Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **Sub. H.B. 478**

DATE: **November 18, 1997**

STATUS: **As Reported by Senate Insurance, Commerce and Labor**

SPONSOR: **Rep. Corbin**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

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

State Fiscal Highlights

STATE FUND	FY 1998	FY 1999	FUTURE YEARS
Unemployment Compensation Trust Fund			
Revenues	Approximately $3.8 million loss	Approximately $7.6 million loss	Approximately $7.6 million loss
Expenditures	Potential decrease	Potential decrease	Potential decrease

- 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 2.7%, whichever is greater. According to the BES, this change will lower unemployment compensation revenues by approximately $7.6 million per year (or about $3.8 million in FY 1998, depending on the effective date of the bill). 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.

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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
Counties -- Human Services Departments			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase	Potential increase	Potential increase

- The bill, as introduced, included a potential expenditure increase for political subdivisions designated as seasonal employers. This version of the bill also carries a potential expenditure increase for these political subdivisions, but for a slightly different reason. Although this bill retains the seasonal employer language that was removed under the as introduced bill, it removes current language under 4141.33(C) that allows benefit charges outside a seasonal employer's seasonal period to be charged to the mutualized account. This means that seasonal employers would be responsible for paying the portion of unemployment compensation benefits incurred during their season regardless of whether or not the claim was filed during that season. For example, take a person who works for a seasonal employer for 10 weeks and then leaves to accept a position with a non-seasonal employer. Then assume the individual becomes unemployed, through no fault of their own, after working another 16 weeks. Also assume the individual meets the minimum earnings requirement necessary to become eligible for unemployment compensation. Under this bill then, both the seasonal and the non-seasonal employer unemployment compensation accounts will be assessed to pay for the individual's unemployment benefits[1].

- County departments of human services could also be fiscally affected. Currently, section 4141.16(A) requires the administrator to make available the name, address, occupation and employment status of each recipient of unemployment benefits to county directors of human service departments when requested by them. This bill adds language that requires the county human service departments to pay the Bureau for the actual cost of furnishing that information. Therefore, county human service departments, if they request this information, will incur additional expenses.

[1] Unless one or both employers are reimbursing employers. This means that they pay for unemployment compensation charges as they are incurred, versus paying quarterly into the Unemployment Compensation Trust Fund. The latter type of employers are called contributory.

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 Changed

The bill retains seasonal employer status, but appears to prevent the Bureau from charging the mutualized account for seasonal employer unemployment costs. The bill, however, does add language (section 4141.24(D)(2)) that allows a court, on appeal, to decide whether the mutualized account can be charged for unemployment compensation benefits. Expenditures for the Bureau of Employment Services will likely remain unchanged.

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Seasonal employers are distinguished by their limited operating period (40 weeks or less each year) and, currently, their limited unemployment compensation responsibilities. They are only responsible for unemployment compensation claims during their seasonal period. Under current law, another employer or the mutualized account pays unemployment compensation claims outside this time[3].

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

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[2] Unless one or both employers are reimbursing employers. This means that they pay for unemployment compensation charges as they are incurred, versus paying quarterly into the Unemployment Compensation Trust Fund. The latter type of employers are called contributory.

[3] 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.

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" 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 for several more years. This will happen because employers will continue to submit delinquent taxes from the period when the surcharge was in effect. Repealing the language that instituted the surcharge, therefore, would appear to be essentially a "housekeeping" detail.

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 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. However, the BES will not be able to issue just one determination until its benefit automation project is completed. For this reason, this section of the bill does not become effective until October 1, 2000. The Trust Fund should not be fiscally affected by this change.

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 (Fund 4A9).

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