1 STATE OF OKLAHOMA 2 2nd Session of the 59th Legislature (2024) 3 HOUSE BILL 3596 By: Hill 4 5 6 AS INTRODUCED 7 An Act relating to labor; amending 40 O.S. 2021, Sections 1-201, as amended by Section 1, Chapter 360, 8 O.S.L. 2022, 1-218, 1-223, as amended by Section 7, Chapter 360, O.S.L. 2022, 1-224, as amended by 9 Section 8, Chapter 360, O.S.L. 2022, 3, Chapter 287, O.S.L. 2022, 2-104, 2-106, as amended by Section 2, 10 Chapter 287, O.S.L. 2022, and 2-603, (40 O.S. Supp. 2023, Sections 1-201, 1-223, 1-224, 1-231 and 2-106), 11 which relate to the Employment Security Act of 1980; modifying definition; adding certain compensation as 12 qualifiers for amount of payment; modifying percentages based on conditional factors; modifying 1.3 definitions; modifying time limit for maximum benefit duration; modifying maximum weekly benefit amount; 14 reducing percentages for maximum benefit amount; clarifying time limit for appeal; repealing 40 O.S. 15 2021, Section 3-201, which relates to employers; and providing an effective date. 16 17 18 19 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA: 20 SECTION 1. AMENDATORY 40 O.S. 2021, Section 1-201, as 21 amended by Section 1, Chapter 360, O.S.L. 2022 (40 O.S. Supp. 2023, 22 Section 1-201), is amended to read as follows: 23 Section 1-201. GENERAL DEFINITIONS. As used in the Employment 24

Req. No. 8863 Page 1

Security Act of 1980:

- 1. "Additional initial claim" means a claim application which reactivates a claim during an existing benefit year and certifies to a period of employment which occurred subsequent to the date of the filing of the last initial, additional, or reopened claim;
- 2. "Alternative base period" means the most recent four (4) completed calendar quarters immediately preceding the first day of an individual's benefit year. In the event that an individual's claim uses an alternative base period to meet the wage requirement under Section 2-207 of this title, this alternative base period shall be substituted for base period for all other purposes under the Employment Security Act of 1980;
- 3. "Assigned tax rate" means the tax rate assigned to an employer pursuant to Section 3-110.1 of this title when the employer does not have sufficient experience history to meet the At-Risk Rule set out in paragraph 3 of Section 3-110.1 of this title;
- 4. "Base period" means the first four (4) of the last five (5) completed calendar quarters immediately preceding the first day of an individual's benefit year;
- 5. "Benefit year" with respect to any individual means the oneyear period beginning with the first day of the first week with
 respect to which the individual first files a valid claim for
 benefits and thereafter the one-year period beginning with the first
 day of the first week with respect to which the individual next
 files a valid claim for benefits after the termination of his or her

last preceding benefit year. Any claim for benefits shall be deemed a valid claim for the purpose of this section if the individual has been paid the wages for insured work required under the Employment Security Act of 1980;

- 6. "Benefit wages" means the taxable wages earned by a claimant during the claimant's base period which are not in excess of the current maximum weekly benefit amount, as determined under Section 2-104 of this title, multiplied by the maximum number of weeks for which benefits could be paid to any individual (now twenty-six (26) weeks) pursuant to Section 2-106 of this title, multiplied by three (3); provided, however, no wages shall be included as benefit wages unless and until the claimant has been paid benefits for five (5) weeks in one (1) benefit year;
- 7. "Benefits" means the money payments payable to an individual as provided in the Employment Security Act of 1980 with respect to his or her unemployment, including extended benefits. The federal share of such extended benefits shall not be construed as benefits for the purposes of computing contribution rates under the Employment Security Act of 1980;
- 8. "Calendar quarter" means the period of three (3) consecutive calendar months ending on March 31, June 30, September 30, or December 31, or the equivalent thereof as the Commission may by regulation prescribe;

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- 9. "Client" shall have the same meaning as provided in paragraph 1 of Section 600.2 of this title;
- 10. "Coemployer" shall have the same meaning as provided in paragraph 2 of Section 600.2 of this title;
- 11. "Coemployment relationship" shall have the same meaning as provided in paragraph 3 of Section 600.2 of this title;
- 12. "Commission" means the Oklahoma Employment Security Commission;
 - 13. "Commissioner" means a member of the Commission;
- 14. "Continued claim series" means an uninterrupted series of weekly claims filed by a claimant during the benefit year;
- 15. "Contributions" means the money payments, including taxes and reimbursements, required by the Employment Security Act of 1980 to be paid into the Unemployment Compensation Fund by an employer;
- 16. "Covered employee" shall have the same meaning as provided in paragraph 5 of Section 600.2 of this title;
- 17. "Digital portal filing" means electronic communication through the agency digital portal;
- 18. "Earned tax rate" means the tax rate calculated for an employer with sufficient experience history to meet the At-Risk Rule set out in paragraph 3 of Section 3-110.1 of this title, with the tax rate calculated pursuant to the provisions of Section 3-101 et seq. of this title;

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19. "Electronic e-filing" means filing by email or fax to email;

- 20. "Eligibility period" of an individual for extended benefits means the period consisting of the weeks in his or her benefit year, as defined by the Employment Security Act of 1980, which begin in an extended benefit period and, if his or her benefit year ends within such extended benefit period, any weeks thereafter which begin in such extended benefit period;
- 21. "Employer" shall have the same meaning as provided in Section 1-208 of this title;
- 22. "Employing unit" means any individual or type of organization, including any partnership, association, trust, estate, joint stock company, insurance company, limited liability company or corporation, whether domestic or foreign, or the receiver, trustee in bankruptcy, trustee or successor thereof, or the legal representative of a deceased person, which has or subsequent to January 1, 1936, had in its employ one or more individuals performing services for it within this state;
- 23. "Employment" shall have the same meaning as provided in Section 1-210 of this title;
- 24. "Employment office" means a free public employment office or branch thereof operated by this or any other state as a part of a state-controlled system of public employment offices or by a federal

agency charged with the administration of an unemployment compensation program or free public employment offices;

- 25. "Employment Security Administration Fund" means the fund established in Section 4-602 of this title from which administration expenses under the Employment Security Act of 1980 shall be paid;
- 26. "Exhaustee" shall have the same meaning as provided in Section 2-712 of this title;
- 27. "Experience period" means the most recent twelve (12) consecutive completed calendar quarters occurring before July 1 of the year immediately preceding the year for which the employer's contribution rate is being calculated;
- 28. "Extended base period" means the four (4) quarters prior to the claimant's base period. These four (4) quarters may be substituted for base period quarters on a quarter-by-quarter basis to establish a valid claim regardless of whether the wages have been used to establish a prior claim, except any wages earned that would render the Commission out of compliance with applicable federal law shall be excluded if used in a prior claim;
- 29. "Extended benefit period" shall have the same meaning as provided in Section 2-703 of this title;
- 30. "File", "files", or "filed" shall have the same meaning as provided in Section 1-224 of this title;
- 31. "Mail", "mails", "mailed", or "mailing" means communication sent by a postal service with sufficient postage;

- 32. "Foreign limited liability company" shall be defined by the provisions of the Oklahoma Limited Liability Company Act;
- 33. "Fund" means the Unemployment Compensation Fund established in Section 3-601 of this title;
- 34. "Hospital" means any hospital required to be licensed under the Oklahoma Public Health Code, Section 1-101 et seq. of Title 63 of the Oklahoma Statutes, and includes state mental hospitals and any other mental hospital or institution;
- 35. "Initial claim" means a new claim application submitted by a claimant to establish a benefit year for unemployment insurance benefits;
- 36. "Institution of higher education" shall have the same meaning as provided in Section 1-214 of this title;
- 37. "Insured work" means employment for employers as defined by the Employment Security Act of 1980;
- 38. "Lessor employing unit" means any independently established business entity which engages in the business of providing leased employees to any other employer, individual, organization, partnership, corporation, or other legal entity, referred to herein as a client lessee;
- 39. "Limited liability company" shall be defined by the provisions of the Oklahoma Limited Liability Company Act;
- 40. "Probationary period" means a period of time set forth in an established probationary plan, which applies to all employees or

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a specific group of employees, and does not exceed ninety (90) calendar days from the first day a new employee begins work;

- "Professional Employer Organization" or "PEO" means an organization that is subject to the Oklahoma Professional Employer Organization Recognition and Registration Act and which meets the definition set out in paragraph 9 of Section 600.2 of this title;
- 42. "Rate of insured employment" shall have the same meaning as provided in Section 2-708 of this title;
- "Regular benefits" means benefits payable to an individual under the Employment Security Act of 1980, or under any other state law including dependents' allowances and benefits payable to federal civilian employees;
- "Reopened claim" means a claim application which reactivates a claim during an existing benefit year when a claimant stopped filing for benefits before his or her claim was exhausted, but in which there occurred no intervening employment from the date of the filing of the last initial, additional, or reopened claim;
- "State" includes, in addition to the states of the United States of America, the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands;
- 46. "State law" means the unemployment insurance law of any state, approved by the Secretary of Labor of the United States under Section 3304 of the Internal Revenue Code of 1954;

1 47. "Supplemental unemployment benefit plan" means a plan that
2 provides for an employer to make payments to its employees during a
3 permanent or temporary layoff that will supplement unemployment
4 benefits received by the employees. The purpose of a supplemental
5 unemployment benefit plan is to allow an employer to sustain the
6 purchasing power of its employees or former employees during a
7 layoff;

- 48. "Taxable wages" means the wages paid to an individual with respect to employment during a calendar year for services covered by the Employment Security Act of 1980 or other state unemployment compensation acts which shall equal the applicable percentage of the state's average annual wage for the second preceding calendar year as determined by the Commission, rounded to the nearest multiple of One Hundred Dollars (\$100.00);
- 49. "Wages" shall have the same meaning as provided in Section 1-218 of this title;
- 50. "Wages paid" means wages actually paid to the worker; provided, however, that in the event of any distribution of an employer's assets through insolvency, receivership, composition, assignment for the benefit of creditors, or termination of business, wages earned but not actually paid shall be considered as paid; and
- 51. "Week" means such period of seven (7) consecutive days, as the Commission may by regulation prescribe.

SECTION 2. AMENDATORY 40 O.S. 2021, Section 1-218, is amended to read as follows:

Section 1-218. WAGES.

"Wages" means all remuneration for services from whatever source, including commissions and bonuses and the cash value of all remuneration in any medium other than cash, and includes dismissal payments which the employer is required by law or contract to make. Gratuities customarily received by an individual in the course of work from persons other than the employing unit shall be treated as wages received from the employing unit. The reasonable cash value of remuneration in any medium other than cash, and the reasonable amount of gratuities, shall be estimated and determined in accordance with rules prescribed by the Oklahoma Employment Security Commission. If the Internal Revenue Code, at 26 USCA, Section 1 et seq., provides that a payment made by an employer to an employee is considered to be wages, that payment shall also be considered wages by the Oklahoma Employment Security Commission for the purposes of this act. The term wages shall not include:

1. The amount of any payment, with respect to services performed to or on behalf of an individual in its employ under a plan or system established by an employing unit which makes provision for individuals in its employ generally, or for a class or classes of such individuals, including any amount paid by an

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employing unit for insurance or annuities, or into a fund to provide for any such payment, on account of:

- a. retirement, other than employee contributions or deferrals under a qualified plan as described in 26 U.S.C., Section 401(k), 403(b), 408(k), 457, 7701(j) or 408(p),
- b. sickness or accident disability,
- c. medical and hospitalization expenses in connection with sickness or accident disability,
- d. death, provided the individual in its employ:
 - (1) has not the option to receive, instead of provision for such death benefit, any part of such payment, or if such death benefit is insured, any part of the premium or contributions to premiums paid by the employing unit, and
 - (2) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive cash consideration in lieu of such benefit either upon withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of the individual's services with such employing unit, or

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- e. a bona fide thrift or savings fund, providing:
 - (1) such payment is conditioned upon a payment of a substantial sum by such individuals in its employ, and
 - (2) that such sum paid by the employing unit cannot under the provisions of such plan be withdrawn by an individual more frequently than once in any twelve-month period, except upon an individual's separation from that employment;
- 2. Any payment made to, or on behalf of, an employee or his or her beneficiary under a cafeteria plan of the type described in 26 U.S.C., Section 125 and referred to in 26 U.S.C., Section 3306(b)(5)(G);
- 3. Any payment made, or benefit furnished, to or for the benefit of an employee if at the time of such payment or such furnishing it is reasonable to believe that the employee will be able to exclude such payment or benefit from income under an educational assistance program as described in 26 U.S.C., Section 127 or a dependent care assistance program as described in 26 U.S.C., Section 3306(b)(13);
- 4. The payment by an employing unit, without deduction from the remuneration of the individual in its employ, of the tax imposed upon such individual in its employ under 26 U.S.C., Section 3101

with respect to domestic services in a private home of the employer or for agricultural labor;

- 5. Dismissal payments which the employer is not required by law or contract to make;
- 6. The value of any meals and lodging furnished by or on behalf of an employer to an individual in its employ; provided the meals and lodging are furnished on the business premises of the employer for the convenience of the employer; or
- 7. Payments made under an approved supplemental unemployment benefit plan; or
- 8. Other compensation, including, but not limited to severance pay and/or one-time federal benefits.
- SECTION 3. AMENDATORY 40 O.S. 2021, Section 1-223, as amended by Section 7, Chapter 360, O.S.L. 2022 (40 O.S. Supp. 2023, Section 1-223), is amended to read as follows:
- Section 1-223. TAXABLE WAGES CONDITIONAL FACTORS AND PERCENTAGES.

The applicable percentage of the state's average annual wage is determined by the conditional factor in place during the calendar year for which the taxable wage is being calculated. The conditional factor is determined pursuant to the provisions of Section 3-113 of this title. The applicable percentages are as follows:

- 1. Forty percent (40%) during any calendar year in which the balance in the Unemployment Compensation Fund is in excess of the amount required to initiate conditional contribution rates, pursuant to the provisions of Section 3-113 of this title;
- 2. Forty-two and one-half percent (42.5%) Forty-five percent (45%) during calendar years in which condition "a" exists; and
- 3. Forty-five percent (45%) Fifty percent (50%) during calendar years in which condition "b" exists:
- 4. Forty-seven and one-half percent (47.5%) during calendar years in which condition "c" exists; and
- 5. Fifty percent (50%) during calendar years in which condition "d" exists.
- SECTION 4. AMENDATORY 40 O.S. 2021, Section 1-224, as amended by Section 8, Chapter 360, O.S.L. 2022 (40 O.S. Supp. 2023, Section 1-224), is amended to read as follows:

Section 1-224. FILE.

A. For purposes of this section, "OESC 2020-21 business process transformation" means a change from paper process to integrated digital technology. Upon completion of the OESC 2020-21 business process transformation, electronic e-filing will be the Commission's preferred filing method for tendering and receiving documents. All claimants and employers tendering documents to the Commission will be expected to tender the documents electronically. If the claimant or employer has elected to utilize other means of transmittal, it

will be the responsibility of the claimant or employer to notify the Commission of this preference.

- B. When the provisions of the Employment Security Act of 1980 or the rules promulgated under the authority of the act require any document to be filed with the Oklahoma Employment Security

 Commission or its affiliate entities, the term "file", "files", or "filed" shall mean:
- 1. Hand delivery to the central administrative office of the Oklahoma Employment Security Commission by the close of business on or before the date due:
- 2. Mailing by means calculated to ensure receipt by the Oklahoma Employment Security Commission on or before the date due. Timely mailing shall be determined by the United States Postal Service postmark. If there is no such legible postmark, the date of receipt by the Commission shall constitute the date of filing;
- 3. 2. Electronic e-filing to the Oklahoma Employment Security Commission, as directed by the instructions on the determination letter, order or other document issued by the Commission, by midnight on or before the date due. Timely transmission shall be determined by the Commission's transmission log file; or
- $4.\ 3.$ Digital portal filing by midnight on or before the date due. Timely transmission shall be determined by the Commission's transmission log file.

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C. If the Employment Security Act of 1980 or the rules promulgated under the Employment Security Act of 1980 require that a document be filed with a court or any other agency of this state, the term "file", "files" or "filed" shall be defined by the statutes, rules or practice governing that court or agency.

SECTION 5. AMENDATORY Section 3, Chapter 287, O.S.L.

2022 (40 O.S. Supp. 2023, Section 1-231), is amended to read as follows:

Section 1-231. A. For purposes of this section, "state average unemployment insurance claims" means the weekly average of Continued UI Claims for the thirteen (13) weeks beginning with the first file week ending in the month of July in the calendar year prior to the current calendar year as published by the Oklahoma Employment Security Commission or the agency responsible for collecting and publishing unemployment insurance claims data.

- B. On January 1, 2025, for unemployment compensation claims submitted during a calendar year, the duration of benefits is limited to:
 - a. Sixteen (16) weeks if the state's average unemployment insurance claims are at or below five thousand (5,000) claims,
 - b. An additional two (2) weeks shall be added in addition to the sixteen (16) weeks for each fifteen thousand (15,000) increments if the state's average

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unemployment insurance claims are above five thousand (5,000) claims, or

- c. Up to the maximum of twenty (20) weeks; or
- 2. In the event that the weekly claims data of continued claims administered by the Oklahoma Employment Security Commission exceeds forty thousand (40,000) claims, the maximum duration of benefits shall immediately be raised to twenty-six (26) weeks. This maximum benefit duration shall be in place until the weekly claims data of continued UI claims falls below forty thousand (40,000) claims at which time the maximum duration of benefits shall be determined pursuant to paragraph 1 of subsection B of this section the end of the calendar year at which time the maximum duration of benefits shall be determined pursuant to paragraph 1 of subsection B of this section.
- SECTION 6. AMENDATORY 40 O.S. 2021, Section 2-104, is amended to read as follows:

Section 2-104. COMPUTATION OF BENEFIT AMOUNT.

A. The weekly benefit amount of an individual shall be an amount equal to one twenty-third (1/23) of the taxable wages paid to the individual during that quarter of his <u>or her</u> base period in which the taxable wages were highest. If the amount is more than the maximum weekly benefit amount, it shall be reduced to the maximum weekly benefit amount or if the amount is less than Sixteen Dollars (\$16.00), it shall be increased to Sixteen Dollars (\$16.00).

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- The maximum weekly benefit amount shall be:
- Sixty percent (60%) of the average weekly wage of the second preceding calendar year during any calendar year in which the balance in the Unemployment Compensation Fund is in excess of the amount required to initiate conditional contribution rates, pursuant to the provisions of Section 3-113 of this title;
- 2. Fifty-seven and one-half percent (57.5%) of the average weekly wage of the second preceding calendar year during calendar years in which condition "a", as set forth in paragraph (1) of Section 3-113 of this title, exists;
- 3. Fifty-five percent (55%) of the average weekly wage of the second preceding calendar year during calendar years in which condition "b" "a", as set forth in paragraph (2) (1) of Section 3-113 of this title, exists;
- 4. Fifty-two and one-half percent (52.5%) of the average weekly wage of the second preceding calendar year during calendar years in which condition "c", as set forth in paragraph (3) of Section 3-113 of this title, exists; and
- 5. 3. Fifty percent (50%) of the average weekly wage of the second preceding calendar year during calendar years in which condition "d" "b", as set forth in paragraph (4) (2) of Section 3-113 of this title, exists.

- C. Before the last day of June of each year the Commission shall determine the average weekly wage of the preceding calendar year in the following manner:
- 1. The sum of the total monthly employment reported for the calendar year shall be divided by twelve (12) to determine the average monthly employment;
- 2. The sum of the total wages reported for the previous calendar year shall be divided by the average monthly employment to determine the average annual wage; and
- 3. The average annual wage shall be divided by fifty-two (52) to determine the average weekly wage.
- SECTION 7. AMENDATORY 40 O.S. 2021, Section 2-106, as amended by Section 2, Chapter 287, O.S.L. 2022 (40 O.S. Supp. 2023, Section 2-106), is amended to read as follows:

Section 2-106. MAXIMUM BENEFIT AMOUNT.

On January 1, 2023, an otherwise eligible individual shall be entitled during any benefit year to a total amount of benefits equal to whichever is the lesser of:

- 1. a. If prior to January 1, 2023, twenty-six (26) times the weekly benefit amount of the individual,
 - b. If between January 1, 2023, and January 1, 2025, sixteen (16) times the weekly benefit amount of the individual, or

c. If after January 1, 2025, between sixteen (16) and
twenty (20) times the weekly benefit amount dependent
upon the state's average unemployment insurance claims
pursuant to Section 3 of this act;

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- 2. The applicable percentage of the state's average annual wage for the second preceding calendar year as determined by the Oklahoma Employment Security Commission, rounded to the nearest multiple of One Hundred Dollars (\$100.00). The applicable percentage is determined by the conditional factor in place during the calendar year in which the individual files for benefits. The conditional factor is determined pursuant to the provisions of Section 3-113 of this title. The applicable percentages for this paragraph are as follows:
 - a. twenty-five percent (25%) during any calendar year in which the balance in the Unemployment Compensation

 Fund is in excess of the amount required to initiate conditional contribution rates, pursuant to the provisions of Section 3-113 of this title,
 - b. twenty-three and three-fourths percent (23.75%)
 twenty-two and one-half percent (22.5%) during
 calendar years in which condition "a" exists, and
 - c. twenty-two and one-half percent (22.5%) twenty percent (20%) during calendar years in which condition "b" exists τ :

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- d. twenty-one and one-fourth percent (21.25%) during calendar years in which condition "c" exists, and
- e. twenty percent (20%) during calendar years in which condition "d" exists; or
- 3. The applicable percentage of the individual's wages for insured work paid during the base period of the individual. The applicable percentage is determined by the conditional factor in place during the calendar year in which the individual files for benefits. The conditional factor is determined pursuant to the provisions of Section 3-113 of this title. The applicable percentages for this paragraph are as follows:
 - a. fifty percent (50%) during any calendar year in which the balance in the Unemployment Compensation Fund is in excess of the amount required to initiate conditional contribution rates, pursuant to the provisions of Section 3-113 of this title,
 - b. forty-seven and one-half percent (47.5%) forty-five
 percent (45%) during calendar years in which condition
 "a" exists, and
 - c. forty-five percent (45%) forty percent (40%) during calendar years in which condition "b" exists.
 - d. forty-two and one-half percent (42.5%) during calendar

 years in which condition "c" exists, and

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                  forty percent (40%) during calendar years in which
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                  condition "d" exists.
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                                      40 O.S. 2021, Section 2-603, is
        SECTION 8.
                       AMENDATORY
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    amended to read as follows:
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        Section 2-603. APPEAL TRIBUNAL.
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        The claimant or any other party entitled to notice of a
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    determination may file an appeal from the determination with the
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    appeal tribunal within ten (10) calendar days after the date of
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    mailing of the notice to the claimant's or other party's last-known
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    address or, if the notice is not mailed, within ten (10) calendar
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    days after the date of delivery of the notice. The claimant or
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    other party may file an appeal in any manner allowed by Section 1-
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    224 of this title or by telephone to the Commission's call center.
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    In order to be considered timely, filing of an appeal made by
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    telephone through a claims representative must be completed before
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    the end of normal business hours.
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        SECTION 9.
                       REPEALER 40 O.S. 2021, Section 3-201, is
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    hereby repealed.
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        SECTION 10. This act shall become effective November 1, 2024.
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