BILL SUMMARY
2nd Session of the 52nd Legislature

Bill No.:	**SB 1970**
Version:	**Proposed Committee Sub. 1**
Author:	**Rep. McNiel/ Sen. Mazzei**
Date:	**4/6/2010**
Impact:	**Unemployment Insurance Trust Fund: No Negative Long Term Impact**

Bill Summary

Research Analyst: Arnella Karges

The proposed committee substitute for Engrossed SB1970 creates the "Shared Work Unemployment Compensation Program," to reduce unemployment by allowing the employees of an affected unit to share the work remaining after a reduction in their normal weekly hours of work. The measure includes the following provisions:

- Definitions for the act;
- Requires the Oklahoma Employment Security Commission (OESC) to establish a voluntary Shared Work Unemployment Compensation Program;
- An application and approval process for the program;
- Guidelines for approval of a shared work plan, including the employer to employ at least 100 employees and applies to at least 10% of an affected unit and at least 50 employees in the company;
- Prohibits a shared work plan from being implemented to subsidize seasonal employers during the off-season and those who employ workers less than 32 hours a week;
- Requires OESC to approve or deny a shared work plan within 30 days and provides an appeal process for the employer upon denial;
- Establishes time period for expiration and procedure for changes to a shared work plan;
- Defines unemployment for eligibility of unemployment benefits under a shared work plan;
- Sets weekly and annual limits on benefits;
- Requires the participating employer to file the weekly claims for the shared work benefits on behalf of the participating employees; and
- Authorizes the OESC to cancel shared work plans.

The Title remains stricken on the proposed committee substitute for Engrossed SB1970.

Fiscal Summary

Fiscal Analyst: John McPhetridge

SB 1970 in its current form, creates the "Shared Work Unemployment Compensation Program," to be administered by the Oklahoma Employment Security Commission (OESC). The Program would allow certain groups of employees, some of which are facing temporary layoffs, to collect unemployment compensation under the Program to supplement a reduction in wages associated with a reduction in hours worked. Any employer wishing to participate in the Program must submit a written plan to OESC for approval under guidelines established by the Program. To be eligible an employer must regularly employ at least 100 employees, the shared work plan must reduce employee normal weekly hours of work by at least 20% and not more than 40%, the plan must apply to at least 10% of the affected unit and at least 50 employees within the company and the employer must continue to provide fringe benefits to affected employees at a level equal to those provided prior to the adoption of the Program. Shared work benefits shall be paid for a maximum of 26 weeks during the 12 consecutive calendar months covered by a shared work plan. An employee's shared work benefits shall count against the annual maximum regular unemployment benefit limit for that individual.

Fiscal Analysis

SB 1970 in its current form, is intended to allow employers to reduce weekly hours of work for an employee group by up to 40%, as opposed to laying off members of the group. Under the program, employees subject to the reduced work week, would receive an unemployment benefit in proportion to the weekly hours reduction, (ex. weekly hours reduced 30%, employee receives a shared work benefit equal to 30% of the unemployment benefit the employee would be eligible for had they been laid off.)

OESC has modeled 24 different scenarios based on differing economic factors and group size implementation of the Shared Work Unemployment Compensation Program. For unemployment benefits paid under the Program, under every scenario the Unemployment Insurance Trust Fund (Trust Fund) would be made whole within 3 years of the benefits being paid, due to the automatic increase in an individual employer's employment tax rate, based on increased utilization of unemployment benefits by the employer's employees participating in the program.

The utilization and participation levels of employers in such a program is unknown; however based on the scenario modeling done by OESC, the measure is expected to have no long term negative impact on the Trust Fund.

Long Term Fiscal Considerations

In 22 of the 24 scenarios modeled by OESC, the Trust Fund is healthier after 3 years under a Shared Work Unemployment Compensation Program than if the affected employees were fully laid off. In the 2 scenarios where such a program would underperform a lay off, the Trust Fund is still reimbursed the full amount of benefits paid under the Program provisions.

Fiscal Analysis Reviewed By:

Janice Buchanan

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