Labor and Industrial Relations HB 347

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LABOR AND INDUSTRIAL RELATIONS

Employment Security: Amend Chapter 8 of Title 34 of the Official Code of Georgia Annotated, Relating to Employment Security, so as to Change Certain Provisions Relating to Unemployment Compensation; Change the Amount of Taxable Wages; Change Certain Provisions Relating to the State-Wide Reserve Ratio; Change Certain Provisions Relating to Determination of the Weekly Benefit Amount; Provide for Related Matters; Provide for Severability; Provide Effective Dates; Repeal Conflicting Laws; and for Other Purposes

CODE SECTIONS: O.C.G.A. §§ 34-8-49, -156, -193
BILL NUMBER: HB 347
ACT NUMBER: 710
GEORGIA LAWS: 2012 Ga. Laws 950
SUMMARY: The Act changes the State-Wide Reserve Ratio for unemployment tax and the determination of the weekly unemployment benefit amount. The Act reduces the existing twenty-six weeks of benefits, or weekly benefit amounts, to a range of possible amounts. These amounts depend upon the state unemployment rate, with a minimum of fourteen times the weekly benefit amount when unemployment is at 6.5% or below and a maximum of twenty times the weekly benefit amount when unemployment equals or exceeds 9%.

History

In Georgia, unemployment insurance claims are paid out of the Unemployment Trust Fund as established by Code section 34-8-83.\(^1\) The Unemployment Trust Fund is in turn funded by a state unemployment tax paid by Georgia employers, which, prior to 2012, was assessed at a taxable wage base of $8,500.\(^2\) In 1999, Georgia’s Unemployment Trust Fund had reached $2 billion, which exceeded any amount Georgia’s government expected to need, even in the event of an economic crisis.\(^3\) At the time, Georgia’s unemployment rate was near a record low of 3.82%.\(^4\) Because of the surplus, and in hopes of winning the favor of local businesses, then Governor Roy Barnes instituted a payroll tax holiday, which suspended state payroll taxes for four years.\(^5\) Over the next four years, $1.3 billion was withdrawn from the fund in order to pay unemployment benefits.\(^6\) By the end of Governor Barnes’s term in 2003, the fund held only $703 million, and the unemployment rate had risen to 4.8%.\(^7\) Although the tax holiday under Governor Barnes had ended, the Georgia legislature refused to restore the unemployment tax to its original amount for fear that it would be construed as a tax increase.\(^8\) The

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2. Id.; State Unemployment Insurance Taxable Wage Bases 2009-2012, AM. PAYROLL ASS’N, http://www.americanpayroll.org/members/stateui/state-ui-2/ (last visited June 24, 2012). The taxable wage base is the amount of wages for which an employer is taxed. O.C.G.A. § 34-8-49(b)(1) (2011). In this section, the term “wages” is defined as not including any remuneration paid in excess of taxable wages. Id. For the purposes of Chapter 8 of Title 34 of the Official Code of Georgia Annotated, “taxable wages’ means that portion of remuneration paid by an employer to each employee, subject to unemployment insurance contributions for each calendar year which does not exceed” amounts specified by the Code section. Id. Thus, employers pay unemployment tax on wages at or below the taxable wage base, but not in excess of it.
3. Jim Galloway, State Still Paying for Tax Holiday, ATLANTA J.-CONST., Feb. 24, 2011, at B1 (noting that Democratic Georgia Governor, Roy Barnes, thought the Georgia fund “had squirreled away an astounding $2 billion for hard times [which was] [f]ar more than any recession required”).
5. Galloway, supra note 3.
8. Galloway, supra note 3 (“The problem with tax holidays is that ending them—and repairing the damage—can be characterized as a tax increase. Triggers built into state law, to raise the restored state payroll tax by as much as 100 percent to rebuild the trust fund, were suppressed time after time by the
final suppression of unemployment taxes occurred in 2009 under then Governor Sonny Perdue who encouraged the legislature to pass the Georgia Works Job Creation and Protection Act.9

In 2009, one year after the Great Recession hit the United States, Georgia began borrowing money from the federal government out of the Federal Unemployment Account in order to pay its unemployment benefits, pursuant to Code section 34-8-87 and to the Federal Unemployment Trust Fund Act.10 By then, the unemployment rate had reached its highest point at 10.5%.11 Furthermore, in the three years since the Labor Commissioner borrowed funds from the U.S. Treasury, Georgia had incurred a debt to the federal government in the amount of $766 million.12

Under the Federal Unemployment Trust Fund Act, if a state fails to repay a loan from the Federal Unemployment Account by September 30th of the calendar year in which the loan was made, the federal government may, in addition to interest owed, assess penalties against states by revoking a tax credit that the state is eligible for under 26 U.S.C. § 3302.13 This penalty, or revocation of

9. Id.

10. 42 U.S.C. § 1104(g) (2011) (“There is hereby established in the Unemployment Trust Fund a Federal unemployment account.”); O.C.G.A. § 34-8-87 (2011) (“The Commissioner is authorized to borrow funds from the United States Treasury in accordance with standards and regulations promulgated by the United States Department of Labor and pursuant to laws of the United States. Such authority is granted only to be used if and when the Unemployment Compensation Fund should be depleted; and all funds so borrowed shall be used only for the purpose of paying benefits to those persons eligible to receive such benefits.”); Kristina Torres, Cuts in State Unemployment Benefits Now Law, ATLANTA J.-CONST., May 3, 2012, at B7; The 2012 Legislative Session Review, GA. BUDGET & POL’Y INST. (Apr. 13, 2012), http://gbpi.org/the-2012-georgia-legislature-review.

11. Local Area Unemployment Statistics, supra note 7. When House Bill (HB) 347 passed in March 2012—which reduced unemployment benefits and raised the taxable wage base—the unemployment rate had only dropped to 9.0%. Id.


13. 26 U.S.C. § 3302 (2011); Butler, supra note 6. Under 26 U.S.C. § 3302, the Department of Labor grants a tax credit of up to 5.4% to states repaying loans from the federal Unemployment Trust Fund, resulting in an interest rate reduced from 6.0% to as little as 0.6%. 26 U.S.C. § 3302(b), (c)(3) (2011). However, if a state fails to repay its loan, the Department of Labor designates that state as a “credit reduction state,” reducing its tax credit by 0.3% each year. 26 U.S.C. § 3302(c)(3) (2011). (“If the Secretary of Labor determines that a State, or State agency, has not . . . fulfilled its commitments under an agreement with the Secretary of Labor [to repay the loan] then, in the case of a taxpayer subject to the unemployment compensation law of such State, the total credits . . . otherwise allowable under this section for a year during which such State or agency does not enter into or fulfill such an agreement shall be reduced . . . .”); U.S. DEP’T OF LABOR, STATES WITH 2011 FEDERAL UNEMPLOYMENT TAX ACT (FUTA) CREDIT REDUCTIONS (2011), available at http://workforcesecurity.doleta.gov/unemploy/content/reduced_credit_states_2011.xls. The rate of
the tax credit, amounts to a fee assessed at a rate of $21 per employee per year, with the rate increasing by $21 each year. In March 2011, the fees had already reached $63 per employee per year. Furthermore, the loan principal was due to the federal government at the end of 2011, prompting the Georgia Legislature to develop a plan for immediate repayment.

**Senate Bill 447**

During the summer of 2011, the Georgia Senate began working on Senate Bill (SB) 447, which was introduced to the Senate on February 15, 2012. The bill responded to the federal debt and the depletion of the Unemployment Trust Fund by reducing unemployment benefits and increasing the payroll tax paid by employers. Specifically, the bill made the following changes to Georgia’s Unemployment Trust Fund: (1) it raised the taxable wage base from $8,500 to $9,500; (2) it decreased the number of weeks of unemployment compensation from twenty-six weeks to a sliding scale of twelve to twenty weeks; (3) it imposed a one week waiting period before benefits would become effective; and (4) it mandated that the Labor Commissioner raise tax surcharges on employers to 50%. By making these changes, SB 447 was designed to eliminate the debt owed to the federal government by 2014 and to replenish Georgia’s Unemployment Trust Fund by raising its account balance to more than $1 billion by 2016. As work on the bill progressed,

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however, it became clear that passing this bill in the Senate raised a constitutional issue because the bill could be categorized as a revenue bill, and the Georgia Constitution requires that all revenue bills originate in the House. Thus, the bill could go no further, and the legislature sought a bill in the House that could be drastically amended to adopt the provisions of SB 447. The only suitable bill was HB 347.

Original House Bill 347—2011 Georgia General Assembly

Representatives Bill Hembree (R-67th), John Meadows (R-5th), Edward Lindsey (R-54th), Howard Maxwell (R-17th), Quincy Murphy (D-120th), and Keith Heard (D-114th) sponsored the original version of HB 347. The House passed HB 347 on March 4, 2011, with no changes. The bill was read for the first time in the Senate on March 7, 2011 and was then referred to the Senate Insurance and Labor Committee on March 7, 2011. The Committee favorably reported the bill on March 30, 2011, and it was read in the Senate for the second time on March 30, 2011. However, the bill remained stagnant in the Senate until the 2012 legislative session when the Senate chose to amend it by replacing nearly all its language with the contents of SB 447. By doing so, the Senate was

21. GA. CONST. art. III, § 5, para. 2 ("All bills for raising revenue, or appropriating money, shall originate in the House of Representatives."); Pruett Interview, supra note 18.

22. Pruett Interview, supra note 18.

23. Id. When asked why HB 347 was used, Representative Pruett replied, “That was the only bill that was out there that was in the same Code section, so we could adapt to that same bill number by basically doing an amendment and wiping out the original existence of the meat of that particular bill and substituting this language because it was in the same code Section.” Id. HB 347 was originally introduced on February 23, 2011. Georgia General Assembly, HB 347, Bill Tracking, http://www.legis.ga.gov/legislation/en-US/Display/20112012/HB/347. HB 347 originally amended Code section 33-23-10, which dealt with the examination of applicants for licenses as insurance agents, counselors, or adjusters. See O.C.G.A. § 33-23-10 (2011); HB 347, as introduced, 2011 Ga. Gen. Assem. Under HB 347, the Commissioner could not exempt himself from the requirements of the application. HB 347, as introduced, § 1, p. 1, ln. 21–23, 2011 Ga. Gen. Assem. HB 347 passed the House on March 4, 2011, but it was not put to a vote in the Senate. State of Georgia Final Composite Status Sheet, HB 347, May 10, 2012. In January 2012, the House reintroduced the bill. Id.


26. Id.

27. Id.

28. See id.
able to advance its legislative efforts and at the same time remain in compliance with the provisions of the Georgia Constitution. 29

Bill Tracking of HB 347—2012 Georgia General Assembly

Consideration and Passage by Senate

At the beginning of the 2012 legislative session, the Senate began its efforts to use the 2011 version of HB 347 as a vehicle to advance the passage of SB 447. Before doing so, however, it revisited its version of SB 447. 30

SB 447

SB 447 was sponsored by Senators Fran Millar (R-40th), Charlie Bethel (R-54th), Greg Goggans (R-7th), Tommie Williams (R-19th), and Chip Rogers (R-21st).  31 The Senate first read the bill on February 16, 2012 and assigned the bill to the Insurance and Labor Committee, which favorably reported the bill with no changes on February 22, 2012. 32 Senator Nan Orrock (D-36th) pointed out that during the Insurance and Labor Committee discussion of the bill, she was told to restrict her remarks to two minutes. 33 She also stated the bill “sailed through, scrutiny almost totally absent... I think two questions were asked [at the committee meeting].” 34

During the February 24th floor debate, several senators proposed a total of five amendments to SB 447. 35 Senator Millar offered the first floor amendment, clarifying the effective date of the bill. 36 The first floor amendment was adopted without objection. 37 Senators Steve Henson (D-41st), Gloria Butler (D-55th), and Nan Orrock offered the second floor amendment, removing the reductions to the weekly

29. GA. CONST. art. III, § 5, para. 2.
32. Id.
33. Senate SB 447 Floor Vote Video, supra note 20, at 2 hrs., 10 min., 30 sec. (remarks by Sen. Nan Orrock (D-36th)).
34. Id.
payments provided by unemployment checks. \(^3^8\) The amendment failed by a vote of 13 to 34. \(^3^9\) This vote set the tone for the rest of the voting that day; thirteen Democrats voted for the proposed amendments, with Republicans and several Democrats voting in opposition. \(^4^0\) Senators Henson and Orrock proposed the third and fourth floor amendments. \(^4^1\) The third floor amendment deleted the section requiring a one-week waiting period before receiving the first unemployment check, but it failed by a vote of 13 to 33. \(^4^2\) The fourth floor amendment proposed to eliminate section 2 of the Act, essentially removing all the new provisions regarding the calculation of the amount of unemployment insurance payments required by employers. \(^4^3\) That amendment failed by a vote of 13 to 34. \(^4^4\) Senator Henson offered the fifth floor amendment, which proposed to repeal the bill on July 1, 2014, in order to force the General Assembly to revisit the bill in two years. \(^4^5\) This amendment failed by a vote of 13 to 34. \(^4^6\) Finally, Senator Henson moved to table the bill; this motion failed by a vote of 14 to 33. \(^4^7\) The Senate then voted on the passage of the bill, and it passed by a vote of 34 to 13. \(^4^8\) However, the bill stalled here because constitutional concerns led the legislators to

\(^{38}\) Failed Senate Floor Amendment to SB 447 (AM 36 0316), introduced by Sens. Steve Henson (D-41st), Gloria Butler (D-55th), and Nan Orrock (D-36th), Feb. 24, 2012.

\(^{39}\) Georgia Senate Voting Record, SB 447 (Feb. 24, 2012).

\(^{40}\) See id. Additionally, of the nine senators excused or not voting that day, seven were Democrats. Id. There are only twenty Democrats in the Senate, meaning the members were generally voting along party lines. See Georgia State Senate: Senators, 2011-2012 Regular Session, GA. GEN. ASSEMBLY, http://www senate ga.gov/senators/en-US/SenateMembersList.aspx (last visited Aug. 10, 2012).

\(^{41}\) Failed Senate Floor Amendment to SB 447 (AM 36 0318), introduced by Sens. Steve Henson (D-41st) and Nan Orrock (D-36th), Feb. 24, 2012; Failed Senate Floor Amendment to SB 447 (AM 36 0321), introduced by Sens. Steve Henson (D-41st) and Nan Orrock (D-36th), Feb. 24, 2012.

\(^{42}\) Failed Senate Floor Amendment to SB 447 (AM 36 0318), introduced by Sens. Steve Henson (D-41st), and Nan Orrock (D-36th), Feb. 24, 2012; Georgia Senate Voting Record, SB 447 (Feb. 24, 2012).

\(^{43}\) Failed Senate Floor Amendment to SB 447 (AM 36 0321), introduced by Sens. Steve Henson (D-41st) and Nan Orrock (D-36th), Feb. 24, 2012.

\(^{44}\) Georgia Senate Voting Record, SB 447 (Feb. 24, 2012).

\(^{45}\) Failed Senate Floor Amendment to SB 447 (AM 36 0331), introduced by Sen. Steve Henson (D-41st), Feb. 24, 2012.

\(^{46}\) Georgia Senate Voting Record, SB 447 (Feb. 24, 2012).

\(^{47}\) Id. The fourteenth vote for this amendment came from Sen. Bill Cowsert (R-46th), the only Republican to vote for any of these amendments. Id.

\(^{48}\) Id.
make the decision to replace an existing house bill, HB 347, with SB 447’s text. 49

HB 347

After the passage of amended SB 447, the 2011 version of HB 347 remained stalled in the Senate Insurance and Labor Committee. 50 The Committee replaced the contents of HB 347 with those of amended SB 447. 51 The Senate Insurance and Labor Committee favorably reported the bill on March 26, 2012. 52 On March 27, the Senate engrossed the bill and read the bill for the third time. 53 During the Senate floor debate on the afternoon of March 27, Senator Bethel asked for unanimous consent to suspend the rules and to advance HB 347 to the next item on the agenda. 54 Senator Bethel—aware of the House’s opposition to the transformed HB 347 and their desire for a Conference Committee meeting—asked that the Senate not spend “a great deal of time debating” the bill that day. 55 He indicated the Senate could debate the bill after receiving the report from the Conference Committee. 56 Senator Henson spoke against the disproportionate burden of the bill on workers; he asked those who

49. Some legislators considered SB 447 to be a revenue bill, which the Georgia Constitution mandates may only originate in the House. Senate SB 447 Floor Vote Video, supra note 20, at 2 hrs., 10 min., 30 sec. (remarks by Sen. Nan Orrock (D-36th)). According to Representative Jimmy Pruett (R-144th), whether SB 447 was in actuality a revenue bill was a gray area in the law because the money involved in this bill was to go into the Unemployment Trust Fund and not the general fund. Pruett Interview, supra note 18. It was also too late in the session for the House to take the language and turn it into a new House bill, so they looked for an existing bill that was in the same title as SB 447 from which they could strip the language and replace it with the language from SB 447. Id. They settled on HB 347, which had passed the House in 2011. Id.


53. Id. The Senate had read HB 347 the first and second time during the 2011 session when it was in its original form. Id. The first reading was on March 7, 2011, and the second was on March 30, 2011. Id.


55. Id. at 5 min., 25 sec. (remarks by Sen. Charlie Bethel (R-54th)).

56. Id.
were opposed to the bill to continue to vote against it so their opposition would go on record.\footnote{57} He believed a record of their opposition was important even though the bill would still pass the Senate and go to the Conference Committee.\footnote{58} The Senate voted at 9:32 p.m., and the bill passed by a vote of 35 to 14.\footnote{59}


d\textit{Conference Committee}

As predicted by Senators Bethel and Henson, on March 29, the House disagreed with the Senate amendment to the bill, insisting upon its own version.\footnote{60} The Senate refused to agree to the House version and demanded its own.\footnote{61} A Conference Committee convened that day to find a solution before the session ended.\footnote{62}

The Conference Committee report contained several changes to the Senate version of the bill. First, the Conference Committee amendment increased the minimum number of weeks in which an unemployed person could receive benefits from twelve to fourteen.\footnote{63} However, the increase of an additional week’s benefits for each 0.5\% increase in the state unemployment rate would only go into effect when the statewide rate was at 6.5\%, instead of the lower rate of

\begin{itemize}
\item \footnote{57} \textit{Id.} at 6 min., 41 sec. (remarks by Sen. Steve Henson (D-41st)).
\item \footnote{58} \textit{Id.}
\item \footnote{59} Georgia Senate Voting Record, HB 347 (Mar. 27, 2012).
\item \footnote{60} State of Georgia Final Composite Status Sheet, HB 347, May 10, 2012.
\item \footnote{61} \textit{Id.}
\item \footnote{62} \textit{Id.} Senator Bethel’s remarks about the Conference Committee took place on March 27, 2012, two days before the end of the legislative session. Senate HB 347 Video, supra note 54. Thus, when Senator Bethel urged the Senate to let the bill go to Conference Committee with minimal debate beforehand, there were two days left in which to pass the final version of the bill. \textit{Id.} The Conference Committee convened on the last day of the legislative session, which gave the legislators only hours to resolve the differences between the chambers. See State of Georgia Final Composite Status Sheet, HB 347, May 10, 2012 (showing both the appointment of a Conference Committee and the passage of HB 347 on March 29, 2012); \textit{Welcome to the Georgia General Assembly!}, GA. GEN. ASSEMBLY, http://www.legis.ga.gov/en-US/default.aspx (last visited Aug. 14, 2012) (“The Senate adjourned the 2012 Legislative Session on Thursday, March 29th, SINE DIE.”).
\item \footnote{63} \textit{Compare} HB 347 (LC 35 2692S), § 3, p. 3, ln. 81–82, 2012 Ga. Gen. Assem., with HB 347 (LC 36 2204S), § 3, p. 3, ln. 80–81, 2012 Ga. Gen. Assem. The Committee changed the minimum benefits payable to an individual from “[t]welve times the weekly benefit amount, if this state’s average unemployment rate is at or below 5.49 percent” to “[f]ourteen times the weekly benefit amount, if this state’s average unemployment is at or below 6.5 percent.” \textit{Compare} HB 347 (LC 35 2692S), § 3, p. 3, ln. 81–82, 2012 Ga. Gen. Assem., with HB 347 (LC 36 2204S), § 3, p. 3, ln. 80–81, 2012 Ga. Gen. Assem.
5.49%. The maximum number of weeks an individual could receive benefits remained at twenty. Finally, the Conference Committee removed Section 4 of the Senate version, which revised subsection (a) of Code section 34-8-195. This section contained the waiting week provision requiring any individual claiming unemployment benefits to serve a “waiting period of one week during which no benefits shall be payable.”

At 10:46 p.m. on March 29, 2012, the Senate adopted the Conference Committee report by a vote of 37 to 17, with two abstentions. The House adopted the Conference Committee Report on March 29 at 11:17 p.m. with a vote of 98 to 60 with seventeen abstentions.

The House sent HB 347 to Governor Nathan Deal on April 5, 2012. Governor Deal signed the bill into law on May 2, 2012.

The Act

The Act amends Chapter 8 of Title 34 of the Official Code of Georgia Annotated, relating to employment security, by amending provisions relating to unemployment compensation. It alters the amount of taxable wages that go into the Unemployment Trust Fund; it contains provisions relating to the State-wide Reserve Ratio; and it provides for the determination of the weekly benefit amount.

The first two sections of the Act focus on the taxable wage base for Georgia’s Unemployment Trust Fund. Section 1 of the Act amends paragraph (1) of subsection (b) of Code section 34-8-49, relating to taxable wages, by creating an ending date of December
31, 2012, for the taxable wage base of $8,500.\textsuperscript{75} It provides for a new taxable wage base of $9,500 to begin on January 1, 2013, and thereafter.\textsuperscript{76} Section 2 of the Act amends Chapter 8, subparagraph (d)(4)(B) of Code section 34-8-156, relating to the State-wide Reserve Ratio.\textsuperscript{77} This section provides for the computation of the rate at which employers are taxed.\textsuperscript{78} As the ratio decreases, the tax rates increase in increments of 25%.\textsuperscript{79} However, Section 2 suspends the overall increase in the rate for the period of January 1 through December 31, 2013, and for each calendar year period thereafter.\textsuperscript{80} It provides an exception to this suspension by giving the Labor Commissioner “the option of imposing an increase in the overall rate up to 50%” when the State-wide Reserve Ratio is less than 1.25%.\textsuperscript{81} If the Labor Commissioner has borrowed funds from the United States Treasury that are unpaid, or if the Unemployment Trust Fund balance is less than $1 billion, a mandatory increase of 50% is imposed.\textsuperscript{82} The overall effect of section 2 is to limit tax rate increases on employers to no more than 50%. Without this amendment, rates could go up to 100%.\textsuperscript{83}

Section 3 of this Act amends Code section 34-8-193, relating to the determination of the weekly unemployment benefit amount.\textsuperscript{84} This section reduces the maximum unemployment benefits payable to an individual in a benefit year from twenty-six weeks to a sliding scale ranging from fourteen to twenty weeks.\textsuperscript{85} If the state’s average unemployment rate is at or below 6.5%, then the maximum weekly benefit amount is fourteen times the weekly benefit.\textsuperscript{86} Each time the unemployment rate increases by 0.5%, the weekly benefit amount will increase by one week, with the maximum weekly benefit amount capped at twenty weeks when the state’s average unemployment rate

\begin{footnotesize}
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\item \textsuperscript{75} Id. § 34-8-49(b)(1)(D).
\item \textsuperscript{76} Id. § 34-8-49(b)(1)(E).
\item \textsuperscript{77} Id. § 34-8-156(d)(4)(B).
\item \textsuperscript{78} Id.
\item \textsuperscript{79} O.C.G.A. § 34-8-156(d)(4)(B) (Supp. 2012).
\item \textsuperscript{80} Id.
\item \textsuperscript{81} Id.
\item \textsuperscript{82} Id.
\item \textsuperscript{83} Id.
\item \textsuperscript{84} Id. § 34-8-193(d).
\item \textsuperscript{85} O.C.G.A. § 34-8-193(d)(1)(A) (Supp. 2012).
\item \textsuperscript{86} Id.
\end{itemize}
\end{footnotesize}
equals or exceeds 9%. Alternatively, if one-fourth of the base period wages is a lower benefit amount, that figure will be used instead. The purpose of this section is to reduce the amount of benefits leaving the Unemployment Trust Fund, so that the money borrowed from the United States Treasury may be repaid and so that the Unemployment Trust Fund account balance can be replenished.

Section 3 of the Act further amends Chapter 8, subsection (d) of Code section 34-8-193 to add subsection (d)(3), which defines the term “state’s average unemployment rate” as “the average of the adjusted state-wide unemployment rates as published by the Department of Labor for the time periods of April 1 through April 30 and October 1 through October 31.” The April averages are effective from July 1 through December 31 of each year, and the October averages are effective from January 1 through June 30 of each year.

Analysis

Benefits

There are three primary benefits to the Act. First, the Act is remedial in that it establishes a plan to repay the principal and interest of the loan owed to the federal government in a timely manner. Second, the Act is preventative in that it plans to increase the account balance of Georgia’s Unemployment Trust Fund to at

87. Id.
88. Id. § 34-8-193(d)(1)(B). The statute states: Excep...eles of: (A) Fourteen times the weekly benefit amount, if this state’s average unemployment rate is at or below 6.5 percent, with an additional weekly amount added for each 0.5 percent increment in this state’s average unemployment rate above 6.5 percent up to a maximum of 20 times the weekly benefit amount if this state’s average unemployment rate equals or exceeds 9 percent; or (B) One-fourth of the base period wages.
Id. § 34-8-193(d)(1)(A)+(B).
91. Id.
92. Senate SB 447 Floor Vote Video, supra note 20, at 1 hr., 13 min., 52 sec. (remarks by Sen. Fran Millar (R-40th)).
least $1.1 billion by 2016.\textsuperscript{93} And third, the Act is equitable in that it allocates the burden of repaying the debt owed to the federal government between Georgia employers and employees.\textsuperscript{94}

\textit{Remedial}

As of February 10, 2012, the State of Georgia owed the federal government $776 million.\textsuperscript{95} It is estimated that by the end of 2012 Georgia will be nearly $900 million in debt to the federal government for funds loaned from the Federal Unemployment Account.\textsuperscript{96} The primary purpose and benefit of the Act is to repay that debt by 2014.\textsuperscript{97} The Act facilitates the repayment of the debt by increasing the taxable wage base and by increasing the employer’s contribution—up to a 50% increase.\textsuperscript{98} By repaying the debt in 2014 instead of 2015, Georgia will save $240 million in interest and fees.\textsuperscript{99} Furthermore, the penalties imposed on employers by the federal government will disappear, and thus, employers will not continue to face an increase in penalties by $21 per employee per year.\textsuperscript{100} Therefore, the Act has the practical benefit of restoring fiscal solvency to Georgia. As Senator Fran Millar (R-40th), who authored SB 447 (the precursor to HB 347) explained, “we’ve got an obligation that we need to pay, and . . . this state has an obligation—we do—to be fiscally prudent and solvent, and I think this step is necessary when [we’ve] got an obligation out there.”\textsuperscript{101}

\textsuperscript{93} Id.
\textsuperscript{94} See id.
\textsuperscript{95} Id.
\textsuperscript{96} Id.
\textsuperscript{97} Id.
\textsuperscript{98} O.C.G.A. § 34-8-156 (Supp. 2012); Senate SB 447 Floor Vote Video, supra note 20, at 1 hr., 13 min., 52 sec. (remarks by Sen. Fran Millar (R-40th)).
\textsuperscript{99} Senate SB 447 Floor Vote Video, supra note 20, at 1 hr., 13 min., 52 sec. (remarks by Sen. Fran Millar (R-40th)).
\textsuperscript{100} Id.; see also Pruett Interview, supra note 18 (“[The penalties] did not have to be implemented provided that we came up with a plan that [the federal government] would accept as us trying to make the payment back . . . . Our goal was to set up a way that the money could be paid back. It was decided that by 2014, we would try to get it wiped out and get the interest off the books.”).
\textsuperscript{101} Senate SB 447 Floor Vote Video, supra note 20, at 1 hr., 44 min., 31 sec. (remarks by Sen. Fran Millar (R-40th)). Senator Charlie Bethel (R-54th) agreed, stating, “It will hurt, but it is responsible. It is what adults do, [and] it is what we must do. We have a debt here; it must be repaid. . . . We don’t live in a world where we don’t pay our debts in Georgia.” Id. at 2 hr., 41 min., 45 sec. (remarks by Sen. Charlie Bethel (R-54th)).
Preventative

In addition to its immediate reparative benefits, the Act also prevents a similar crisis from striking Georgia’s unemployed in the future. Senator Millar repeatedly stated during Senate debates that, “if you talk to any economist, they predict the next recession will be by 2016.”\(^{102}\) In preparation for any future recession, the Act, by increasing employer contributions, plans to add $1.1 billion to Georgia’s Unemployment Trust Fund.\(^{103}\) Furthermore, the Act mandates the Labor Commissioner impose a 50% surcharge on employer contribution rates so long as the Unemployment Trust Fund contains $1 billion or less.\(^{104}\) Prior to the Act, the Labor Commissioner had the option to raise the surcharge to 50%; he chose not to exercise that option despite Georgia’s indebtedness to the federal government.\(^{105}\) Under this Act, however, the Labor Commissioner \textit{must} impose surcharges if the Unemployment Trust Fund’s account balance drops below $1 billion—this eliminates the uncertainty of protective measures.\(^{106}\) As Senator Charlie Bethel (R-54th) explained, “by establishing a minimum [contribution rate] until the balance reaches [one] billion dollars, we . . . secure the payments . . . into the future without being reliant on an elected official’s decision . . . .”\(^{107}\)

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\(^{102}\) \textit{Id.} at 1 hr., 13 min., 52 sec. (remarks by Sen. Fran Millar (R-40th)).

\(^{103}\) \textit{Id.} This prediction is based on a presumption that Georgia’s average unemployment rate remains at 9%. \textit{Id.} If the rate increases or decreases, the surplus in the Unemployment Trust Fund may be more or less than the estimated $1.1 billion. \textit{Id.}

\(^{104}\) O.C.G.A. § 34-8-156(d)(4)(B) (Supp. 2012) (“[I]f any funds borrowed by the Commissioner from the United States Treasury pursuant to Code Section 34-8-87 are unpaid or if the Unemployment Compensation Fund balance is less than $1 billion, then the Commissioner of Labor shall impose an increase in the overall rate of 50 percent . . . .”).

\(^{105}\) Pruett Interview, \textit{supra} note 18.


\(^{107}\) Senate SB 447 Floor Vote Video, \textit{supra} note 20, at 1 hr., 42 min., 10 sec. (remarks by Sen. Charlie Bethel (R-54th)). Eventually, Labor Commissioner Mark Butler raised the surcharge to 50%; however, he did not do so until after SB 447 was introduced. \textit{See id.} at 1 hr., 31 min., 20 sec. (remarks by Sen. Fran Millar (R-40th)). Senator Millar has suggested that Georgia cannot rely on the Labor Commissioner to act preventatively, stating, “I can’t tell you why he [raised the surcharge] then, but my feeling is [that] it probably wouldn’t have happened had this bill [SB 447] not been filed.” \textit{Id.} at 1 hr., 31 min., 20 sec. (remarks by Sen. Fran Millar (R-40th)).
A final key benefit of the Act is its balancing of the burden of repayment of the federal debt between employers and the unemployed. Under this Act, part of the burden falls upon employers, who now pay an increased contribution rate into the fund; part of the burden also falls upon the unemployed, whose benefits have been reduced from twenty-six weeks to a sliding scale of fourteen to twenty weeks. According to an economic analysis prepared by the Labor Department and the Senate, 72% of the monetary burden of the Act falls on the employer; 23% falls on the employee and unemployed; and 5% falls on the state. Nonetheless, critics of the Act suggest that too much of the burden falls on the unemployed when such individuals are out of work “through no fault of their own.” In response, the authors of the Act have noted: (1) that the original plan proposed by the Labor Department put the entire burden of repaying the federal debt on the unemployed; and (2) that employers are also in this situation through no “fault of their own.”

108. O.C.G.A. § 34-8-193 (d)(1)(A) (Supp. 2012); Senate SB 447 Floor Vote Video, supra note 20, at 1 hr., 13 min., 52 sec. (remarks by Sen. Fran Millar (R-40th)); Pruett Interview, supra note 18. Representative Jimmy Pruett (R-144th) noted two major compromises made while drafting the bill. Pruett Interview, supra note 18. First, SB 447 required that the unemployed abide by a one week waiting period before receiving benefits, but HB 347 omitted that provision; and second, SB 447 reduced benefits to a sliding scale of twelve to twenty weeks, whereas HB 347 only reduced the minimum number of weeks of benefits to fourteen. Id. In developing that compromise, the Georgia legislature modeled the Act after Florida’s unemployment insurance plan, which also uses a sliding scale. Id.

109. Senate SB 447 Floor Vote Video, supra note 20, at 1 hr., 13 min., 52 sec. (remarks by Sen. Fran Millar (R-40th)). Some critics of the Act have disputed the accuracy of these figures. See, e.g., Interview with Senator Steve Henson (D-41st), in Atlanta, Ga. (May 15, 2012) [hereinafter Henson Interview].

110. Senate SB 447 Floor Vote Video, supra note 20, at 1 hr., 58 min., 57 sec. (remarks by Sen. Vincent Fort (D-39th)); see also Henson Interview, supra note 109. As Senator Vincent Fort (D-39th) emphasized:

"We’re talking about . . . people who are unemployed through no fault of their own. These aren’t slackers. These aren’t deadbeats . . . . These are people that have showed up at the job, done what they were supposed to do, performed their duties . . . . [T]here’s been a lot said in this well and around the country . . . about shared pain . . . . But let me tell you this: what it equates to is folk and whether or not they [are going] to get groceries or not. I hope that you would keep that in mind. This [isn’t] theory. This is real people. This is real people in a situation that they would otherwise never [want to] be in.

Senate SB 447 Floor Vote Video, supra note 20, at 1 hr., 58 min., 57 sec. (remarks by Sen. Vincent Fort (D-39th)).

111. Senate SB 447 Floor Vote Video, supra note 20, at 1 hr., 13 min., 52 sec. (remarks by Sen. Fran Millar (R-40th)); see also Pruett Interview, supra note 18 ("[D]o you think an employer—is it any fault of their own that this economy tanked and put them in a situation where they’ve got to pay [a greater contribution] per employee?").
An additional benefit of the bill is that it strives to balance the monetary burden between employers and the unemployed in a way that is least detrimental to Georgia’s economy. Specifically, by raising the taxable wage base to $9,500, the Act hopes to allow Georgia to remain competitively attractive as a location for new businesses. As Representative Jimmy Pruett (R-144th) explained, “We try to stay competitive because we have so many states that are around us that we compete [with] . . . and this is important when you’re bringing jobs to Georgia.” Some legislators also expressed concern that if the Act increased employer contributions too much, employers that could not afford the increase would have difficulty continuing to employ their staff, and thus, the unemployment rate would rise. In essence, the legislators struggled with determining who should pay to restore Georgia’s Unemployment Trust Fund to fiscal solvency. Senator Millar, the author of SB 447, emphasized, “there’s shared pain here, okay . . . but the fact is we’ve got an obligation out there, [and] we have to deal with it.” Representative Pruett, who sponsored the bill in the Senate, agreed: “[I]t’s just sad that this kind of legislation had to be written at a time when people are already struggling, and it puts an additional burden on the businesses but also puts an additional burden on the families. There were no winners.” He also stressed, however, that “[t]his is what elected officials are elected to do—to make these hard decisions that are based on what’s best for the taxpayers and the state, without looking at how it’s going to affect them when it comes [to] election time.”

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112. House Video, supra note 89, at 3 hrs., 26 min., 26 sec. The taxable wage bases in surrounding states are as follows: Alabama: $8,000, Tennessee: $9,000, and South Carolina: $12,000. Senate SB 447 Floor Vote Video, supra note 20, at 1 hr., 13 min., 52 sec. (remarks by Sen. Fran Millar (R-40th)).
113. House Video, supra note 89, at 3 hr., 26 min., 26 sec. (remarks by Rep. Jimmy Pruett (R-144th)).
114. E.g., Pruett Interview, supra note 18 (“It absolutely was a sweat, gut-wrenching decision to try to come up with some balance that everybody could handle. But . . . if you’ve got one hundred employees, and [unemployment contributions] went up by $40,000 . . . well that $40,000 could keep that employer from [employing someone] because he’s losing more money!”).
115. Senate SB 447 Floor Vote Video, supra note 20, at 1 hr., 13 min., 52 sec. (remarks by Senator Fran Millar (R-40th)).
116. Pruett Interview, supra note 18.
117. Id.
Opponents of SB 447 and HB 347 voiced three major criticisms of the bills. First, opponents criticized the process in which the legislature passed the bill, noting it rushed too quickly through the approval process. Second and third, opponents criticized the potential effects of the bill—its burden on unemployed workers and its negative effects on local economies.

The Bill Was Rushed

Opponents of the bill repeatedly noted how quickly the bill moved through the approval process while legislators lacked sufficient information to evaluate its potential effects. Senator Nan Orrock (D-36th), who attended the Insurance and Labor Committee meeting on SB 447, stated there was little to no discussion regarding the bill before the Committee approved it. According to Senator Orrock, the Committee Chairman instructed attendees to limit their remarks to two minutes, and attendees only asked a few questions before the bill was brought to a vote. The Labor Department, which manages the Unemployment Trust Fund, did not send a representative to the Insurance and Labor Committee Meeting. Senator Millar, in response to a question during a floor debate, said:

[W]e couldn’t even get a member—one person from the thirty-eight person Labor Department—to attend the hearing to answer any questions. As a Senator, no matter what your political party, you should be offended that the Labor Department did not send a representative to hear about the issues.
Department didn’t send one person to the hearing to answer questions or voice an opinion.125

Additionally, no economic experts were available to testify or discuss possible effects of the bill.126 Senator Steve Thompson (D-33rd) requested a delay in voting on SB 447, noting both the lack of information they needed to improve the bill and the fact that the vote was occurring late in the day after eleven Senators had already returned home.127 Senator Millar, an author of the bill, agreed with Senator Henson, an opponent, that the Senate lacked information.128 However, the bill’s supporters replied that the bill was necessary in order to repay the debt to the federal government, despite the fact that no one was happy with it.129

The Burden On The Workers

Opponents of the bill also argued it placed an unfair burden on workers by reducing the increase in employers’ unemployment tax rates.130 Numerous tax holidays, extended multiple times by the General Assembly over at least twelve years, caused the current underfunding of the Unemployment Trust Fund.131 The opponents argued that employers had benefitted from tax holidays during this time, and therefore, it was their responsibility to bear the burden of paying the needed amount into the fund.132

125. Id. at 1 hr., 13 min., 52 sec. (remarks by Sen. Fran Millar (R-40th)).
126. See Henson Interview, supra note 109.
127. Senate SB 447 Floor Vote Video, supra note 20, at 2 hr., 5 min., 10 sec. (remarks by Sen. Steve Thompson (D-33rd)).
128. Id. at 1 hr. 13 min. 52 sec. (remarks by Sen. Fran Millar (R-40th)).
129. See id. at 1 hr., 45 min., 24 sec. (remarks by Sen. Fran Millar (R-40th)). Senator Millar stated: I think what we’re trying to do is keep a vibrant economy in this state and keep people employed. And look, this bill is not perfect, as I said earlier. But unfortunately, we’ve got a major problem. We in the legislature, now that we’ve been made aware of it in the last year and a half, we can’t kick the can down the road anymore. It’s time we step up, bite the bullet, and solve the problem. Id.
130. Id. at 2 hrs., 10 min., 30 sec. (remarks by Sen. Nan Orrock (D-36th)); see also Henson Interview, supra note 109.
131. Senate SB 447 Floor Vote Video, supra note 20, at 2 hrs., 10 min., 30 sec. (remarks by Sen. Nan Orrock (D-36th)); see also Henson Interview, supra note 109.
132. Senate SB 447 Floor Vote Video, supra note 20, at 2 hr., 10 min., 30 sec. (remarks by Sen. Nan Orrock (D-36th)).
Senator Henson advocated doing nothing to change existing law. Doing nothing would solve the problem of replenishing the fund and paying off the federal government because “[s]tate law, as it exists, has a mechanism to deal with this problem. . . . [I]f the reserve fund becomes too low, there is a surcharge, and that surcharge at 100% would raise an additional . . . $270 million.” Raising the surcharge would increase what employers paid into the fund and would raise the money needed to fix the problem. Furthermore, this approach would raise the needed funds faster than if the bill were passed.

**Negative Effects On Local Economies**

The other concern expressed by opponents was how reduced benefits would affect local economies. Unemployed persons are expected to spend their benefit checks on necessities such as groceries, and opponents focused their concerns on how a decrease in expenditures would affect merchants. Senator Henson would have liked to have heard from an economist on how the bill would affect the damaged economy, noting “a lot of folks say that unemployment benefits have a very stimulating effect on the economy.” Opponents were concerned about the possibility that more job losses would result from cutting off the flow of money into the economy than from increasing unemployment taxes on employers. These criticisms relate to the concern that the legislature rushed the process.
of bill passage with too little information—the lack of sound evidence demonstrating the effect of the Act’s provision on Georgia’s economy fueled fears about negative effects on local economies.

Both opponents and supporters of HB 347 agreed they wanted to spend more time on the bill, and no one was pleased with it; however, many believed the need for a solution during this session outweighed spending more time researching effects.140 During the debates on March 29, even supporters expressed regret about the bill but focused on the fact that it was necessary in order to deal with the debt.141 Overall, this was a bill with which no legislator was completely satisfied, and its potential effects on local economies are uncertain.

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140. See, e.g., Henson Interview, supra note 109; Pruett Interview, supra note 18; Video Recording of Senate Proceedings, Mar. 30, 2012 at 2 hr., 40 min., 5 sec. (remarks by Sen. Charlie Bethel (R-54th)), http://www.gpb.org/lawmakers/2012/day-40 [hereinafter Senate Day 40 video] (“I sincerely doubt that there is anybody who is associated with this process who believes they got everything they wanted the way they wanted. That’s the nature of legislation sometimes.”).

141. House Video, supra note 89 (remarks by Rep. Jimmy Pruett (R-144th)) (“This is a bill that . . . nobody’s comfortable with, nobody likes, but it’s something we have to do, and it’s one of the hard jobs that we have when we come up here. This is not something you’re [going to] go home and raise your hands and [say] ‘yay!’ and beat yourself on the chest about, but it is a bill that has to be done.”); Senate Day 40 Video, supra note 140, at 2 hr., 37 min., 20 sec (remarks by Sen. Charlie Bethel, R-54th)) (“[T]his is, we’ve said many times, an unfun and unwelcome task. It is difficult for us, and far more difficult for Georgians who are out of work, to deal with this issue . . . .”).