



### Florida Unemployment Compensation

April 1, 2009

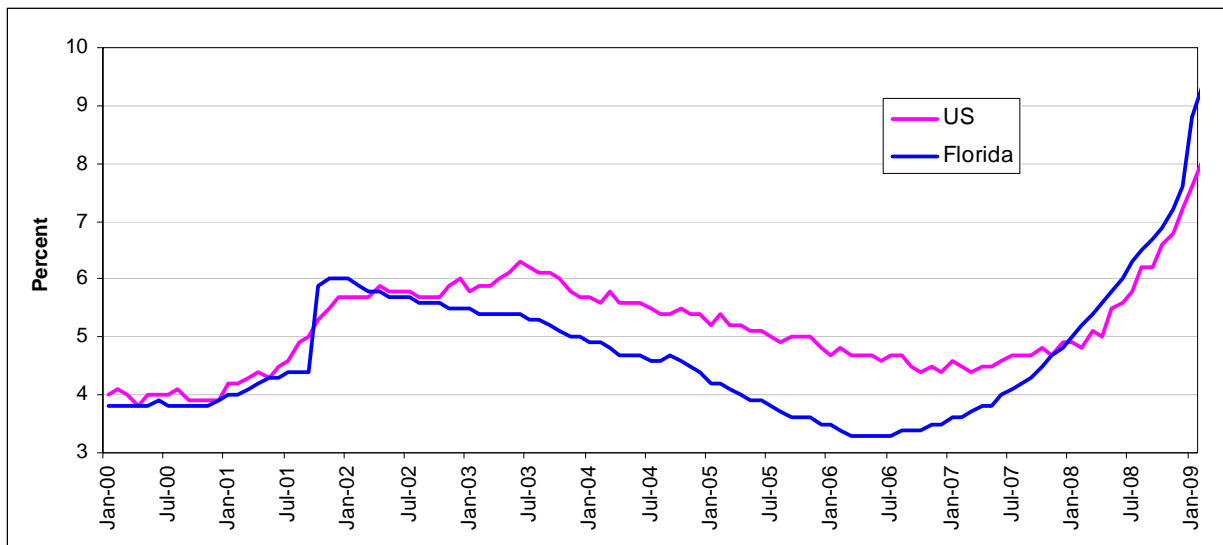
- We know it's tough for Florida's workers right now and the recent increase in unemployment numbers confirms that Florida's economy mirrors the national economic situation and people are hurting. That's why **we're committed to using \$2.2 billion of federal dollars** to assist Floridians in need of unemployment compensation.
- That \$2.2 billion is being used to **extend the length of time** that unemployed workers get assistance and to **increase the weekly benefit by \$25**.
- We know that these dollars are not a silver bullet for the problems facing Florida. But we also realize that they can help us bridge the gap for Floridians until they can find another job. Helping create jobs for Floridians and to revitalizing our state's economy for the long-term is our top priority.
- Unfortunately, the strings attached by the Obama Administration to an additional \$444 million in unemployment funding are an **unfunded mandate** once the federal dollars run out.
- In order to accept an additional \$444 million in federal dollars, Florida law must be changed to expand unemployment benefits to people who currently do not qualify for them. This permanent expansion is only covered by federal dollars for two months, after which that expansion becomes an **unfunded mandate** that Florida must pay for long-term on its own with money it currently does not have.
- Making this permanent expansion gives Florida short-term, federal dollars that cover two months of costs, but commits the state to long-term costs leaving an even bigger deficit with negative consequences including higher taxes on Floridians and the potential of additional job losses.
- As we have said all along, we will continue to approach the matter thoughtfully. We do not want to rush into making decisions which cost Floridians jobs because of the strings attached by the federal government.

## THE CURRENT SITUATION

### Unemployment Compensation Trust Fund Deficit

- **With unemployment rising, the projected balance in the Unemployment Compensation Trust Fund on June 30, 2009 will trigger a tax rate increase that will become effective January 1, 2010.**
  - When the trust fund balance drops below 3.7% of the total taxable state payrolls as of June 30<sup>th</sup>, an adjustment factor is triggered to increase the employer contribution rates that will become effective on the following January 1<sup>st</sup>.
- **The projected cash deficit in early Fiscal Year 2009-10 will require a federal advance that must be authorized by state law.**
  - It is projected that the Unemployment Compensation Trust Fund will be in deficit (insufficient cash to pay claims) by July or August of 2009.
  - The delay in receipts of increased contributions, along with any increase in total unemployment payments after June 30<sup>th</sup>, will require Florida to request an advance from the U.S. Treasury pursuant to federal law.
  - The American Recovery and Reinvestment Act of 2009 provides that from February 17, 2009 through December 31, 2010, any interest payments due from a state for advances related to unemployment compensation will be waived. However, after December 31, 2010, any accrued interest must be paid with state funds, most likely from the General Revenue Fund. (The interest cannot be paid from the state's Unemployment Compensation Trust Fund.)
  - **A substantive law change would need to be passed by the legislature to authorize the state to request an advance from the U.S. Treasury.**

**United States and Florida Unemployment Rates (seasonally adjusted)**



Source: Florida Agency for Workforce Innovation, Labor Market Statistics Center, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

## ELEMENTS OF THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

- We are accepting \$2.2 billion of federal dollars to assist Floridians in need of unemployment compensation. This includes greater benefits and extended time frames to receive benefits.
- **Unemployment Administrative Funding - \$31.7 million**
  - \$31.7 million is provided to Florida for the cost of unemployment compensation (UC) administrative purposes.
  - No negative impacts to the state trust fund.
  - **Status** - Certified and Accepted by the Governor.
- **Unemployment Compensation Benefits Extension - \$1.036 billion**
  - This is 100% federal funding provided to states to extend the date for establishing eligibility for Emergency Unemployment Compensation benefits from March 2009 to December 2009 and to extend the final payment date from August 2009 to June 2010.
  - Receipt of these funds does not create new benefit eligibility and does not negatively impact any state revenues or the trust fund now or in the future.
  - **Status**- Certified and Accepted by the Governor
- **Unemployment Compensation Increased Benefits - \$345 million**
  - This 100% federal funding is provided to states to increase the weekly UC benefits by \$25 from February 2009 through June 2010 for entitlements established by December 2009.
  - Receipt of these funds does not create new benefit eligibility and does not negatively impact any state revenues or the trust fund now or in the future.
  - **Status**- Certified and Accepted by the Governor
- **Unemployment Compensation Extended Benefits - \$776.7 million**
  - **Requires state legislation** for the Federal government to cover 100% of the cost of Extended Benefits (EB) for up to 13 or 20 weeks for claims that go into EB status prior to January 1, 2010.
  - **Under current law**, EB costs are shared equally between the state trust fund and the federal extended unemployment compensation account of the Unemployment Compensation Trust Fund.
  - The ARRA encourages states to implement an EB trigger based on the **total** unemployment rate rather than the **insured** unemployment rate. ARRA provides 100% funding of the new EB costs through December 2009.
  - States remaining in an EB period after December 2009 will need to fund its half share of any EB as long as the trigger remains "on". **However, the ARRA allows a state to sunset the new EB trigger as of December 2009 so the state would have no ongoing increased liability.**
  - **Status** - Under review. Based on an initial analysis this funding may not be problematic for the state, but final calculations are not yet available as of March 30, 2009. Acceptance anticipated.
- **Unemployment Compensation Modernization - \$444.3 million**
  - In order to receive these funds, Florida would be forced to amend its unemployment compensation law to meet the requirements placed on these dollars by the Obama Administration.
  - The minimum benefit expansion to receive the entire amount of federal funds requires the payment of additional benefits at an annual recurring cost to the Unemployment Compensation Trust Fund of a

potential minimum \$73.7 million to a maximum of \$227 million. The trust fund receipts will currently not support this increased expenditure.

- After the \$444.3 million of federal funding has been exhausted, the State would assume responsibility for the continuing liability- **an unfunded mandate**- through taxes paid by Florida employers.
- The current balance in the Unemployment Compensation Trust Fund already will trigger the business tax increase in order to continue funding unemployment whether or not Florida accepts this UC Modernization funding. ***However, if Florida accepts the Federal Funds, the tax rate would increase even more in order to pay for the expanded eligibility required by the Obama Administration.***
- **Status** - Under review. No plans to amend Florida law to accept these funds at this time.