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FISCAL IMPACT STATEMENT

LS 6318
BILL NUMBER: SB 152

NOTE PREPARED: Dec 14, 2023
BILL AMENDED:

SUBJECT: Unemployment Compensation.

FIRST AUTHOR: Sen. Alexander
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill reduces the maximum amount of regular unemployment benefits to 14 times the individual's weekly benefit. (Under current law, the maximum amount of regular unemployment benefits is 26 times the individual's weekly benefit or 28% of the individual's wage credits, whichever is less.) It provides for additional benefits in an amount not to exceed two times the individual's weekly benefit if the individual meets certain conditions. It removes outdated provisions. It also makes conforming changes.

Effective Date: July 1, 2024.

Explanation of State Expenditures: *Unemployment Insurance Benefit Fund:* Reducing the number of weeks that an individual could receive unemployment benefit payments from 26 weeks for regular benefits to 14 weeks plus two weeks with job training would reduce expenditures from the Unemployment Insurance Benefit Fund for unemployment benefit payments by an estimated 13% during periods of low unemployment and around 24% during periods of high unemployment. The reduction in benefit payments from the Unemployment Insurance Benefit Fund will be greater during periods of high unemployment. If unemployment benefit claims remained at the same levels as in FY 2023, a 13% reduction in benefit payments would reduce annual benefit payments by $26.6 M. Unemployment benefit payments in FY 2023 totaled $203 M. A 24% reduction in benefit payments from FY 2010, when unemployment was high, would be $336 M. That estimate applies the FY 2023 average weekly benefit amount to the number of FY 2010 benefit payments and duration of unemployment from FY 2010.

Ultimately, the impact of the proposal on expenditures for unemployment benefits will depend on the total number of unemployment insurance beneficiaries in future years, the duration of benefit payments, and the number of claimants who receive 14 weeks of benefits and participate in job training and are able to access two additional weeks of benefit payments.

State as an Employer: The bill would reduce state expenditures for unemployment benefits depending on the number of laid off state employees who would receive fewer weeks of unemployment benefits under the bill. The bill is estimated to reduce expenditures for unemployment insurance benefits by 13-24%. Based on FY 2023 unemployment benefits paid out for state employees, the reduction in cost for state agencies as employers would be approximately $113,000, around a third of that amount paid from state General Fund appropriations. In FY 2023, 363 state employees claimed unemployment benefits of $848,825. The state is a reimbursable employer for unemployment benefits which means that the state pays the actual amount of benefits when state employees are laid off instead of paying state unemployment taxes (SUTA) into the Unemployment Insurance Benefit fund. [This bill has the potential to impact all agencies as employers, thus impacting all funds that provide operating funds to agency staff.]

Department of Workforce Development (DWD): The DWD will incur administrative costs associated with the changing the duration of unemployment insurance benefits, and determining whether claimants are participating in a job-training program that would make them eligible to receive an additional two weeks of unemployment benefits. The costs of administering the unemployment compensation program are typically paid through federal funds.

<u>*Additional Information*</u> - The number of unemployment insurance claimants and the length of time that they receive unemployment benefits can vary significantly depending on economic conditions. During periods of low unemployment, the number of unemployed individuals receiving benefits is lower and the average duration of unemployment is shorter. Based on national data from the Bureau of Labor Statistics on the duration of unemployment, in October 2023, when the Indiana unemployment rate was 3.3%, the period of unemployment was 14 weeks or less for 66% of unemployed workers. During periods of high unemployment, more people are unemployed and the average duration of unemployment is longer. In January 2010 when the Indiana unemployment rate was 11.6%, only 42% of unemployed workers had an unemployment period which lasted 14 weeks or less.

The bill would also reduce the number of weeks of extended unemployment benefits that individuals in Indiana could get when extended benefits are in force in Indiana from 13 weeks to 7 weeks. When unemployment is at high levels, and certain economic triggers are met, individuals are eligible for extended benefits for the lesser of 13 weeks or 50% of the number of weeks that individuals are eligible for regular benefits. Typically states pay half of extended benefits and the federal government pays the other half. Under temporary federal laws, the federal government has paid the full cost of extended benefits for certain periods, such as in 2020, when the federal government paid 100% of extended benefits available in Indiana between the weeks of July 4, 2020, through November 14, 2020.

The Unemployment Insurance Benefit Fund is funded by quarterly contributions made by employers. The amount of each employer's contribution is based on each employer's individual unemployment account history (experience balance) and tax rate. Unemployment insurance benefits are paid by employer premiums. The balance of the fund at the end of FY 2023 was $1.5 B. The maximum weekly benefit amount is $390 per week.

<u>Explanation of State Revenues:</u>

<u>Explanation of Local Expenditures:</u> The bill would impact local units as employers. Local employers who are reimbursable employers for unemployment benefits would have reduced expenditures for unemployment benefits when their employees are laid off.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development, All.

Local Agencies Affected: All.

Information Sources: Bureau of Labor Statistics. (2023). Duration of Unemployment, Seasonally Adjusted. https://www.bls.gov/charts/employment-situation/duration-of-unemployment.htm; STATS Indiana. Indiana Unemployment Rate Time Series. https://www.stats.indiana.edu/laus/laus_view3.html; U.S. Department of Labor Employment & Training Administration. (2003-2023). Monthly Program and Financial Data. Indiana. https://oui.doleta.gov/unemploy/claimssum.asp.

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