

*2/23/95 Business & Labor*  
**FILED FEB 23 1995**  
*3/13/95 Amend/Do Pass 4/S. 3132*  
*4/10/95 Referred back Bus & Labor*

SENATE FILE **196**  
BY DVORSKY

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act establishing a self-employment assistance program and  
2 providing an effective date and a termination date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 196

1 Section 1. NEW SECTION. 96.3A SELF-EMPLOYMENT ASSISTANCE  
2 PROGRAM.

3 1. DEFINITIONS. As used in this section, unless the  
4 context otherwise requires:

5 a. "Self-employment assistance activities" means  
6 activities approved by the commissioner in which an individual  
7 participates for the purpose of establishing a business and  
8 becoming self-employed. "Self-employment assistance  
9 activities" includes, but is not limited to, entrepreneurial  
10 training, business counseling, and technical assistance.

11 b. "Self-employment assistance allowance" means an  
12 allowance payable, in lieu of regular benefits, from the  
13 unemployment compensation fund established in section 96.9 to  
14 an individual who meets the requirements of this section.

15 2. AMOUNT OF SELF-EMPLOYMENT ASSISTANCE ALLOWANCE. The  
16 weekly allowance payable under this section to an individual  
17 shall be equal to the weekly benefit amount for regular  
18 benefits otherwise payable pursuant to section 96.3. The  
19 maximum total amount of regular benefits and self-employment  
20 assistance allowances payable to an eligible individual during  
21 a benefit year shall not exceed the maximum benefits allowed  
22 as established by section 96.3, subsection 5.

23 3. ELIGIBILITY. The following eligibility requirements  
24 apply to the payment of a self-employment assistance allowance  
25 under this section.

26 a. An individual may receive a self-employment assistance  
27 allowance if the following requirements are met:

28 (1) The individual is eligible to receive regular benefits  
29 or would be eligible to receive regular benefits except for  
30 the requirements described in paragraph "b".

31 (2) The individual is identified by a worker profiling  
32 system as an individual likely to exhaust regular benefits.

33 (3) The individual has filed an application for  
34 participation in the self-employment assistance program within  
35 sixty days of filing an initial application for regular

1 benefits and has provided the information the commissioner may  
2 prescribe.

3 (4) The individual is still eligible for, at the time the  
4 application is filed, regular benefits equal to at least  
5 eighteen times the individual's weekly benefits amount and at  
6 least eighteen weeks remain in the individual's benefit year.

7 (5) The individual has been accepted into and is  
8 participating full-time in self-employment assistance  
9 activities.

10 (6) The individual has filed a weekly claim for the self-  
11 employment assistance allowance and provides the information  
12 the commissioner prescribes, including a log of self-  
13 employment activities.

14 b. A self-employment assistance allowance is payable to an  
15 individual at the same interval, on the same terms, and  
16 subject to the same conditions as regular benefits except for  
17 the following:

18 (1) The requirements of this chapter relating to  
19 availability for work and active search for work are not  
20 applicable to the individual.

21 (2) The requirements of this chapter relating to refusal  
22 to accept work are not applicable to the individual.

23 (3) The requirements of this chapter relating to self-  
24 employment income are not applicable to the individual.

25 (4) An individual who meets the requirements of this  
26 section shall be considered to be totally unemployed.

27 (5) An individual who fails to participate in self-  
28 employment assistance activities or who fails to actively  
29 engage on a full-time basis in activities, which may include  
30 training, related to establishing a business and becoming  
31 self-employed shall be disqualified for the week the failure  
32 occurs.

33 4. LIMITATION ON NUMBER OF INDIVIDUALS RECEIVING A SELF-  
34 EMPLOYMENT ASSISTANCE ALLOWANCE. The number of individuals  
35 receiving a self-employment assistance allowance at any time

1 shall not exceed five per cent of the number of individuals  
2 receiving regular benefits at that time.

3 5. FINANCING. Self-employment assistance allowances paid  
4 pursuant to this section shall be charged to employers as  
5 provided under section 96.7 relating to the charging of  
6 regular benefits.

7 6. EFFECTIVE DATE AND TERMINATION DATE. This section is  
8 effective for the weeks beginning on or after the effective  
9 date of this Act or beginning on or after the date any plan  
10 providing for a self-employment assistance program required by  
11 the United States department of labor is approved, whichever  
12 date is later. This section is void as of the end of the week  
13 preceding the date when federal law no longer authorizes the  
14 provision of a self-employment assistance program, unless the  
15 date is a Saturday, in which case this section is void as of  
16 that date.

17 EXPLANATION

18 This bill establishes a self-employment assistance program  
19 which essentially provides unemployment compensation benefits  
20 to individuals seeking to be self-employed. Authority to  
21 establish a program is provided by federal law at 26 U.S.C. §  
22 3306(t).

23 The bill defines self-employment assistance activities and  
24 self-employment assistance allowance. The bill provides that  
25 the weekly self-employment assistance allowance payable to an  
26 individual is equal to the weekly benefit amount for regular  
27 unemployment benefits and the maximum yearly allowance is the  
28 same as the maximum regular unemployment benefits currently  
29 allowable. Charges to employers are made in the same manner  
30 as charges to employers for regular unemployment benefits.

31 The bill establishes eligibility requirements for an  
32 individual's acceptance into the self-employment assistance  
33 program. The bill provides that the requirements to receive  
34 regular unemployment benefits relating to availability for  
35 work, active search for work, refusal to accept work, and

1 self-employment income do not apply to an individual otherwise  
2 eligible to receive a self-employment assistance allowance.

3 The bill provides that the maximum number of individuals  
4 eligible for the program at any one time is equal to 5 percent  
5 of the individuals receiving regular unemployment benefits.

6 The bill provides that the bill is effective on the  
7 effective date of the bill, or the date the United States  
8 department of labor approves Iowa's plan, and that the bill is  
9 void if federal authorization for the program ends.

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## SENATE FILE 196

S-3132

1 Amend Senate File 196 as follows:

2 1. Page 3, by inserting after line 16 the  
3 following:

4 "Sec. \_\_\_\_ . Section 96.3, subsection 5, Code 1995,  
5 is amended to read as follows:

6 5. DURATION OF BENEFITS. The maximum total amount  
7 of benefits payable to an eligible individual during a  
8 benefit year shall not exceed the total of the wage  
9 credits accrued to the individual's account during the  
10 individual's base period, or twenty-six times the  
11 individual's weekly benefit amount, or for purposes of  
12 section 96.3A only twenty times the individual's  
13 weekly benefit amount, whichever is the lesser. The  
14 commissioner shall maintain a separate account for  
15 each individual who earns wages in insured work. The  
16 commissioner shall compute wage credits for each  
17 individual by crediting the individual's account with  
18 one-third of the wages for insured work paid to the  
19 individual during the individual's base period.  
20 However, the commissioner shall recompute wage credits  
21 for an individual who is laid off due to the  
22 individual's employer going out of business at the  
23 factory, establishment, or other premises at which the  
24 individual was last employed, by crediting the  
25 individual's account with one-half, instead of one-  
26 third, of the wages for insured work paid to the  
27 individual during the individual's base period.  
28 Benefits paid to an eligible individual shall be  
29 charged against the base period wage credits in the  
30 individual's account which have not been previously  
31 charged, in the inverse chronological order as the  
32 wages on which the wage credits are based were paid.  
33 However if the state "off indicator" is in effect and  
34 if the individual is laid off due to the individual's  
35 employer going out of business at the factory,  
36 establishment, or other premises at which the  
37 individual was last employed, the maximum benefits  
38 payable shall be extended to thirty-nine times the  
39 individual's weekly benefit amount, or for purposes of  
40 section 96.3A only thirty-three times the individual's  
41 weekly benefit amount, but not to exceed the total of  
42 the wage credits accrued to the individual's account."  
43 2. By renumbering as necessary.

By COMMITTEE ON BUSINESS AND LABOR  
RELATIONS

DICK L. DEARDEN, Chairperson

S-3132 FILED MARCH 15, 1995

**SENATE FILE 196  
FISCAL NOTE**

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A fiscal note for Senate File 196 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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Senate File 196 establishes a Self-Employment Assistance Program which essentially provides unemployment compensation benefits to individuals seeking to be self-employed. This has been authorized by the Federal government. The bill allows a maximum of 5.0% of the actual number of claimants drawing unemployment benefits to participate in the Program. To qualify individuals must meet the following eligibility requirements.

1. The individual must be eligible to receive regular unemployment benefits.
2. The individual must be identified as likely to exhaust regular benefits.
3. The individual must file an application for the Program within 60 days after filing for regular benefits.
4. The individual must be eligible for at least 18 additional weeks of benefits at the time of application for the Program.
5. The individual must have been accepted into and be participating full-time in self-employment assistance activities approved by the Labor Commissioner.
6. The individual must file a weekly claim for benefits and provide any information the Commissioner prescribes.
7. The normal requirements to collect unemployment benefits are waived.

**ASSUMPTIONS**

1. The ten-year average number of first payments is  $92,000 \times 5.0\% = 4,600$  potential participants.
2. Individuals in this group would draw regular benefits equal to the 1993 experience of benefit payments.
3. Based on the experience of pilot projects in the states of Washington and Massachusetts, the level of actual participation in the Program is estimated to be 400 to 800 individuals.
4. The average actual duration of benefit payments in 1993 was 20.6 weeks, resulting in average actual benefit costs of \$4,015.
5. The average potential duration is 27.8 weeks, resulting in an average potential benefit cost of \$5,446.
6. The additional cost for a Program participant would be \$1,431.

**FISCAL EFFECT**

Based on the experiences of the states of Washington and Massachusetts, the estimated number of individuals who would participate in the Program each year would cost the Unemployment Trust Fund \$0.6 to \$1.2 million. The maximum cost to the Trust Fund would be \$6.6 million if 5.0% of all claimants participated.

**NOTE:** The bill makes no provision for the Department of Employment Services to

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operate a Self-Employment Assistance Project. The Department estimates that the cost to the General Fund to operate such a program would be \$0.6 to \$1.0 million annually. This would provide 4.5 FTE positions at a cost of \$200,000 and training costs per participant of \$1,000 (\$400,000 to \$800,000).

(LSB 1393SS, DPW)

FILED MARCH 23, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR