

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: SB 1366

SPONSOR: Senator Forman and others

SUBJECT: Unemployment Compensation

DATE: April 19, 1999 REVISED: 4/20/99 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Schmeling</u>	<u>Maclure</u>	<u>CM</u>	<u>Fav/1 amendment</u>
2.	_____	_____	<u>FP</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This bill 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.

This bill amends section 443.036, 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 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 (department) is responsible for implementing the provisions of ch. 443, F.S.

When an unemployed worker files a claim for unemployment compensation, he or she automatically establishes a four-calendar quarter "base period" in the recent past for the purpose of measuring the individual's employment experience. The amount of work performed and the wages accrued over a base period determine if a worker has sufficient wages to meet the minimum qualifying requirements for any benefits, the amount of the weekly benefits, and the number of weeks the individual 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 one 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 one 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 or her last preceding benefit year.

Department rule 38B-2.025, Florida Administrative Code, requires contributory employers to file employer quarterly wage and tax reports. The reports must be filed with the division no later than the last day of the month following the calendar quarter to which they apply and must include wages paid at regular and irregular intervals, including commissions and bonuses and the cash value of all remuneration paid in any medium other than cash.

In June of 1997, the division conducted a Monetary Eligibility Feasibility Study for the U.S. Department of Labor to determine the benefits to claimants and the impact to employers if an alternative base period was used to compute unemployment compensation claims. Some highlights of the study included:

- Annually, approximately 4,000 additional claimants per year would be monetarily eligible for unemployment compensation using the alternative base period. This represents 8 percent of the total number of ineligible claims using the current base period and 1 percent of the total claims filed.
- The cost to the Unemployment Compensation Trust Fund would be approximately \$4 million. This is six-tenths percent of the annual amount of benefits paid.
- Approximately 3,800 employers would be affected. This is one and one-tenth percent of the total number of liable employers.

III. Effect of Proposed Changes:

Section 443.036, F.S., is amended to provide for the designation of an alternative base period for individuals who are not monetarily eligible in their base period to qualify for unemployment compensation 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 or through 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.

The bill provides for an effective date of October 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:**

See "Private Sector Impact" section below.

B. Private Sector Impact:

The division estimates one and one-tenth percent of employers will experience an increase in unemployment compensation taxes due to an increase in the number of individuals receiving benefits.

C. Government Sector Impact:

The department estimates \$4 million in additional benefits will be paid out as a result of this bill. However, it should be noted that the receipt of these benefits may prevent some recipients from turning to public assistance benefits.

The department estimates that it will require a maximum of 5,000 hours of mainframe programming time, at an approximate cost of \$250,000, to implement the provisions of this bill.

Additionally, the recurring annualized cost of administering the alternative base period program is estimated by the department to be approximately \$450,000 to the Employment Security Administrative Trust Fund.

The department has included a \$400,000 FY 1999-2000 budget request to complete the necessary programming changes and to develop the necessary forms to process claims based on an alternative base period.

VI. Technical Deficiencies:

None.

VII. Related Issues:

In 1998, SB 220 was filed, which also provided for an alternative base period. The difference between SB 220 and this bill, however, is that SB 220 provided that the division could adjust benefits based on an alternative base period to reflect quarterly wage information received from

the employer. Furthermore, the bill provided that unless the individual knowingly misrepresents information requested by the division, benefit payments made which exceed actual benefits due do not constitute overpayment, and excess benefits paid to an individual would not be charged to an employer's account. The Department of Labor and Employment Security recommends inclusion of language which provides for the adjustment of the monetary determination of an alternative base period claim whenever wage information is received from an employer and to require an audit of wages authorized by affidavit against quarterly wage reports to ensure the proper payment of taxes.

Because of the complexity of implementing the provisions of this bill, the department recommends the alternative base period be implemented for claims and benefits years beginning on or after July 1, 2000.

VIII. Amendments:

#1 by Commerce and Economic Opportunities:

Provides that for the purpose of determining eligibility for unemployment compensation under an alternate base period, if the wage information is not available from the quarterly wage reports, the wage information must be requested from the employer.

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