

Brief on HB 428

Unemployment Insurance Amendments

April 20, 2009

February 17, 2009 the American Recovery and Reinvestment Act of 2009 was enacted. 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 \$61 million, which would be deposited into the UI Trust Fund within 30 days of enactment of the required changes to the state amendments. The funds are restricted to be used for unemployment purposes.

January 22, 2009 the Workforce Services Employment Advisory Council unanimously endorsed the following UI amendments, conditional on passage of the now enacted federal legislation. HB 428 would provide the following amendments:

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 benefits
- Currently 28 states have an alternate base period provision in their law.

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. It was recommended the "20-week rule" be 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 savings to the trust fund.
- Utah is one of only three states (Ohio & NJ) with a "20 week rule".

Part-time Employment (Sec. 35A-4-403(1)(c))

This would eliminate the requirement that claimants seek full-time work if they had a majority of part time work in their base period; seeking only part time work would no longer be disqualifying for people who normally work part time.

- Annually an estimated 2,000 more claimants would be eligible for an additional \$5.8 million in benefits.
- Currently 24 states have legislation that allows part-time workers to collect unemployment while seeking part-time work.

Quit for Compelling Family Reasons (Sec. 35A-4-405(1)(d))

An individual shall not be disqualified from regular unemployment compensation for separating from employment if that separation is for any compelling family reasons. The term ‘compelling family reason’ means the following: (i) domestic violence (ii) illness or disability of an immediate family member, (iii) the need for the individual to accompany such individuals spouse to a place from where it is impractical to commute; and is due to a change in location of the spouse’s employment.

- Currently both provisions (i) and (ii) are typically awarded UI benefits in Utah law under the “equity and good conscience” provisions thus for practical purposes only provision (iii) needs to be modified in Utah.
- Annually an estimated 430 claimants per year would be eligible for an additional \$1.9 million in benefits.
- Currently 29 states have coverage for compelling family reasons

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 department estimates the enhanced benefit enhancements will cost \$10.8 million per year and impact 4,110 claimants (based on FY 2009 and projected FY 2010 unemployment rates).

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. This provision is required before being eligible for the remaining 2/3 of the distribution.
- Two of four additional incentives options must be enacted to be eligible to receive the remaining 2/3 of the distribution or \$40.7 million in incentive money.
- The only two additional options given any serious consideration were the "part-time employment" and the "quit to accompany spouse" provisions below, mainly because of cost considerations.
- 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.
- The state law must be permanent without a “Sunset Provision”, however the law could later be modified or even repealed provided the state enacted the provision in good faith.

Special \$500 Million Transfer for UI Administration

Provides a \$500 million distribution to states, without condition of passage of UI modernization laws, for UI administrative functions. Utah’s share of the distribution is \$4.3 million and was distributed to Utah in March 2009. Funds are limited to the following purposes:

- Administration of the incentive provisions.
- Outreach to individuals who may now be eligible for unemployment compensation.
- Improvement to UI benefit and tax operations.
- Staff assisted re-employment services to UI claimants.