

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 3431 - SB 3658

March 13, 2012

SUMMARY OF BILL: Defines “making a reasonable effort to secure work” for the purposes of unemployment insurance eligibility. Requires the administrator to conduct random verification audits of 1,000 claimants weekly to determine if claimants are complying with the requirement of contacting at least three employers per week or accessing services at a Department of Labor and Workforce Development (DLWD) career center. Requires the disqualification of any claimant who has provided for at least eight weeks, any false work information or who has been incarcerated during any week of unemployment. Adds the following to the list of disqualifying events: any week the claimant receives remuneration in the form of wages in lieu of notice; the claimant received a severance package from an employer that includes an equivalent amount of salary the employee would have received during employment; the claimant was discharged following an offer by the employer of a similar job with equivalent compensation; the claimant has an offer of work withdrawn due to the claimant’s refusal to submit to a drug test or a positive test result. Defines “misconduct” and “wages in lieu of notice”.

ESTIMATED FISCAL IMPACT:

On February 10, 2012, a fiscal note was issued that indicated the following fiscal impact:

Increase State Expenditures – \$463,600/One-Time/General Fund

Decrease State Expenditures –

Exceeds \$100,000/Recurring/Unemployment Insurance Trust Fund

Other Fiscal Impact – Based on information provided by DLWD, federal administrative funds may be shifted from other projects to fund a portion of one-time costs. No increase in overall federal funding is expected. The precise amount of surplus federal funds available that are currently designated to a different project cannot be determined. Any use of federal administrative expenditures for the Unemployment Insurance program is subject to approval by the United States Department of Labor.

Upon further review by the Department of Labor and Workforce Development, this impact was in error. The Department has provided new information regarding expenditures; therefore, the fiscal impact is as follows:

HB 3431 - SB 3658 (CORRECTED)

(CORRECTED)

Increase State Expenditures – \$122,000/One-Time/General Fund

Decrease State Expenditures –

Exceeds \$100,000/Recurring/Unemployment Insurance Trust Fund

Other Fiscal Impact – Based on information provided by DLWD, federal administrative funds may be shifted from other projects to fund a portion of one-time costs. No increase in overall federal funding is expected. The precise amount of surplus federal funds available that are currently designated to a different project cannot be determined. Any use of federal administrative expenditures for the Unemployment Insurance program is subject to approval by the United States Department of Labor.

Assumptions:

- The additional disqualifying events clarify the current eligibility requirements; specifying these events as disqualifications will not have a significant impact on the number of eligible claimants.
- According to DLWD, multiple computer programming changes will be required and will be completed by an outside vendor. Changes include changes to necessary documents; system changes to handle increased audits; changes for verifying that job search requirements are met; changes to reflect automatic disqualification of benefits for claimants failing to meet requirements; system design changes to allow employers to submit information prior to a claim being filed; and various database changes. A one-time increase for programming changes in state expenditures of \$121,995.
- An increase in verification audits will lead to additional claimants being disqualified from receiving benefits. The most recent DLWD labor market report showed an average duration for receiving benefits of 15 weeks; however those claimants who have filed false work information for at least eight weeks are assumed to exhaust 26 weeks of benefits currently. The average weekly benefit amount is \$238. More claimants will be incentivized to comply with the requirements due to increased enforcement.
- The precise number of claimants that will be incentivized to comply with the requirements and the number disqualified as a result of the increased number of audits cannot be determined; however the recurring decrease in state expenditures from the UITF is reasonably estimated to exceed \$100,000.
- Based on information provided by DLWD, federal administrative funds may be shifted from other projects to fund a portion of one-time costs. No increase in overall federal funding is expected. The precise amount of surplus federal funds available that are currently designated to a different project cannot be determined. Any use of federal administrative expenditures for the Unemployment Insurance program is subject to approval by the United States Department of Labor. Therefore, the one-time increase in state expenditures of \$121,995 will require a one-time appropriation from the General Fund.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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