SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1770 **PRINTER'S NO.** 2515

AMOUNT 1) $500,000 in FY 2009-10 to the Commonwealth
2) $2.6 million to local governments

FUND 1) General Fund
2) Local Funds

DATE INTRODUCED

June 24, 2009

PRIME SPONSOR

Representative Gergely

HISTORY OF BILL

Referred to LABOR & INDUSTRY, June 24, 2009
Reported as committed, July 1, 2009
First consideration, July 1, 2009
Re-committed to RULES, July 1, 2009
Re-reported as committed, July 2, 2009
Re-committed to APPROPRIATIONS, July 2, 2009
Second consideration, July 6, 2009
Third consideration, July 6, 2009

IN THE SENATE

Referred to LABOR & INDUSTRY, July 10, 2009
Reported as amended, July 27, 2009
First consideration, July 27, 2009
Re-referred to APPROPRIATIONS, July 27, 2009
Re-reported as committed, July 28, 2009

DESCRIPTION AND PURPOSE OF BILL

The following summary of House Bill 1770 was prepared and provided by the staff of Senator John Gordner, chairman of the Senate Labor and Industry Committee:

The legislation amends the Act of Dec. 5, 1936 (2nd Sp. Sess., 1937 P.L. 2897, No. 1), known as the Unemployment Compensation Law, to allow previously employed claimants who have exhausted seventy-two (72) weeks of benefits to apply for an additional seven (7) weeks of extended benefits. The seven (7) additional weeks are provided at no cost to private employers through the American Recovery and Reinvestment Act of 2009 (ARRA). The total cost of the additional seven (7) weeks for previously employed state, county, municipal or public school claimants would be assessed to the claimant's former employer.

Under existing law, unemployment compensation (UC) claimants are eligible for twenty-six (26) weeks of UC benefits and forty-six (46) weeks of emergency and extended benefits for a total of seventy-two (72) weeks of benefits. The forty-six (46) additional weeks are comprised of:

- Thirteen (13) weeks of 100% federally-funded Tier 1 Emergency Unemployment Compensation (EUC) provided for under the federal Supplemental Appropriations Act of 2008.
- Seven (7) weeks of 100% federally-funded Tier 1 EUC provided for under the federal Unemployment Compensation Extension Act of 2008.
- Thirteen (13) weeks of 100% federally-funded Tier 2 EUC provided for under the federal Unemployment Compensation Extension Act of 2008 for states with a total unemployment rate of 6% or higher.
- Thirteen (13) weeks of extended benefits (EB) under the Unemployment Compensation Law when the Commonwealth's insured unemployment rate equals or exceeds 5%.
    - The ARRA provides 100% federal funding for the cost of EB paid to claimants of contributory employers.
    - Reimbursable employers, including the state, counties, municipalities and school districts, are assessed 100% of the cost of EB for former employees.

All UC benefits paid out to claimants under the standard UC program are charged to the "reserve accounts" of employers. There are two types of employers under the law: contributory and reimbursable. Contributory employers are those that pay contributions (taxes) into the Unemployment Compensation Fund. The contribution rate is calculated through the assessment of several factors. The rate is then applied to a wage base equal to the first $8,000 of wages paid to each employee.

Reimbursable employers are those that, in lieu of normal UC contributions, reimburse the Unemployment Compensation Fund directly for the amount of regular benefits paid out to a claimant. Reimbursable employers include the Commonwealth as well as political subdivisions and nonprofit corporations which opt to become reimbursable employers under the law.

HOUSE BILL 1770
TOTAL UNEMPLOYMENT RATE "ON" INDICATOR

Consistent with the terms of the ARRA and the Federal-State Extended Unemployment Compensation Act of 1970, Section 1 of the bill authorizes an optional "on" indicator to trigger an additional seven (7) weeks of extended benefits. This section provides for the optional "on" indicator only during the period of 100% federal funding under the ARRA or any subsequently enacted provision of federal law.

- The "on" indicator is in effect for any week when:
  - The average total unemployment rate for the preceding three month period equals or exceeds 6.5%; and
  - The average total unemployment rate for the preceding three-month period equals or exceeds 110% of the average total unemployment rate for either, or both, of the corresponding three-month periods in the two preceding calendar years.
- The bill also adjusts the amount of extended benefits that a claimant is eligible to receive during a period of "high unemployment" when the total unemployment rate exceeds 8%. The "high unemployment" benefit amount is the least of the following:
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  - 80% of the total amount of regular benefits which were payable to a claimant during a benefit year.
  - Twenty (20) times the weekly benefit amount which was payable during the benefit year.

- Forty-six (46) times the weekly benefit rate, reduced by the total amount of benefits which were paid during the benefit year.

EXISTING LAW
INSURED UNEMPLOYMENT RATE "ON" INDICATOR

Sections 401-A through Section 405-A of the Unemployment Compensation Law provide an "on" indicator for EB for any week when:

- The average insured unemployment rate for the preceding thirteen-week period equals or exceeds 5%; and

- The average insured unemployment rate for the preceding thirteen-week period equals or exceeds 120% of the average insured unemployment rate for the corresponding thirteen-week period in each of the two preceding calendar years.

The maximum amount of extended benefits that a claimant is eligible to receive during an insured unemployment "on" indicator week is the least of the following:

- 50% of the total amount of regular benefits which were payable to a claimant during a benefit year.

- Thirteen (13) times the weekly benefit amount which was payable during the benefit year.

- Thirty-nine (39) times the weekly benefit rate, reduced by the total amount of benefits which were paid during the benefit year.

FISCAL IMPACT:

The seven additional weeks of extended benefits are provided by the federal government through the American Recovery and Reinvestment Act (ARRA). Because the Commonwealth is classified as a reimbursable employer, the state is required to directly reimburse the Unemployment Compensation Fund (the Fund), dollar-for-dollar, for the cost of providing seven additional weeks of extended benefits to its former employees. The state Department of Labor and Industry (the Department) estimates that providing the seven additional weeks of extended benefits will require the Commonwealth to reimburse the Fund about $500,000 in FY 2009-2010.

Counties, municipalities, and public school districts are also classified as reimbursable employers and as such, would also be liable for a dollar-for-dollar reimbursement of the cost of the seven weeks of extended benefits to their former employees. The Department estimates the total cost for which the counties, municipalities, and school districts could be liable is about $2.6 Million. Attached is a breakout of the estimated $2.6 Million potential cost by local government entity, provided by the Department.