

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 439 (Second Edition)

SHORT TITLE: Omnibus ESC Changes

SPONSOR(S): Senator Clodfelter

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
EXPENDITURES					
Employment Securities Commission					See Assumptions and Methodology
POSITIONS: (cumulative)					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Employment Securities Commission				
EFFECTIVE DATE:	This act is effective when it becomes law.				

BILL SUMMARY: The proposed legislation makes omnibus changes to the Employment Security laws of North Carolina. Individuals can claim unemployment benefits, if at the time of leaving work, an adequate disability or health condition existed for the employee, a minor child, an aged or disabled parent, or a disabled member of the individual's immediate family. Domestic violence program participant status is expanded, including situations where evidence exists of domestic violence as defined in the legislation. A technical change required by the US Department of Labor limits refunds upon employers transferring to reimbursement status. Unemployed individuals are not disqualified for eligibility for unemployment compensation benefits solely on the basis that they are only available for part-time work, assuming the conditions specified in the legislation are met. The proposed legislation also deems leaving work to accompany a spouse who has been reassigned, including military assignments, is good cause for leaving work and the disqualification for benefits is reduced.

ASSUMPTIONS AND METHODOLOGY: Several of the proposed changes to the employment laws of North Carolina are technical in nature and will not have a General Fund impact. Only those changes deemed to have a financial impact on the Employment Securities Commission (ESC) are detailed below.

Section 1 allows unemployment benefits claims for employees if the disability or health related condition is with minor children, aged or disabled parents, or members of their immediate family. In 2002, the ESC had 11,516 claimants qualifying for health related quits, totaling \$27,249,000 in benefits (an average of \$2,366 per claimant or 6 weeks of benefits). Based on claims disallowed, the ESC estimates another 5,000 claimants for family illnesses would be accepted under the proposed legislation. The table below shows the estimated cost (in \$ millions) associated with the additional claims, adjusted 2% for inflation over time.

FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08
\$11.83 M	\$12.07 M	\$12.31 M	\$12.55 M	\$12.81 M

Section 5 would allow claims for unemployment benefits for individuals who meet the conditions surrounding part-time work. For 2002, the ESC had 471,912 claimants in total, including 139,361 claimants with multiple employers in the base period. All of these claimants were instructed to look for full-time work. Had they been allowed to look for multiple part-time positions, they may have been able to return to work faster and cut time spent on unemployment benefits. **Though there is no way to estimate how many individuals would meet the qualifications and pursue part-time work, overall state unemployment benefit payments may be reduced.**

Section 6 would allow shorter disqualifications for benefits paid to individuals who receive trailing spouse benefits. In 2002, there were 660 claimants for a total of \$899,518 in benefits. If the disqualification were to be reduced from five weeks to two weeks, benefits paid would be approximately \$539,710 more for a total of \$1.44 million. The table below shows the additional estimated cost associated with the benefits paid, adjusted 2% for inflation over time.

FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08
\$539,710	\$550,504	\$561,514	\$572,744	\$584,199

This section of the proposed legislation also allows no disqualification period for spouses of military personnel reassigned. Currently there are 43,326 military spouses in North Carolina. A scenario under the proposed bill would provide unemployment benefits to a spouse leaving work to follow a military member from a North Carolina base to another in-state base or a base in another state. The family must actually be reassigned or move from one base to another, not simply be assigned to active duty in a specific engagement. **Because of the uncertain military conditions surrounding the Middle East, there is no way to estimate how many military reassignments may occur.** Using the average benefits payment of \$1,363 per claimant, for every 1% of military reassignments, the proposed change would cost approximately \$590,000. In practice, the Commission sees short lengths of unemployment benefits due to military reassignments because of the career counseling and assistance provided by the military.

SOURCES OF DATA: Employment Securities Commission

TECHNICAL CONSIDERATIONS: None.

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DATE: April 17, 2003



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