STORAGE NAME: h0617b.in
DATE: March 22, 2000

HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON INSURANCE
ANALYSIS

BILL #: HB 617

RELATING TO: Unemployment Compensation / Base Period

SPONSOR(S): Representative Logan and others

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) BUSINESS DEVELOPMENT & INTERNATIONAL TRADE YEAS 8 NAYS 0
(2) INSURANCE YEAS 8 NAYS 6
(3) FINANCE & TAXATION
(4) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
(5)

I. SUMMARY:

Florida’s unemployment compensation system is designed to provide benefits to persons who become unemployed through no fault of their own. Eligibility for benefits is tied to the work performed during an individual’s "base period," which is defined as the first four of the last five completed quarters preceding the claim for benefits. Within the current base period, an individual must (among other requirements) have:

(1) worked in two or more quarters; and

(2) earned at least $3,400

to be eligible for benefits.

Using the current base period, the most recent complete quarter of work does not count toward the two-quarter requirement or the $3,400 requirement. Thus, an individual must have begun work at least three quarters prior to the filing of the claim to meet these requirements.

For individuals ineligible for benefits using the current base period, this bill would create an “alternative base period.” The alternative base period would be defined as the four completed quarters of work immediately preceding the filing of the claim. Using the alternative base period, the individual’s most recent quarter of work would count toward the two-quarter requirement and the $3,400 requirement. As a result, individuals could be eligible for benefits having begun work only two quarters prior to the filing of the claim, rather than the three quarters that would be necessary under current law.

To implement the alternative base period, the bill would require the Division of Unemployment Compensation to request wage information from some employers earlier than is currently required. Employers would be required to respond to Division requests within 10 days. Some employers would be required to provide wage information as many as 20 days sooner than they ordinarily would.

For a hypothetical illustrating the difference between current law and the bill, see Section II.,C of the analysis (Effect of Proposed Changes, p. 4).

The bill will have a recurring fiscal impact on state government. See the Fiscal Analysis and Economic Impact Statement.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1. Less Government	Yes []	No []	N/A [X]
2. Lower Taxes	Yes []	No [x]	N/A []
3. Individual Freedom	Yes []	No []	N/A [X]
4. Personal Responsibility	Yes []	No []	N/A [X]
5. Family Empowerment	Yes []	No []	N/A [X]

For any principle that received a "no" above, please explain:

The bill would expand eligibility for unemployment compensation benefits and, thus, increase expenditures paid from the Unemployment Compensation Trust Fund. This could necessitate an increase in unemployment compensation taxes.

B. PRESENT SITUATION:

Unemployment Compensation Generally

Florida's unemployment compensation system was established to provide benefits for persons unemployed through no fault of their own. This system is part of a national plan to assist in the stabilization of employment conditions. The Unemployment Compensation Law is administered by the Division of Unemployment Compensation of the Department of Labor and Employment Security (Division).

Unemployment Compensation Trust Fund

All unemployment compensation benefits are paid from the Unemployment Compensation Trust Fund. This trust fund contains: unemployment compensation taxes paid by employers; interest earned on money in the trust fund; property or securities acquired through money in the trust fund; earnings of the property or securities; and money credited to Florida pursuant to s. 903 of the Social Security Act.

The balance of the Unemployment Compensation Trust Fund was $2.04 billion as of December 31, 1999. In calendar year 1999, the trust fund paid out $642.4 million in benefits and collected $549.5 million in unemployment compensation taxes.[1]

Eligibility For Benefits

Eligibility for unemployment compensation benefits is tied to the work performed by an individual during the "base period." Under current law, the base period is defined as the

[1] The Division of Unemployment Compensation indicated that because of the other sources of revenue coming into the trust fund (in addition to the taxes paid by employers), the trust fund balance remains relatively stable.

first four of the last five completed quarters immediately preceding the claim for benefits.[2] Within the base period, an individual must (among other requirements):

(1) work during at least two quarters;[3] and

(2) earn at least $3,400[4]

to be eligible for benefits.

The most recently completed quarter of work preceding the claim for benefits counts neither toward the two-quarter requirement nor the $3,400 requirement.

Currently, base period wages used in determining eligibility are established primarily through the wage data furnished by employers on a quarterly basis. Employers have until the last day of the month following the end of each calendar quarter to submit their quarterly wage and tax reports.[5] In the remaining two months of each quarter, the Division processes employer reports and enters the information into its database in preparation for claims which will be filed beginning the next quarter.[6]

For example, employer reports for the fourth quarter of a calendar year (October, November, December) are due by the end of January. Then, the earliest a claim can be filed, incorporating wages earned during the fourth quarter of the previous calendar year, is April 1.

The Legislature and the Division have made efforts in recent years to utilize technology to make the wage reporting process more efficient. For example, in the 1999 session, the Legislature passed CS/CS/SB 888, a portion of which authorized employers to submit wage reports to the Division via the internet or other electronic means prescribed by the Division. The Division has not fully implemented this process. The Division permits employers to submit wage reports by sending a tape or disc.[7]

Because the most recent quarter of work counts neither toward the two-quarter requirement nor the $3,400 requirement, workers who have been employed in only two quarters may not be able to establish eligibility. For example, employees who have only worked during the two quarters immediately preceding the filing of the claim would not qualify for benefits even if they earned more than $3,400.

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[2] Section 443.036(7), F.S.

[3] Section 443.111(2)(a), F.S.

[4] Section 443.091(1)(f), F.S.

[5] Rule 38B-2.025(1)(c)1., F.A.C.

[6] Approximately 378,000 wage reports are submitted by employers to the Division each quarter.

[7] See Rule 38B-2.025(5)(d), F.A.C.

C. EFFECT OF PROPOSED CHANGES:

For individuals ineligible for benefits using the current base period, this bill would create an "alternative base period." The alternative base period would be defined as the four completed quarters of work immediately preceding the filing of the claim. Using the alternative base period, the individual's most recent quarter of work would count toward the two-quarter requirement and the $3,400 requirement. As a result, individuals could qualify for benefits having worked only for the two quarters immediately preceding the filing of the claim, rather than the three quarters that is required under current law.

To implement the alternative base period, the bill would require the Division to request wage information from some employers earlier than is currently required. Employers would be required to respond to Division requests within 10 days. Thus, some employers would be required to provide wage information as many as 20 days sooner than they ordinarily would. The expedited processing of wage information would result in a fiscal impact on the Division. See Section III. of this analysis, the "Fiscal Analysis & Economic Impact Statement."

The effect of this bill is illustrated by the following hypothetical.

Employee A became employed July 1, 1999, and was terminated through no fault of his own on December 23, 1999. Employee A earned a total of $2,000 during the months of July, August, and September and a total of $2,000 during the months of October, November, and December. Employee A filed a claim for unemployment compensation benefits on January 1, 2000.

<u>Under Current Law:</u>

Not eligible for benefits -- Employee A's base period would be October 1, 1998 through September 30, 1999 (the first four of the last five quarters). Since Employee A neither worked for 2 quarters, nor earned $3,400, during that time, he would be ineligible for benefits.

<u>Under the Bill:</u>

Eligible for benefits -- Employee A would use the "alternative base period" since he is not eligible for benefits under the current base period. Employee A's alternative base period would be January 1, 1999, through December 31, 1999. Since Employee A both worked 2 quarters and earned $3,400 within this time, he would be eligible for benefits.

D. SECTION-BY-SECTION ANALYSIS:

N/A

III. <u>FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT</u>:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

According to the Division of Unemployment Compensation, the fiscal impact of this bill is as follows:

	FY 2000-01	FY 2001-02	FY 2002-03
Nonrecurring			
Employment Security Administration Trust Fund	($250,000)		
Recurring			
Unemployment Compensation Trust Fund	($2,000,000)	($4,000,000)	($4,000,000)
Employment Security Administration Trust Fund (10 FTE's)	($250,000)	($450,000)	($450,000)
Total	($2,500,000)	($4,450,000)	($4,450,000)

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill expands the eligibility requirements for unemployment compensation benefits and, as a result, could result in an increase in the unemployment compensation tax paid by employers. The bill also requires employers to provide to the Division within 10 days certain wage information from employers if the Division does not have the information necessary to determine an individual's eligibility. See the "Other Comments" section of the analysis (V., C.).

D. FISCAL COMMENTS:

The fiscal impact on the Employment Security Administration Trust Fund represents the costs associated with reducing the time for processing employers' wage information. The nonrecurring fiscal impact of $250,000 represents the one-time cost the Division will incur in updating the information technology which would be necessary to implement the bill. The recurring fiscal impact represents the 10 additional FTEs which would be needed to implement the bill.

The recurring fiscal impact on the Unemployment Compensation Trust Fund represents the additional amount of benefits which would be paid due to the expanded eligibility established by this bill.

The reason the fiscal impacts for FY 2000-01 are lower than in subsequent fiscal years is because the bill takes effect during the fiscal year (October 1, 2000).

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

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

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

The bill provides that the alternative base period "must" be used by the Division "if an individual is not monetarily eligible in his or her base period." This suggests that the alternative period is used only if the individual is ineligible under the current base period. However, a question could be raised whether the Division *may* allow an individual to use the alternative base period even though they are be eligible under the current base period. It is possible individuals might argue that they should be able to choose the base period which would apply to them. Presumably, these individuals would choose the base period which qualifies them for the larger benefit.

The bill also provides that the Division may request "information regarding wages" from the employer if it does not have the information needed to determine eligibility. The bill does not specify which information the Division may request. According to the Division, the information which would be requested is the information employers report on the UCT-6W Form, which is the Division's wage listing report. This form requests the employer to provide its employees' names, social security numbers, and wages.

Finally, this bill requires employers to provide wage information to the Division within 10 days of the Division's request. But, the bill does not provide any penalty for employers who fail to meet this requirement.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

Prepared by:	Staff Director:
James Marshall Cox	J. Paul Whitfield, Jr.

AS REVISED BY THE COMMITTEE ON INSURANCE:

Prepared by:	Staff Director:
Robert E. Wolfe. Jr.	Stephen Hogge