



[SF 617](#) – Unemployment Trust Fund (LSB2826SV.1)
 Staff Contact: Eric Richardson (515.281.6767) eric.richardson@legis.iowa.gov
 Fiscal Note Version – REVISED (Fiscal Impact – removed text, table was correct)

Description

[Senate File 617](#) relates to unemployment insurance benefits. The Bill:

- For individuals whose employers have gone out of business, removes language requiring the Director of the Iowa Department of Workforce Development (IWD) to recompute wage credits from 33.0% to 50.0% for purposes of calculating an individual’s maximum total amount of unemployment benefits payable during a benefit year. The Bill also eliminates the ability of these individuals to collect an extra 13 weeks of benefits. This section of the Bill takes effect on July 1, 2022.
- Allows the IWD to establish by rule a process to waive or alter work search requirements for individuals who will be returning to employment and are attached to a regular job or industry or a member in good standing of a union. The section applies to temporary layoffs of 16 weeks or less due to seasonal weather conditions for highway construction, repair, or maintenance workers. This section of the Bill takes effect on enactment.
- Reinstates a one-week waiting period for those eligible to collect unemployment insurance during the individual’s benefit year. This section of the Bill takes effect on July 1, 2022.

Background

The UI Trust Fund, administered by the U.S. Department of Labor, is used to pay UI benefits to eligible claimants. The balance of the Fund at the end of calendar year (CY) 2016 was \$1.006 billion, rising to \$1.252 billion at the end of CY 2019. The Fund balance as of April 2, 2021, was \$856.2 million. The table below shows historical claims paid from the Fund to Iowans:

UI Benefits Paid — CY 2016-2020*

Year	2016	2017	2018	2019	2020
Benefits	\$ 423,511,364	\$ 402,624,842	\$ 364,712,930	\$ 381,788,782	\$ 1,254,245,440

*Source: U.S. Department of Labor

The UI Trust Fund is replenished through insurance taxes paid by Iowa employers based on a formula that includes an employer’s five-year average annual benefit payment and the employer’s five-year average annual taxable payroll. This formula results in a benefit ratio, which is compared to every other employer’s benefit ratio in determining the employer tax rate. The lowest employer benefit ratios receive the lowest tax rates. The Contribution Rate Table below shows the tax rates paid by Iowa employers and is set on a scale of 1 (highest tax rate paid) to 8 (lowest tax rate paid). For 2021, the Contribution Rate Table is set at 7, with tax rates ranging from 0.00% for those with the lowest benefit ratios to 7.50% for those with the highest benefit ratios. In 2020, \$490.0 million was transferred from federal funds deposited into the [Iowa Coronavirus Relief Fund](#) to the UI Trust Fund to keep the Contribution Rate at 7.

Unemployment Insurance Taxes Contribution Rates Table

Benefit Ration Rank	Approximate Cumulative Taxable	Contribution Rates Table							
		1	2	3	4	5	6	7	8
1	4.80%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2	9.50%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3	14.30%	0.100	0.100	0.100	0.100	0.100	0.000	0.000	0.000
4	19.00%	0.400	0.300	0.300	0.200	0.100	0.100	0.100	0.100
5	23.80%	0.600	0.500	0.400	0.300	0.300	0.200	0.100	0.100
6	28.60%	0.900	0.800	0.600	0.500	0.400	0.300	0.200	0.100
7	33.30%	1.200	1.000	0.800	0.600	0.500	0.400	0.300	0.200
8	38.10%	1.500	1.300	1.000	0.800	0.600	0.500	0.300	0.200
9	42.80%	1.900	1.500	1.200	0.900	0.700	0.600	0.400	0.300
10	47.60%	2.100	1.800	1.400	1.100	0.800	0.600	0.500	0.300
11	52.40%	2.500	2.000	1.600	1.300	1.000	0.700	0.500	0.300
12	57.10%	3.000	2.400	1.900	1.500	1.100	0.900	0.600	0.400
13	61.90%	3.600	2.900	2.400	1.800	1.400	1.100	0.800	0.500
14	66.60%	4.400	3.600	2.900	2.200	1.700	1.300	1.000	0.600
15	71.40%	5.300	4.300	3.500	2.700	2.000	1.600	1.100	0.700
16	76.20%	6.300	5.200	4.100	3.200	2.400	1.900	1.400	0.900
17	80.90%	7.000	6.400	5.200	4.000	3.000	2.300	1.700	1.100
18	85.70%	7.500	7.500	7.000	5.400	4.100	3.100	2.300	1.500
19	90.40%	8.000	8.000	8.000	7.300	5.600	4.200	3.100	2.000
20	95.20%	8.500	8.500	8.500	8.000	7.600	5.800	4.300	2.800
21	100.00%	9.000	9.000	9.000	9.000	8.500	8.000	7.500	7.000

Iowa Code Section [96.1A](#)(37) defines temporary unemployment for a period lasting up to four consecutive weeks when the individual is unemployed due to a plant shutdown, vacation, inventory, lack of work, or emergency from the individual’s regular job. After four weeks, under current law, work search requirements apply to these temporarily unemployed workers.

Many states currently impose a one-week waiting period for payment of UI benefits because federal funds are not available for the first week after a claim is filed. Iowa does not have a waiting week. The [Coronavirus, Aid, Relief, and Economic Security \(CARES\) Act](#) provided 100.0% federal reimbursement to states for the first week of UI for the time period March 29, 2020, through December 16, 2020, saving Iowa \$105.5 million. The [Consolidated Appropriations Act, 2021](#), provided a 50.0% reimbursement for the first week of all claims paid from December 27, 2020, through March 13, 2021, while the [American Rescue Plan Act of 2021](#) retroactively provided a 100.0% reimbursement for the first week of all claims paid from December 31, 2020, through September 6, 2021.

Assumptions

- 2020 UI data was not used as a model due to high claims paid from COVID-19 closures.
- Two percent inflation beginning in FY 2023 was used for projected costs of salary and benefits.
- Business failure projections going forward are based on FY 2014 to FY 2019 data from the IWD, as an average of \$4.6 million in UI benefits were paid out to 2,741 recipients due to closings.
- Waiving of work search requirements to those with a temporary layoff for 16 weeks instead of 4 weeks will impact 5,000 highway construction workers statewide, according to IWD data.
- The IWD would need to spend \$60,000 in FY 2022 for information technology costs to administer the changes to work search requirements.

- Reinstating an initial waiting week would reduce withdrawals to cover UI benefits by 5.5% annually. According to the IWD, the annual average in first week benefit payments from FY 2015 to FY 2019 to 62,000 recipients who would no longer receive them was \$23.3 million.

Fiscal Impact

- The Bill will eliminate the need for 3.0 full-time equivalent (FTE) Workforce Advisor positions within IWD due to elimination of the benefit to claimants when employers go out of business, reducing federal UI administrative expenses by an estimated \$251,000 beginning in FY 2023, and increasing via inflation every year thereafter. This provision will also reduce payments from the UI Trust Fund by approximately \$4.6 million annually beginning in FY 2023.
- Waiving or altering work search requirements will increase IWD federal UI administrative expenses by an estimated \$60,000 in FY 2022. The Bill may, depending if or how IWD establishes new administrative rules to enact this section, marginally increase benefits paid from the UI Trust Fund by an amount that cannot be estimated due to a lack of data.
- Reinstating the one-week waiting period for payment of UI benefits would reduce withdrawals from the UI Trust Fund by an estimated \$23.3 million annually beginning in FY 2023. See chart below for the overall fiscal impact of the Bill.
- Employer taxes paid into the UI Trust Fund would be expected to decrease in later years, absent any other law changes, due to a reduction in benefit payments. These cannot be estimated due to lack of data.

Estimated Fiscal Impact of SF 617

<u>Section of Bill</u>	<u>FTE</u>	<u>Category</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>Funding Source</u>
Business Closings - Wage Credits	-3.0	IWD Employee Salary and Benefits	\$ 0	\$ -251,000	Federal UI Administrative Funding
		Benefits to Claimants	0	-4,600,000	UI Trust Fund
Work Search Requirements		IWD System Expenses	\$ 60,000	0	Federal UI Administrative Funding
Reinstate Waiting Week		Benefits to Claimants	\$ 0	\$ -23,300,000	UI Trust Fund
TOTAL	-3.0		\$ 60,000	\$ -28,151,000	

Sources

Legislative Services Agency
Iowa Department of Workforce Development
United States Department of Labor
Iowa Department of Management

/s/ Holly M. Lyons

May 3, 2021

Doc ID 1220441

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.

www.legis.iowa.gov