Effective July 1, 2020.

The expansion of the eligibility of the program to retail trade, restaurants & bars, and accommodations businesses will result in additional applications within the next year and one-half. The workload increase could be substantial. Workforce Commission data for the fourth quarter of 2019 indicates nearly 17,945 retail trade employer units in the state, and 11,255 accommodation and food service employer units. Through May 23, 2020, approximately 34% of accommodation and food service employer units with 207,191 employees. Through May 23, 2020, approximately 34% of the potentially eligible firms qualify for participation (2,920) being rebated 4% of the minimum amount of participating payroll (5 employees at $18/hour for 30 hours per week for 52 weeks) results in $16.3 million of state payroll rebate cost exposure. Various realities will influence actual state costs, as the newly eligible businesses must meet the requirements of the coronavirus pandemic shock. That decline will be reflected in hiring/rehiring of employees regardless of the availability of the program to those businesses.

The extent of qualifying participation in the program is speculative, but the size of the potentially eligible pool of firms and employees suggests a material state revenue loss exposure is possible. This is illustrated with simple assumptions: 10% of the potentially eligible firms qualify for participation (2,920) being rebated 4% of the minimum amount of participating payroll ($18/hour for 30 hours per week for 52 weeks) results in $16.3 million of state payroll rebate cost exposure. Various realities will influence actual state costs, as the newly eligible businesses must meet the requirements of the existing Quality Jobs Program to qualify, the most significant being the wage and health benefit requirements. While this example uses only 10% of the eligible pool, and the bill allows 1.5 year window for firms to apply for the program, these business sectors are relatively low wage and low/no benefit sectors for many of their employees. Thus, significantly less than 10% participation may occur. Each 1% participation increment of the eligible pool generates roughly $1.6 million per year of payroll rebate cost exposure. Also, some participants may take advantage of the sales tax or investment rebate benefits of the program, as well.

Uncertainty as to the specific annual magnitude and timing of the effects of the bill should be acknowledged. Program benefit realizations can vary materially from year-to-year depending on the particular participants moving through the program. In addition, the extent of participation of retail trade, restaurants & bars, and accommodations businesses as they rebuild operations over the next year and one-half is highly uncertain.

As a note, the program provides payments to firms, which are paid from current tax collections without appropriation.