

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 857 Economic recovery
SPONSOR(S): Gelber
TIED BILLS: **IDEN./SIM. BILLS:** SB 470

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Workforce and Economic Development (Sub)</u>	_____	<u>Winker</u>	<u>Whitfield</u>
2) <u>Commerce</u>	_____	_____	_____
3) <u>Finance and Tax</u>	_____	_____	_____
4) <u>Transportation and Econ. Dev. Approp. (Sub)</u>	_____	_____	_____
5) <u>Appropriations</u>	_____	_____	_____

SUMMARY ANALYSIS

HB 857 requires that monetary eligibility for unemployment compensation be determined using wages from an "alternative base period" (the last four completed calendar quarters) for those individuals who are ineligible to receive benefits under current law using wages from the "base period" (the first four of the last five completed calendar quarters). The bill waives the one-week waiting period for receiving unemployment benefits. The bill temporarily increases the weekly amount of unemployment benefits and extends the total amount of benefits that an individual may receive by an amount corresponding to the increase in weekly benefits. The bill also requires competitive-bidding and performance-based funding of contracts for economic-recovery training services.

According to estimates from the Agency for Workforce Innovation, implementing the provisions of this bill would cost \$27,723,920 (alternative tax base), \$165,143,000 (increasing the weekly benefit amount), \$84,609,675 (waiving the one-week waiting period), and \$1,001,109 (additional agency staff, information systems updates, and expenses).

The bill takes effect on July 1, 2003.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

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DATE: March 13, 2003

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|--|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a “no” above, please explain:

The bill expands government by adding additional staff to the Department of Revenue to implement the provisions of the bill.

B. EFFECT OF PROPOSED CHANGES:

Legislative Findings (Section 1)

HB 857 provides legislative intent to establish policies designed to stimulate economic activity in this state and promote the economic security of the residents of this state. The bill also makes the following legislative findings:

- Businesses and individuals in this state are experiencing significant economic hardship, and revenues critical to the delivery of vital public services are jeopardized.
- The need to retain and create jobs in this state in the current economic environment is great.
- A significant investment of state funds in reemployment and retraining programs is essential to economic recovery in this state.
- The state should invest in economic-recovery training programs that deliver a high expectation of continued employment after a reasonably short period of training is completed.
- Economic-recovery training funds should be expended on programs that enhance the skills of residents of this state who are employed by businesses based in this state.

Economic Recovery Training (Section 2)

HB 857 requires that economic recovery training be awarded to providers of training services on a competitive-bid basis and requires that continued support be provided on a performance-based schedule not to exceed 12 months. The bill also prohibits the continuation of contracts for training services with providers of training services who demonstrate a pattern of low job-placement rates for participants.

Unemployment Compensation – Alternative Base Period (Section 3)

For unemployment compensation claims commencing on or after October 1, 2003, HB 857 requires the Agency for Workforce Innovation to determine monetary eligibility for unemployment compensation using wages from an “alternative base period” (the last four completed calendar quarters) for those individuals who are ineligible to receive benefits under current law using wages from the “base period” (the first four of the last five completed calendar quarters). (See Table 1 below.)

(Table 1) Base Period Chart with Overlay of Alternative Base Period									
Year preceding prior year		Prior year				Current year			
July	Oct.	Jan.	Apr.	July	Oct.	Jan.	Apr.	July	Oct.
Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.
Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
		BASE PERIOD			Lag quarter	Claim filed			
		ALTERNATIVE BASE PERIOD							
		BASE PERIOD			Lag quarter	Claim filed			
		ALTERNATIVE BASE PERIOD							
		BASE PERIOD			Lag quarter	Claim filed			
		ALTERNATIVE BASE PERIOD							
		BASE PERIOD			Lag quarter	Claim filed			
		ALTERNATIVE BASE PERIOD							
		BASE PERIOD			Lag quarter	Claim filed			
		ALTERNATIVE BASE PERIOD							

Using the alternative base period, an individual's most recent quarter of work would count toward the two-quarter requirement and the \$3,400 requirement. As a result, individuals could qualify for benefits having worked for the two quarters immediately preceding the filing of a claim, rather than the three quarters required under current law.

The effect of HB 857 is illustrated by the following example: an individual is employed on January 1, 2004, and was terminated through no fault of his or her own on July 1, 2004. The employee earned a total of \$2,000 during the months of January, February, and March 2004 and a total of \$2,000 during the months of April, May, and June 2004. The employee filed a claim for unemployment compensation benefits on July 2, 2004:

- **Under current law: Not eligible for benefits** – The employee's base period would be April 1, 2003, through March 30, 2004 (the first four of the last five completed calendar quarters). Since the employee neither worked for at least two quarters, nor earned at least \$3,400 during the base period, the employee would be ineligible for benefits.
- **Under HB 857: Eligible for benefits** – The employee would use the "alternative base period" because the employee is not eligible for benefits under the current base period. The employee's alternative base period would be July 1, 2003, through June 30, 2004. Since the employee both worked for at least two quarters and earned at least \$3,400 within the alternative base period, the employee would be eligible for benefits.

The bill also provides that wages used in a base period to establish monetary eligibility for unemployment compensation may not be used to establish eligibility for claims in a subsequent benefit year.

When an individual files a claim under the alternative base period, if the necessary wage information has not been input by the Department of Revenue into the Agency for Workforce Innovation's mainframe database from the employer's quarterly wage and tax reports or is otherwise unavailable, the bill provides that the agency will request the wage information from the employer. According to the

agency, the volume of these requests cannot be determined because it would be contingent upon the speed with which the Department of Revenue is able to input wage information into the agency's database and the number of claims filed under the alternative base period.

If the Agency for Workforce Innovation is unable to access the wage information through its mainframe database, the bill allows the agency to make a monetary determination of eligibility under the alternative base period based upon an affidavit submitted by the unemployed individual, together with any available payroll information. After the official wage information from the employer's quarterly wage and tax reports is processed and input into the agency's mainframe database, the bill authorizes the agency to adjust the unemployed individual's eligibility determination to reflect any corrected data.

The bill further requires an employer to respond to a request for wage information within 10 days after receiving the request. If an employer fails to respond within the required time, the employer is subject to the \$25 penalty for filing a delinquent report as provided in s. 443.141(1)(b), F.S. The \$25 penalty is assessed for each 30 days or fraction thereof that the request is delinquent.

Unemployment Compensation – Benefit Amounts (Section 4)

HB 857 increases the weekly benefit amount for an individual receiving unemployment compensation by \$25 or 15 percent, whichever is greater. For individuals with a weekly benefit from \$32 to \$166, the bill would increase the weekly benefit amount by \$25. Individuals with a weekly benefit amount from \$167 to \$275 would have their weekly amount increase by 15 percent. Thus, the bill would increase unemployment benefits from the current \$32 minimum and \$275 maximum to a \$57 minimum and \$316 maximum weekly benefit amount.

The bill waives the one week waiting period for persons eligible to receive unemployment compensation benefits and also requires that the initial payment of unemployment compensation benefits be for one week compensation and subsequent compensation will occur bi-weekly. Section 4 of the bill expires on June 30, 2005.

Performance-Based Principle of Florida's Workforce System

In 1998, the United States Congress enacted the Workforce Investment Act. The act established a nationwide system for providing workforce investment activities through statewide and local workforce investment systems. Each system is administered by a state workforce investment board and by local workforce investment boards. The federal act provides allotments of funds to states for certain youth activities and adult and dislocated worker employment and training activities. The federal act also establishes a system of performance accountability, which requires state and local performance measures, evaluation of these measures, and sanctions for failure to achieve the measures (29 U.S.C. s. 2871).

Under Florida's Workforce Innovation Act of 2000 (ch. 2000-165, L.O.F.), the Legislature created Workforce Florida, Inc., and revised the duties of the 24 regional workforce boards. Workforce Florida's board of directors serves as the state workforce investment board for purposes of the federal act, and the regional workforce boards serve as the local workforce investment boards. Under current law, the state workforce system is based upon principles for implementing the federal act. These principles include "increased accountability," which emphasizes that the state, localities, and training providers will be held accountable for their performance (s. 445.003(1)(d), F.S.). To implement this accountability principle, the regional workforce boards are required to enter into memoranda of understanding with the Agency for Workforce Innovation for the delivery of employment services, and these memoranda of understanding must be performance based (s. 445.009(3), F.S.). In addition, all contracts executed by Workforce Florida or a regional workforce board must include specific performance expectations and deliverables (ss. 445.004(5)(c) and 445.007(11), F.S.).

Economic Recovery Training – “Operation Paycheck”

On October 4, 2001, in response to the state’s weakened economy, the Governor established a new program of economic recovery training known as “Operation Paycheck.” Implemented by Workforce Florida, Inc., the Agency for Workforce Innovation, and the regional workforce boards, the program emphasized short-term job training for dislocated workers and job placement services in high-demand employment sectors experiencing worker shortages, such as information technology, health care, and construction. To be eligible for the program, an individual must have been determined to be eligible under the dislocated worker requirements in the federal Workforce Investment Act and must have been a dislocated worker as a result of the events on September 11, 2001. An individual applied for Operation Paycheck through a one-stop delivery system center, at which a career manager reviewed the individual’s work experiences and skills, assisted the individual in developing a plan for rapid reemployment, and arranged for reemployment training appropriate to the individual’s skills and experience through a training provider. Community colleges, technical centers, state universities, and private colleges were contracted as training providers to deliver the accelerated reemployment training for the program participants. Federal Workforce Investment Act funds paid for tuition, fees, books, childcare, and transportation for program participants. Workforce Development Education Funding was used for vocational certificate training.

Due to funding limitations, Operation Paycheck suspended the enrollment of new participants on July 15, 2002. As of February 14, 2003, the program had enrolled 8,876 authorized participants and training providers had accepted 8,599 participants for classes.

Unemployment Compensation

Florida’s unemployment compensation system provides temporary income payments to make up part of the wages lost by workers who lose their jobs through no fault of their own. The objective of the program is to provide a cushion to absorb some of the shock of unemployment to jobless workers and their families. In the Workforce Innovation Act of 2000 (ch. 2000-165, L.O.F.), the Legislature transferred responsibility for administering the Florida Unemployment Compensation Law, ch. 443, F.S., from the Department of Labor and Employment Security to the Agency for Workforce Innovation. The act also required claims for unemployment compensation to be filed through the one-stop delivery system (s. 445.009(1)(i), F.S.).

Eligibility for Unemployment Compensation

Under current law, eligibility for unemployment compensation is based on the work performed by an individual during a 1-year period referred to as the “base period.” The base period is the first four of the last five completed calendar quarters immediately before the individual filed a valid claim for benefits (s. 443.036(7) and (8), F.S.). The fifth completed calendar quarter – the “lag quarter” – is not used to determine monetary eligibility. (See Table 2 below.) To qualify for unemployment compensation, an individual must:

- Have been paid wages in two or more calendar quarters in the base period,
- Have total base period wages of at least 1.5 times the wages in the quarter of the base period with the highest earnings, and
- Have been paid at least \$3,400 during the base period (s. 443.111(2), F.S.).

Because the most recent quarter of work counts neither toward the two-quarter requirement nor the \$3,400 requirement, individuals who have been employed in only two quarters may not be able to establish eligibility. For example, an employee who has only worked during the two quarters immediately before filing of a claim would not qualify for benefits even if he or she earned more than \$3,400. Consequently, some seasonal workers and short-term members of the labor market may not be able to establish monetary eligibility for benefits calculated using the base period in current law.

(Table 2) Base Period Chart										
Year preceding prior year		Prior year				Current year				
July Aug. Sept.	Oct. Nov. Dec.	Jan. Feb. Mar.	Apr. May June	July Aug. Sept.	Oct. Nov. Dec.	Jan. Feb. Mar.	Apr. May June	July Aug. Sept.	Oct. Nov. Dec.	
BASE PERIOD					Lag quarter	Claim filed				
		BASE PERIOD				Lag quarter	Claim filed			
			BASE PERIOD			Lag quarter	Claim filed			
				BASE PERIOD		Lag quarter	Claim filed			

Weekly Benefit Amount and Total Amount of Benefits

The amount of unemployment compensation benefits paid to an individual per week is known as the “weekly benefit amount.” Under current law, the weekly benefit amount is calculated by dividing the quarter in the base period with the highest earnings by 26 (s. 443.111(3), F.S.). For example, if the calendar quarter in the individual’s base period with the highest earnings shows \$3,000, the individual’s weekly benefit amount would be \$115 (\$3,000 divided by 26). By law, the minimum weekly benefit amount is \$32, and the maximum is \$275 (s. 443.111(3), F.S.). The following table tracks the changes in the minimum and maximum weekly benefit amounts from 1996 through the current law. (See Table 3, below.)

(Table 3) Weekly Benefit Amount (1996-2002)			
Legislation Amending Policy	Period of Policy	Minimum Weekly Benefit Amount	Maximum Weekly Benefit Amount
CS/HB 1291 (ch. 96-378, L.O.F.) and HB 2723 (ch. 96-423, L.O.F.)	June 1, 1996, through June 30, 1997	\$32	\$250
CS/CS/HB 3 (ch. 97-29, L.O.F.)	July 1, 1997, through December 31, 1997	\$33 for first 8 weeks of benefits, \$32 thereafter	\$262 for first 8 weeks of benefits, \$250 thereafter
	January 1, 1998, through June 30, 1998	\$33 for first 8 weeks of benefits, \$32 thereafter	\$288 for first 8 weeks of benefits, \$275 thereafter
	July 1, 1998, through December 31, 1999	\$32	\$275
HB 1951 (ch. 99-131, L.O.F.)	January 1, 2000, through December 31, 2000	\$33 for first 8 weeks of benefits, \$32 thereafter	\$288 for first 8 weeks of benefits, \$275 thereafter
Current law (s. 443.111(3), F.S.)	Beginning January 1, 2001	\$32	\$275

Unemployment compensation is intended to be temporary and may not be received indefinitely. Under current law, an individual is eligible to receive benefits in an amount equal to 25 percent of the total wages paid in the base period (s. 443.111(5), F.S.). For example, if an individual’s base period

earnings are \$12,000, the individual's total amount of available benefits would be \$3,000 (\$12,000 multiplied by 0.25). However, under current law, the total amount of available benefits is capped, such that individuals are eligible to receive benefits ranging from a minimum cap of \$850 to a maximum cap of \$7,150 (s. 443.111(5), F.S.). Because benefits are paid based on the weekly benefit amount, benefits can last up to 26 full weeks. The following table tracks the changes in the maximum amount of available benefits from 1996 through the current law. (See Table 4, below.)

(Table 4) Total Amount of Benefits (1996-2002)		
Legislation Amending Policy	Period of Policy	Total Amount of Benefits
CS/HB 1291 (ch. 96-378, L.O.F.) and HB 2723 (ch. 96-423, L.O.F.)	June 1, 1996, through June 30, 1997	\$6,500
CS/CS/HB 3 (ch. 97-29, L.O.F.)	July 1, 1997, through December 31, 1997	\$6,596
	January 1, 1998, through June 30, 1998	\$7,254
	July 1, 1998, through December 31, 1999	\$7,150
HB 1951 (ch. 99-131, L.O.F.)	January 1, 2000, through December 31, 2000	\$7,254
Current law (s. 443.111(5), F.S.)	Beginning January 1, 2001	\$7,150

According to the Agency for Workforce Innovation, the average weekly benefit amount is currently about \$225, and the average duration of benefits is approximately 14.2 weeks per claim.

Employer Wage and Tax Reports

Under current law, unemployment taxes are collected by the Department of Revenue under contract with the Agency for Workforce Innovation (ch. 2000-165, L.O.F.). Contributory employers are required to file quarterly wage and tax reports with the department no later than the last day of the month following each calendar quarter (first month of the three-month lag quarter) (rule 60BB-2.025, F.A.C.). Similarly, reimbursable employers are required to file quarterly reports. Both types of reports identify the 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. The reports, therefore, provide the wage data for each individual's base period, which is used to determine the amount of benefits that are paid to an individual worker.

According to the Agency for Workforce Innovation, the Department of Revenue generally uses the second and third months of the lag quarter to process the approximately 391,000 employer reports it receives and enter the wage information into its database in preparation for claims that will be filed during the next quarter. Thus, under current law, the lag quarter is not used to determine monetary eligibility for unemployment compensation because the agency lacks the necessary wage data at the time a claim is filed.

For example, employer reports for the fourth quarter of 2002 were due by the end of January 2003. Data entry of wage data will begin in February and is due to be completed at the end of March 2003. The earliest filing date for a claim incorporating the wages an individual earned during the fourth quarter of 2002 is currently April 1, 2003. The base period established during the second quarter of 2003 (April through June) will be based on employment during the four quarters from January through December 2002. The lag quarter for those claims will be the first calendar quarter of 2003 (January through March).

Waiver of the Waiting Period and Acceleration of Initial Payments

The bill temporarily waives the 1-week waiting period, which under current law (s. 443.091(1)(e), F.S.) requires an unemployed individual to be unemployed for a waiting period of 1 week before receiving benefits. The bill also provides that each initial payment of unemployment benefits will be for 1 week of benefits and that subsequent payments will be made biweekly, thereby permitting the additional benefits resulting from the waiver of the waiting period to be paid immediately after the initial claim is made. Accordingly, the bill accelerates the initial payment of benefits because, under current procedures, benefits are not paid until an individual certifies for the waiting week and the first compensable week after the end of the second week. The waiver of the waiting period and the accelerated initial payment expire on June 30, 2005.

According to the Agency for Workforce Innovation, initial payment of benefits from the waiting period could be authorized as soon as 3 or 4 days after the claim is filed. Because claims are backdated to the Sunday before the date on which the claim was filed, an individual who files for benefits on Friday would have completed the first week of unemployment the next day, Saturday. If the claim was determined to be monetarily eligible Friday night by the agency's computer system, the unemployed individual could contact the agency's automated reporting system to claim benefits on Monday. This is the same day the agency would be mailing notification of the claim to all of the employers whose tax accounts would be subject to benefit charges. The unemployed individual would be mailed a benefit warrant on Tuesday, before an employer had the opportunity to receive notification of the claim. Thus, the bill would have the practical effect of contributing to an increase in benefit overpayments. Under current law, the agency is not permitted to waive an overpayment. Consequently, additional resources would be required for overpayment recovery.

Unemployment Compensation Trust Fund

Economic conditions resulting in abnormally high unemployment accompanied by high benefit charges can cause a severe drain on the Unemployment Compensation Trust Fund. The effect is an increase in the adjustment factors, which consequently increases tax rates for all contributory employers. Conversely, when unemployment is low, the adjustment factors decrease tax rates.

A 2002 interim project report by the former Senate Committee on Commerce and Economic Opportunities [Solvency of the Unemployment Compensation Trust Fund and the Tax Trigger", Interim Report No. 2002-122, October 2001] predicted the trust fund's balance would likely to fall below the 4-percent "trigger" by June 30, 2002, causing a positive fund size adjustment factor to increase employer tax rates beginning January 1, 2003.

During the 2002 Regular Session, the Legislature reduced the trust fund trigger to 3.7 percent (s. 50, ch. 2002-218, L.O.F.). In addition, the federal Government deposited about \$450 million in the trust fund under the federal Temporary Extended Unemployment Compensation Act of 2002 (commonly referred to as "Reed Act" funds). These actions averted the automatic unemployment tax increase predicted by the Senate's interim report. The UC trust fund trigger has not increased employer tax rates since 1984.

With regard to Reed Act funds, a recent report by the U.S. General Accounting Office (Unemployment Insurance: State's Use of Reed Act Distribution, GAO-03-567T, March 20, 2003) states that as of November 30, 2002, Florida had spent or appropriated only 3.6% of the \$449, 667,718 Reed Act allotment.

States may use Reed Act funds to pay and/or enhance UC benefits, such as increasing weekly benefit payments, extending the period of time benefits are paid, or expanding eligibility to groups of individuals who currently do not qualify for benefits. States may also use Reed Act funds for the administrative costs of the UC program, including activities related to program integrity, and employment services'

programs, including one-stop service centers. According to the GAO report, Florida has spent Reed Act funds on employment services and not on the UC program.

Study of Monetary Eligibility Feasibility

In 1997, the former Department of Labor and Employment Security conducted a study for the United States Department of Labor which analyzed the unemployment benefits paid to claimants and estimated the impact on employers of using an alternative base period to calculate unemployment benefits. [Monetary Eligibility Study: Variable Base Period Final Report, Division of Unemployment Compensation, Florida Department of Labor and Employment Security, June 1997.] The study estimated that implementing an alternative base period would result in monetary eligibility for an additional 4,000 claimants. At the time of the study, this number represented 8 percent of the ineligible claimants and 1 percent of the total number of claimants. The study further predicted that an alternative base period would impact 1.1 percent of the total number of liable employers. The study acknowledged that a major concern surrounding the use of an alternative base period to determine monetary eligibility for unemployment compensation is obtaining and retrieving employer wage information for the most recent calendar quarter.

C. SECTION DIRECTORY:

SECTION 1: Creates an un-numbered section of statute that describes legislative findings related to stimulating economic activity and promoting economic security for Florida residents by retaining and creating jobs and investing in reemployment and retraining programs essential to economic recovery.

SECTION 2: Creates and un-numbered section of statute requiring that economic recovery training must be awarded on a competitive bid process and must be performance-based; gives Workforce Florida Inc., and the Agency for Workforce Innovation the power and authority over the use of economic recovery training funds.

SECTION 3: Amends subsection (7) of s. 443.036, F.S., by creating an "alternative base period" for the purpose of qualifying for unemployment compensation benefits for the benefit year commencing after October 1, 2003; and provides for the provision of wages information from employers and employees.

SECTION 4: Creates an un-numbered section of statute that waives the one week waiting period, notwithstanding s. 443.091(1)(e), F.S., for persons eligible to receive benefits; provides that the initial payment of benefits be for one week and must occur bi-weekly, notwithstanding s. 443.111(1), F.S.; increases the weekly benefit amount by the greater of \$25 or 15 percent, notwithstanding s. 443.111(3), F.S.; expires this section on June 30, 2005.

SECTION 5: The bill takes effect on July 1, 2003.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See Fiscal Comments below.

2. Expenditures:

See Fiscal Comments below.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Because the last completed quarter immediately before an individual files a claim for unemployment compensation would be included in determining monetary eligibility for benefits, some seasonal workers and other short-term members of the labor force would be able to establish eligibility for these benefits. Additionally, employers would incur the costs associated with more frequent reporting of wage information submitted in addition to the existing quarterly wage and tax reports. As discussed above, the increased costs attributable to the payment of benefits using the alternative base period and the increase in weekly benefit amounts would likely cause an increase in unemployment compensation taxes for many employers.

D. FISCAL COMMENTS:

According to the Agency for Workforce Innovation, implementation of the alternative base period (*Section 3*) would yield recurring costs in benefits from the Unemployment Compensation Trust Fund of approximately \$27,723,920. This estimate is based upon calculations that predict 8,680 unemployed individuals would be eligible under the alternative base period and would be paid an average of 14.2 weeks of benefits at an average weekly benefit amount of \$225 per claim.

The agency estimates the elimination of the 1-week waiting period (*Section 4*) would yield recurring costs in benefits from the Unemployment Compensation Trust Fund of approximately \$83,340,225. This estimate is calculated by multiplying the 370,401 initial payments from fiscal year 2001-2002 by the average weekly benefit amount of \$225 per claim. Including the implementation of the alternative base period, this estimate is increased by \$1,269,450, causing the total cost in benefits to be about \$84,609,675.

The agency estimates the increase in the weekly benefit amount (*Section 4*) would yield recurring costs in benefits from the Unemployment Compensation Trust Fund of approximately \$165,143,000. This estimate is based upon calculations that the \$25 increase in weekly benefits for benefit amounts between \$32 and \$166 would yield \$31,617,650 and that the 15 percent increase for benefit amounts between \$167 and \$275 would yield \$133,525,350. However, the agency calculates the elimination of the 1-week waiting period and the increase in the weekly benefit amount would likely reduce the average duration of benefits from 14.2 to 12.4 weeks, due primarily to workers exhausting benefits earlier, thereby reducing the estimated cost of the increase by \$40,544,134.

Thus, the bill's estimated total recurring costs in benefits from the Unemployment Compensation Trust Fund is approximately \$236,932,461.

The agency also estimates that an additional 13 full-time-equivalent positions; \$544,707 in recurring salaries, benefits, and related expenses; \$438,069 in non-recurring salaries, benefits, and related expenses; and \$19,500 in non-recurring operating capital outlay would be needed to update its information management systems to implement the provisions of the bill

Under current law, unemployment taxes are collected by the Department of Revenue under contract with the Agency for Workforce Innovation (ch. 2000-165, L.O.F.). According to the Department of Revenue, implementation of bill would require an additional 2 full-time-equivalent positions; \$89,710 in recurring salaries, benefits, and related expenses; and \$9,123 in non-recurring operating capital outlay

and related expenses. The additional funding is mostly attributable to the department obtaining wage information from employers whose quarterly wage and tax reports have not been received or processed in order to implement the alternative base period.

Although administration of the Unemployment Compensation Program is predominantly funded through administrative resources grants provided by the United States Department of Labor, the Agency for Workforce Innovation reports that additional grant funding is not expected to implement the provisions of this bill.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require counties or municipalities to take an action requiring the expenditure of funds, does not reduce the authority that counties or municipalities have to raise revenue in the aggregate, and does not reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES