

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 88** HLS 202ES 236

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: October 12, 2020 10:08 AM	Author: DUPLESSIS
Dept./Agy.: Workforce Commission	Analyst: Tanesha Morgan
Subject: Unemployment	

UNEMPLOYMENT COMP OR INCREASE SD EX See Note Page 1 of 2
Provides relative to the unemployment trust fund (Item #8)

Present law establishes the procedure which shall be applied by the administrator in determining the maximum weekly unemployment benefit amount. (1) Procedure 1: When the applied trust fund balance is less than \$750 million, the maximum benefit amount is \$221. (2) Procedure 2: When the balance is equal to or greater than \$750 million but less than \$1.15 billion, the maximum benefit amount is \$247. (3) Procedure 3: When the balance is equal to or greater than \$1.15 billion but less than \$1.4 billion, the maximum benefit amount is \$258. (4) Procedure 4: When the balance is greater than \$1.4 billion, the maximum benefit amount is \$284. Proposed law increases each maximum benefit amount by \$100. Proposed law changes Procedure 1 by increasing the weekly maximum benefit amount from \$221 to \$321. Proposed law changes Procedure 2 by increasing the weekly maximum benefit amount from \$247 to \$347. Proposed law changes Procedure 3 by increasing the weekly maximum benefit amount from \$258 to \$358. Proposed law changes Procedure 4 by increasing the weekly maximum benefit amount from \$284 to \$384

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						
REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW					
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The proposed legislation increases the weekly maximum unemployment benefit amount by \$100, which is anticipated to increase expenditures from the Unemployment Insurance Trust Fund by a material, but indeterminable amount. The total amount of the expenditure increase is dependent on several factors including, but not limited to, the number of employment claims filed, the number of recipients that qualify for maximum benefits, and the number of weeks that certain recipients remain eligible for unemployment benefits. The Workforce Commission is attempting to extract information sufficient to estimate the potential effect of the bill on trust fund disbursements, but has not been able to complete that assessment.

It should be noted that the unemployment trust fund is not an appropriated fund within the state budget, but is held by the U.S. Treasury in the federal unemployment insurance trust fund, where each state has a separate account for covering normal unemployment insurance benefits.

REVENUE EXPLANATION

Although the bill does not directly impact revenue, it increases payments from the UI Trust Fund. Increasing payments from the trust fund results in a lower fund balance, which may trigger additional UI taxes being assessed to employers. The potential effect on the taxable wage base and the solvency tax is provided below for illustrative purposes.

Taxable wage base

If the applied trust fund balance range is below \$750 M, then the taxable wage base increases from \$7,700 to \$8,500. For illustrative purposes, employers paid \$205.5 M in UI taxes in 2019 when the wage base was \$7,700. If the wage base had been \$8,500 in 2019, employers would have paid at most an estimated \$226.8 M in UI taxes, an increase of \$21.3 M.

REVENUE EXPLANATION CONTINUED ON PAGE 2

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
Chief Economist

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CONTINUED EXPLANATION from page one:

REVENUE EXPLANATION CONTINUED FROM PAGE 1

Solvency tax

Present law provides that a solvency tax is applied if the balance of the UI Trust Fund falls below \$100 M. This tax can be up to an additional 30% above an employer's normal contributions. For illustrative purposes, if this tax would have been applied in 2019, employers would have paid at most an estimated \$61.6 M in additional UI tax contributions. See the tax below:

	<u>UI tax collections</u>	<u>Solvency tax of 30%</u>
1st quarter of 2019	\$27,590,000	\$ 8,277,000
2nd quarter of 2019	\$117,600,000	\$35,280,000
3rd quarter of 2019	\$34,795,000	\$10,438,500
4th quarter of 2019	<u>\$25,490,000</u>	<u>\$7,647,000</u>
Total	\$205,475,000	\$61,642,500

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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