

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: SB 1606

SPONSOR: Military and Veterans' Affairs, Base Protection, and Spaceports Committee, Senator Fasano and others

SUBJECT: Unemployment Compensation/Military Spouses

DATE: March 11, 2004 REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Vickers</u>	<u>Krasovsky</u>	<u>MS</u>	<u>Favorable</u>
2.	<u>Emrich</u>	<u>Deffenbaugh</u>	<u>BI</u>	<u>Favorable</u>
3.	<u>Arthur</u>	<u>Kelly</u>	<u>ATD</u>	<u>Favorable</u>
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

## I. Summary:

Senate Bill 1606 revises eligibility for unemployment compensation insurance benefits to include military spouses who terminate their employment to relocate as a result of their military-connected spouse's official orders.

This legislation would have a potential fiscal impact of \$6.9 million to the Unemployment Compensation Trust Fund based on an estimate by the Agency for Workforce Innovation (AWI). However, that estimate is limited to the 2,000 individuals who terminate their employment pursuant to their active-duty spouse's permanent change of station orders. The additional number of spouses who would be eligible under the bill for unemployment benefits by virtue of their military-connected spouses' activation or deployment is unknown. The overall effect of the bill on the Unemployment Compensation Trust Fund would be less than one percent of the annual \$1.2 billion distribution of unemployment compensation benefits.

Individual Florida employers would not be charged under the bill for purposes of calculating unemployment compensation rates.

This bill substantially amends section 443.101 of the Florida Statutes.

## II. Present Situation:

**Florida Unemployment Compensation Law** - Section 443.101, F.S., provides that an individual is generally disqualified for unemployment insurance (UI) benefits if he or she *voluntarily* terminates their employment. More specifically, the section provides:

Disqualification for voluntarily quitting continues for the full period of unemployment next ensuing after he or she has left his or her full-time, part-time, or temporary work voluntarily without good cause and until the individual has earned income equal to or in excess of 17 times his or her weekly benefit amount. As used in this subsection, the term "good cause" includes only that cause attributable to the employing unit or which consists of illness or disability of the individual requiring separation from his or her work.

According to the Agency for Workforce Innovation (AWI), this provision disqualifying individuals who voluntarily leave their employment has been interpreted to include military spouses who terminate their employment in order to accompany their active-duty spouse to another state or foreign country pursuant to official military orders. This scenario most commonly occurs when active-duty military personnel receive permanent change of station orders. The AWI estimated that approximately 2,000 individuals were denied unemployment benefits during 2003 as a result of voluntarily terminating employment to accompany their spouse as a result of a military transfer referred to as a "permanent change of station" (PCS). However, this total does not include individuals who, as a result of their military-connected spouse's "activation" or "deployment," elect to voluntarily terminate their employment and relocate, often to live with other family members.<sup>1</sup> This scenario would include spouses of active-duty personnel, as well as the spouses of National Guard members and reservists.

**Unemployment Compensation Eligibility in Other States** - Relatively few states have explicit provisions which regard military spouses' loss of employment upon transfer as *involuntary*. In fact, only one state, Washington, has enacted statutory language specifically addressing the eligibility of relocating military spouses. However, a number of states provide eligibility for reasons that could include the relocation of a military spouse. The following discussion summarizes unemployment eligibility criteria in selected states where military spouses are generally eligible for benefits:

- Arizona: *Compelling personal reasons;*
- Kansas: *The voluntary or involuntary transfer of a spouse to another location;*
- Maine: *Necessary to accompany, follow, or join a spouse in a new place of residence;*
- Maryland: *Cause of necessitous and compelling nature;*
- Texas: *Leaving was for such urgent, compelling, and necessitous nature as to make separation involuntary;* and
- Washington: *To locate for the spouse's employment that, due to mandatory military transfer, is outside of the existing labor market, and is in Washington or another state that does not consider such an individual to have left work voluntarily without good cause.*

In general, those states that have explicit provisions enabling individuals to receive UI benefits upon loss of employment due to the job-related transfer of a spouse, extend such eligibility to

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<sup>1</sup> Activation or deployment orders differ from PCS orders in that PCS orders apply only to active duty members of the U.S. armed forces. Activation or deployment orders apply primarily to National Guard members or reservists.

“trailing spouses” in general, rather than regarding military spouses as an explicit, unique exception. A number of states, while lacking a codified provision for extending benefits to military spouses, do so on a case-by-case basis. States that do permit military spouses to receive unemployment benefits upon loss of employment due to permanent change of station orders do not charge the employer’s unemployment insurance account, and thus do not negatively impact the employer’s experience rating for the purposes of establishing UI rates. Because the benefits are not charged against the former employer’s account, the employer is not put at risk for a higher UI tax rate the following year.

**Other Military Spouse Employment Considerations** – Research indicates that a military spouse’s ability to gain job skills and maintain a career contributes to the financial well-being of the family, spouse satisfaction with military life, and military retention and readiness. According to the Department of Defense, more than 70 percent of military spouses are in the labor force, including 87 percent of junior enlisted spouses. Unfortunately, the unemployment rate for military spouses is approximately 24 percent, four times higher than the civilian unemployment rate, and military spouse earnings are significantly lower than comparably educated civilian spouses.<sup>2</sup> A major factor in the high unemployment rate experienced by military spouses is the highly-mobile nature of military service. According the Department of Defense, the average military family relocates every 2.9 years, three times more frequently than their civilian counterparts. Research indicates the following are additional factors underlying the unemployment and underemployment of military spouses: the lack of unemployment compensation; the lack of appropriate job placement assistance; bias among employers; and the geographical impact of military installations on employment opportunities.

Eligibility for unemployment benefits is an issue that resonates strongly with military spouses. Military family advocates maintain that spouse’s ineligibility for unemployment compensation often forces them to take any available job in order to avert financial hardship. Additionally, recent Department of Defense analyses found that junior enlisted personnel are reimbursed for relocation costs at an average rate that amounts to roughly one-third of their actual costs. This economic burden routinely results in their spouses favoring *immediate* earnings in the short-term, rather than a properly executed job search that yields more appropriate employment and higher earnings over the long-term. In addition to the obvious disadvantage to the military family’s finances, the reduced earnings of military spouses translate to reduced income tax revenues for the state, and where applicable, local governments.

### III. Effect of Proposed Changes:

The bill amends s. 443.101, F.S., to provide that a military spouse is not disqualified for unemployment insurance benefits for voluntarily leaving work to relocate as a result of their military-connected spouse’s permanent change of station orders, activation orders, or unit deployment orders. The bill would effectively enable military spouses who terminate their employment in order to accompany their active-duty spouse to another state or foreign country pursuant to the military’s permanent change of station orders to receive unemployment insurance benefits. In addition, the bill would enable the spouses of Florida National Guard members and

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<sup>2</sup> James Hosek, Rand Corporation, *Married to the Military – The Employment and Earnings of Military Wives Compared to Those of Civilian Wives* (2002).

Florida reservists who elect to terminate their employment and relocate pursuant to their spouse's activation or unit deployment orders to receive unemployment insurance benefits. The amount and duration of benefits would be consistent with existing benefit provisions contained in ch. 443, F.S.

According to representatives with the AWI, under s. 443.131(3)(a), F.S., individual Florida employers would not be charged under the bill for purposes of calculating UI rates.

The bill acknowledges that a spouse's termination of employment in such cases is not "voluntary," but rather is done in order to both keep the military family intact and to support the military commitment of the servicemember, and should not be considered a disqualification for unemployment insurance benefits. The bill would also assist the spouses of National Guard members and reservists who, as a result of financial or familial considerations, elect to terminate their employment and relocate following the activation or deployment of their military-connected spouse.

#### **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:

None.

B. Private Sector Impact:

The bill would enable military spouses who terminate their employment and relocate as a result of their military-connected spouse's official military orders to receive unemployment insurance benefits. The AWI has estimated that the bill would annually enable an additional 2,000 individuals who terminate their employment pursuant to their active-duty spouse's permanent change of station orders to receive UI benefits. The additional number of spouses who would be eligible for UI benefits by virtue of their military-connected spouses' activation or deployment is unknown.

Pursuant to s. 443.131(3)(a), F.S., individual Florida employers would not be directly charged under the bill for purposes of calculating UI rates.

However, the increased benefits would increase the shared costs to the fund, which could minimally affect the adjustment factors used in the tax rate computation. In accordance with current law, when the balance in the Unemployment Compensation Trust fund is below 3.7% of the state's one-year taxable payroll, a positive adjustment factor is automatically triggered in the tax rate computation formula. This factor is designed to maintain stability in the fund and prevent insolvency. Average tax rates increased 18.2 percent January 1, 2004, as a result of this provision, based on the June 30, 2003 trust fund balance.

**C. Government Sector Impact:**

Based on the current average duration of UI benefits (15 weeks) and the average weekly benefit amount (\$230), the AWI estimates the bill would have a potential fiscal impact of \$6.9 million to the Unemployment Compensation Trust Fund. However, this estimate is limited to individuals who terminate their employment pursuant to their active-duty spouse's permanent change of station orders. The additional costs associated with extending UI benefits to individuals who would be eligible by virtue of their military-connected spouses' activation or deployment (primarily National Guard members and reservists) is unknown.

During 2002-2003, the AWI distributed more than \$1.2 billion in UI benefits.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.