111, F.S.)

Section 443.036(7), F.S., defines "base period" as the first four of the last five completed calendar quarters immediately preceding the first day of an individual's benefit year. "Benefit year" means the one year period beginning with the first day of the first week with respect to which the individual first files a valid claim for benefits and, thereafter, the one year period beginning with the first day of the first week with respect to which the individual next files a valid claim for benefits after the termination of his or her last preceding benefit year. (s. 443.036(8), F.S.)

### **Employer Wage and Tax Reports**

Florida Administrative Code rule 38B-2.025 requires contributory employers to file employer quarterly wage and tax reports. The reports must be filed with the division no later than the last day of the month following the calendar quarter to which they apply and must include wages paid at regular and irregular intervals, including commissions and bonuses and the cash value of all remuneration paid in any medium other than cash.

### **III. Effect of Proposed Changes:**

Section 443.036, F.S., is amended to provide for the designation of an alternative base period for individuals who are not monetarily eligible in their base period to qualify for unemployment compensation benefits. "Alternative base period" is defined as the last four completed calendar quarters immediately preceding an individual's benefit year.

In determining eligibility for an alternative base period, the division must request information regarding wages for the calendar quarter or quarters immediately preceding the benefit year from the employer if such information is not available to the division from regular quarterly reports of wage information. Employers will have 10 days in which to respond to wage requests from the division.

The bill provides for an effective date of October 1, 2000.

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

In June of 1997, the division conducted a Monetary Eligibility Feasibility Study for the U.S. Department of Labor to determine the benefits to claimants and the impact to employers if an alternative base period was used to compute unemployment compensation claims. The division estimated that one and one-tenth percent of employers would experience an increase in unemployment compensation taxes due to an increase in the number of individuals receiving benefits.

The department estimates that in fiscal year 2000-2001, \$2 million in additional benefits will be paid out as a result of this bill and \$4 million each fiscal year thereafter. However, it should be noted that the receipt of these benefits may prevent some recipients from turning to public assistance benefits.

**B. Private Sector Impact:**

Because the quarter immediately prior to an individual's becoming unemployed will be included to determine eligibility for unemployment compensation benefits, some seasonal workers or other short-term members of the labor force may be able to establish eligibility for such benefits.

**C. Government Sector Impact:**

The department estimates that it will require a maximum of 5,000 hours of mainframe programming time, at an approximate cost of \$250,000, to implement the provisions of this bill. Additionally, the recurring annualized cost of administering the alternative base period program is estimated by the department to be approximately \$450,000 to the Employment Security Administrative Trust Fund, which will require 10 additional FTE employees. These estimates have not been independently verified.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

The bill allows application of the alternative base period for a benefit year commencing after January 1, 2001, if an individual is not monetarily eligible in his or her base period to qualify for benefits. The first day of a calendar quarter is frequently used as the filing date of claims and as a date to review claims for eligibility for unemployment compensation benefits. The department has suggested that the bill be modified to allow application of the alternative base period for a benefit year commencing *on or* after January 1, 2001, to better effect administration of the bill and create less confusion with claimants and employers.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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