

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 439 (First 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. The definition of “undue family hardship” is expanded and includes claims for individuals unable to accept work instead of specific shifts. Domestic violence program participant status is expanded. 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 increases the definition of undue family hardships to allow unemployment benefits claims for employees if the disability or health related condition is with any member 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 out of North Carolina. Currently there are 43,326 military spouses in North Carolina. **Because of the uncertain military conditions surrounding the Middle East, there is no way to estimate how many military reassignments out of North Carolina 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.

SOURCES OF DATA: Employment Securities Commission

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