HOUSE COMMITTEE ON APPROPRIATIONS

2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 1770 **PRINTER'S NO: 2282** **PRIME SPONSOR: Gergely**

FISCAL IMPACT SUMMARY	FY 2009/10	FY 2010/11
Expenditure Increase/(Decrease):		
General Fund	See Analysis	See Analysis
Local Government Funds	See Analysis	See Analysis

OVERVIEW:

House Bill 1770 would add a temporary, alternative trigger mechanism to the state's current unemployment compensation Extended Benefit (EB) system in order to meet federal requirements and provide eligible claimants an additional seven weeks of federally funded EB benefits.

The act shall take effect immediately.

ANALYSIS:

Under current state and federal law, claimants are eligible for 26 weeks of unemployment compensation, paid through the Unemployment Compensation Trust Fund. Reimbursable employers (government entities and nonprofit organizations) which do not pay into the UC Trust Fund reimburse the Fund dollar-for-dollar for applicable claimants.

In addition, currently, Extended Unemployment Compensation (EUC) allows eligible claimants an additional 33 weeks of benefits after the initial 26 weeks are exhausted. As a result of recent legislation, the federal government pays for EUC benefits for all claimants, including those of reimbursable employers.

The EB program is a joint state-federal unemployment compensation (UC) program that provides additional weeks of benefits when the unemployment rate in a particular state reaches a certain pre-determined level. EB benefits may be payable to eligible claimants who have exhausted their regular UC benefits and any emergency unemployment benefits that may be authorized by the federal government. Extended Benefits (EB) are normally funded 50% by the federal government and 50% by the state (with the exception of reimbursable employers).

Under the federal law, states have two options for "triggering on" to EB benefits:

- based upon an "insured unemployment rate" (IUR) exceeding 5%, if the IUR is also 20% higher than it was during the prior two years; or
- based upon a "total unemployment rate" (TUR) that exceeds 6.5% over a three month period, if the TUR is also 10% higher than in the prior two years.

Pennsylvania law currently uses the IUR trigger and does not include the TUR trigger. Using the current IUR trigger in state law, EB triggered on in February based on the Insured Unemployment Rate exceeding 5%. This allowed eligible claimants for an additional 13 weeks of EB. As a result of recent legislation, the federal government pays for EB benefits, including those associated with reimbursable employers who are nonprofits. Reimbursable employers who are government entities must reimburse the Fund dollar-for-dollar for these 13 weeks of EB.

Under House Bill 1770, EB claimants could receive an additional seven weeks of benefits, after those 13 weeks, if the three month average TUR reaches 8%. As with the aforementioned additional 13 weeks of EB, the federal government would pay for EB benefits, including those associated with reimbursable employers who are nonprofits.

According "Pennsylvania's Employment Situation: May 2009", the state's unemployment rate (TUR) rose to 8.2% in May 2009. If the TUR trigger is enacted, an estimated 57,000 claimants in Pennsylvania may be eligible to receive these additional EB benefits. Again, the federal government would pay for EB benefits, including those associated with reimbursable employers who are nonprofits. As with the additional 13 weeks triggered under current law, reimbursable employers who are government entities will reimburse the Fund dollar-for-dollar. To the extent that a claimant who was a government employee is eligible for these additional benefits, after exhausting the 72 weeks of benefits provided for under current law, a government entity may incur some cost as a reimbursable employer.

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