**STORAGE NAME**: h4683.ft
**DATE**: April 17, 1998

**HOUSE OF REPRESENTATIVES**
**COMMITTEE ON**
**FINANCE AND TAXATION**
**BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

**BILL #**: HB 4683

**RELATING TO**: Unemployment Compensation

**SPONSOR(S)**: Representative Starks

**COMPANION BILL(S)**: Compare SB 1760

**ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE**:
(1) FINANCE AND TAXATION
(2)
(3)
(4)
(5)

---

## I. SUMMARY:

This bill provides a reduction in unemployment compensation taxes paid by certain businesses for calendar year 1999. The bill provides a weekly benefit increase of five percent for 1 year, beginning July 1, 1998, with a $288 maximum weekly benefit. The bill provides for 1 year, an increase of five percent in the amount of total annual benefits allowed, beginning July 1, 1998, with a $7,254 maximum total annual benefit. The bill also 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.

## II. SUBSTANTIVE RESEARCH:

### A. PRESENT SITUATION:

Chapter 443, F.S., the unemployment compensation law, was established to implement the provisions of the Federal Unemployment Tax Act (FUTA), Chapter 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 (division) in the Department of Labor and Employment Security is responsible for implementing the provisions of ch. 443, F.S.

Varying unemployment compensation rates are assigned to tax paying businesses based on the business' own employment record and its relationship to the experience records of all other businesses. Unemployment compensation rates range from 0.1 percent (minimum) to 5.4 percent (maximum), with new businesses assigned an initial rate of 2.7 percent. 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. The more unemployment compensation claims made against a business, the higher the business' unemployment compensation tax rate.

The permanent maximum weekly benefit amount is $275 per week not to exceed $7,150 during any benefit year. Weekly benefit amounts are equal to 1/26th of the total wages for insured work paid during that quarter of the base period in which the wages were the highest.

In 1997, the Legislature passed House Bill 3 (Ch. 97-29, L.O.F.), which reduced unemployment taxes for all Florida employers, except those employers that have paid at a rate of 5.4 percent for more than 36 months, by five tenths percent for 1 year and decreased the initial rate charged new employers from 2.7 percent to 2.0 percent for 1 year. These tax reductions are effective for the 1998 calendar year. The bill also increased the maximum weekly amount an unemployed individual may receive from $250 to $275, with a corresponding change in the total annual benefit allowed ($6,500 to $7,150), effective January 1, 1998. For 1 year, an additional five percent of an individual's weekly benefit amount is to be added to the first eight compensable weeks of benefits that individual receives, and corresponding caps were increased as well. These additional benefits are effective for FY 1997-98 (s. 443.111, F.S.).

The impact of HB 3 based on the final 1998 rate data, is $169.8 million. The 1-year additional five percent benefit cost ($33.4 million) in FY 1997-98, and the increase in the maximum benefit by $25 will cost ($23 million) annually.

When an unemployed worker files a claim for unemployment compensation, they automatically establish a four-calendar quarter "base period" in the recent past for the purpose of measuring their employment experience. The amount of work performed and the wages they accrue over a base period determine if a worker has sufficient wages to meet the minimum qualifying requirements for any benefits, the amount of their weekly benefits, and the number of weeks they may receive in benefits.

Section 443.036, 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 1-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 1-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 last preceding benefit year.

B. EFFECT OF PROPOSED CHANGES:

**Section 1** amends s. 443.036, F.S., to provide for the designation of an alternative base period for individuals who are not monetarily eligible in their base period to qualify for 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, if wage information is not available through regular means, state or federal sources, information on wages may be provided by the individual on affidavit. Employers will have 10 days in which to respond to wage requests from the division.

**Section 2** amends s. 1, ch. 97-29, L.O.F., to provide in the 1999 calendar year, a 5/10ths percent rate reduction for employers other than new employers and those who have been assigned a contribution rate of 5.4 percent or higher for more than 36 months. The rate for new employers, those which have been chargeable with benefit payments for less than eight calendar quarters, would remain at 2 percent during the 1999 calendar year.

**Section 3** amends s. 443.111, F.S., providing a benefit increase of five percent of the weekly benefit amount to be added to the first eight weeks of compensable benefits paid for benefit years beginning July 1, 1998 through June 30, 1999, with a maximum weekly benefit amount of $288. The committee substitute also provides a 1-year increase of five percent in the amount of total annual benefits allowed, beginning July 1, 1998, with a $7,254 maximum total annual benefit.

**Section 4** provides that this act shall take effect July 1, of the year in which enacted.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. This bill will require the Department to develop and implement procedures for applying the alternate base period.

(3) any entitlement to a government service or benefit?

Yes. The alternate base period will allow individuals who are currently unable to claim unemployment compensation to do so.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. <u>Lower Taxes:</u>

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

Yes. A one year reductio in unemployment compensation taxes is created.

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Yes. By creating an alternate base period and raising employee benefits temporarily, this bill helps individuals to better manage their own financial affairs when they become unemployed through no fault of their own.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

This bill amends section 1, chapter 97-29, Laws of Florida, and sections 443.036, and 443.111, Florida Statutes.

E. SECTION-BY-SECTION RESEARCH:

See effect of proposed changes.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

The one year tax reduction included in this bill, should have a fiscal impact of 79.8 million in fiscal year 99-00. The temporary increase in benefits should have a 9.9 million dollar impact during the same fiscal year.

2. Recurring Effects:

The alternate base period provided for in this bill is estimated to have a 4.0 million dollar impact on an annualized basis.

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

Both the temporary tax cut for employers and the short term benefit increase for employees will directly benefit private entities. In addition, the alternate base period will have continued benefits to those employees who would otherwise be ineligible for unemployment benefits.

3. Effects on Competition, Private Enterprise and Employment Markets:

   N/A

D. FISCAL COMMENTS:

   The estimates of fiscal impact contained in this analysis have not been approved by the Fiscal Impact Conference, as such they are unofficial.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

   N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

   N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

   N/A

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON FINANCE AND TAXATION:

| Prepared by: | Legislative Research Director: |
| --- | --- |
| Kama D.S. Monroe, Esq. | Keith G. Baker, Ph.D. |