

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Commerce Committee

BILL: SB 1026

INTRODUCER: Senator Fasano

SUBJECT: Unemployment compensation benefits

DATE: March 4, 2008

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Earlywine	Cooper	CM	Favorable
2.			GO	
3.			TA	
4.				
5.				
6.				

I. Summary:

This bill authorizes the Agency for Workforce Innovation to develop a system for the payment of unemployment compensation benefits by electronic funds transfer.

This bill amends s. 443.111 of the Florida Statutes.

II. Present Situation:

Prior to 2003, unemployment compensation (UC) benefit payments were issued via a paper check and mailed to each claimant by the Agency for Workforce Innovation (AWI). During the 2003 Legislative Session, s. 443.111, F.S., was amended to permit paying benefits electronically. According to AWI, approximately one million benefit payments are electronically deposited each year and approximately 1.1 million paper checks are mailed a year.

According to AWI, approximately 2,000 checks must be replaced annually because of checks being lost, mutilated, or stolen in the mail delivery process. Replacement of benefit checks may result in delayed delivery of benefits and increased administrative costs.

Beginning in October 2007, the cost of mailing UC material is no longer funded directly by the U.S. Department of Labor (DOL). Rather, U.S. DOL annually allocates to each state the amount that the state may use to cover the cost of their UC mailings.

The Department of Children and Family Services (DCF) has an EBT card program that AWI may use and that is currently required of workforce programs under ch. 409, F.S. According to AWI, DCF's card is not a universal card, costs more than a universal program, and limits the

ability of the UC program to best serve its customers. Also, DCF's clients may only use the benefits provided by DCF for limited purposes as a result of the needs-based eligibility for programs provided by DCF; therefore, the card is limited in the number of business establishments that can accept the card. Since unemployment compensation is not a needs-based program but instead a benefit from employment, customers of the program are free to use their benefits in any manner.

The cost of the EBT card used by DCF is \$1.24 per month. If AWI were to use this card, AWI would potentially be charged for 4 months for an average claim or \$4.96 ($\1.24×4). Benefits are claimed and paid in biweekly cycles. The average claim is paid for 14 weeks requiring seven payments. Assuming a UC claims customer uses the card at an ATM only once to withdraw the funds available there is an additional cost to AWI of \$2.31 ($\0.33×7).

The estimated cost per claim to AWI for utilizing the DCF card is $\$4.96 + \2.31 or \$7.27 and the estimated cost for those receiving this type of payment is as follows: 143,000 claims \times \$7.27 cost of card per claim = \$1,039,610 estimated total cost to AWI for paying benefits through the DCF EBT card.

III. Effect of Proposed Changes:

Section 1 amends s. 443.111(1), F.S., to authorize AWI to develop a system for the payment of unemployment benefits by electronic funds transfer. This section also provides rulemaking authority to AWI for the administration of the system.

Section 2 provides an effective state of July 1, 2008.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

According to AWI, during FY 2006-07 approximately one million benefit checks were mailed. The cost for mailing one benefit check is \$0.37. Therefore, the annual cost of mailing one million checks is \$370,000. Rather than mailing an average of seven benefit checks per claim, AWI would need to mail only one EBT card per claim. This would reduce mail costs by \$317,090.

The total recurring effect is a savings on mail estimated at over \$317,000 per year from the Employment Security Administration Trust Fund. An additional savings may be realized by the Department of Financial Services in the reduction of printing costs for printing benefit checks.

The nonrecurring implementation costs would be for computer programming changes to existing mainframe applications. The cost for these changes should be minimal since AWI has already made the programming changes for making benefit payments through Electronic Funds Transfer.

AWI estimates that the cost of the programming needed for implementation of the electronic card payment is \$300,000. However, the degree to which applications development staff would be required for implementation is also contingent on the requirements of the vendor selected to provide the service. AWI estimates that the postage savings for the first year after implementation would offset the nonrecurring implementation cost.

According to AWI, no cost associated with the card would be charged by the vendor to AWI. Therefore, by using a branded card rather than the DCF card, \$1,039,610 could be avoided in administrative costs to the UC program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
