

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7912**  
**BILL NUMBER: HB 1791**

**DATE PREPARED:** Feb 5, 1999  
**BILL AMENDED:**

**SUBJECT:** Unemployment maximum creditable earnings.

**FISCAL ANALYST:** Beverly Holloway  
**PHONE NUMBER:** 232-9851

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill increases the earnings base used to compute unemployment compensation to a maximum of \$10,000 in a calendar quarter. (Current law provides that the earnings base used to compute unemployment compensation may not exceed \$5,800.)

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** (Revised) The current earnings base used for the computation of weekly benefits is \$5,800 per quarter for a maximum weekly benefit of \$244. Increasing the earnings base to \$10,000 per quarter increases the maximum weekly benefit to \$420, an increase of \$176 (72.13%). In 1998, the average weekly benefit paid was \$218.57, approximately \$25 below the maximum benefit allowed. Using the average weekly unemployment benefits paid in 1998, the following table illustrates the potential fiscal impact of changing the earnings base.

Avg. Computed Weekly Benefit at \$5,800	\$218.57 per week
Avg. Computed Weekly Benefit at \$10,000	\$281.25 per week
Dollar increase	\$62.68 per week
Per cent increase	28.68%
Amount of Unemployment Insurance compensated in 1998	\$262,897,270
1998 amount increased by 28.68%	\$75,386,119

Total amount of Unemployment Insurance compensation under HB 1791 (28.68% increase of 1998 compensation)	\$338,283,389
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This bill will impact the amount of benefits available to an individual from the Unemployment Benefit Trust Fund. Based on the amount paid in unemployment benefits in 1998, this bill would increase expenditures from the Unemployment Benefit Trust Fund by approximately \$75 million. The balance of the Unemployment Benefit Trust Fund as of December 7, 1998 was \$1.4 billion.

*Note:* The Unemployment Benefit Trust Fund is funded by quarterly contributions made by employers. The amount of each employer’s contribution is based on each employer’s individual unemployment account history and the past year’s statewide unemployment rate. Other factors, including benefits aid to former employees, voluntary payments made, and the partial selling and purchasing of other businesses by the employer also impact each employer’s rate. The potential impact of the provisions of this bill will change as the state’s economy changes. For example, if the state’s unemployment rate increases, the amount of unemployment benefits paid from the Fund will increase, and an employer’s contribution rate to the Fund will change.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See “Explanation of State Expenditures.”

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Workforce Development.

**Local Agencies Affected:** All.

**Information Sources:** Charles Mazza, Unemployment Insurance, Department of Workforce Development, (317) 232-7460. *Unemployment Insurance Employee’s Desk Guide*, Department of Workforce Development, p. 27.