Fiscal Note **2023-2024 Legislative Session**

SF9005 - 0 - Iron Ore Mining & Related Industry Unemployment

Chief Author: **Grant Hauschild**
Commitee: **Jobs And Economic Development**
Date Completed: **1/9/2023 12:14:17 PM**
Agency: Employment and Economic Dvlpmt

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X

Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
Reductions shown in the parentheses.

State Cost (Savings)		Biennium		Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Unemployment Insurance	-	10,266	-	-	-
Total	**-**	**10,266**	**-**	**-**	**-**
Biennial Total			**10,266**		**-**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Unemployment Insurance	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 1/9/2023 12:14:17 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2			Biennium		Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Unemployment Insurance		-	10,266	-	-	-
	Total	**-**	**10,266**	**-**	**-**	**-**
	Biennial Total			**10,266**		**-**
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Unemployment Insurance		-	10,266	-	-	-
	Total	**-**	**10,266**	**-**	**-**	**-**
	Biennial Total			**10,266**		**-**
2 - Revenues, Transfers In*						
Unemployment Insurance		-	-	-	-	-
	Total	**-**	**-**	**-**	**-**	**-**
	Biennial Total			**-**		**-**

Bill Description

This bill provides 26 weeks of Additional Unemployment Insurance Benefits to individuals laid off from an Iron Mining Industry employer that has laid off at least 50% of its workforce between early April 2022 and early March 2023. This bill also provides Additional Benefits to individuals laid off from an employer in the Explosive Manufacturing industry providing goods or services to such an Iron Mining Industry employer.

This bill contains technical provisions necessary to establish which Regular UI Benefit Account the Additional Benefit Account will be based on in the event an applicant is eligible for more than one Regular UI Benefit Account during the period the Additional Benefits are available, and also provisions for an applicant who is receiving Additional Benefits to apply again for Regular Unemployment Benefits at the end of the benefit year of their Regular Unemployment Benefit Account. This bill also specifies that an applicant who is eligible for federal Trade Readjustment Allowance (TRA) is not eligible for Additional Benefits (TRA is a federal unemployment benefit program that provides for federally-funded, extended benefits.)

This bill provides that these Additional Benefits shall not be charged to the reimbursing account of Reimbursing employers nor used to calculate the future experience rate of taxpaying employers as otherwise provided for in 268.047.

Assumptions

To estimate the cost of an Additional Benefit program, one must first identify the population that will be eligible and then estimate the ratio of that population that may exhaust Regular UI Benefits. The number estimated to exhaust Regular UI Benefits is then multiplied by average weekly benefit amount for the group, and that product is multiplied by the average number of weeks of Additional Benefits eligible applicant will receive.

Where the eligible population is broad and not narrowly defined, a broader range of estimates is necessary. Where the population is narrowly defined, and there are already established patterns for benefit exhaustion, it is possible to be more precise.

The population specified in this bill is well-defined and specific data are available for affected applicants.

· Currently, two employers have layoffs meeting the criteria of this bill: one in the Iron Ore Mining Industry and one in the Explosive Manufacturing industry.

· At this time, 490 applicants can be identified in UI data as potentially eligible for Additional Benefits under this bill.

· Layoffs have occurred over the course of the last nine months, so not all of these applicants have been receiving Regular UI Benefits long enough to have exhausted those benefits yet. However, the exhaustion rate for those who have been laid off the longest is essentially 100%.

· The actual weekly benefit amount of each of these applicants is known.

· Based on the exhaustion rate of Regular UI Benefits, it must be assumed that eligible applicants will also exhaust their Additional Benefits.

· Up to 26 weeks of Additional Benefits are available to each eligible applicant.

Assuming a 100% exhaustion rate for both Regular UI Benefits and Additional Benefits, we multiply the actual weekly benefit amount of each potentially eligible applicant by the number of weeks of potential Additional Benefits under this bill. The product of this multiplication is a potential benefit Additional Benefit cost of $10,266,464.

Expenditure and/or Revenue Formula

Actual Weekly Benefit Amount of each eligible applicant (Applicant WBA) x 26 = Applicant WBA x 26 = $10,266,464

There are no technology costs associated with the implementation of this bill. UI technology is already designed to do this.

There are no additional, unfunded administrative costs associated with this bill. Unemployment Insurance administrative costs are federally funded. The United States Department of Labor funds UI programs for costs associated with the administration of the UI program, including the costs of administering an Additional Benefits program.

Long-Term Fiscal Considerations

The cost of unemployment Insurance Benefits is funded by an employer tax and reimbursement system that is intended to recover the full cost of benefits paid from the employers associated with spells of unemployment. Some costs are "socialized" not effectively charged-back to an employer -- when, for instance, an employer goes out of business. This bill provides that the cost of these Additional Benefits will be "socialized". This has the effect of reducing the balance in the UI Trust Fund without commensurate, future, employer tax or reimbursement receipts. As such, this bill has an adverse impact on UI Trust Fund Solvency.

The United States Department of Labor determines the solvency of a state's Trust Fund based on the balance in the state's Trust Fund on December 31st as compared to the average amount of benefits paid in the three highest, prior years, indexed to the current size of the workforce and current wage levels. Based on this estimate, USDOL would estimate that Minnesota should have approximately $2 billion in its Trust Fund on December 31st. The balance in Minnesota's Trust Fund on December 31st, 2022, was $1,693,988,990.

Local Fiscal Impact

Because this bill does not charge the cost of Additional Benefits to employers, there is no local Fiscal Impact.

References/Sources

The estimates contained in this fiscal note are based on data contained in the UI system.

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

If Information Technology costs are included, my agency's Chief Information Officer has reviewed the estimate.

Agency Contact: Jim Hegman

Agency Fiscal Note Coordinator Signature: Rebecca Wernett **Date:** 1/9/2023 10:30:11 AM

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