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FISCAL IMPACT STATEMENT

LS 7016

BILL NUMBER: SB 321

NOTE PREPARED: Mar 2, 2006

BILL AMENDED: Feb 28, 2006

SUBJECT: Unemployment Insurance.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR: Rep. Torr

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 X FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill transfers numerous rulemaking and administrative duties of the Unemployment Insurance Board (Board) to the Department of Workforce Development (Department).

The bill reduces from 150 to 30 days the time within which a successor employer is required to file an application to assume a predecessor employer's experience account.

The bill establishes civil penalties for an individual who fails to disclose or falsifies information to receive a benefit.

It provides additional circumstances in which an administrative law judge or the review board may hold hearings by telephone.

The bill provides that the Department may not disclose to an employer the current address or location of a claimant who is the victim of family or domestic violence, and that an employer or its agent that is aware that a claim has been made shall keep that information confidential.

The bill repeals and restates provisions concerning an individual's failure to disclose earnings and witness fees. The bill repeals language: (1) concerning Board rules; and (2) requiring the Board to print and distribute certain material.

The bill authorizes the department to allocate not more than \$2 million dollars annually from the Special Employment and Training Services Fund to establish reemployment training accounts for dislocated

Department employees.

The bill permits an employer that employs fewer than 20 full-time employees to opt out of the Skills 2016 Training Program, including payment of the program's assessments and provides that an employer that opts out of the program is not eligible to receive a program grant.

The bill makes technical corrections. It makes conforming amendments.

Effective Date: Upon passage; July 1, 2006; January 1, 2007.

Explanation of State Expenditures: *Rulemaking and Administrative Duties:* Transferring some of the rulemaking and administrative duties from the Unemployment Insurance Board to the Department of Workforce Development should have no fiscal impact on the state.

150 Days to 30 Days: The provision to reduce the time for an employer to assume a predecessor employer's experience account from 150 to 30 days should have no state fiscal impact.

Administrative Law Judge: Allowing the expansion of hearings by telephone by an administrative law judge or the review board may reduce the cost of holding a hearing and reduce the time before a hearing can be held.

Domestic Violence: The provision of the bill requiring that the Department may not disclose to an employer the current address or location of a claimant who is the victim of family or domestic violence should have no fiscal impact.

Special Employment and Training Services Fund: The bill allows the Department to allocate up to \$2 M annually to establish reemployment training accounts for Department employees dislocated by a reduction in funding, centralization or decentralization, or the implementation of more efficient technology or service delivery system.

Background: Currently the Fund consists of interest and penalties collected employers delinquent in unemployment taxes. The fund is used to pay refunds of interest on delinquent contributions and penalties improperly collected, and the costs of administration that are not chargeable against federal grants or other funds. The revenue to the fund for FY 2005 was about \$5.7 M, expenditures were about \$3 M, and the fund balance on June 30, 2006 was about \$20.4 M.

Explanation of State Revenues: *Civil Penalties:* The provision establishing civil penalties for an individual who fails to disclose or falsifies information to receive a benefit could increase revenue for the Special Employment and Training Fund.

The civil penalty is:

1. An amount equal to 25% of the benefit overpayment for the first instance.
2. An amount equal to 50% of the benefit overpayment for the second instance.
3. An amount equal to 100% of the benefit overpayment for the third and each subsequent instance.

Skills 2016 Training Fund: The bill would reduce the revenue into the Skills 2016 Training Fund. For FY 2005 the fund received \$17,497,100 from the 0.09% assessment on the previous year's unemployment insurance taxable wages. The bill would exempt employers with fewer than 20 full-time employees from the assessment.

For the first quarter of CY 2005, the number of employers reporting with fewer than 20 employees made up about 84.3% of the units reporting and about 22.7% of the total collection. The reduction in revenue is estimated to be about \$2.3 M annually. However, employers and the state could also have a reduction in administrative cost because of the change in the reporting requirements. The employer would be ineligible for grants from the fund.

Background Information: The balance in the Skills 2016 Training Fund as of June 30, 2005, was approximately \$42.6 M. The Fund had expenditures of about \$9.5 M in FY 2004 and \$7.8 M in FY 2005.

The statutory purpose for the Skills 2016 Training Program is the following: (1) to improve manufacturing productivity levels in Indiana; (2) to enable firms to become competitive by making workers more productive through training; (3) to create a competitive economy by creating and retaining jobs; (4) to encourage the increased training necessary because of an aging workforce; and (5) to avoid potential payment of unemployment compensation by providing workers with enhanced job skills.

Explanation of Local Expenditures: *Skills 2016 Training Fund:* The impact on small local units would be as an employer. (See also *Explanation of State Revenues.*)

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development; Unemployment Insurance Board, Indiana Economic Development Corporation..

Local Agencies Affected: All.

Information Sources: Department of Workforce Development.

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