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sHB-5480
AN ACT CONCERNING UNEMPLOYMENT COMPENSATION BENEFITS.

## *OFA Fiscal Note*

### *State Impact:*

| Agency Affected | Fund-Effect | FY 19 $ | FY 20 $ |
|---|---|---|---|
| Labor Dept. | UCF - Savings | Up to 70.2 million | Up to 93.5 million |
| Labor Dept. | Employment Security Administration Fund - Cost | Up to 800,000 | None |
| Labor Dept. | Employment Security Administration Fund - Uncertain | See Below | See Below |
| State Comptroller - Fringe Benefits | Various - Savings | Potential | Potential |

Note: UCF=Unemployment Compensation Fund; Various=Various

### *Municipal Impact:*

| Municipalities | Effect | FY 19 $ | FY 20 $ |
|---|---|---|---|
| Various Municipalities | Savings | Potential | Potential |

### *Explanation*

The bill makes various unemployment benefits-related changes which result in an estimated savings to the Unemployment Compensation Fund (UCF) of up to $70.2 million in FY 19 and up to $93.5 million in FY 20, as well as a one-time cost of up to $800,000 to the Department of Labor's (DOL) Employment Security Administration Fund (ESAF) in FY 19.

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Increasing, from $600 to $2,000, the minimum base period earnings required for non-construction workers to qualify for unemployment benefits is estimated to result in an annualized savings of less than $1 million to the UCF. It should be noted that United States Department of Labor has indicated that implementing different formulas for determining unemployment benefit eligibility and amounts for construction workers versus all other workers is out of conformity with federal law. Lack of conformity with federal law could risk federal funding of up to $53 million currently utilized by the DOL to administer the state unemployment insurance program.

Freezing the maximum unemployment benefit at the current value of $616 until the average high cost multiple (ACHM) of the UCF is at least 0.7 results in an estimated annualized savings of $33.5 million. This estimate assumes the ACHM will remain below 0.7 through at least 2025.

Expanding the circumstances under which a claimant is prohibited from receiving unemployment benefits concurrently with severance pay results in an estimated annualized savings of up to $59 million. This is based on the number of dismissal pay issues adjudicated by the DOL in 2016.

Establishing each day of an absence (rather than up to two consecutive days) as an instance of absence for unemployment eligibility purposes results in a minimal savings to the UCF.

It is anticipated that implementing the benefits changes under the bill's provisions would also result in a one-time cost of up to $800,000 in FY 19 to the ESAF associated with business plan development, implementation/testing, and information technology programming.[1]

To the extent the bill's provisions result in lower unemployment benefits paid to claimants, there is a potential savings to the state and

[1] It should be noted that the ESAF is federally funded; however, receipt of funding is contingent upon federal approval. To the extent that federal funding is not approved, this cost would be borne by the agency's General Fund budget.

municipalities as reimbursing employers.[2]

### *The Out Years*

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation

*.Sources: Labor Department Unemployment Division Statistics*

[2] Reimbursing employers are billed by the DOL for the actual amount of benefits paid to former employees collecting unemployment; this option is only available to the state, municipalities, Native American tribes, and non-profits.