

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: HB599

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: McClellan

3. Committee: Commerce and Labor

4. Title: **Unemployment compensation; services not constituting employment**

5. Summary: The bill provides that services performed by an individual on a temporary basis in several circumstances do not constitute employment for purposes of the Unemployment Compensation Act. The circumstances include situations where (i) the individual is aware prior to commencing the work assignment that its duration is for a specific period of time and acknowledges in writing that he will not be eligible for unemployment benefits with respect to the assignment; (ii) the individual has been released from incarceration within the preceding year or is a socially and economically disadvantaged individual and the temporary assignment is arranged by a staffing agency that cannot readily find continual work for the individual at the end of an initial assignment; (iii) his staffing or employment agency has subcontracted with a second staffing or employment agency that provides temporary workers to a client firm, and the subcontracting agency does not have the ability to supervise or control the performance of the individual's services; (iv) the services are performed for a small business or minority-owned business that is a temporary staffing agency with fewer than 1,000 temporary workers; and (v) the services are performed for a small business or minority-owned business that is a temporary staffing agency that hires individuals who either have been released from incarceration within the preceding year or are unskilled workers.

6. Fiscal Impact Estimates: Preliminary. See item 8.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: According to the Virginia Employment Commission, the U.S. Department of Labor has advised the commission that the bill may result in the affected employers losing the 90 percent federal tax credit they receive for payment of state unemployment taxes, estimated at \$3.4 million annually.

Currently there are 765 employers in Virginia who provide temporary staffing services. These companies employed 58,482 workers and paid \$3.8 million in state unemployment taxes in 2006.

The bill will reduce unemployment benefits paid by the Virginia Employment Commission by \$2.8 million annually.

9. Specific Agency or Political Subdivisions Affected: Virginia Employment Commission.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/18/2008 dpbkbs

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cc: Secretary of Commerce and Trade