

# 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.)

BILL: CS/SB 108

SPONSOR: Commerce and Economic Opportunities Committee and Senator McKay

SUBJECT: Unemployment Compensation

DATE: March 8, 1999 REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Schmeling</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable/CS</u>
2.	<u>Keating</u>	<u>Wood</u>	<u>FR</u>	<u>Favorable</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

## I. Summary:

This committee substitute provides, in the 2000 calendar year, a 0.5 percent unemployment compensation tax 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 who have been chargeable with benefit payments for less than eight calendar quarters, would be 2 percent during the 2000 calendar year.

This committee substitute provides a benefit increase of 5 percent of the weekly benefit amount to be added to the first eight weeks of compensable benefits paid for benefit years beginning January 1, 2000, through December 31, 2000, with a maximum weekly benefit amount of \$288. The committee substitute also provides a one-year increase of 5 percent in the amount of total annual benefits allowed, beginning January 1, 2000, with a \$7,254 maximum total annual benefit.

Additionally, this committee substitute clarifies disqualification of benefits for voluntarily quitting full-time, part-time, or temporary work, and reauthorizes the Florida Training Investment Program until June 30, 2002.

This committee substitute amends section 1, chapter 97-29, Laws of Florida, and sections 443.101, 443.111, and 443.231, Florida Statutes.

## II. 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 employers, 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 in the Department of Labor and Employment Security is responsible for implementing the provisions of ch. 443, F.S.

Section 443.101(1)(a), F.S., provides that an individual shall be disqualified for benefits for the week in which he or she has voluntarily left his or her work without good cause attributable to his or her employing unit or in which the individual has been discharged by his or her employing unit for misconduct connected with his or her work, if so found by the division. The term “work,” as used in this paragraph, means any work, whether full-time, part-time, or temporary. The definition of “work” was added by s. 4, ch. 94-347, L.O.F., in response to appellate courts reversing the decisions of the Unemployment Appeals Commission (*Neese v. Sizzler Family Steak House*, 404 So. 2d 371 (2nd Dist. Ct. App. 1981) and *Wright v. Florida Unemployment Appeals Commission*, 512 So. 2d 333 (3rd. Dist. Ct. App. 1987)), through the creation of some exceptions to the statutory disqualification for voluntarily quitting work. This language was intended to signal to the courts that their decisions regarding part-time work were inconsistent with the Legislature’s intent. To date, all five district courts of appeal have created exceptions to disqualification using the rationale of *Neese* and *Wright*.

Varying unemployment compensation rates are assigned to tax paying employers based on the employer’s own employment record and its relationship to the experience records of all other employers. Unemployment compensation rates range from 0.1 percent (minimum) to 5.4 percent (maximum), with new employers 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. Generally, the more unemployment compensation claims made against an employer, the higher the employer’s unemployment compensation tax rate. Claims are not the only factor that increases employers’ tax rates. Section 443.131, F.S., 1998 Supp., provides an automatic increase in tax rates for all employers if the Unemployment Compensation Trust Fund balance ratio (trust fund balance as a percentage of taxable wages) is less than 4 percent. The trust fund balance ratio for the 1998 calendar year is 4.73 percent.

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 (s. 443.111(3), F.S.)

In 1997, the Legislature passed a bill (ch. 97-29, L.O.F.) that 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 0.5 percent for one year and decreased the initial rate charged new employers from 2.7 percent to 2.0 percent for one year. These tax reductions were effective for the 1998 calendar year and were estimated to decrease Unemployment Compensation Tax receipts by a total of \$161.9 million. 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 one year, an additional 5 percent of an individual’s weekly benefit amount was added to the first eight compensable weeks of benefits that individual received, and corresponding caps were increased as well. These additional benefits were effective for FY 1997-98 (s. 443.111, F.S.).

Section 443.231, F.S., establishes the Florida Training Investment Program. This program targets dislocated workers who have lost their jobs, have limited marketable skills, and enroll in vocational training. Such workers may receive up to 26 additional weeks of unemployment

compensation. The total compensation which may be paid each fiscal year is \$16.5 million. The program is slated for repealed June 30, 1999.

### III. Effect of Proposed Changes:

**Section 1** amends s. 1, ch. 97-29, L.O.F., to provide in the 2000 calendar year a 0.5 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 who have been chargeable with benefit payments for less than eight calendar quarters, would be 2 percent during the 2000 calendar year, instead of the current rate of 2.7 percent.

**Section 2** amends s. 443.101, F.S., clarifying disqualification of benefits for voluntarily quitting full-time, part-time, or temporary work, specifically stating that no other disqualification may be imposed.

**Section 3** amends s. 443.111, F.S., providing a benefit increase of 5 percent of the weekly benefit amount to be added to the first eight weeks of compensable benefits paid for benefit years beginning January 1, 2000, through December 31, 2000, with a maximum weekly benefit amount of \$288. The bill also provides a one-year increase of 5 percent in the amount of total annual benefits allowed, beginning January 1, 2000, with a \$7,254 maximum total annual benefit.

**Section 4** amends s. 443.231, F.S., reauthorizing the Florida Training Investment Program for an additional three years.

**Section 5** provides that this act shall take effect July 1, 1999.

### 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:**

Unemployment compensation tax rates for calendar year 2000 would be reduced for qualified Florida employers by 0.5 percent. For new employers, those whose employment record has been chargeable with benefit payments for less than eight calendar quarters, the initial tax rate would be reduced to 2 percent. The reduction in the unemployment compensation tax rate for calendar year 2000 is estimated to result in a loss to the Unemployment Compensation Trust Fund for fiscal years 1999-00 and 2000-01 of \$138.0 million and \$44.0 million respectively..

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
UC Tax Rate Reduct.	\$ (0.0)	\$ (0.0)	\$ (138.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (138.0)	\$ (0.0)

- \* Insignificant
- \*\* Indeterminate

**B. Private Sector Impact:**

Unemployment compensation tax rates for calendar year 2000, would be reduced for qualified Florida employers by 0.5 percent. For new employers, those whose employment record has been chargeable with benefit payments for less than eight calendar quarters, the initial tax rate would be reduced to 2 percent.

Unemployed workers would benefit from the temporary increase in the weekly benefit amount and the reauthorization of the Florida Training Investment Program.

**C. Government Sector Impact:**

The committee substitute will impact the Unemployment Compensation Trust Fund through the loss of tax collections deposited into the fund and the increase in the amount of benefits paid out from the fund. The Revenue Estimating Conference has not reviewed this committee substitute for economic impact. The conference has, however, developed an economic impact on the reduction in tax collections for calendar year 1999, which is estimated to be \$182 million, and the increase in weekly benefit amounts for July 1, 1999, to June 30, 2000, which would result in an increase in benefit payments of \$31 million.

	FY 98-99*	FY 99-00*
Unemployment Compensation T.F.		
One year tax reduction	\$138 million	\$44 million
Benefit increase (5% x 8 weeks)	<u>16 million</u>	<u>15 million</u>
<b>Total Reduction to UC Trust Fund</b>	<b>\$154 million</b>	<b>\$59 million</b>

\*Figures reflect a calendar year 1999 tax reduction and benefit increase from July 1, 1999, to June 30, 2000.

The Florida Training Investment Program may expend up to \$16.5 million annually for the next three fiscal years from the Unemployment Compensation Benefits Trust Fund for additional claims to eligible individuals.

**VI. Technical Deficiencies:**

Because this committee substitute reauthorizes the Training Investment Program, which expires June 30, 1999, the effective date of the committee substitute (July 1, 1999) may need to be changed to “upon becoming a law” in order to provide continuous program service.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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