

Senate Commerce Committee

Angela Leach 271-3077

SB 226-FN, relative to eliminating the waiting period before eligibility to receive unemployment benefits.

Hearing Date: March 7, 2017

Members of the Committee Present: Senators Innis, French, Sanborn, Soucy and Lasky

Members of the Committee Absent : None

Bill Analysis: This bill eliminates the waiting period before eligibility to receive unemployment benefits.

Sponsors:

Sen. Feltes
Sen. Kahn
Sen. Watters
Rep. Baroody

Sen. Fuller Clark
Sen. Lasky
Sen. Woodburn
Rep. M. McCarthy

Sen. Hennessey
Sen. Soucy
Rep. MacKenzie

Who supports the bill: Sponsors, Stephen Towers-NH Legal Assistance, Liz Alcausleas

Who opposes the bill: Dan McGuire-NH Liberty Alliance

Who is neutral on the bill: Richard Lavers- NH Employment Security

Summary of testimony presented:

Senator Sanborn stated that he may or may not have a conflict but will be participating.

Senator Feltes (PRIME)- This bill eliminates the so-called penalty week, or waiting week, for unemployment benefits. If you lose your job and you are eligible for unemployment as current law states, you do not get paid for your first week of unemployment. Your bills don't wait, especially if you are low-income and you pay week to week rent; that's a big deal. In 1935, with the inception of the social security act, it allowed for an unemployment compensation waiting week because at that time there weren't computers and when you established a due process to unemployment insurance benefits, if the states had some lag time in processing, they were allowed one week. NH never had this until 2009-2010 as part of an effort to find some cost savings in the recession. Some emergency surcharges were imposed on the employer community and the rates were increased for the first time in 13 years. Part of that was to impose a waiting week for workers, and this was a short term measure. Since then surcharges have been lifted, and we've hit some different discount triggers resulting in \$242 million in tax cuts for the employer. Now is the time to eliminate the waiting week so the unemployed can get back to work sooner when they are crushed by job loss. The fiscal impact is from the unemployment trust fund, not the general fund. It is estimated to cost \$3.4 million per year. The trust fund is above \$275 million right now. If the trust fund is above \$250 million, there's a .5% discount. If the trust fund is above \$275 million, there's a 1% discount. And if the trust fund is above \$300 million, there's a 1.5% discount. NH is the only state in the nation to have a discount. NH has the lowest unemployment insurance taxes in the country. We are going into a situation where we are going to straddle that \$275 anyway. You will hear from the department that if you eliminated the wait a week, maybe at some point in 2019, it might have an impact. The average weekly benefit amount is \$248. NH is 35th in the country.

Senator Sanborn- I'm surprised at the rate. The tax foundation stated that we are the 41st in the nation. How is the tax foundation ranking us so poorly?

Senator Feltes- The tax foundation looks at the rates and they don't look at the average paid in and you factor in the discounts. That is how we are tied for lowest in the nation.

Senator Sanborn- What is the role of the government services that we provide? We truly have a responsibility for those most in need and always have to balance that question with the concept of a hammock not a trampoline. I understand your comment that someone is out of job and we immediately need to pay them with government resources. On the other hand, is there some incentive to encourage people to go out and find another job so they don't become overly dependent?

Senator Feltes- It's a \$248 average weekly benefit; I don't think that's a hammock. In that first week, those people need to prove they are otherwise eligible. Even in that first week, people are looking for work and they have to prove it. The department does a good job making sure that they are out there looking for work. If you provide some minimal support, they get back to work sooner. We haven't increased our benefits levels in a long time.

Stephen Tower -NH Legal Assistance (Support)- Unemployment compensation is a system in place designed to help hardworking NH families who, through no fault of their own, have been separated from their job. If they were separated due to misconduct, they are not eligible for this program. A prompt receipt of unemployment benefits can be crucial for families to keep above water financially. It helps them be able to afford things like gas to get to an interview or to feed their kids. The waiting week was implemented in 2010 and was part of an effort to manage the extreme stresses that the recession put on the unemployment program at that time. Unemployment was very high. At that time, a few surcharges were put into place on an employer's .5 % surcharge to help manage the trust fund. The two employer surcharges that were in place were removed at the end of 2012 and 2013. The waiting week prevents employees from receiving benefits for a week. If a claimant is out of work for 10 weeks, they only receive benefits for 9 weeks. They are able to get benefits for that waiting week if they stay unemployed for 26 weeks.

Senator Innis- There's an incentive to stay unemployed for 26 weeks.

Stephen Tower- I do not think most people are going to try to stay unemployed for 26 weeks for an average benefit of \$248. The state of the economy in the state of NH has significantly improved since 2009. It is 5% among the lowest in the country. The trust fund for unemployment compensation is \$275 million. It's an appropriate time to remove this waiting week.

Richard Lavers- NH Employment Security (Neutral) The department does not take a position. The Unemployment Compensation Advisory Council voted to support the legislation. The average weekly benefit amount which changes over the course of the year was \$317 per week in January; that puts us significantly below the national average. NH tends to be in the bottom tier of states. In regards to the unemployment tax rate, the US Department did just publish updated information that NH is tied for 2nd lowest unemployment tax rate in the country, having 1/3rd of the national average and the lowest in New England. The current balance of the trust fund as of last week is \$284 million. Projecting trust fund balances out to the end of 2019, the fund should rise to \$288 million. Through the remainder of 2017, the fund balance stays at a consistent 1%. In 2018 and 2019, there is fluctuation where in the first quarter of each year it stays at 1%, in the 2nd and 3rd quarters of each year, it drops to .5% and in the 4th quarter, it goes back up to 1%. With current claim volume, which is very low, about a \$3.4 million annual cost paid out of the trust fund. Currently in NH, the majority of people filing for benefits don't exhaust their benefits. Only 17% exhaust benefits, while most people are done filing in just under 13 weeks. This is a very short duration of unemployment compared to other states in the country. If Unemployment levels were to increase, the department is projecting that cost to be between \$4 and \$6 million. Projecting out through 2019, the cost of this bill would potentially cause a reduction in the 4th quarter discount from 1% to .5%.

Senator Innis- How many other states don't pay benefits the first week?

Richard Lavers- There are 8 states that don't have a waiting period and 45 states and territories that have a waiting period of one week. There are some exemptions unique to some of those states.

Senator Innis- Why the waiting period?

Richard Lavers- We didn't have it until 2009 and it was brought in to help with the solvency of the trust fund at the time.

Senator Soucy- I would just like to clarify, Senator Feltes said the average weekly pay was \$248. You said the average for just the month of January was \$317. Is \$248 the annual average?

Richard Lavers- I'm not sure. I would have to see where that information was taken from. The \$317 is based on January information.

Senator Soucy- You calculate on a monthly basis so it fluctuates. What is the maximum benefit we are paying?

Richard Lavers- \$427 per week.

Senator Sanborn- The bill has a fiscal note on \$3.4 million. We are spending \$175 million a year right now. Take the \$3.4 stretch it out 52 weeks. What are we paying out?

Richard Lavers- In a month and a half, we have been paying out \$1.1 to \$1.3 million. The total benefits paid in 2014 were just over \$86 million and dropped down to just over \$60 million in 2016.

Senator Sanborn- We are spending roughly \$300 per person per week, and our payout is roughly \$86 million. It sounds like we have about 6,000 people receiving benefits?

Richard Lavers- Correct. We have anywhere from 5000 to 5500 continued claims each week, and between 500 and 800 initial claims.

Senator Sanborn- Unemployment is down to 2.5%. I can't find a single employer anywhere that isn't looking for new employees. What are we doing as a state to help those employees keep looking?

Richard Lavers - Employment security is not just the unemployment office. We maintain a network of offices throughout the state to provide reemployment services to individuals. People can come in and use a network of computers for work search and resume writing, or they can come in for workshops on resume writing and interview skills. For those that are collecting unemployment, they are required to maintain a number of job searches per week. We verify those job searches. We also require those individuals to come in for mandatory workshops. If they miss a workshop and are unable to come, they do not receive benefits for that. We conduct job fairs for employers and try to provide opportunities for connections. There are far fewer job seekers that are coming to these job fairs.

Dan McGuire- NH Liberty Alliance (Opposed)- This bill has a cost. The question is who pays this cost? I would maintain that it is the workers as they are paying for this insurance. What this bill is doing is saying to workers, you are spending too much of your money on housing and food and not enough on insurance. It is taking money from workers and spending it on insurance. The problem with this kind of assistance is that this is one size fits all. We force them to buy this kind of insurance. We are not in favor of forcing workers to spend more of their money on ways that they may not necessarily agree with. Workers are perfectly able to buy insurance if they need it.

Senator Innis- isn't it the case, that employers bear the largest portion of the burden with this tax?

Dan McGuire- I would say that's a fiction. When an employer hires an employee, there's a certain amount of cost; only a part of which is the salary of that employee. There's the taxes they pay, there's this insurance, there's medical benefits, there's all kinds of costs when an employer hires an employee. From the employer's point of view, it really doesn't matter if an extra dollar went to salary or an extra dollar went to taxes. From their point of view, it is the total cost that determines whether they make the decision to hire that particular employee. That total cost has to be borne by the productivity of that employee. If taxes were lower, competition would ensure that total cost would still be spent going to that employee.

Senator French- This is the insurance paid for by employees. Why wouldn't you give them what they paid for?

Dan McGuire- The employees are paying \$86 million a year for insurance. If the bill passes, they will be spending \$89 million a year for insurance. I am objecting to forcing that employee to spend the extra \$3 million in that particular way and not in some way that they choose.

Senator Lasky- How do you know that this wouldn't be the way they would choose to spend their money?

Dan McGuire- Nothing prevents employees from buying private insurance, but very few do because this program forces out private solutions in this area. Another thing they could do with that money is save it. That would be similar to this kind of insurance with the extra money.

Future Action: Ought to Pass

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Date Hearing Report completed: March 9, 2017