



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: LRB 4069 and LRB 4078: Unemployment Insurance Contribution Rates

LRB 4069 and LRB 4078 are companion bill drafts. The bills would specify the schedule of unemployment insurance (UI) contributory tax rates to be in effect during the 2022 and 2023 calendar years.

BACKGROUND

Under current UI law, there are four different tax rate schedules. The specific rate schedule that applies in a given calendar year for taxable employers depends upon the balance in the state's UI trust fund on the prior June 30. Schedule A is effective if the balance in the state's UI trust fund is less than \$300 million. Schedule B is in effect if the balance in the fund is at least \$300 million but less than \$900 million. Schedule C applies if the balance in the fund is at least \$900 million, but less than \$1.2 billion, and Schedule D applies if the balance is at least \$1.2 billion. These schedules provide for lower employer contributions for years in which the fund's balance is relatively high. Based on the \$1.5 billion balance in the state's unemployment trust fund as of June 30, 2020, Schedule D applies for unemployment insurance taxes due for calendar year 2021.

SUMMARY OF BILL

LRB 4069/LRB 4078 would specify that taxable employers remain in Schedule D, the lowest UI tax rate schedule, in calendar year 2022 and in calendar year 2023. In addition, the bills would specify that the requirement for a taxable employer to remain in Schedule D would only apply if either 2021 Assembly Bill 68 or 2021 Senate Bill 111, as enacted, transfers \$60,000,000 from the general fund to the UI trust fund in each fiscal year of the 2021-23 fiscal biennium. In total, \$120,000,000 would be transferred from the general fund to the state's UI trust fund under June 17 Committee action on AB 68/SB 111.

UI TRUST FUND BALANCE

The balance of the UI trust fund, as of June 17, 2021, is approximately \$914 million. It is estimated that on June 30, 2021, the balance of the UI trust fund will be just under \$900 million. Therefore, it is estimated that Schedule B would be in effect at least for calendar year 2022. According to the April, 2021, UI Financial Outlook report prepared for the Legislature and the Governor by the Department of Workforce Development, it is expected that triggering Schedule B for 2022 would increase UI tax revenue by approximately \$60 million over Schedule D. The Financial Outlook report also estimates that Schedule B would remain in effect for 2023. For 2023, it can be estimated that approximately \$60 million in additional revenue would be generated by Schedule B as compared to Schedule D.

The bills, in conjunction with AB 68/SB 111, are intended to leave UI contributory employer tax rates at the current, most favorable level for employers (Schedule D), while providing the UI trust fund the \$120 million in revenues that would be generated from employers under Schedule B. The intended combined effect of the provisions would be to help the balance of the UI trust fund recover in 2022 and 2023 as labor markets stabilize following COVID-19-related disruptions, but to do so without higher contributory tax rates.

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