



[HF 2355](#) – Unemployment Insurance (LSB5336HV)  
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 Fiscal Note Version – As Amended by Senate Amendment [H-8259](#)

**Description**

[House File 2355](#), as amended by [H-8259](#), relates to employment security benefits. The Bill as amended:

- 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.
- Reduces the maximum benefit payable from 39 weeks to 26 weeks for individuals whose employers have gone out of business.
- Allows an employer to seek a refund from an overpayment of unemployment benefits even if an employer fails to respond in a timely manner to the [Iowa Workforce Development \(IWD\)](#) due to insufficient notification from the IWD.
- 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** below:

**Table 1 — Percentage of Weekly Wages to Apply/Accept  
 Suitable Work — HF 2355 as Amended**

Current Weeks	Current Percentage of Weekly Wages	HF 2355 Weeks	HF 2355 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.
- Prevents a shared work plan under the [Voluntary Shared Work \(VSW\) Program](#) from claiming a reduction of an employee’s work hours based on a workweek exceeding 40 hours.
- Automatically revokes approval of a shared work plan if an employer who entered into the plan lays off an employee.
- Makes part-time employees eligible for VSW Program benefits.

**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** below 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

Iowa Code section [96.3](#) details the current overpayment allowances by IWD for employers, who are mandated to respond to IWD’s request for information in order to receive a credit in their unemployment benefit accounts after an overpayment to an employee. Employees shall be

allowed to keep unemployment benefits if employers do not participate in the initial determination to award benefits.

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 [96.40](#) details current laws for the VSW Program. The VSW program is Iowa's version of a [Short Time Compensation \(STC\)](#) program. Under the VSW program, work reductions are shared by reducing employees' work hours, and UI partially replaces lost earnings. By avoiding layoffs, employees stay connected to their jobs and employers maintain their skilled workforce for when business improves. A VSW plan must affect at least five employees. VSW cannot be used for seasonal work reductions, and employees must be able and available to work their regular hours of work for the VSW employer.

### **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 benefit savings.
- The number of claimants receiving benefits in 2019 past 16 weeks is 28,087, or 33.0% of all claimants, per 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 as amended 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 as amended.
- The population that is covered by the business failure section of the Bill as amended 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 would 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 would 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 as amended may also create a change order for IWD's new unemployment benefits system, which is currently being developed by a contractor.
- Reducing benefits from 39 to 26 weeks to claimants when employers go out of business will 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.
- Allowing an employer to seek a refund of UI benefits due to insufficient notification by the IWD and changes to the VSW Program create a negligible fiscal impact to the State, as these sections of the Bill as amended are already performed in practice by the IWD. See **Table 4** below for the overall fiscal impact of the Bill as amended.

**Table 4 — Estimated Fiscal Impacts of HF 2355 as Amended**

<b>Section of Bill</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	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>		<b>\$ -97,098,000</b>	<b>\$ -99,526,000</b>	

The fiscal impacts of the Bill as amended 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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