

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: HB219

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Head

3. Committee: Commerce and Labor

- 4. Title:** This bill provides that eligibility for unemployment benefits is contingent upon the claimant's performance of at least 24 hours per week of volunteer service with a nonprofit charitable organization (classified as exempt from taxation under § 501(c)(3) of the Internal Revenue Code). This requirement does not apply during the first two weeks of eligibility. The Virginia Employment Commission (VEC) may waive or alter the requirement in certain cases or situations. The bill also directs the Commission on Unemployment Compensation to conduct a study of changes to the existing unemployment compensation system that will ensure that claimants remain engaged in the workforce while receiving benefits and that unemployment benefits do not serve as a disincentive to finding employment. Possible changes to be studied include: conditioning eligibility for benefits on performing community or volunteer service, enrolling in job training or educational programs, or relocating to areas with greater employment opportunities.

6. Budget Amendment Necessary: Yes, Item 124.

Fiscal Impact Estimates: Preliminary.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2012	\$0	0.00	n/a
2013	\$871,357	16.50	Not Specified
2014	\$871,357	16.50	Not Specified
2015	\$871,357	16.50	Not Specified
2016	\$871,357	16.50	Not Specified
2017	\$871,357	16.50	Not Specified
2018	\$871,357	16.50	Not Specified

- 8. Fiscal Implications:** This bill may result in additional costs to VEC due to requirements for developing a list of eligible nonprofit organizations, for taking and reviewing claims, initial adjudication, and on appeal:

- Developing a list of nonprofit organizations: This bill requires VEC to develop, by locality, lists of 501(c)(3) (nonprofit) organizations and make those available to individuals who apply for benefits. VEC estimates that the development of these lists

would require about 80 hours of time at a cost of approximately **\$1,800**. VEC would also be required to inform claimants of their obligation to perform volunteer service for a 501(c)(3) charitable organization.

- **Taking and reviewing claims:** During the period of January 1, 2008, through September 30, 2011, a total of 1,508,404 regular state unemployment insurance claims were filed with VEC; for an annual average of 402,404 per year. VEC estimates that the bill would increase the amount of time needed to review each claim by approximately one minute per claim. Assuming the average of 402,404 claims per year, an additional one minute per claim would create an additional 6,706 hours of work for VEC staff. Based on the annual number of hours worked by a full-time employee (FTE) of 2,080, approximately **3.2 FTEs** would be needed to administer and evaluate screenings required by the bill. VEC estimates these positions to cost **\$149,008 per year** (based on the average salary of \$46,565 for a workforce services representative).
- **Initial Adjudication:** For instances where a positive outcome of a screening or assessment, or for when an individual refuses to participate in the screening or assessment, VEC is required, absent a showing of good cause, to issue a determination denying the individual benefits and providing them with appeal rights. VEC estimates that the number of claims that would require formal adjudication may equal what is currently experienced with another eligibility issue – the requirement that claimants be able to work, available for work and actively seeking work each week. During the last four years, VEC has issued an average of 24,334 determinations that found claimants were ineligible for benefits based on this current criterion. These determinations are made by a deputy following a fact-finding interview. A deputy typically issues 2,000 determinations each year. Thus, adding 24,334 more eligibility determinations (assuming that the requirement established by this bill would have similar results as current criterion), VEC estimates that this bill would require the hiring of an additional **12.2 FTEs** at a total cost of **\$646,002 per year** (based on the average salary of \$52,961 for a deputy).
- **Appeals:** Again based on the outcome of current criterion, VEC estimates that this bill may result in 1,367 additional appeals annually (based on an assumption of 17 percent of claims being appeals). Appeals examiners who conduct the hearings and issue the decisions typically handle 1,200 cases annually. Thus, an additional **1.1 FTEs** would be required to handle additional cases presumed to arise from this bill. This would represent an additional cost of **\$74,547 per year**.

	Cost per Year	Positions
Development of nonprofit list	1,800	0.00
Take/review claims	149,008	3.20
Initial adjudication	646,002	12.20
<u>Appeals</u>	<u>74,547</u>	<u>1.10</u>
Total Estimated Potential Costs	\$871,357	16.50

VEC has received notice that the provisions of this bill do not conform to federal unemployment benefit laws. Under federal law as interpreted by the USDOL since 1964, any eligibility requirement must be related to the fact or cause of an individual's unemployment. Accordingly, the U.S. Department of Labor (USDOL) has opined that requiring volunteer service as a condition of unemployment insurance eligibility would violate Section 3306(h) of the Federal Unemployment Tax Act (FUTA) because the volunteer service is not related to the "fact or cause" of unemployment. As a result, federal dollars will not be provided or permitted for use in administering the provisions of this bill so funding to support the administrative costs created by this bill would need to come from the agency's Special Unemployment Compensation Administration Fund (§ 60.2-314, Code of Virginia), or the state general fund.

The bill also requires the Commission on Unemployment Compensation (the Commission) to conduct a study of changes to the existing unemployment compensation system that will ensure that claimants remain engaged in the workforce while receiving benefits and that unemployment benefits do not serve as a disincentive to finding employment. The study is also to determine the cost of implementing recommended measures. According to the Commission, these provisions should not result in a fiscal impact as any additional costs associated with these provisions may be absorbed within current resources.

9. Specific Agency or Political Subdivisions Affected: Virginia Employment Commission, Commission on Unemployment Compensation.

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is similar to SB69, as introduced.

Date: 1/20/2012