



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0210: Revise laws relating to unemployment insurance program collection rates and uses**

Primary Sponsor: Steve Fitzpatrick Status: As Introduced

- Included in the Executive Budget
 Needs to be included in HB 2
 Significant Local Gov Impact
 Significant Long-Term Impacts
 Technical Concerns
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Expenditures				
State Special Revenue (02)	\$18,000	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Revenues				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other	(\$12,452,539)	(\$25,836,361)	(\$25,836,361)	(\$25,836,361)
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Description of fiscal impact

HB 210 revises the Department of Labor and Industry (DLI) Unemployment Insurance (UI) laws and creates a new lower contribution rate funding schedule effective when the Unemployment Trust Fund balance increases above 2.80% of total wages for the previous fiscal year. The bill also requires the Department of Labor & Industry to have access to the Department of Justice, Motor Vehicle Division database.

FISCAL ANALYSIS

Assumptions

Department of Labor and Industry

- HB 210 proposes to add claimant cross-matching authority with motor vehicle records from the Department of Motor Vehicles (DMV). This will require development of a data interface to the Department of Justice database, to enable the ability to pass data for cross-matching of claimants with DMV records. There is a one-time-only (OTO) operation expense in the amount of \$18,000 for development of the data interface.
- HB 210 removes language to transfer penalty and interest money to the unemployment insurance trust fund at the end of each fiscal year. Any fund balance at year end will be utilized in subsequent years for administration of tax programs.

3. In addition, the bill proposes to add a lower contribution tax rate schedule and changes the tax schedule trigger to the Unemployment Insurance Trust Fund.
4. The trigger is the minimum ratio of the trust fund to total wages, (reserve ratio). This will increase the minimum ratio from (.0260) to (.0280) percent. The average tax rate is decreased from 1.12 to 0.95 in proposed new schedule I.
5. Based on the CY 2024 UI tax rates for individual experience rated employers' data, the department recalculated the tax rate using the new schedule I and determined a 14% decrease in total tax contributions would occur under the lower rate schedule I.
6. The department's projections assume that the new, lower rate schedule (schedule I) will remain in place through FY 2027. This change is expected to decrease tax revenue in the Unemployment Insurance Trust Fund by the following amounts: \$12,452,539 in FY 2026 and \$25,836,361 in FY 2027. DLI is unable to predict the rate schedule beyond FY 2027.
7. The effective date of the bill is October 1, 2025, therefore in current law the existing schedule I rate would still be in effect for the months of July through December of 2025. The lower tax rate would be applied the first 6 months of FY 2026 and therefore no reduction of revenues to the Trust Fund would occur.

Department of Justice

8. DLI will need to have access to the Motor Vehicle Division database.
9. Currently, there is not a direct access to Motor Vehicle Division data by DLI.
10. The Department of Justice will work with DLI to develop and implement the required database interface.

Fiscal Analysis Table

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Operating Expenses	\$18,000	\$0	\$0	\$0
TOTAL Expenditures	\$18,000	\$0	\$0	\$0
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$18,000	\$0	\$0	\$0
TOTAL Funding of Expenditures	\$18,000	\$0	\$0	\$0
<u>Revenues</u>				
Other	(\$12,452,539)	(\$25,836,361)	(\$25,836,361)	(\$25,836,361)
TOTAL Revenues	(\$12,452,539)	(\$25,836,361)	(\$25,836,361)	(\$25,836,361)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	(\$18,000)	\$0	\$0	\$0
Other	(\$12,452,539)	(\$25,836,361)	(\$25,836,361)	(\$25,836,361)

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date



Budget Director's Initials

1/23/2025

Date