



[HF 531](#) – Unemployment Insurance Tax and Benefits (LSB1241HV.1)
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Fiscal Note Version – As amended by proposed Amendment H-1312

Description

[House File 531](#) relates to unemployment insurance under Iowa Code chapter [96](#).

The Bill reduces the benefits that are available to a claimant when the individual's employer goes out of business. This change is effective upon enactment and applies to any week of unemployment benefits beginning on or after the first Sunday after the effective date of this Bill.

The Bill provides that effective July 1, 2020, landscaping employers will contribute to the Unemployment Insurance Trust Fund at the same rate as construction employers.

The Bill removes the requirement that a notice of the filing of an unemployment claim be sent by ordinary mail. This change is effective upon enactment.

The Bill as amended by proposed Amendment H-1312 also specifies employment misconduct related to a claim for unemployment is deemed to have occurred in certain circumstances. The Iowa Department of Workforce Development (IWD) is responsible for deciding if an individual is disqualified for unemployment benefits due to being discharged for alleged misconduct.

Background

Under current law, an individual is disqualified from unemployment benefit eligibility if the IWD finds that the individual has been discharged for alleged misconduct in connection with the individual's employment. "Misconduct" is currently defined by the IWD by [rule](#).

Assumptions

- Business closings related to unemployment extended benefits do not fluctuate during the year.
- It is not known how the IWD will implement the change allowed for the sending of notices of unemployment claims.
- The Bill will be effective May 1, 2019.
- The Bill as amended will require further questions, development of the record, and additional witnesses, as well as documentary evidence related to the employee's alleged misconduct. This will result in the IWD adding the following full-time equivalent (FTE) positions:
 - Fact Finders 2.0 FTE positions
 - Administrative Law Judge 1.0 FTE position
- During FY 2020, the IWD will:
 - Initiate an emergency rule change, develop and draft rules, and have rules adopted.
 - Train all staff on those new rules, modify the employer handbook, and develop training materials.
- Salary costs include benefits and are estimated at the entry level of the salary range for each position.
- It is not possible to estimate the fiscal impact on benefits paid to recipients of unemployment due to the lack of data pertaining to the discharge of employees for alleged misconduct as specified in the Bill.

Fiscal Impact

The changes related to an employer going out of business will reduce payments from the Unemployment Insurance Trust Fund by approximately \$880,000 during FY 2019 and \$5.3 million annually thereafter.

Requiring landscaping employers to contribute to the Unemployment Insurance Trust Fund at the same rate as construction employers will increase contributions to the Trust Fund by approximately \$910,000 annually, beginning with FY 2021.

Information is not available to determine the amount that expenditures will be reduced from the federal Unemployment Insurance Base Grant by removing the requirement that a notice of the filing of an unemployment claim be sent by ordinary mail.

The Bill as amended will also result in the IWD expending an estimated \$278,000 for an additional 3.0 FTE positions in FY 2020 and \$268,000 for 3.0 FTE positions in subsequent years, as the result of the changes related to employee misconduct, to be paid from the federal Unemployment Insurance Base Grant.

The Bill as amended will also result in an undetermined favorable fiscal impact for employers resulting from an increase in the number of employees who are disqualified from collecting unemployment benefits. The favorable impact would be on the funding sources used by an employer to pay the unemployment benefits.

Sources

Iowa Department of Workforce Development

/s/ Holly M. Lyons

April 26, 2019

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.