LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 4132

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: MAY 28, 2020

SUMMARY

Synopsis:	Concerns benefits provided to workers.
Type of Impact:	Temporary cost savings to the State, public institutions of higher education, local governments, and school districts; temporary increase in State gross income tax collections to the Property Tax Relief Fund; annual increase in State expenditures and revenues to the State unemployment compensation fund; temporary increase in State administrative costs
Agencies Affected:	Potentially all State entities, local governments, institutions of higher education, and school districts; Department of Labor and Workforce Development

Office of Legislative Services Estimate

Fiscal Impact	**Year 1**	**Year 2 and Thereafter**
Cost Savings-State entities, Public Institutions of Higher Education, Local Governments, and School Districts	Indeterminate	--
State Revenue Increase-Property Tax Relief Fund	Indeterminate	--
State Revenue Increase-Unemployment Compensation Fund	Indeterminate	Indeterminate
State Expenditure Increase-Unemployment Compensation Fund	Indeterminate	Indeterminate
State Administrative Cost Increase	Indeterminate	--

- The Office of Legislative Services (OLS) estimates that the bill would have several indeterminate fiscal impacts on the State, public institutions of higher education, local governments, and school districts. Some of the impacts will be of a temporary nature and some will be annual. First, given that the bill facilitates public employer participation in a shared work program, this bill would result in indeterminate, temporary cost savings to those entities that furlough workers under a shared work program.

- Second, the OLS projects that during the time that there is federal reimbursement of State unemployment insurance (UI) benefits for furloughed workers pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the bill may result in temporarily higher State gross income tax revenues. Collections may be higher than would have been realized absent this bill because the bill increases the maximum amount of taxable wages that a person may earn without a reduction in UI benefits. This provision may incentivize some furloughed or laid off individuals to seek part-time work, with earnings subject to the gross income tax, to compensate for any lost wages.

- Third, this bill may result in an indeterminate annual increase in State expenditures and revenue collections to the UI compensation trust fund related to the requirement under the bill to provide unemployment benefits for certain employees of educational institutions. The OLS does not have information available to accurately forecast the number of educational institution employees affected by the bill.

- Fourth, the bill may result in an indeterminate, temporary State administrative expenditure increase tied to increased workload, including the requirement that the Division of Unemployment and Temporary Disability Insurance in the Department of Labor and Workforce Development make available a guidance document to eligible employers to participate in a shared work program.

BILL DESCRIPTION

This bill assists certain laid off workers by:

1. increasing, during the time that there is federal financing of State unemployment benefits, pursuant to the CARES Act, the maximum amount which a laid off worker may earn in employment without a reduction in unemployment insurance benefits, from 20 percent of the worker's weekly UI benefit amount, to 40 percent of the worker's weekly UI benefit amount;

2. reducing during the time that there is federal financing of State unemployment benefits, the minimum weekly earnings required in each of 20 base weeks for a worker to be eligible for UI benefits from 20 times to 10 times the State minimum wage, and reducing the alternative annual earnings required for eligibility from 1,000 times to 500 times the State minimum wage; and

3. permitting, if an employer gives advanced notice of a layoff, a worker to file for UI benefits upon receiving the notice, and be paid at the commencement of unemployment.

The bill clarifies provisions of the UI law regarding benefits for an employee of an education institution when work is not available. The law currently provides that an employee may not receive UI benefits when unemployed during a customary vacation period or holiday recess between successive academic years or terms if the employee is given a reasonable assurance of a return to employment in the same capacity after the period or recess. Currently, vacation periods are interpreted to include summer, even if the institution is in session during the summer. The bill specifies that an employee laid off in the summer may receive benefits if the institution is in session during the summer. The bill also specifies that for the employment after a break to be regarded as "in the same capacity", it must be under the same terms and conditions as before the break. Finally, the bill indicates that the employee is not regarded as having a reasonable assurance if the offer is conditioned on factors such as enrollment, allocation of funding, or program changes.

The bill supplements existing law to facilitate providing the maximum possible benefits for employees and savings for employers from the federal financing of UI benefits under short-time compensation programs, and emergency UI benefits, pursuant to the federal CARES Act.

The bill requires the Division of Unemployment and Temporary Disability Insurance to make available to employers who may be eligible to participate in a shared work program for which federal funding is available under the CARES Act, a guidance document which explains:

1. what the employer is required to do to establish shared work programs eligible for the federal funding, including certifying that unions representing the employees agree to the terms of the program and that the employer will continue current health insurance and pension coverage, paid time off and other benefits; and

2. procedures for an employer to apply for approval of a shared work program, including how the employer may make preliminary calculations of benefits to be paid to participating employees to expedite rapid benefit payments.

The bill specifies that pensions, health benefits, seniority rights and other benefits for public employees may not be reduced under the program. It requires that contributions, and the accrual of service credit, continue as if the worktime was not reduced. The division is required to assist, upon request, employers making applications, and allow applications to be approved in advance to facilitate benefit payments as soon as reduced hours commence.

The bill permits employers who have employees who were fully laid off to rehire those employees on a partial basis, and establish a shared work program to provide short-time benefits to those employees. The bill permits, upon the approval of a shared work program, the payment of benefits retroactively back to the time that shared work commenced.

The division is directed to contact every non-profit and governmental employer to provide, in addition to the indicated guidance document, information about possible reductions of employer costs due to federal funding.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill would have several indeterminate fiscal impacts on the State, public institutions of higher education, local governments, and school districts. Some of the impacts will be of a temporary nature and some will be annual. First, given that the bill facilitates public employer participation in a shared work program, this bill would result in indeterminate temporary cost savings to those entities that furlough workers under a shared work program. However, the OLS does not have sufficient information to forecast the total number of employers and employees who will participate in a shared work program and thus the total amount of cost savings to the entities and institutions abovementioned.

Second, the OLS projects that during the time that there is federal reimbursement of State unemployment benefits for furloughed workers pursuant to the CARES Act, the bill may result in temporarily higher State gross income tax revenues. Collections may be higher than would have been realized absent this bill because the bill increases the maximum amount of taxable wages that an unemployed worker may earn without a reduction in UI benefits. The maximum an unemployed individual may earn will increase from the current rate of 20 percent of the worker’s weekly UI benefit amount to 40 percent of the weekly UI benefit amount. This provision may incentivize some furloughed or laid off individuals to seek part-time work, with earnings subject to the gross income tax, to compensate for any lost wages.

Third, this bill may result in an indeterminate annual increase in State expenditures and revenue collections to the UI compensation trust fund related to the requirement under the bill to provide unemployment benefits for certain employees of educational institutions who: 1) were employed during the spring semester; 2) can reasonably expect to be employed in the same capacity in the fall semester; and 3) are not employed in that capacity during the summer even though the institution of higher education offers regular classes during the summer. Under current law, when these conditions hold, the employee is not eligible for UI benefits. Any increase in UI benefit costs would be offset by an increase in the employers' UI tax rate, resulting in an increase in revenue collections to the UI compensation trust fund. The OLS does not have information to accurately forecast the number of educational institution employees affected by the bill.

Fourth, The OLS notes that the bill may result in an indeterminate, temporary increase in State administrative expenditures tied to increased workload, including the requirement that the Division of Unemployment and Temporary Disability Insurance make available a guidance document to eligible employers to participate in a shared work program. However, the OLS notes that while the bill would increase the department's workload, the effect on departmental operating expenses would ultimately depend upon the department's resource allocation policies.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).