
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.)

Date: March 30, 1998 Revised: _____

Subject: Work and Gain Economic Self-sufficiency

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Schmeling</u>	<u>Austin</u>	<u>CM</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>WM</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This committee substitute makes various revisions to the Work and Gain Economic Self-sufficiency (WAGES) Program including:

- Requiring the WAGES Program State Board of Directors to approve all WAGES proposed administrative rules and further requiring the Workforce Development Board of Enterprise Florida, Inc., and state agencies charged by law to implement the WAGES Program, to collaborate with the staff of the WAGES Board on all WAGES related policies, request for proposals and related directives;
- Extending the life of the WAGES State Board to the year 2002;
- Allowing the Governor, by executive order, to designate the WAGES Program State Board of Directors as a nonprofit corporation;
- Revising conflict of interest language for members of local WAGES coalitions;
- Adding additional members to the local WAGES coalitions;
- Requiring by October 1, 1998, the local WAGES coalitions to deliver the full continuum of services, with exceptions, provided under the WAGES Program;
- Revising staffing requirements of the local WAGES coalitions;
- Removing the repayment provisions for certain WAGES employer subsidies;
- Creating the WAGES training bonus and WAGES work reward;
- Providing that existing employed workers may not be displaced by WAGES participants;
- Providing an exemption from the ten percent reduction in benefits under a hardship exemption if recommended by the local WAGES coalition; and
- Providing an exemption to time limits for individuals which are totally responsible for the care of a disabled family member.

This committee substitute requires that the Office of Tourism, Trade, and Economic Development certify to the Legislature the amount of taxes and the economic benefits generated by the

restaurant industry from employing participants in the WAGES Program and add that amount to the total amount of certain beverage taxes and penalties paid during the 1998 calendar year. The committee substitute also provides that if the total amount exceeds \$535 million, the surcharge on the sale of alcoholic beverages for consumption on premises is repealed effective July 1, 1999.

This committee substitute amends ss. 414.026, 414.028, 414.065, 414.105, Florida Statutes.

II. Present Situation:

WAGES PROGRAM

Chapter 96-175, L.O.F., eliminated individual entitlement to public assistance and created the Work and Gain Economic Self-sufficiency (WAGES) Program. Under the WAGES Program, for most individuals, cash assistance is temporary and is tied to a requirement that able-bodied adults must work and be financially responsible for themselves and their families. WAGES Program requirements and administrative responsibilities are established in ch. 414, F.S.

Section 414.026, F.S., creates within the Executive Office of the Governor the WAGES Program State Board of Directors. The board is charged with the oversight and the operation of the WAGES Program and is required to advise and assist state agencies in implementing the WAGES Program. This section expires June 30, 1999, and must be reviewed by the Legislature prior to that date. In its review, the Legislature must assess the status of the WAGES Program and must determine if the responsibility for administering the program should be transferred to other state agencies.

Section 414.028, F.S., creates local WAGES coalitions and provides for membership requirements, to plan and coordinate the delivery of services under the WAGES Program at the local level. Section 414.028(1)(b), F.S., provides that a representative of an agency or entity that could benefit financially from funds appropriated under the WAGES Program may not be a member of a local WAGES coalition. However, in a region in which the duties of the local WAGES coalition and a regional workforce development board are combined, a person may be a member of the WAGES coalition even if the member, or the member's principal, could benefit financially from transactions of the coalition. These members must recuse themselves from voting on all matters from which they or their principals could benefit financially and failure to recuse on any such vote constitutes grounds for immediate removal from the local WAGES coalition.

Local employees of the Department of Children and Family Services and the Department of Labor and Employment Security must provide staff support for the local WAGES coalitions. At the option of the local WAGES coalition, staff support may be provided by another agency or entity if it can be provided at no cost to the state and if the support is not provided by an agency or other entity that could benefit financially from funds appropriated to implement the WAGES Program.

Section 414.065, F.S., provides for the work requirements of the WAGES Program. Subsidized private sector employment is an activity which may be used individually or in combination with

other activities to satisfy the work requirements of WAGES. Such employer subsidies include work supplementation, on-the-job training, incentive payments and tax credits. Except for tax credits, upon satisfactory completion of the subsidy period by the WAGES participant, the employer is expected to retain the participant as a regular employee without receiving a subsidy and if the WAGES participant is dismissed due to loss of the subsidy, the employer must repay some or all of the subsidy.

Section 414.105, F.S., imposes a lifetime limit of 24 cumulative months within a 60 consecutive month period and a 48-month lifetime limit for WAGES participants. Long-term welfare recipients with limited skills and little work experience are eligible for up to 36 cumulative months within a 72 consecutive month period, but are still subject to the 48-month lifetime limit.

Exempted from time limits are child only cases, minor children and individuals who are eligible for Supplemental Security Income benefits due to age or disability.

“Hardship” exemptions from the time limits for up to a total of 12 months may be available for individuals who have diligently participated in all program activities and complied with all program requirements but have been unable to find employment. The cumulative total of months in which an individual may receive temporary cash assistance, including the hardship months, cannot exceed 48 months. Temporary cash assistance under a hardship exemption for a participant who is eligible for work activities and who is not working is reduced by ten percent. Upon the employment of the participant, full benefits are to be restored.

Surcharge on the Sale of Alcoholic Beverages

Section 561.501, F.S., provides for the surcharge on the sale of alcoholic beverages for consumption on the premises and for penalties for violations thereof. Notwithstanding any other provision of the state Beverage Law, the following surcharges are imposed: ten cents is imposed upon each ounce of liquor and each four ounces of wine; six cents is imposed on each 12 ounces of cider; and four cents is imposed on each 12 ounces of beer sold at retail for consumption on premises licensed by the Division of Alcoholic Beverages and Tobacco (division) of the Department of Business and Professional Regulation as an alcoholic beverage vendor.

Section 561.54 F.S., provides that certain deliveries of beverages are prohibited. It is against the law for common or permit carriers, operators of privately owned cars, trucks, buses, or other conveyances or out of state manufacturers or suppliers to make delivery from outside the state of any alcoholic beverages to any person, association of persons, or corporations within the state. The exception to this is the delivery to qualified manufacturers, distributors, and exporters of such beverages so delivered and to qualified bonded warehouses in this state. Any licensee injured by a violation of this section may seek to recover all moneys obtained by common carriers or permit carriers; obtained by operators of privately owned cars, trucks, buses, or other conveyances; or obtained by out of state manufacturers or suppliers as a result of the delivery of alcoholic beverages, is a violation of this section and is entitled to seek relief. In assessing damages, the court is to fine the defendant three times the amount of the delivery charges that have been proved

or the fair market value of merchandise unlawfully brought into the state. Payment or satisfaction of any judgment under this section, other than for costs and attorney's fees, is made in its entirety to the state. In any successful action under this section, the court is to award the plaintiff costs and reasonable attorney's fees.

Section 563.05, F.S., provides for excise taxes on malt beverages. All malt beverages containing 0.5 percent or more of alcohol by volume are taxed 48 cents per gallon upon all such beverages in bulk or in kegs or barrels. The tax is to be paid by all manufacturers, distributors, and vendors of such beverages. When such beverages are sold in containers of less than one gallon, the tax will be six cents on each pint in the container. However, excise taxes are not required to be paid when such beverages are sold to post exchanges, ship service stores, and base exchanges located in military, naval, or air force reservations within Florida.

Section 564.06, F.S., provides for excise taxes on wine and beverages. All beverages including wines, except natural sparkling wines, cider and malt beverages, containing 0.5 percent or more alcohol by volume and less than 17.259 percent alcohol by volume are taxed at the rate of \$2.25 per gallon. All wines, except natural sparkling wines, containing 17.259 percent or more alcohol by volume are taxed at the rate of \$3.00 per gallon. All natural sparkling wines are taxed at the rate of \$3.50 per gallon. All cider, defined as being made from the normal alcoholic fermentation of the juice of sound, ripe apples, including, but not limited to, flavored, sparkling, or carbonated cider, and cider made from condensed apple must, that contain no less than one-half of one percent of alcohol by volume and not more than seven percent of alcohol by volume is taxed at the rate of 89 cents per gallon. With the sole exception of the excise tax rate, cider is considered wine and is subject to the provisions of ch. 564, F.S., relating to wine. All wine coolers, which are defined as a combination of wines containing 0.5 percent or more alcohol by volume, carbonated water, and flavors or fruit juices and preservatives, and which contain one to six percent alcohol content by volume are taxed at the rate of \$2.25 per gallon. The rates at which the tax is applied as described in this section are paid by all manufacturers and distributors.

Section 565.12, F.S., provides for excise taxes on liquors and beverages. All beverages containing 17.259 percent or more of alcohol by volume and not more than 55.780 percent of alcohol by volume, except wines, are taxed at the rate of \$6.50 per gallon. All beverages containing less than 17.259 percent of alcohol by volume are taxed at the rate provided in ch. 564, F.S., relating to wine. All beverages containing more than 55.780 percent of alcohol by volume are taxed at the rate of \$9.53 per gallon. The rates at which the tax is applied as described in this section is paid by all manufacturers and distributors. The taxes required by this section do not apply to any alcoholic beverages sold to a post exchange, ship service store, or base exchange located in a military, naval, or air force reservation within Florida.

Section 561.121(4), F.S., requires that 9.8 percent of the funds collected from the alcoholic beverage surcharge be credited to the Children and Adolescents Substance Abuse Trust Fund, which is directed at reducing and eliminating substance abuse problems among children and adolescents. The remainder of the collections from the surcharge is credited to the General

Revenue Fund. In fiscal year 1998-99, a total of \$109.3 million is expected to be collected from the alcoholic beverage surcharge.

III. Effect of Proposed Changes:

Section 1 amends s. 414.026, F.S., requiring the WAGES Program State Board of Directors to approve the WAGES State Plan, operating budget, amendments thereto, as well as any WAGES related proposed rules. In addition, the Workforce Development Board of Enterprise Florida, Inc., or a state agency charged by law to implement the WAGES Program must collaborate with the staff of the WAGES State Board on any WAGES related policies, requests for proposals, and related directives.

This section allows the Governor, by executive order, to designate the WAGES Program State Board of Directors as a nonprofit corporation for the purpose of receiving federal funds and providing oversight and maintenance to the WAGES Program and in administering the State Plans for Aid and Services to Needy Families with Children under 42 U.S.C. s. 602, as amended. The corporation is subject to state public meeting and records law. The corporation is authorized to hire an executive director and appropriate staff while a list of staff and salaries must be provided annually to the Legislature. This section further extends the life of the WAGES State Board to the year 2002.

Section 2 amends s. 414.028, F.S., allowing a person to be a member of a local WAGES coalition or a combined WAGES coalition/regional workforce development board regardless of whether the member, or an organization represented by a member, could benefit financially from transactions of the coalition. However, if the coalition enters into a contract with an organization or individual represented on the coalition, the contract must be approved by a two-thirds vote of the entire board, and the board member who could benefit financially from the transaction must abstain from voting. A board member must disclose any such conflict in a manner that is approved by the WAGES Program State Board of Directors and is consistent with the procedures outlined in s. 112.3143, F.S., voting conflicts for public officers and employees.

This section adds to the membership of the local WAGES coalition a representative of a county health department or a representative of a healthy start coalition to serve as an ex officio, nonvoting member of the coalition. This provision however, does not prevent a local WAGES coalition from extending regular voting membership to not more than one representative of a county health department and not more than one representative of a healthy start coalition.

This section requires local WAGES coalitions to deliver the full continuum of services provided under the WAGES Program, including services that are provided at the point of application, by October 1, 1998. However, a local WAGES coalition may not determine an individual's eligibility for temporary cash assistance. Local coalitions must develop a transition plan to be approved by the WAGES Program State Board.

This section makes permissive the use of employees for staffing local WAGES coalitions from the Department of Children and Families and Department of Labor and Employment Security and provides authority for staffing by another agency, entity or by contract.

Section 3 amends 414.065, F.S., removing the repayment provisions for WAGES subsidizes including work supplementation, on-the-job-training, and incentive payments, however, these incentives may not be continued with any employer who exhibits a pattern of failing to provide participants with continued employment after the incentive payment period ends.

This section creates the WAGES training bonus whereby an employer who hires a WAGES participant who has less than six months of eligibility for temporary cash assistance remaining and who pays the participant a wage that precludes the participant's eligibility for temporary cash assistance can receive \$240 for each full month of employment for a period that may not exceed three months. An employer who receives a WAGES training bonus for an employee may not receive a work supplementation subsidy for the same employee.

This section prohibits the displacement of current employees with WAGES participants.

Section 4 amends 414.105, F.S., to create a work "reward" for WAGES participants. WAGES participants who are not exempt from work activity requirements can earn one month of eligibility for extended temporary cash assistance, up to a maximum of 12 additional months, for each month in which the participant is fully complying with all the requirements of the WAGES Program and is employed part-time or full-time. However, a participant may not receive temporary cash assistance under the work reward provision, in combination with other periods of temporary cash assistance, for longer than 48 months.

This section further provides exemption from the ten percent reduction in benefits under a hardship exemption if recommended by the local WAGES coalition and provides an exemption to time limits for individuals who are totally responsible for the care of a disabled family member when such care is verified and alternate care is not available. This exemption must be evaluated annually.

Section 5 provides that by March 1, 1999, the Office of Tourism, Trade, and Economic Development (OTTED) must certify to the Legislature the amount of taxes and the dollar value of economic benefits generated by the restaurant industry from the employment of WAGES participants during 1998. The total amount of taxes and the dollar value of economic benefits that are reported by OTTED to the Legislature must be added to the amount of taxes paid during 1998 under ss. 563.05, 564.06, and 565.12, F.S., and payments made under s. 561.54, F.S., as described in the present situation of this analysis. If the total amount is greater than \$535 million, effective July 1, 1999, s. 561.501, F.S., as described in the present situation of this analysis, is repealed.

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:

The state would, most likely, as of fiscal year 1999-2000 no longer receive the on-premise beverage consumption surcharge estimated to be \$109,300,000 in fiscal year 1998-99. This determination by staff is based on the following:

- The committee substitute eliminates the surcharge if the excise tax on beer, wine, and spirits, combined with the proceeds of the enforcement mechanisms in s. 561.54, F.S., and the determination by OTTED of the tax and economic benefits by the employment of WAGES participants in the restaurant industry in calendar year 1998 exceed \$535 million; and
- While not calculated on a calendar year basis, it is expected that the excise tax on beer, wine, and spirits in fiscal year 1998-99, will result in approximately \$464 million. A study commissioned for the restaurant industry indicated that employment of 1,000 WAGES participants would result in a benefit, tax and non-tax, of \$82.42 million in 1998. These numbers exceed the target number without any collection revenues.

B. Private Sector Impact:

Employers could benefit financially from the ability to receive a WAGES training bonus for the hiring of WAGES participants.

The committee substitute would reduce administrative costs incurred by licensed retail vendors, manufacturers and distributors by reducing the reporting, collecting and accounting requirements imposed by s. 561.501, F.S. Elimination of the surcharge may also reduce the price of alcoholic beverages sold at retail.

C. Government Sector Impact:

An indeterminate amount of savings should result from the ability of local WAGES coalitions to provide the continuum of services at the local level.

Additional funds may be expended to support the WAGES training bonus. Because costs are dependent on participating employers, costs are indeterminable at this time.

Long term costs may increase as a result of the exemption from time limits for WAGES participants which care for a disabled family member.

Under the provisions of the committee substitute, OTTED is required to certify to the Legislature the amount of taxes and the dollar value of economic benefits generated by the restaurant industry from the employment of participants in the WAGES program. It is unclear at this time whether OTTED can accurately measure the dollar value of economic benefits generated by the restaurant industry from the employment of WAGES participants due to the subjectiveness of gathering the data. OTTED reports that it would require additional staff to comply with the provisions of the committee substitute.

The Department of Business and Professional Regulation has a budget of approximately \$2.4 million and 58 FTE's (last years data) to administer and enforce the surcharge.

The Children and Adolescents Substance Abuse Trust Fund receives nine and eight-tenths percent of the revenues generated by the surcharge on the sale of alcoholic beverages for consumption on premises. According to the Department of Children and Family Services (department), the trust fund supports \$9.5 million in the budget for programs that serve children and adolescents. The department cautions that eliminating the funding would also result in the loss of an additional \$9.5 million in Substance Abuse Block Grant funding for failing to comply with the federal maintenance-of-effort requirement.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.