

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 8 (First Edition)

SHORT TITLE: Industrial Disaster Unemployment Benefits.

SPONSOR(S): Senators Kerr, Purcell

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					
Unemployment Insurance Trust Fund		** See Assumptions and Methodology**			
POSITIONS: None					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
Employment Security Commission, Unemployment Insurance Division					
EFFECTIVE DATE:	This Act is effective when it becomes law.				

BILL SUMMARY: The Act removes the one-week waiting period for unemployment insurance (UI) benefit claimants who are unemployed due directly to a major industrial disaster that destroys substantially all of the physical facilities of a manufacturing plant. Under current statute, an unemployed person seeking UI benefits from the Employment Security Commission (ESC) must wait one week after an initial claim is filed before receiving benefits.

ASSUMPTIONS AND METHODOLOGY:

Risk of Overpayment

The primary purpose of the one-week waiting period is to allow ESC to confirm the validity of an individual's benefit claim. Waiving the waiting period for UI benefits in situations where there is *uncertainty* regarding the validity of a claim, would increase the risk of overpayment of benefits due to fraudulent or otherwise ineligible claims. This overpayment would increase costs to the Unemployment Insurance Trust Fund. In situations where there is *no uncertainty* regarding the validity of a claim, there is virtually no risk of overpayment. This analysis assumes that any claims filed pursuant to the Act will be clearly valid (i.e., the reason for separation from employment will be well established) and will, thus, pose no risk of overpayment. **The Act will, therefore, impose no cost on the UI Trust Fund as a result of overpayment.**

Effect on Weeks of Benefits Paid

The Act does not affect the total number of weeks of State unemployment insurance benefits for which targeted workers are eligible. No individual may receive greater than 26 weeks of benefits per benefit year. By waiving the one-week waiting period required by current statute, however, the Act does ensure that individuals receive benefit payments sooner than they would under current statute. Assuming an individual does not use the maximum number of weeks of benefits for which she is eligible, this expedited receipt of benefits will increase the number of weeks of benefits received by the individual prior to returning to work. Regardless of how long the individual receives benefits (short of the maximum for which the individual is eligible) before returning to work, they will have received one more week of benefits than they would have in the absence of the Act. **This payout of “additional” benefits will have some fiscal impact on the UI Trust Fund.** Based on the assumptions described below, this analysis estimates that impact to be up to approximately \$40,800 for FY 2002-03.

The effects on the UI Trust Fund in a given fiscal year will depend primarily upon several factors: (1) number of qualifying disaster events, (2) number of workers eligible for waiver of the waiting period pursuant to the Act, and (3) number of workers who file claims for benefits for fewer than the maximum for which they are eligible. According to staff at ESC, an industrial disaster at a plant that causes 225 workers to be unemployed and eligible for UI benefits is likely to produce approximately 100 workers who file claims for fewer than the maximum weeks of benefits for which they are eligible. If each of these workers were to receive the State maximum weekly benefit each week, the total impact of their “additional” week would be \$40,800. The following calculation illustrates how this amount is reached:

$$100 \text{ workers} \times \$408 \text{ (maximum weekly benefit)} = \$40,800 \text{ in “additional” benefits paid}$$

It is unlikely that all 100 workers would receive the maximum weekly benefit. Therefore, assuming only one qualifying industrial disaster in FY 2002-03, the total payout may well be less than \$40,800.

Since it is not possible to predict accurately the number of qualifying industrial disasters that will occur in future years, an estimate of fiscal impact on the UI Trust Fund going forward is not available.

SOURCES OF DATA: Employment Security Commission

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