

H.B. 18 Fiscal Note Attachment A Unemployment Insurance Amendments

(Prepared by Bill Starks, Unemployment Insurance Director, 12/14/2009)

The American Recovery and Reinvestment Act of 2009 (HR 1) was enacted 2/17/2009. Section 2003 of the Act provides for special transfers of \$7 billion of funds to states that modernize their unemployment eligibility provisions to benefit more unemployed workers. Utah's potential share of the distribution is \$60,997,206, which would be deposited into the Unemployment Insurance (UI) Trust Fund within 30 days of the required legislation. The funds are restricted to be used for unemployment compensation and other UI purposes. The state law must provide for an "Alternate Base Period" as a condition to receive 1/3 of the distribution or \$20,332,402.

The federal legislation also provided a \$500 million distribution to states, without condition of passage of "modernization provision" enactment, for UI administrative functions. Utah's share of the distribution was \$4,356,943, distributed to the Utah UI Trust Fund in March 19, 2009. These funds must be appropriated by the legislature and are restricted to UI administrative purposes only.

The Unemployment Insurance Amendments would provide the following:

Alternate Base Period (Sec. 35A-4-201(1))

This essentially means that if a claimant did not monetarily qualify for benefits using the current "standard base period" (first 4 of the last 5 completed calendar quarters) that the department would look at the claimant's "alternate base period" (the last 4 completed calendar quarters) to determine eligibility.

- Annually an estimated 1,730 more claimants would be eligible for an additional \$3.2 million in unemployment benefits
- One time estimated development costs are \$250,000 and annual administrative costs of \$200,000 per year (\$190,000 staffing and \$10,000 postage)

Eliminate the current UI "20 week rule" (Sec. 35A-4-403(1)(f)(ii))

Currently in Utah, if a claimant does not monetarily qualify for benefits using the "standard base period" (1.5 times your high quarter in your base period and earned at least \$3,000) you may qualify by providing proof of 20 weeks of employment with at least \$150 in each week. The "20-week rule" is eliminated if the "alternate base period" provision is adopted.

- In CY 2008 only 236 claimants (.3% of all claimants) monetarily qualified for \$629,336 in benefits under this provision. We anticipate that approximately 80% of these claimants would monetarily have qualified for benefits with the proposed "alternate base period".
- Annually an estimated 50 claimants per year would not monetarily qualify for benefits under the "standard base period" or the "alternate base period" amounting to approximately \$100,000 annual savings to the trust fund.
- An estimated \$50,000 annual administrative savings (staffing & postage) is expected.

Annual Report of Impact of Amendments (Sec. 35A-4-403(4))

The legislation requires the department to provide an annual report to the legislature and Advisory council concerning the impact on claimants and the trust fund as a result of the amendments.

- The departments can provide required reports from existing federal UI administrative funding thus no fiscal impact of this requirement

Federal Requirements to obtain \$61 million UI Modernization Distribution

- The state law must provide for an “Alternate Base Period” as a condition to receive 1/3 of the distribution or \$20.3 million. Must also have this provision before being eligible for the remaining 2/3 of the distribution.
- The state law has a provision for “Part-Time Employment” allows Utah to receive another 1/3 of the distribution or \$20.3 million.
- The state law has a provision for allowing benefits for “Compelling Family Reasons” allows Utah to receive another 1/3 of the distribution or \$20.3 million.