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sHB-6633
AN ACT RESTRUCTURING UNEMPLOYMENT INSURANCE BENEFITS AND IMPROVING FUND SOLVENCY.
As Amended by House "A" (LCO 8449)
House Calendar No.: 472

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 $	FY 23 $
Labor Dept.	GF - Cost	None	565,048
State Comptroller - Fringe Benefits[1]	GF - Cost	None	150,765
Labor Dept.	UCF - Savings	See Below	See Below
Labor Dept.	UCF - Revenue Gain	See Below	See Below

Note: UCF=Unemployment Compensation Fund; GF=General Fund

Municipal Impact: None

Explanation

The bill, which makes a number of changes to the unemployment insurance system beginning in FY 24, results in the following fiscal impacts to the Unemployment Compensation Trust Fund (UCF):

Expenditures

- Freezing the maximum weekly benefit rate for four years results in a savings of approximately $33 million annually by 2027.

[1]The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.3% of payroll in FY 22 and FY 23.

Primary Analyst: CW 5/13/21
Contributing Analyst(s):
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- Increasing, from $600 to $1,600, the minimum earnings claimants need to qualify for the minimum benefit and indexing it to inflation results in a savings of approximately $1.25 million annually beginning in FY 24.

- Eliminating the exception that allows certain claimants to receive unemployment benefits during a week for which they received severance pay or vacation pay results in a savings of approximately $50 million per year beginning in FY 24.

- Shortening the length of certain absences from work for which an employee may be fired and disqualified for benefits results in a minimal savings beginning in FY 24.

Revenues

- Increasing, from $15,000 to $25,000, the taxable wage base and indexing it to inflation, and adjusting the fund solvency and experience tax rates results in an estimated revenue gain of $130.9 million annually beginning in FY 24.[2]

The bill also results in significant implementation costs within the General Fund to the Department of Labor beginning in FY 23 and ending in FY 24. Specifically, third-party vendor costs for programming information technology upgrades related to the tax, benefit, and recession-recovery provisions of the bill are expected to cost approximately $400,000 in total (half in FY 23 and half in FY 24). Additionally, it is estimated that in-house staff positions will be necessary to manage and implement the changes in the bill at a total cost of $515,813 in FY 23 and $546,459 in FY 24, inclusive of salary and fringe benefit costs.[3]

House "A" makes technical and clarifying changes that do not

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[2] Solvency tax revenue would eventually drop in future years as the UCF becomes solvent.

[3] While the Labor Department will utilize existing personnel, these normally federally-funded positions will have to be supported with state resources as implementing these state-mandated changes is not an allowable use of federal funds.

result in a fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.