Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **H.B. 478** DATE: **July 22, 1997**

STATUS: **As Introduced** SPONSOR: **Rep. Corbin**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

CONTENTS: **Makes numerous changes to the Bureau of Employment Services, including removing the seasonal employer status and lowering employer contribution rates**

State Fiscal Highlights

STATE FUND	FY 1998	FY 1999	FUTURE YEARS
Fund 331, Unemployment Compensation Administration			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Indeterminate decrease	Indeterminate decrease	Indeterminate decrease
Unemployment Compensation Trust Fund			
Revenues	Approximately $7.6 million loss	Approximately $7.6 million loss	Approximately $7.6 million loss
Expenditures	Potential decrease	Potential decrease	Potential decrease

- The bill removes seasonal employer status. Employers designated as seasonal are distinguished by their limited operating period (40 weeks or less each year) and their limited unemployment compensation responsibilities. Expenditures for the Bureau of Employment Services would decrease with repeal of the seasonal employer status. All current seasonal employer claims are processed by hand, so removing the seasonal employer status would reduce administrative expenditures from Fund 331.

- The bill lowers the standard employer contribution rate from 3.0% to 2.7% for non-experienced employers (i.e., new). For non-experienced construction employers, the rate is lowered to either the average construction contribution rate or the 2.7%, which ever is greater. According to the BES, this change will lower unemployment compensation revenues by approximately $7.6 million per year. Because the Unemployment Compensation Trust Fund currently has a balance of around $1.9 **b**illion, the loss of revenue should not directly affect the fund's ability to meet future unemployment compensation payments.

- Unemployment compensation eligibility requirements for students are changed. Currently, a person who becomes unemployed while attending school meets the availability and active search requirements of the Unemployment Compensation Law. They must, however, have earned at least part of their qualifying weeks while attending school. Interpretation of the current law was that a student be enrolled in school to meet the availability requirement for unemployment compensation. This bill adds language that specifies a student must *attend* school during weeks they receive unemployment compensation benefits. It is possible that total benefit payments will decrease due to this change. This would lower expenditures from the Unemployment Compensation Trust Fund.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1998	FY 1999	FUTURE YEARS
Political Subdivisions Designated as Seasonal Employers			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase	Potential increase	Potential increase

- With repeal of the seasonal employer status, any political subdivision with employees under this classification could realize an increase in expenditures. These employers would be responsible for unemployment compensation benefits outside of their "season." The fiscal effect on these political subdivisions will vary according to the number of individuals eligible and the number receiving benefits. Most seasonal employers, though, are from the private sector. Due to the difficulty of establishing a separate seasonal and non-seasonal employer status, only a limited number of seasonal employers are political subdivisions.

Detailed Fiscal Analysis

Several provisions in this bill have fiscal effects. Others do not have fiscal effects, but merit discussion. Provided below is a list of those provisions.

Seasonal Employer Status Removed

Under this bill, the seasonal employer status is removed. This will have an effect on both the state and political subdivisions. First, the Bureau of Employment Services will realize a decrease in expenditures. Due to the labor-intensive nature of examining and processing seasonal employer claims, expenditures for Fund 331 should decline. Seasonal employer claims are more labor intensive because benefit payments do not fall strictly along employer/employee lines. For seasonal employers, they are only responsible for unemployment compensation claims during their seasonal period. Another employer or the mutualized account pays unemployment compensation claims outside this time[1]. Therefore, it takes the BES staff more time to review claims to determine who is charged for what. With approximately 210 seasonal employers, removing the seasonal employer status will lower expenditures for the Bureau of Employment Services.

Second, eliminating the seasonal employer status could raise expenditures for some political subdivisions. Political subdivisions with a seasonal status could be responsible for unemployment compensation benefits outside of their season. As indicated, seasonal employers are currently responsible for unemployment benefit payments incurred during their season. Since several seasonal employers are political subdivisions, removing the seasonal status could raise their unemployment compensation costs.

Lower Contributory Rates

The bill lowers the standard employer contribution rate from 3.0% to 2.7% for non-experienced employers (i.e., new employers). For non-experienced construction employers, the rate is lowered to either the average construction contribution rate or 2.7%, whichever is greater. According to the BES, this change will lower unemployment compensation revenues by approximately $7.6 million per year. Because the Unemployment Compensation Trust Fund currently has a balance of around $1.9 **b**illion, the loss of revenue will not directly affect the fund's ability to meet future unemployment compensation payments.

Student Unemployment Compensation Eligibility

Unemployment compensation eligibility requirements for students are changed. Currently, a person who becomes unemployed while attending school meets the availability and active search requirements of the Unemployment Compensation Law. They must, however, have earned at least part of their qualifying weeks while attending school. Interpretation of this current law was that a student be enrolled in school to meet the availability requirement for unemployment compensation. This bill adds language that specifies a student must "attend"

[1] All contributory employers fund the "mutualized account". Its purpose is to pay unemployment compensation benefits when it appears that no "contributory employer" can be properly charged.

school during weeks they receive unemployment compensation benefits. It is possible that total benefit payments will decrease. This would lower expenditures from the Unemployment Compensation Trust Fund.

1990 Contributory Employer Surcharge

Language regarding the 1990 contributory employer surcharge is removed (sec. 4141.251). This will have no fiscal effect upon the Bureau of Employment Services or its Benefit Automation Fund (Fund 5A5). In fact, revenues from the 1990 surcharge will continue to be collected by the BES. It is expected that these revenues will continue for a period of years to come. Repealing the language that instituted the surcharge will not affect the future receipt of these revenues.

Applications for Benefit Rights

Under current law, to become eligible for unemployment compensation benefits, an individual must meet two criteria: monetary and non-monetary. The first, monetary, requires an individual to have at least 20 qualifying weeks of work at an average weekly wage of 27.5% or greater of the Ohio average weekly wage. Second, an individual must also meet separation requirements (i.e., the individual was permanently laid-off, etc.). For each of these determinations, the BES will send two notifications each to the employer and the individual. As sometimes happens, the monetary determination may indicate that the individual meets the unemployment compensation requirements, while the non-monetary determination may indicate otherwise. The bill will essentially put the two-determination methods together by adding a "disqualifying" criterion. This will allow the BES to issue just one determination. The Trust Fund should not be fiscally affected by this change.

Because the BES' benefit automation project will not be completed until around the year 2000, this section of the bill does not become effective until October 1, 2000.

Work-Relief Positions

The bill removes the requirement that the Bureau of Employment Services provide certain training under the Social Security Act to members of families receiving Aid to Dependent Children. This change will not have a fiscal effect because this program has not been in operation for several years.

Unemployment Compensation Review Commission

Under this bill, a requirement that Unemployment Compensation Review Commission members' salaries be paid from the Administration fund (Fund 331) is removed. It appears that this change will allow members' salaries to be paid from any fund. Depending upon the availability of funds, the salaries could still be paid from the Administration fund. It is likely that the only other fund that will pay the members' salaries is the Special Administrative Fund (4A9).

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