SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 1030

PRINTER'S NO. 1239

AMOUNT	**FUND**
FY 2011-12: Net $8.5 Million Savings	Unemployment Compensation Trust Fund
FY 2010-11/2011-12: $1.2 Million	General Fund & Other State Funds
FY 2010-11/2011-12: $2.2 Million	Local Government Employers

DATE INTRODUCED

April 28, 2011

PRIME SPONSOR

Senator Gordner

HISTORY OF BILL

Referred to LABOR AND INDUSTRY, April 28, 2011

Reported as amended, May 10, 2011

First consideration, May 10, 2011

Second consideration, May 11, 2011

Re-referred to APPROPRIATIONS, May 11, 2011

Re-reported as amended, May 23, 2011

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 1030 amends the Unemployment Compensation Law. The bill adds Section 302.1 which specifies the provisions by which employers are granted relief from charges for benefits that were awarded to ineligible claimants. The section delineates those circumstances for which an employer may file a request with the Department of Labor and Industry for relief from charges. The section also allows employers automatic relief from charges for ineligible claims, without the need for filing a written request with the Department, under specific provisions of the Unemployment Compensation Law. The automatic relief from charges would occur only after the claimant's notice of determination has become final. Sections 213, 302, and 302.1(a),(b),(d),(e) would apply to charges for compensation corresponding to benefit years that begin on or after the Act takes effect in 60 days. Section 302.1(c), addressing automatic relief from charges without a request, would take effect upon notice of the Secretary of Labor and Industry in the Pennsylvania Bulletin.

Section 401(b) requires claimants to undertake an active work search for suitable employment. The Department shall establish requirements for claimants to register for job search activities offered by CareerLinks, post resumes on CareerLinks' database, and apply for positions on the database that offer similar employment and wages to those prior to separation. The requirements do not apply if the claimant is laid off due to lack of work and is advised by the employer of a date on which the claimant will return to work. Currently there is no job search requirement for the regular 26-week state unemployment compensation program. The bill deletes obsolete language requiring a claimant to register for work and report to a local employment office. This section shall apply to benefit years beginning on or after January 1, 2012.

Section 404 (d) (1) delays compensation until the exhaustion of severance pay exceeding 50% of the annual average wage ($22,013). Current law does not address severance wages in the computation of benefits. This section shall apply to benefit years beginning on or after the Act takes effect. This section takes effect in 60 days.

Section 404 (e) (2) (I) calculates the maximum weekly benefit rate as equal to 66 2/3 percent of the average weekly wage for the 36-month period ending June 30 of the preceding calendar year. If the calculated rate is less than the current rate, the old rate shall be used until it is exceeded. Current law established the weekly benefit rate as equal to 66 2/3 percent of the average weekly wage for the 12-month period ending June 30 of the preceding calendar year. The Amendment provides that this calculation shall apply to benefit years that begin on or after January 1, 2013.

Section 505 permits either party to testify at a hearing via telephone, without regard to the distance of the hearing location. Currently, regulations provide that parties may request telephone testimony and referees may or may not grant the request; both parties must agree to the request; and the requesting party must reasonably demonstrate an inability to personally testify due to compelling employment, transportation, or health issues. This section shall take effect in 60 days, upon the Board's establishment of Rules governing telephone testimony.

The bill adds Article XIII to provide for a Shared Work Program. The shared work program would allow employers to voluntarily avoid layoffs by reducing the hours worked by employees in a specifically defined unit and would make the employees in the affected unit eligible for unemployment compensation for the reduced hours. This Article shall take effect upon publication in the Pennsylvania Bulletin or July 1, 2011, whichever occurs later.

Finally, Section 401-A of the Unemployment Compensation Law provides an "alternative 'on' indicator" for the purposes of extended unemployment benefits for Pennsylvania's citizens for the period of December 17, 2010 until December 31, 2011. Under current law, there are two "on" indicators that must be present in order for extended weeks of benefits to take effect. The first indicator is present when the current week and the preceding 12 weeks equal or exceed 120% of the average unemployment rate for the same 13 week period in the two preceding calendar years. The second "on" indicator is that the total unemployment rate must exceed 5%.

The bill provides for an alternative "on" indicator for the period December 17, 2010 until December 31, 2011, allowing for a three-year look back period. This alternative look back period was authorized by Congress through the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

The alternative look back period is necessary because on May 20th, the U.S. Department of Labor announced that the Commonwealth had dropped below the current two-year "on" indicator. Therefore, this change to the law will prevent about 45,000 Pennsylvania claimants from losing their eligibility to collect an additional 13 weeks of benefits as of June 11th. By amending this section, an additional 90,000 claimants will remain eligible throughout the remainder of the calendar year to collect the additional 13 weeks of extended benefits. The Department estimates that the alternative three-year look back period will result in an additional $350 million in federally funded extended benefits being paid to these claimants. Private sector employer costs for extended benefits are 100% covered by the federal government. Public sector employers must cover 100% of the costs for extended benefits paid to eligible claimants. This section shall apply retroactively to December 18, 2010.

FISCAL IMPACT:

The Department of Labor and Industry's Center for Workforce Information and Analysis has analyzed and determined the following annualized fiscal impacts for the provisions of this bill to the Unemployment Compensation Trust Fund, as amended:

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

	Total Annualization	FY11/12	FY12/13
Active Work Search	$23M	$11.5M	$23M
Severance Pay Delay	$22M	$11M	$22M
Auto Relief from Charges	($14M)	($14M)	($14M)
Telephone Testifying	$0	$0	$0
Maximum Weekly Benefit Rate Calculation	$19M	$0	$9.5M
TOTAL SAVINGS	$50M	$8.5M	$40.5M

Because the Active Work Search and the Severance Pay – Delay of Benefits provisions will take effect January 1, 2012, only half the annual savings will be realized in FY 2011-12. The full cost of implementing the provisions for Automatic Relief from Charges without Request by the Department will be incurred in FY 2011-12. The Maximum Weekly Benefit Rate Calculation change will occur on January 1, 2013 and therefore, only half the savings of $9.5 M is anticipated for FY 2012-13. The Shared Work Program is expected to result in some savings. The amount of benefits resulting from a full-time employee layoff will be lessened by his or her participation in a shared work program, resulting in a reduced payment from the Trust Fund.

The Alternative Lookback Period for Extended Benefits through December 31, 2011 will be implemented immediately and retroactively to December 18, 2010. State Government, as an employer, is anticipated to incur costs of $1.2 Million in FY2010-11/2011-12. Local Government employers are expected to incur costs of $2.2 Million in FY2010-11/2011-12.