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FISCAL IMPACT STATEMENT

LS 6240 | **NOTE PREPARED:** Dec 6, 2023
BILL NUMBER: SB 100 | **BILL AMENDED:**

SUBJECT: Unemployment Benefits.

FIRST AUTHOR: Sen. Pol | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
X FEDERAL

Summary of Legislation: The bill amends the definition of "wage credits". It specifies the rate for unemployment insurance benefits for initial claims filed by an individual who is totally unemployed for any week beginning after June 30, 2024. The bill specifies, for initial claims filed for any week beginning after June 30, 2024: (1) the maximum weekly benefit amount; and (2) an additional weekly benefit for eligible and qualified individuals with dependents.

Effective Date: July 1, 2024.

Explanation of State Expenditures: *Unemployment Insurance Benefit Fund:* The bill would increase unemployment benefit payments by an estimated 27%. If unemployment benefit claims remained at the same levels as in FY 2023, a 27% increase in benefit payments would increase annual benefit payments by $55.8 M. The bill makes several changes to unemployment insurance benefit calculations that could cause significant increases to benefit payments for unemployment insurance from the Unemployment Insurance Benefit Fund. The bill increases the maximum weekly benefit amount from $390 per week to $445 per week. It also provides an additional $50 per dependent up to a maximum of $150 per week for three dependents.

The number of unemployment insurance claimants and the length of time that they receive unemployment benefits can vary significantly depending on economic conditions. The bill's impact to the Unemployment Insurance Benefit Fund will be greater during periods of high unemployment. Ultimately, the impact will depend on the total number of unemployment insurance beneficiaries in future years who are able to get increased weekly benefits and/or an additional weekly amount based on their number of dependents.

State as an Employer: The bill would increase state expenditures for unemployment benefits depending on the number of laid off state employees who would be eligible for an increased weekly benefit and dependent assistance for unemployment claimants who have dependents. The bill is estimated to increase unemployment insurance benefits by 27%. Based on FY 2023 unemployment benefits paid out for state employees, the increase in cost for state agencies as employers would be approximately $232,000. In FY 2023, 363 state employees claimed unemployment benefits of $848,825. The state is a reimbursable employer for unemployment benefits which means that the state pays the actual amount of benefits when state employees are laid off instead of paying state unemployment taxes (SUTA) into the Unemployment Insurance Benefit fund. [This bill has the potential to impact all agencies as employers, thus impacting all funds that provide operating funds to agency staff.]

Department of Workforce Development (DWD): The DWD will incur administrative costs associated with the changes to the unemployment insurance benefit calculations. The costs of administering the unemployment compensation program are typically paid through federal funds.

Additional Information - The bill would change the basis of the calculation of unemployment insurance benefits from the total wages in the base period, to the highest quarter in the base period. [This change reverts to how the benefit amounts were calculated prior to 2012]. This would calculate benefits based on the highest quarterly wage earnings in the base period, not to exceed $10,625 (increased from $9,250). The benefit under the bill is 5% of the first $2,000 and 4% of the wage credits over $2,000. The weekly benefit amount = [$2,000*0.05+(10,625-2,000)*0.04], not to exceed $445. The bill also allows for an additional benefit amount of $50 per eligible dependent, and not to exceed $150 per week. Under current law, unemployment benefits are calculated as 47%*(total base period wages)/52 rounded down to the nearest dollar. The maximum weekly benefit under current law is $390.

The change in calculations based on the highest wage credits and increase in the maximum weekly benefit may cause an increase in claimant benefit amounts by 15%, which is anticipated to cost $30.9 M based on FY 2023 unemployment benefit levels. Lastly, an additional $50 per eligible dependent may increase benefit payments by $24.8 M, increasing benefit payment amounts by 12%. The estimate is based off of Indiana unemployment benefits data from the U.S. Department of Labor Employment and Training Administration. The estimate for dependent assistance was based on data from the Bureau of Labor Statistics and the U.S. Census Bureau. The estimate assumes that 31% of claimants have two dependent children, 2% have a disabled child aged 18 or older that they provide care for, and 13% have a nonworking spouse for whom the claimant could receive dependent assistance.

The Unemployment Insurance Benefit Fund is funded by quarterly contributions made by employers. The amount of each employer's contribution is based on each employer's individual unemployment account history (experience balance) and tax rate. Unemployment insurance benefits are paid by employer premiums. These provisions increase benefit amounts and expenditures from the Unemployment Insurance Benefit Fund. The balance of the fund at the end of FY 2023 was $1.5 B. If there is an insufficient balance in the fund to pay benefits, the federal government advances the fund an amount sufficient to pay benefits. To the extent an increase in benefit payments threatened the solvency of the fund, employer tax rates (and/or a surcharge based on a federal loan) would increase.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill would impact all local units as employers.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development, All.

Local Agencies Affected: All.

Information Sources: Bureau of Labor Statisitcs. (2023, April). Employment Characteristics of Families - 2022. https://www.bls.gov/news.release/pdf/famee.pdf; Bureau of Labor Statistics. Table 5. Employment Status of the Population by Sex, Marital Status, and Presence and Age of Own Children under 19, 2021-2022 Annual Averages. https://www.bls.gov/news.release/famee.t05.htm; DWD. Unemployment Insurance Employer Handbook. https://www.in.gov/dwd/files/Employer_Handbook.pdf; National Center for Special Education Research Institute of Education Sciences. (2011, September). *The Post-high School Outcomes of Young Adults With Disabilities up to 6 Years After High School.* https://ies.ed.gov/ncser/pubs/20113004/pdf/20113004.pdf; Pew Research Center. (2021, October). Rising Share of U.S. Adults Are Living Without a Spouse or Partner. https://www.pewresearch.org/social-trends/2021/10/05/rising-share-of-u-s-adults-are-living-without-a-spouse-or-partner/#:~:text=The%20share%20of%20adults%20ages,from%2017%25%20to%2033%25; U.S. Census Bureau. America's Families and Living Arrangements: 2020. AVG3. Average Number of People per Family Household With Own Children Under 18, by Race and Hispanic Origin, Marital Status, Age, and Education of Householder. https://www.census.gov/data/tables/2020/demo/families/cps-2020.html; U.S. Census Bureau. (2022). Indiana Population by Age and Sex. *American Community Survey 1-Year Estimates.* https://data.census.gov/table/ACSST1Y2022.S0101?q=indiana%20population%20by%20age; U.S. Department of Labor, Employment and Training Administration, Data Downloads. https://oui.doleta.gov/unemploy/DataDownloads.asp; Young, Natalie. (2021, March). *Childhood Disability in the United States: 2019.* American Community Survey Briefs. U.S. Census Bureau. https://www.census.gov/content/dam/Census/library/publications/2021/acs/acsbr-006.pdf

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