



[SF 2275](#) – Unemployment, Tort Reform (LSB6164SV)  
 Staff Contact: Eric Richardson (515.281.6767) [eric.richardson@legis.iowa.gov](mailto:eric.richardson@legis.iowa.gov)  
 Fiscal Note Version – New

**Description**

[Senate File 2275](#) relates to unemployment insurance benefits and tort reform. The Bill has two Divisions. Division I of the Bill:

- Revises the language of Iowa Code section [96.2](#) concerning guidance for unemployment insurance (UI).
- Reduces the maximum total amount of benefits payable from 26 weeks to 16 weeks.
- Eliminates the ability of individuals whose employers have gone out of business to collect an extra 13 weeks of benefits.
- Reinstates a one-week waiting period for an individual eligible to collect UI during the individual’s benefit year.
- Defines “misconduct” for the purposes of unemployment benefit determinations.
- Modifies the percentages of an individual’s average weekly wage for insured work paid to the individual that is considered suitable for an individual to apply for and accept work in order to remain eligible for UI. Modifications are shown in **Table 1**:

**Table 1 — Percentage of Weekly Wages to Apply/Accept Suitable Work — SF 2275**

Current Weeks	Current Percentage of Weekly Wages	SF 2275 Weeks	SF 2275 Percentage of Weekly Wages
0-5	100.0%	0-1	100.0%
		2-3	90.0%
		4-5	80.0%
6-12	75.0%	6-8	70.0%
13-18	70.0%	9+	60.0%
19+	65.0%		

- Allows an administrative law judge’s decision to be appealed directly to district court.

Division II of the Bill (Tort Liability):

- Establishes a definition of noneconomic damages that does not include the loss of dependent care due to the death of or severe injury to a spouse or parent who is the primary caregiver, which would fall under economic damages as specified in the Bill.
- Creates a \$1.0 million cap on noneconomic damages for certain injuries or death.
- Establishes that during a civil action involving a commercial vehicle, an employer’s liability with respect to a negligent employee is based on *respondeat superior*.
- Limits the amount of noneconomic damages available against the owner or operator of a commercial motor vehicle to \$1.0 million.
- Provides that a claim for punitive or exemplary damages in an action governed by Iowa Code section [668A.1](#) is not to be included in any initial claim.

## 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 December 31, 2021, was \$1.391 billion. **Table 2** shows historical claims paid from the Fund to lowans:

**Table 2 — UI Benefits Paid (CY 2016-2021)\***

Year	2016	2017	2018	2019	2020	2021
<b>Benefits</b>	\$ 423,511,000	\$ 402,625,000	\$ 364,713,000	\$ 381,789,000	\$ 1,254,245,000	\$ 414,289,000

\*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. **Table 3** 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). The Contribution Rate Table is calculated using overall recent benefits paid, statewide total wages, and the balance of the UI Trust Fund. For 2022, 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, while in 2021, \$237.5 million was transferred from federal funds deposited into the [State and Local Fiscal Recovery Fund](#) to the UI Trust Fund, both to keep the Contribution Rate at 7.

**Table 3 — Unemployment Insurance Taxes Contribution Rates Table**

Benefit Ratio 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

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 currently have a waiting week. The federal [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 of

March 29, 2020, through December 16, 2020. The federal [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. Iowa was paid \$89.1 million through the program.

Iowa Code section [147.136A](#) includes the definition of noneconomic damages and specifies the amount recoverable as \$250,000, unless there are permanent impairments, disfigurements, or death. This section was codified in 2017 Iowa Acts, chapter [107](#).

### **Assumptions**

- 2020 or 2021 UI data was not used as a model due to high claims paid from COVID-19 closures.
- Inflation at 2.5% beginning in FY 2024 was used for salary and benefit savings.
- The number of claimants receiving benefits in 2019 past 16 weeks is 28,087, or 33.0% of all claimants, per Iowa Workforce Development (IWD) data. For the purpose of this estimate, the number of claimants receiving benefits between 16 weeks and 26 weeks is 27,218.
- The total amount of benefits affected by the Bill paid to claimants past 16 weeks in 2019 is \$73.8 million, per IWD data, including those covered by the business failure section of the Bill.
- The population that is covered by the business failure section of the Bill is removed from the fiscal impact for the reduction of maximum benefits from 26 to 16 weeks.
- 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.
- Reinstating an initial waiting week will reduce withdrawals to cover UI benefits by 5.5% annually. The annual average in first-week benefit payments from FY 2015 to FY 2019 to 62,000 recipients who will no longer receive them was \$23.3 million, according to the IWD.

### **Fiscal Impact**

- Reducing the maximum allowable benefit from 26 to 16 weeks for most claimants is estimated to decrease benefits paid from the UI Trust Fund by \$69.2 million in FY 2023 and \$70.9 million in FY 2024. The Bill may also create a change order for the IWD's new unemployment benefits system, which is currently being developed by a contractor.
- The Bill will eliminate the need for 3.0 full-time equivalent (FTE) Workforce Advisor positions within the 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 in FY 2023 and \$257,000 in FY 2024. This provision will also decrease benefits paid from the UI Trust Fund by approximately \$4.6 million in FY 2023 and \$4.7 million in FY 2024.
- Reinstating the one-week waiting period for payment of UI benefits will decrease benefits paid from the UI Trust Fund by an estimated \$23.3 million in FY 2023 and \$23.9 million in FY 2024.
- The modification of suitable work percentages is expected to reduce benefit payments from the UI Trust Fund by an amount that cannot be estimated due to lack of data.
- Changes in the definition of "misconduct" will create a negligible fiscal impact to the UI Trust Fund.
- Allowing an appeal directly to district court, bypassing the Employment Appeal Board and decreasing costs to the IWD, would reduce administrative expenditures in an amount that cannot be estimated due to lack of data.
- Employer taxes paid into the UI Trust Fund would be expected to decrease in future years,

absent any other law changes, due to a reduction in benefit payments and a short-term increase in the UI Trust Fund balance. Tax implications cannot be estimated due to lack of data.

- Division II creates no direct fiscal impact to State and local governments. See **Table 4** below for the overall fiscal impact of the Bill.

**Table 4 — Estimated Fiscal Impacts of SF 2275**

<b>Section of Bill</b>	<b>FTE</b>	<b>Category</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>Funding Source</b>
Change in Benefit Weeks		Benefits to Claimants	\$ -69,198,000	\$ -70,928,000	UI Trust Fund
Business Closings	-3.0	IWD Employee Salary and Benefits	\$ -251,000	\$ -257,000	Federal UI Administrative Funding
		Benefits to Claimants	-4,600,000	-4,715,000	UI Trust Fund
Reinstate Waiting Week		Benefits to Claimants	\$ -23,300,000	\$ -23,883,000	UI Trust Fund
<b>TOTAL REDUCTIONS</b>	-3.0		<b>\$ -97,349,000</b>	<b>\$ -99,783,000</b>	

The fiscal impacts of the Bill will continue indefinitely.

**Sources**

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

/s/ Holly M. Lyons

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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.

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