

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **SCR 5** SLS 21RS 206
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 28, 2021 11:16 AM	Author: REESE
Dept./Agy.: Louisiana Workforce Commission	Analyst: Monique Appeaning
Subject: Solvency Tax	

UNEMPLOYMENT COMP EG NO IMPACT FF EX See Note Page 1 of 1
 Suspends the provision of law providing for an unemployment insurance solvency tax.

Proposed Senate Concurrent Resolution suspends the provisions of R.S. 23:1536(E)(1) regarding the unemployment insurance solvency tax on employers, effective through the 60th day following the 2022 Regular Legislative Session.

R.S. 23:1536(E)(1) states, "If the administrator reports, in any calendar quarter, that the fund balance projected by the administrator for the next four calendar quarters, together with projected contributions to be collected plus amounts otherwise pledged thereto, less the amount of benefits projected by the administrator to be paid from the fund during the next four calendar quarters, will result in a fund balance of less than one hundred million dollars, there shall be added to the contributions, for the calendar year beginning six months after the end of the calendar quarter in which the projection is made, required of each employer by the rate table above a solvency tax arrived at as" is prescribed in present law.

EXPENDITURES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. This concurrent resolution will suspend the application of the Unemployment Insurance Trust Fund (UITF) solvency tax until 60 days after the final adjournment of the 2022 Regular Session. The tax is associated with the UITF, which is not part of the agency's annual operating budget. Therefore, the adoption of this resolution would not have any material effect on the expenditures of the Louisiana Workforce Commission (LWC).

REVENUE EXPLANATION

This proposed Senate Concurrent Resolution temporarily suspends the LWC's ability to impose a solvency tax on employers until the 60th day following the 2022 Regular Legislative Session. Present law provides that the solvency tax is applied if the balance of the UI Trust Fund falls below \$100 M. This tax can be up to an additional 30% above an employer's normal contributions.

For illustrative purposes, if this tax would have been applied in 2019, employers would have paid at most an estimated \$61.6 M in additional UI tax contributions. See the table below:

	<u>UI tax collections</u>	<u>Solvency tax of 30%</u>
1st quarter of 2019	\$27,590,000	\$ 8,277,000
2nd quarter of 2019	\$117,600,000	\$35,280,000
3rd quarter of 2019	\$34,795,000	\$10,438,500
<u>4th quarter of 2019</u>	<u>\$25,490,000</u>	<u>\$7,647,000</u>
Total	\$205,475,000	\$61,642,500

It should be noted that the unemployment trust fund is not an appropriated fund within the state budget, but is held by the U.S. Treasury in the federal Unemployment Insurance trust fund, where each state has a separate account for covering normal unemployment insurance benefits.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

Alan M. Boxberger
Alan M. Boxberger
Staff Director