

**BILL #** SB 1018

**TITLE:** unemployment insurance; waiting week

**SPONSOR:** Cirillo

**STATUS:** As Introduced

**REQUESTED BY:** Senate

**PREPARED BY:** Stefan Shepherd

**FISCAL YEAR**

	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>EXPENDITURES</b>			
General Fund	\$-0-	\$-0-	\$-0-
Other Funds	\$-0-	\$-0-	\$-0-

**FISCAL ANALYSIS**

**Description**

The bill would permit an individual who is required to leave unemployment temporarily to attend mandatory training uncompensated by the employer as a condition of remaining employed to collect unemployment insurance benefits. Benefits are limited to 5 weeks each year.

**Estimated Impact**

JLBC Staff estimates that this bill will not increase the state’s Unemployment Insurance (UI) claims. JLBC Staff is not aware of any state agencies that require employees to receive training without compensating those employees for their time in training. Because the state does not participate in the UI program as an employer, it must pay for any claims on a pay-as-you-go basis, but since no additional claims are expected, JLBC Staff does not estimate any General Fund (GF) or Other Appropriated Fund (OF) impact.

In addition, JLBC Staff cannot estimate the impact on the average statewide UI effective tax rate. JLBC Staff does not have data on how many employers currently require their employees to attend mandatory training as a condition of remaining employed. JLBC Staff also cannot estimate the average benefit these employees might receive or length of benefits.

**Assumptions**

The UI program collects taxes from all employers in the state of Arizona to provide insurance benefits to unemployed persons who are able and available to work. The tax rates are set through a formula specified in statute that takes into account total payrolls in the state, the UI Trust Fund balance, and individual employers’ history related to the number of unemployment claims paid to the employers’ employees and the total amount of unemployment insurance paid by the employer.

Under current statute, an unemployed individual must be unemployed for a waiting period of one week before becoming eligible for UI benefits. The bill creates an exemption from this requirement if the individual is required to leave employment to attend mandatory training uncompensated by the employer as a condition of remaining employed. The bill states that five weeks of mandatory training each year will qualify an individual for five weeks of UI benefits.

Because the state does not participate in the UI program as an employer, it must pay for any claims on a pay-as-you-go basis. JLBC Staff is not aware, however, of any state agencies that require employees to receive training without compensating those employees for their time in training. For example, new Department of Public Safety (DPS) officers are hired and then

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## **Assumptions (Continued)**

receive training at the DPS academy while being paid a salary by the state, even though some new hires may not complete their academy training. As a result of not requiring unpaid training, JLBC Staff assumes that the state would not have any new UI claims as a result of this bill, thereby eliminating any GF or OF fiscal impact to the state as an employer.

In addition to the effect on the state as an employer, this provision could also affect tax rates for employers in the UI system. We have assumed that the bill will have a July 1, 2001 effective date. Because tax rates for a calendar year are set based on prior fiscal year performance, increasing the amount of claims in FY 2002 could affect the tax rates beginning in calendar year (CY) 2003, starting January 1, 2003.

JLBC Staff does not have data on how many private employers currently require their employees to attend mandatory training as a condition of remaining employed. We understand that some employers may currently have such unpaid mandatory training, but do not know how many employers or employees are affected. Nor do we have any data indicating the salaries of these employees or the average length of time spent in unpaid training. Without this data, any estimates by JLBC Staff on the number of persons receiving UI benefits, the amount of benefits, and the length of benefits would be pure conjecture. As a result, JLBC Staff cannot estimate the impact on the average statewide UI effective tax rate.

JLBC Staff would note that even though the bill creates an exception from the waiting week requirement for these employees attending unpaid mandatory training, it does not eliminate the other requirements to receive UI benefits. For example, if the employee has not had sufficient wages prior to the training as outlined in A.R.S. § 23-771, the employee would not be eligible for UI benefits even under the provisions of the bill. JLBC Staff would also note that this provision could potentially induce some employers to stop paying for time spent in training or to require additional unpaid training. Without any data on the current use of unpaid mandatory training, however, we cannot estimate any inducement effect of this bill.

## **Local Government Impact**

Because local governments also pay for UI claims on behalf of their employees, this bill could also affect local governments starting in FY 2002. JLBC Staff does not have information on the cost impacts on any particular local government entity. This bill would only affect local governments that require their employees to attend unpaid mandatory training.

2/21/01