

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 5019 PCB TED 09-07 Agency for Workforce Innovation
SPONSOR(S): Transportation & Economic Development Appropriations Committee; Glorioso
TIED BILLS: IDEN./SIM. BILLS:

Table with 4 columns: REFERENCE, ACTION, ANALYST, STAFF DIRECTOR. Row 1: Orig. Comm.: Transportation & Economic Development Appropriations Committee, 12 Y, 0 N, Perez, Creamer. Row 2: 1) Full Appropriations Council on Education & Economic Development, Perez, Martin.

SUMMARY ANALYSIS

This bill authorizes the Agency for Workforce Innovation to complete and implement a new technological system for administering unemployment compensation claims and benefits by January 1, 2013. This bill also includes specific guidelines for the agency related to the scope of the project, timeframes and project governance.

This bill is estimated to have a positive fiscal impact on state governments.

According to the agency, the new system is anticipated to cost approximately \$68.3 million over 4 years, which will be paid with Federal Unemployment Tax funds.

This bill is effective upon becoming a law.

HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Section 216.023(4)(a)(10), F. S., provides that for information technology projects that exceed \$10 million in total cost, the Legislative Budget Request must contain statutory reference of the substantive policy that establishes and defines the project's governance the structure, planned scope, main business objectives that must be achieved, and estimated completion timeframes.

The Unemployment Compensation (UC) Claims and Benefit System is integral to the establishment of all UC initial, additional, reopened, and continued claims and payments of unemployment compensation benefits from diverse programs and funding sources. The automated system is required to process not only regular state UC claims and benefit payments, but is also relied on for claims and benefits payable to ex-service members, federal civilian employees, short-time compensation employees, combined wage claims that are based on wages an individual earned in more than one state, Trade Readjustment Allowances, and Disaster Unemployment Assistance, which plays a critical role in Florida's ability to get cash assistance to disaster victims not insured under state UC law.

The UC system transfers to the Department of Revenue, the Agency's tax collection service provider, financial information necessary to debit and credit the accounts of employers liable for unemployment tax for their proportionate share of benefits paid on claims. This process ensures the accuracy of tax rate computations and reimbursements to the Unemployment Compensation Trust Fund. The Department of Financial Services receives benefit warrant information from the UC system that serves as the basis for issuance of benefit checks or from which direct deposits are authorized to be made to individual's bank accounts. The U.S. Department of Labor requires reports on all aspects of the UC program. These include financial reports and programmatic reports that measure the performance of the program against the standards established by the Secretary of the Department.

There are currently 16 subsystems that are designed to facilitate specific functions outside the mainframe computer and communicate that information.

Proposed Changes

HB 5019 creates section 443.1113, Florida Statutes, to authorize the Agency for Workforce Innovation to complete and implement modernization of the Unemployment Compensation Claims and Benefit Information System by January 1, 2013. Specifically the bill:

- Requires the system to be designed to support state and federal unemployment compensation requirements;
- Provide for prompt and accurate benefit payments and self-service options for filing claims, claiming weekly benefits, filing appeals and reporting reemployment activities to the agency; and
- Requires the system to allow the agency to provide consistent and accurate data to stakeholders and to provide flexibility to adapt to changes in business rules.

In addition, the bill requires the project to be governed by a project board to direct the project, assess the project's viability and alignment with agency strategic objectives, and make recommendations for termination of the project if necessary. The project will have a steering committee to ensure the project is aligned with the unemployment compensation program strategic initiatives and the committee will provide information and support to the project management team and will address and resolve any issues affecting the outcome of the project. The steering committee will consist of:

- The executive director of the Agency for Workforce Innovation;
- The executive director of the Department of Revenue;
- The director of the Agency for Workforce Innovation's Office of Unemployment Compensation;
- The program director of the Department of Revenue's General Tax Administration Program Office; and
- The chief information officer of the Agency for Workforce Innovation.

B. SECTION DIRECTORY:

Section 1-creates s. 443.1113, F. S., to authorize the Agency for Workforce Innovation to complete and implement modernization of the Unemployment Compensation Claims and Benefit Information System by January 1, 2013.

Section 2-provides the bill is effective upon becoming a law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

According to the Agency for Workforce Innovation, there will be a savings of \$655,000 in year one, \$1.3 million in year two, \$1.9 million in year three, \$32.3 million in year four and annual savings of \$43.1 million thereafter. These savings are in Unemployment Compensation benefit payments and federally funded operating expenses.

The savings are directly related to the agency determining that the new system will reduce time for payment of benefits and increase accuracy in determinations and appeals by providing more precise and complete information. The system as anticipated will also assist claimants in obtaining up-to-date information on job opportunities and registering with the workforce agencies for employment assistance.

2. Expenditures:

The new system is anticipated to cost approximately \$68.3 million over 4 years. These funds will be from Federal Unemployment Tax funds received from U.S. Department of Labor.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

According to the Agency for Workforce Innovation, Local Governments may see a reduction in benefit charges if claimants charged to accounts return to work more quickly and determinations and appeals are handled more expeditiously due to the new system.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

According to the Agency for Workforce Innovation, business entities may see a reduction in benefit charges when claimants charged against their unemployment tax accounts for experience rating return to work more quickly and determinations and appeals are handled more expeditiously. This impact is indeterminate.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES

None.