INTRODUCTION
Memorandum

To: Members of the Council

From: Phyllis Jones, Secretary to the Council

Date: November 1, 1996

Subject: Referral of Proposed Legislation

Notice is given that the attached proposed legislation has been introduced in the Office of the Secretary on October 31, 1996. Copies are available in Room 28, Legislative Services Division.


INTRODUCED BY: Chairman Clarke at the request of the Mayor

The Chairman is referring this legislation to the Committee on Labor and Human Rights.

cc: General Counsel
Legislative Services Division
Chairman David A. Clarke introduced the following bill at the request of the Mayor, which was referred to the Committee on

To amend the District of Columbia Unemployment Compensation Act to reduce the taxable wage base, lower the maximum weekly benefit amount, and to eliminate the dependent’s allowance.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA,

that this act may be cited as the "District of Columbia Unemployment Compensation Tax Stabilization Amendment Act of 1996."

Sec. 2. The District of Columbia Unemployment Compensation Act, approved June 4, 1943 (57 Stat. 100; D.C. Code, sec. 46-101 et. seq.) is amended as follows:

(a) Section 3(e) (D.C. Code, sec. 46-103(e)) is amended by adding a new subsection (6) to read as follows:

"(6) After January 1, 1997, the term 'wages' shall not include any amount in excess of $9,000 actually paid to any person arising out of employment in any succeeding calendar year."

(b) Section 7(b) (D.C. Code, sec. 46-108(b)) is amended by designating subparagraph (3)(B) as 3(B)(i) and adding a new subparagraph 3(B)(ii) to read as follows:

"(ii) For benefit years commencing on or after January 5, 1997, the maximum weekly benefit amount shall be $309."
(c) Section 7(f) (D.C. Code, sec. 46-108(f)) is amended by adding the following sentence as the final sentence of the sub section:

"Provided, however, that this section shall not apply to claims for benefit years commencing on or after January 5, 1997."

Sec. 3. This act shall take effect following approval by the Mayor, (or in the event of veto by the Mayor, action by the Council of the District of Columbia to override the veto), approval by the Financial Responsibility and Management Assistance Authority as provided in section 203(a) of the District of Columbia Financial Responsibility and Management Assistance Act of 1995, approved April 17, 1995 (109 Stat. 116; D.C. Code §47-392.3(c)), and a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Self-Government and Governmental Reorganization Act approved December 24, 1973 (87 Stat. 813; D.C. Code §1-233(c)(1)), and publication in the District of Columbia Register.
SECTION C.

FISCAL IMPACT STATEMENT FOR
LEGISLATIVE AMENDMENT TO
THE DISTRICT OF COLUMBIA UNEMPLOYMENT COMPENSATION ACT

1. GENERAL STATEMENT:

The proposed changes to the District of Columbia Unemployment Compensation Act will reduce the taxable wage base (TWB) from $10,000 to $9,000, reduce the maximum weekly benefit amount (MWBA) from $359 to $309, and eliminate the dependent's allowance.

The current employer unemployment costs are based on a $10,000 taxable wage base (TWB) which was enacted in December 1992 and took effect on January 1993. The law was enacted at a time when the UI Trust Fund was insolvent due to inadequate revenues to maintain reserves for benefit payments and the Fund was forced to borrow money from the U.S. Treasury. Federal loans to the Trust Fund totaled more than $40 million by April 1993. The additional revenues as well as benefit reductions implemented by the new law enabled the Trust Fund to repay the entire $40 million debt and to begin to build reserves beginning in 1994. The Trust Fund's recovery has been substantial and by the end of FY 1995 the Trust Fund had a positive balance of $70 million and estimated to reach $100 million by the end of FY 1996.

Current estimates, based on current benefit outlays and estimated tax collections, project that the reserve balance in the Trust Fund will be sufficient to trigger the reduction in the TWB from $10,000 to $9,000 as proposed in the legislation. The proposed change in the reduction of TWB will not have any effect on the operating or capital budgets of the District for the current and proceeding five years.

The loss of revenue to the Trust Fund due to the reduction of TWB is minimized by the reduction in the maximum weekly benefit amount from $359 to $309 and the elimination of the dependent allowance. With a tax wage base of $9,000, maximum weekly benefit amount of $309, and the elimination of dependent allowance, the projected Fund balances as of September 30, of each year are as follows: (in millions) FY 1996 $101.7; FY 1997 $115.7; FY 1998 $124.0; FY 1999 $132.3; and FY 2000 $140.8.
The projected savings from the elimination of dependent allowances, and the reduction of maximum weekly benefit amount, the Trust Fund is projected to save between 5.0 and $6.5 million annually.

If the proposed changes are enacted, the D.C. Unemployment Compensation Fund (BH-100) is projected to save between $300,000 and $400,000 annually based on the current amounts being paid to former D.C. Government employees who are eligible to receive weekly benefits between $310 and $359. Elimination of dependent allowance would save an additional $75,000 to $100,000.

2. QUANTITATIVE ESTIMATE OF THE EXPENDITURES NEEDED TO IMPLEMENT THE MEASURE:

The department does not anticipate that the District will incur any expenditures as a result of these proposed changes.

3. IDENTIFICATION OF REVENUE AND FUNDS CURRENTLY AVAILABLE FROM EXISTING REVENUE SOURCES TO IMPLEMENT THE MEASURE:

No current revenue or other funds are required to implement the proposed changes to the Unemployment Compensation Act.

4. EXTENT TO WHICH CURRENT APPROPRIATIONS ARE AVAILABLE TO FINANCE THE IMPLEMENTATION OF THE MEASURE DURING THE CURRENT FISCAL YEAR:

There is no fiscal impact on the current appropriations to finance the implementation of the proposed changes.

5. IDENTIFICATION OF THE SPECIFIC SOURCES OF REVENUES TO BE RECOMMENDED IN THE FORTHCOMING FISCAL YEARS TO IMPLEMENT THIS MEASURE:

There will be no additional sources of revenue recommended in the forthcoming fiscal years to implement these proposed changes.
DISTRICT OF COLUMBIA UNEMPLOYMENT COMPENSATION
TAX STABILIZATION AMENDMENT ACT OF 1996

SECTION BY SECTION ANALYSIS

Section 2(a) reduces the annual taxable wage base from $10,000. to $9,000. commencing in calendar year 1997.

Section 2(b) reduces the maximum weekly benefit amount for unemployment compensation benefits to $309 per week effective with the first full week of 1997.

Section 2(c) eliminates the dependent’s allowance for all claims effective the first full week of 1997.