

MAR 17 2003  
Place On Calendar

HOUSE FILE 591  
BY COMMITTEE ON ECONOMIC GROWTH

(SUCCESSOR TO HSB 172)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the employment security administrative  
2 contribution surcharge, and providing an effective date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 591

1 Section 1. Section 96.7, subsection 12, paragraph a, Code  
2 2003, is amended to read as follows:

3 a. An employer other than a governmental entity or a  
4 nonprofit organization, subject to this chapter, shall pay an  
5 administrative contribution surcharge equal in amount to one-  
6 tenth of one percent of federal taxable wages, as defined in  
7 section 96.19, subsection 37, paragraph "b", subject to the  
8 surcharge formula to be developed by the department under this  
9 paragraph. The department shall develop a surcharge formula  
10 that provides a target revenue level of no greater than six  
11 million five hundred twenty-five thousand dollars annually.  
12 The department shall reduce the administrative contribution  
13 surcharge established for any calendar year proportionate to  
14 any federal government funding that provides an increased  
15 allocation of moneys for workforce development offices, under  
16 the federal employment services financing reform legislation.  
17 Any administrative contribution surcharge revenue that is  
18 collected in any calendar year 2002 in excess of six million  
19 five hundred twenty-five thousand dollars shall be deducted  
20 from the amount to be collected in the subsequent calendar  
21 year 2003 before the department establishes the administrative  
22 contribution surcharge. The department shall recompute the  
23 amount as a percentage of taxable wages, as defined in section  
24 96.19, subsection 37, and shall add the percentage surcharge  
25 to the employer's contribution rate determined under this  
26 section. The percentage surcharge shall be capped at a  
27 maximum of seven dollars per employee. The department shall  
28 adopt rules prescribing the manner in which the surcharge will  
29 be collected. Interest shall accrue on all unpaid surcharges  
30 under this subsection at the same rate as on regular  
31 contributions and shall be collectible in the same manner.  
32 Interest accrued and collected under this paragraph and  
33 interest earned and credited to the fund under paragraph "b"  
34 shall be used by the department only for the purposes set  
35 forth in paragraph "c".



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HF 591 - Employment Security Legislation (LSB 1236 HV)  
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Fiscal Note Version — New

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**Description**

House File 591 extends the repeal of the employment security administrative contribution surcharge from July 1, 2003, to July 1, 2008. The surcharge, capped at \$6.5 million, is levied as a percent of an employers gross taxable wage base. The revenue from the surcharge is used to support 56 rural and satellite offices of the Department of Workforce Development and to provide for labor surveys and other labor force related services.

**Assumptions**

1. The surcharge repeal would be extended from July 1, 2003, to July 1, 2008.
2. Approximately \$6.5 million in surcharge revenues would continue to be collected.

**Fiscal Impact**

House File 591 will generate approximately \$6.5 million in revenues for Iowa Workforce Development annually from FY 2004 through FY 2007. This is no change compared to revenues generated in FY 2003. However, if House File 591 does not pass, under current law, Iowa Workforce Development will incur a loss of \$6.5 million and will have to find alternative sources of funding to keep 56 rural and satellite workforce development offices open.

**Source**

Iowa Workforce Development



March 18, 2003