

HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

CURRENT SITUATION

Florida employers pay a state Unemployment Compensation (UC) tax, the proceeds of which are deposited in the state UC Trust Fund to pay benefits. Under current law, Florida's employers are subject to unexpectedly large increases in their UC tax liabilities, which will begin coming due in April. The tax increases per employee will range from just over 21 percent to nearly 5,400 percent, depending on each employer's circumstances. This situation reflects the combined influence of increases in unemployment in Florida over the past three years and 2009 law changes intended to accelerate the replenishment of the UC Trust Fund. Also, elevated unemployment in Florida has resulted in benefit payments from the UC Trust Fund outstripping UC tax payments into the fund. Consequently, the fund has been depleted and the state is taking advances from the federal government in order to continue paying benefits. These federal loans will likely result in additional interest payments by the state.

Tax Liability Calculation

An employer's state tax liability is calculated by multiplying the employer's state-assigned tax rate by taxable wages paid to employees. The Department of Revenue annually recalculates and assigns employer tax rates. Additionally, the federal government levies an annual payroll tax under the Federal Unemployment Tax Act (FUTA).

In general, an employer's state unemployment tax rate is determined using three factors: the fund size factor; the non-charges and excess payments factor; and a variable factor based on each employer's unemployment experience. The fund size factor is based upon the amount in the unemployment compensation trust fund. Non-charges are the result, for instance, of an employee working for less than 90 days and being laid off. The employer is not charged for that separation of employment but the cost is spread among all employers. Excess payments occur when a business that is paying the maximum rate has unemployment experience greater than the business is paying in taxes, so that all persons separated from employment from that business are not covered by the UC tax payments from that business. Those costs are also spread across all employers. The variable factor is generally based upon an employer's unemployment compensation experience. These factors combined are used in calculating an employer's UC tax rate. Generally, the maximum tax rate is 5.4%, regardless of what would otherwise be dictated by the three factors.

Taxable wages include all remuneration for employment, including commissions, bonuses, and back pay awards. However, remuneration to an individual during a calendar year in excess of the first \$8,500 paid is exempt. Beginning January 1, 2015 remuneration in excess of the first \$7,000 paid to an employee during a calendar year is exempt.

The FUTA tax rate levied by the federal government is 6.2%. However, employers in Florida currently receive a 5.4% credit against that tax, resulting in an effective federal tax rate of 0.8% applied to taxable wages

2009 Law Changes

In early 2009, the UC Trust Fund was projected to hit a hard deficit by August 2009. During the 2009 Legislative session, CS/CS/SB 810 was enacted to make changes to replenish the UC Trust Fund sooner than under the law at the time. These changes included:

- Increasing the portion of an individual's annual wages used to determine an employer's contributions from \$7,000 to \$8,500.
- Increasing the positive adjustment tax rate factor (low trigger) from 3.75 percent to 4 percent. By statute, changes in the employer contribution rate are, in part, based upon the ratio of the Unemployment Compensation Trust Fund balance to the total taxable state payrolls as of June 30 each year. When the trust fund balance drops below 4% of the total taxable state payrolls as of June 30th, an adjustment factor is triggered to increase the employer contribution rates that will become effective on the following January 1st.
- Increasing the negative adjustment factor (high trigger) from 4.7 percent to 5 percent. If the ratio of the Unemployment Compensation Trust Fund balance to the total taxable state payrolls is above the high trigger, employer contribution rates are decreased to avoid having an unduly high trust fund balance. This rate will remain in effect until the fund balance is between 4 and 5 percent of taxable payrolls for the year. However, the negative adjustment factor is suspended in any calendar year in which an advance, or loan, from the federal government is still in repayment for the principal amount of the loan and delays the annual computation of the negative adjustment factor until January 1, 2015.
- Providing temporary state extended benefits to fulfill the federal option to adopt the alternative extended benefits trigger, as set forth in the American Recovery and Reinvestment Act of 2009, using the total unemployment rate rather than the insured unemployment rate calculation.

For the calculation of the 2010 taxes, the UC Trust Fund balance was about 0.89% of the previous 1-year taxable payrolls. Thus, the "low trigger" turned "on". The rates have been calculated for each Florida business that pays UC tax. The figures show that a business paying the minimum tax rate, which is the majority of Florida businesses--265,000, will see a tax rate increase from 0.0012 to 0.0118. This means that a business that paid \$8.40 per employee under the previous rate will pay \$100.30 per employee in 2010 if they continue at the minimum tax rate. Those businesses remaining at the maximum rate will see an increase from \$378 to \$459 per employee. Since most employers will have paid the \$8,500 wage base to their employees in the first or second quarter of the year, the bill will be due to these businesses in the first or second quarter of 2010.

Federal Loans, Interest Payments, and Tax Credits

Loans--Until recently, during the history of Florida's UC tax program, the UC Trust Fund has never become insolvent. In the aftermath of the 1973-1975 recession, the state anticipated the UC Trust Fund's reserves were insufficient to pay benefits. Consequently, the state twice requested advances from the federal government -- \$10 million in 1976 and \$32 million in 1977. However, Florida's trust fund remained solvent and the loans were never drawn down. With the exceptions of 1976 and 1977, Florida had never sought a federal loan, making this state one of only a few to avoid serious and chronic problems with trust fund insolvency. Economic conditions resulting in abnormally high unemployment accompanied by high benefit charges have caused a severe drain on the UC Trust Fund. On August 24, 2009, the trust fund balance fell to \$0 and federal advance monies were requested. As of February 3, 2010, about \$1.210 billion has been drawn down.

Interest Payments--Through the American Recovery and Reinvestment Act of 2009, no interest is charged against federal advances through December 31, 2010. However interest will begin accruing January 1, 2011, and the first payment is due September 2011. Interest payments may not be made out of the UC Trust Fund but must come from an alternative source. States may apply to USDOL for deferrals of interest for loans in certain situations; these include the delay of interest payments for interest accrued from May to September, and the deferral of interest payments if the individual unemployment rate (IUR) equals or exceeds 7.5 percent for the first 6 months of the last calendar year or if the total unemployment rate (TUR) equals or exceeds 13.5 percent or higher for the most recent 12 months. Interest continues to accrue even if a state receives a deferral to pay it. The interest rate charged is equal to the fourth calendar quarter yield on the Unemployment Compensation Trust Fund for the previous year, capped at 10 percent.

Federal Tax Credits--Florida employers will most likely experience a partial loss of the federal FUTA UC tax credit beginning on January 1, 2012, due to the existence of an outstanding federal advance; however, the value of the lost credit (essentially, of the increased federal taxes by 0.3 percent per year) offsets the outstanding loan balance. The credit reduction continues and escalates until such time as the loan is fully repaid. The Revenue Estimating Conference estimates that the first repayment to the federal government through the loss of the federal credit would be \$149 million in January 2012 and \$311 million in January 2013.¹

State Unemployment Compensation System

According to the United States Department of Labor (USDOL), the Federal-State Unemployment Insurance Program provides unemployment benefits to eligible workers who are unemployed through no-fault of their own (as determined under state law) and who meet the requirements of state law.² The program is administered as a partnership of the federal government and the states. There are 53 state programs, including the 50 states, Puerto Rico, the Virgin Islands, and the District of Columbia.

The individual states collect unemployment compensation (UC) payroll taxes on a quarterly basis, which are used to pay benefits, while the Internal Revenue Service collects an annual federal payroll tax under the Federal Unemployment Tax Act (FUTA).³ FUTA collections go to the states for costs of administering state UC and job service programs. In addition, FUTA pays one-half of the cost of extended unemployment benefits (during periods of high unemployment) and provides for a fund from which states may borrow, if necessary, to pay benefits.⁴ States are permitted to set eligibility conditions for UC benefit recipients, the amount and duration of benefits, and the state tax structure so long as the state provisions are not in conflict with FUTA or Social Security Act requirements. Florida's UC program was created by the Legislature in 1937 as part of the national unemployment insurance system.⁵ Florida's UC system is funded solely by employers who pay federal and state UC taxes, and is provided at no cost to the workers who receive the benefits.⁶

Administration of the Unemployment Compensation Program in Florida

The Agency for Workforce Innovation (AWI) is the current agency responsible for administering Florida's UC laws.⁷ Prior to October 1, 2000, the state's UC program was administered by the Division

¹ The additional Federal taxes paid are based on a Revenue Estimating Conference from February 19, 2010. <http://edr.state.fl.us/conferences/revenueimpact/pdf/page%2047-59.pdf> (last visited February 22, 2010).

² USDOL, State Unemployment Insurance Benefits, at <http://workforcesecurity.doleta.gov/unemploy/uifactsheet.asp> (last visited 01/31/2010).

³ FUTA is codified at 26 U.S.C. 3301-3311.

⁴ USDOL, Unemployment Insurance Tax Topic, at <http://workforcesecurity.doleta.gov/unemploy/uitaxtopic.asp> (last visited 01/31/2010).

⁵ Chapter 18402, L.O.F.

⁶ In addition to employer taxes, some states levy an unemployment tax on employees as a means to finance their UC programs (currently Alaska, New Jersey, and Pennsylvania).

⁷ Sections 20.50 and 443.171, F.S. All Florida statutes cited are 2009, unless otherwise indicated.

of Unemployment Compensation of the former Department of Labor and Employment Security.⁸ The Workforce Innovation Act of 2000 transferred the administration of the UC program from the department to AWI. Further, this legislation required AWI to contract with the Department of Revenue to provide unemployment tax collections services.⁹

The USDOL provides AWI with administrative resource grants from the taxes collected from employers pursuant to FUTA. These grants are used to fund the operations of the state's UC program. To determine each state's share of the administrative resource grants, USDOL uses the Resource Justification Model (a budget formulation and allocation system based on state workload and program cost) to annually allocate to each state a base grant for the federal fiscal year, plus a state may earn contingency grants throughout the year. Florida received a base grant of \$73.9 million for federal FY 2008 and \$77.8 million for federal FY 2009. The USDOL 2010 unemployment insurance state allocations planning budget estimates that Florida's base grant for federal FY 2010 is \$81.1 million.¹⁰ These funds finance the processing of claims for benefits by AWI, state unemployment tax collections performed by the Department of Revenue, appeals conducted by AWI and the Unemployment Appeals Commission, and related administrative functions.

AWI administers Florida's UC laws through its Office of Unemployment Compensation Services.¹¹ The Office of Unemployment Compensation Services consists of the Unemployment Compensation Benefits Section, the Benefits Payment Control Section, and the Office of Appeals. The Unemployment Compensation Benefits Section handles initial claims, questions about unemployment benefits, and other related issues.¹² The Benefits Payment Control Section monitors the payment of unemployment benefits in an effort to detect and deter overpayment and to prevent fraud.¹³ The Office of Appeals holds hearings and issues decisions to resolve disputed issues related to eligibility and claims for unemployment compensation and the payment and collection of unemployment compensation taxes. The Office of Unemployment Compensation Services also administers special unemployment compensation programs, such as disaster unemployment assistance, trade adjustment assistance, and UC for ex-service members and federal civilian employees.

State Extended Benefits

State extended benefits are extra benefits that can be paid to unemployed individuals after an individual's regular benefits have run out.¹⁴ These benefits are only available under certain conditions; the extended benefit period is not always available. Typically, under Florida law a state extended benefits period is only triggered "on" when the rate of insured unemployment (individual unemployment rate, or IUR), not seasonally adjusted, over the preceding 13 week period equals or exceeds 5 percent and 120 percent of the average for the period. When a state extended benefit period triggers "on," eligible individuals may receive another 13 weeks of unemployment benefits.

Individuals currently claiming benefits when the extended benefits period begins automatically receive extended benefits when they exhaust all available regular benefits. Individuals who are not in

⁸ Section 11(4)(f), ch. 2000-165, L.O.F. The Department of Labor and Employment Security was abolished by the Legislature in 2002. Ch. 2002-194, L.O.F. Statutory "clean-up" was done by ch. 2003-36, L.O.F., to correct references and clarify duties of both AWI and the Department of Revenue.

⁹ The contract requirement and the duties of DOR were clarified by ch. 2003-36, L.O.F.

¹⁰ In addition to the base grant amounts, states earn additional funds each quarter for actual UC claims workload above the base. Information obtained from UDSOL website on the UI Budget at <http://www.workforcsecurity.doleta.gov/unemploy/budget.asp#tflows> (last visited 01/31/2010). The base grant amount includes allocation for postage. The federal fiscal year runs from October 1 to September 30 of the next year.

¹¹ Section 20.50(2)(c)1., F.S.

¹² AWI operates call centers for initial UC claims and questions about continuing claims. These centers are located in Tallahassee, Orlando, and Fort Lauderdale. AWI contracted with a third party to open an additional call center in Orlando to handle overflow calls (approved by the Legislative Budget Commission on February 18, 2009, to handle additional UC workload); this call center began taking calls ahead of schedule in June 2009 in order to take calls related to state extended benefits, and became a fully operational call center in August 2009, taking all types of UC related calls.

¹³ Unemployment compensation fraud is a third-degree felony and is subject to prosecution by the State Attorney. Section 443.071, F.S. A third-degree felony is a crime punishable by a maximum penalty of \$5,000 and up to five years in prison.

¹⁴ Section 443.1115, F.S.

continuous reporting status or who have had intervening employment since last receiving benefits, have to apply for extended benefits so that their eligibility can be determined based on the requirements of ss. 443.091 and 443.101, F.S. Generally, eligible individuals are those persons who still meet criteria to receive regular benefits. However, different from the eligibility for regular benefits, individuals may be disqualified from receiving extended benefits if:

- The individual failed to apply for or accept suitable work; or
- The individual failed to furnish evidence that he or she is actively engaged in a systematic and sustained effort to find work.

Individuals receive weekly benefit amounts equal to the average benefit amounts the individual was receiving in the regular benefit period. An individual may receive a total amount of extended benefits equal to the lesser of:

- 50 percent of the total regular benefits payable in his or her benefit year; or
- 13 times the individual's benefit amount for one week in his or her benefit year.

Federal law provides that when state extended benefits trigger "on" the federal government will share 50 percent of the benefit cost for all insured employers; essentially the federal government will pay 50 percent of extended benefit costs to private employers. The state and local governments in Florida are self-insured and are not eligible for federal sharing.¹⁵ In 2009, CS/CS/SB 810 in part, authorized and created a temporary state extended benefits program for unemployed individuals in order to qualify for federal funds under the Recovery Act.¹⁶ Florida's temporary state extended benefits program was effective between February 1, 2009, and January 2, 2010.¹⁷ Temporary state extended benefits triggered "on" on February 1, 2009, and triggered "off" on December 12, 2009. Individuals who exhausted regular benefits and emergency federal extended benefits between February 22, 2009, and December 12, 2009, were eligible for temporary state extended benefits to be paid for up to 20 weeks until January 2, 2010.¹⁸ By implementing a temporary state extended benefits period based upon the average total unemployment rate (TUR), Florida qualified for 100 percent funding, also known as federal sharing, for the state extended benefits for private employers (approximately \$418 million in stimulus funds). The related Recovery Act funds are paid from a separate federal general revenue account and do not affect the balance of Florida's UC Trust Fund.

In December, Congress extended from January 1 to February 28 the time that the federal government would fund 100% of state extended benefits for former private sector employees. State legislation passed in the 2009 session was written to expire with the applicable stimulus funding.

EFFECT OF PROPOSED CHANGES

Sections 1 and 2

These two sections extend the "State Extended Benefits" (EB) program, effective January 2, 2010. In December, Congress extended from January 1 to February 28 the time that the federal government would fund 100% of state extended benefits for former private sector employees. There is no cost to private employers, however, like the original extended benefits provision, reimbursing employers like state and local governments are not covered by the federal government and must pay themselves. EB will cover up to 8 additional weeks for claimants. EB is not charged to employers and has no effect on an employer's experience rating. Approximately 15,000 Floridians would be eligible to receive additional weeks compensation through EB.

¹⁵ Section 204 of the Federal-State Extended Unemployment Compensation Act of 1970; 20 C.F.R. s. 615.14 (2006).

¹⁶ Section 443.1117, F.S. See ss. 4, 5, and 7, ch. 2009-99, L.O.F.

¹⁷ The temporary state extended benefits were to be available for 13 to 20 weeks, depending on the average total rate of unemployment. Because of Florida's high unemployment rate, temporary state extended benefits were available for the 20 week time period.

¹⁸ Benefits were made available retroactive to the date SB 810 was signed into law.

These two sections also establish the time period for state extended benefits eligibility and mirrors what was passed recently by the federal government to pay 100% of the extended benefits.

Section 3

This section reduces the maximum taxable wage base per employee from \$8,500 to \$7,000 for two years. In 2012, the wage base returns to \$8,500 and then sunsets back to \$7,000 in 2015 under current law provisions. These changes will have the effect of reducing employers' unemployment compensation taxes for 2010 and 2011. However, the wage base sunset in 2015 is suspended in any calendar year in which principal on advances is due to the federal government.

Section 4

This section suspends the Unemployment Compensation Trust Fund positive adjustment tax rate factor for the next two years. Regardless of the balance in the Unemployment Compensation Trust Fund, no associated rate increase will be triggered since the positive adjustment factor will not be applied. The factor is effective again beginning January 1, 2012 with a three year recoupment period and then returns to a four year recoupment period under current law provisions, January 1, 2015. These changes will have the effect of reducing employer's unemployment compensation taxes for 2010 and 2011 compared to current law. Further, this section changes the definition of "taxable payroll" as used by the Department of Revenue in annual tax rate calculations. Tax rate calculations will be based on a per employee maximum taxable wage of \$8,500 beginning in 2012 instead of \$7,000 under current law. This section also provides direction to the Department of Revenue on how to calculate an employer's rate in 2012 and 2013 because of variances in wage data availability.

This section also provides for payment of interest on federal advances through an employer assessment. The Revenue Estimating Conference is charged with determining the estimate by December 1 of the year prior to the due date for the interest payment. The Department of Revenue must make the assessment prior to February 1 of the year the interest is due based upon a formula. The assessment rate is the same for all employers. It is calculated by dividing the estimated amount of interest owed by 95 percent of taxable wages for all employers for the year ending June 30 of the prior year. To determine an employer's payment, the formula multiplies an employer's taxable wages for the year ending June 30 of the prior year by the rate that the formula just determined. An employer has five months to pay the assessment, by June 30. These interest assessments will be held in an account pending payment to the federal government. The first interest payment to the federal government will be due in September, 2011. Provision is also made to postpone or eliminate an assessment if the federal government postpones or forgives interest due on advances. In the year that all advances from the federal government, including interest, are repaid by the state, any excess interest remaining will be credited back to employers' accounts within the UC Trust Fund. Further, should any provision interfere with the ability of the state to receive interest relief or prevent employers from qualifying for limitations on the reduction in the federal tax credit, that provision is invalid.

Section 5

This section allows employers to make their 2010 and 2011 UC tax payments in quarterly installments without interest or penalties as long as the employer makes the quarterly filing and payment according to the new schedule. However, any penalties, interest, or fees that were due prior to this new schedule will continue to accrue as well as on any missed filings under the new schedule. The Department of Revenue is authorized to charge an annual fee of up to \$5 to employers that choose to participate in the new quarterly payment schedule. This annual fee is estimated to generate \$1.8M in both FY 2009-10 and FY 2010-11 for the Department of Revenue to administer the quarterly payment plan.¹⁹

¹⁹ The annual employer installment fees generated are based on a Revenue Estimating Conference from February 19, 2010. <http://edr.state.fl.us/conferences/revenueimpact/pdf/page%2047-59.pdf> (last visited on February 22, 2010)

Section 6

This section provides budget authority to the Agency for Workforce Innovation and the Department of Revenue to implement the changes made in the bill, appropriating \$1.55 million for that purpose

Section 7

This section provides that the bill fulfills an important state interest.

Section 8

Provides the bill is effective upon becoming law so it may be implemented immediately and is retroactive to June 29, 2009, unless otherwise provided

B. SECTION DIRECTORY:

Section 1. Amends s. 443.1117, F.S., to provide for federally-funded state extended benefits for a time certain.

Section 2. Provides for applicability of changes made in s. 443.1117, F.S.

Section 3. Amends s. 443.1217, F.S., by reducing the taxable wage base for two years, returning the wage base back to \$8,500 in 2012, and reducing the wage base to \$7,000 in 2015 unless there are outstanding federal funds due to the federal government.

Section 4. Amends s. 443.131, F.S., to suspend the Unemployment Compensation Trust Fund positive adjustment factor for two years, provide a definition of "taxable payroll," provide direction to the Department of Revenue in 2012 on the employer rate calculation, require an employer assessment to pay interest if due, credit or suspend interest collection under certain circumstances, and terminate provisions that interfere with interest relief or federal tax credits.

Section 5. Amends s. 443.141, F.S., to provide a schedule and cost provisions for employer unemployment tax quarterly payments for 2010 and 2011.

Section 6. Provides an appropriation to two agencies to implement the bill.

Section 7. Provides that the bill fulfills an important state interest.

Section 8. Except as otherwise provided, provides the bill is effective upon becoming law, retroactive to June 29, 2009.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See FISCAL COMMENTS below.

In addition to the impacts described in the FISCAL COMMENTS, on February 19, 2010, the Revenue Estimating Conference adopted an estimate that the \$5 annual installment fees administrative charge will generate \$1.8M in both FY 2009-10 and FY 2010-11 for the Department of Revenue to administer the quarterly payment plan.

2. Expenditures:

The bill will cost the state \$179,677 to implement the extended benefits provisions since the state is a “reimbursing” employer not eligible for federal cost sharing of extended benefits. The fiscal impact to the Department of Revenue for implementing the unemployment compensation tax change in FY 09/10 is \$903,462, \$1,201,047 in FY 10/11, \$677,130 in FY11/12, with a recurring impact of \$387,700.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

The bill will cost local governments approximately \$432,956 to implement the extended benefits provisions since local governments are “reimbursing” employers not eligible for federal cost sharing of extended benefits.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Under the provisions of the bill, in general, businesses will see a significant reduction in their current unemployment compensation tax bill as compared to current law provisions.²⁰ However, individual employer experience will vary considerably. Regarding extended benefits, approximately 15,000 unemployed individuals in Florida who have exhausted regular benefits and the federal emergency UC benefits will be eligible for up to 8 weeks of state unemployment benefits. This will come at no cost to private employers and will not affect their contribution rates. The cost will be covered 100% by federal funds.

D. FISCAL COMMENTS:

As displayed in the table below, the legislation provides short term relief to businesses by reducing the UC tax in 2010 and 2011 below current law requirements. However, this will result in greater borrowing from the federal government to pay benefits, more interest due to the federal government on that borrowing than under current law, and a delay in restoration of a positive fund balance. Delaying restoration of a positive fund balance increases the fund’s vulnerability to further shortfalls should another national or state economic recession occur within the next several years.

²⁰ This is a staff estimate, not produced by Office of Economic and Demographic Research or the Revenue Estimating Conference.
STORAGE NAME: h7033b.FTC.doc **PAGE:** 9
DATE: 2/22/2010

Selected Estimated U.C. System Financial Components (*)
(All Numbers in Millions of \$)

	State Taxes (***)			Ending TF Balance (**)			Federal Loans Ending Balance		
	Current	Proposed	Diff.	Current	Proposed	Diff.	Current	Proposed	Diff.
2009-10	1,596	654	(942)	0	0	0	1,028	1,970	942
2010-11	2,216	1,281	(934)	0	0	0	1,719	3,595	1,876
2011-12	2,475	2,559	84	0	0	0	1,601	3,394	1,792
2012-13	2,632	2,419	(213)	0	0	0	709	2,715	2,006
2013-14	2,641	2,398	(243)	596	0	(596)	0	1,672	1,672
2014-15	2,185	2,241	56	1,014	0	(1,014)	0	533	533
2015-16	1,844	2,148	304	1,133	752	(381)	0	0	0
2016-17	1,783	1,960	177	1,225	1,014	(212)	0	0	0
2017-18	1,768	1,820	51	1,359	1,187	(172)	0	0	0
2018-19	1,760	1,794	34	1,584	1,426	(158)	0	0	0

	Interest			Additional Federal Tax		
	Current	Proposed	Diff.	Current	Proposed	Diff.
2009-10	0	0	0	0	0	0
2010-11	0	0	0	0	0	0
2011-12	76	130	54	149	149	0
2012-13	104	192	88	311	311	0
2013-14	68	164	96	486	486	0
2014-15	0	115	115	0	665	665
2015-16	0	57	57	0	846	846
2016-17	0	0	0	0	0	0
2017-18	0	0	0	0	0	0
2018-19	0	0	0	0	0	0

*-- Estimates adopted by the Revenue Estimating Conference on February 19, 2010. **The estimates do not assume another national or state economic recession within the next 10 years.**

**--Estimates assume that positive cash flow to the fund is used to pay down outstanding federal loan balances.

***--Assumes 80% of employers take advantage of the installment payment option.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

To the extent this bill requires cities and counties to expend funds to pay state extended benefits for eligible former employees for an additional number of weeks, the provisions of Section 18(a) of Article VII of the State Constitution may apply. If those provisions do apply, in order for the law to be binding upon the cities and counties, the Legislature must find that the law fulfills an important state interest (see section 7 of the bill) and one of the following relevant exceptions:

- a. Appropriate funds estimated at the time of enactment to be sufficient to fund such expenditures;
- b. Authorize a county or municipality to enact a funding source not available for such local government on February 1, 1989, that can be used to generate the amount of funds necessary to fund the expenditures;
- c. The expenditure is required to comply with a law that applies to all persons similarly situated, including state and local governments; or

d. The law is either required to comply with a federal requirement or required for eligibility for a federal entitlement.

Similarly situated refers to those laws affecting other entities, either private or governmental, in addition to counties and municipalities. Because the bill would impact all persons similarly situated, this exception appears to apply.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES

On February 17, 2010, the Finance & Tax Council adopted 3 amendments:

- The first amendment removes repetitive language and clarifies a reference to the tax collection service provider in section 4.
- The second amendment addresses s. 443.131(5)(b), F.S., providing that in the final year that all advances from the federal government, including interest, are repaid by the state, any excess interest is to be credited back to employers' accounts in the Unemployment Compensation Trust Fund.
- The third amendment authorizes the Department of Revenue to charge an annual fee of up to \$5.00 to employers that choose to participate in the quarterly payment schedule for wages paid in FY 09/10 and FY 10/11 in section 5. This amendment also adjusted the FY 09/10 appropriations amounts needed to administer the bill, \$903,642 nonrecurring funds to the Department of Revenue, and \$643,862 nonrecurring funds to the Agency for Workforce Innovation, in section 6.