

Behn
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Succeeded By
SF DHF 491

SSB-1244

Business & Labor

SENATE FILE _____

BY (PROPOSED COMMITTEE ON
BUSINESS AND LABOR RELATIONS
BILL BY CHAIRPERSON FREEMAN)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the employment security administrative
2 contribution surcharges, and providing an effective date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 96.7, subsection 12, paragraphs a, c,
2 and d, Code 2001, are amended to read as follows:

3 a. An employer other than a governmental entity or a
4 nonprofit organization, subject to this chapter, shall pay an
5 administrative contribution surcharge ~~equal-in-amount-to-one-~~
6 ~~tenth-of-one-percent-of-federal-taxable-wages, as defined in~~
7 ~~section-96-19, subsection-37, paragraph-"b" that is~~
8 established by the department, by rule, as a percentage of
9 taxable wages, in an amount necessary to achieve an
10 administrative contribution surcharge fund balance in the
11 following amount:

12 (1) For calendar year 2002, a fund balance no greater than
13 six million dollars.

14 (2) For calendar year 2003, a fund balance no greater than
15 five million dollars.

16 Any accrued administrative contribution surcharges in the
17 administrative contribution surcharge fund that remain unspent
18 at the end of calendar year 2002 shall be deducted from the
19 amount to be collected in calendar year 2003 before the
20 department establishes the administrative contribution
21 surcharge necessary to achieve the maximum administrative
22 contribution surcharge fund balance for calendar year 2003.
23 The department shall reduce the administrative contribution
24 surcharge established for any calendar year proportionate to
25 any federal government reform that provides an increased
26 allocation of moneys under the federal Unemployment Tax Act to
27 the state. The department shall ~~recompute-the-amount-as-a~~
28 ~~percentage-of-taxable-wages, as defined in section-96-19,~~
29 ~~subsection-37, and shall~~ add the percentage surcharge to the
30 employer's contribution rate determined under this section for
31 the appropriate calendar year. The department shall adopt
32 rules prescribing the manner in which the surcharge will be
33 collected. Interest shall accrue on all unpaid surcharges
34 under this subsection at the same rate as on regular
35 contributions and shall be collectible in the same manner.

1 Interest accrued and collected under this paragraph and
2 interest earned and credited to the fund under paragraph "b"
3 shall be used by the department only for the purposes set
4 forth in paragraph "c".

5 c. Moneys in the fund shall be used by the department only
6 upon appropriation by the general assembly and only for
7 personnel and nonpersonnel costs of rural and satellite
8 departmental offices in population centers of less than twenty
9 thousand or for the department-approved training fund funded
10 in-section-87-subsection-27-of-1988-Iowa-Acts7-chapter-1274
11 for training carried out by community colleges, as defined in
12 section 260C.2. To the extent possible, the department shall
13 colocate the rural and satellite departmental offices funded
14 by the surcharge provided for in this subsection, at available
15 community college facilities throughout the state. Moneys in
16 the fund shall not be used for purposes other than those
17 identified in this paragraph or identified in the
18 appropriation of the moneys in the fund by the general
19 assembly. Prohibited uses of the moneys in the fund include
20 but are not limited to occupational safety and health
21 consultations, services which are currently provided or
22 projected to be provided by other state agencies, department
23 of workforce development regional advisory board member
24 expenses, and any miscellaneous purposes.

25 d. This subsection is repealed July 1, ~~2001~~ 2003, and the
26 repeal is applicable to contribution rates for calendar year
27 ~~2002~~ 2004 and subsequent calendar years.

28 Sec. 2. RURAL AND SATELLITE DEPARTMENTAL OFFICES REVIEW.
29 The department of workforce development shall conduct an
30 annual review of the number of individuals served at each site
31 and the services rendered, the number of businesses served at
32 each site and the services rendered, the categories of service
33 provided at each site, the number of employment applications
34 completed and submitted at each site, the number of placements
35 made at each site, and the average wages and benefits of

1 individuals placed.

2 The department, in the review, shall consider the
3 feasibility of consolidating some of the rural and satellite
4 departmental offices to better serve the public.

5 The department shall develop a customer satisfaction survey
6 that gathers information from employers and individuals who
7 have utilized services at the satellite offices. The survey
8 shall include questions concerning the type of services
9 rendered, the quality of services rendered, and the quality of
10 referrals given. The results of the survey shall be included
11 in the department's review.

12 The department shall prepare a report of its review
13 findings. The report shall contain information gathered in
14 the review as well as information concerning the success of
15 colocation efforts at community colleges throughout the state,
16 the services provided to employers with fifty or fewer
17 employees, the rent or lease costs associated with each site
18 and the building square footage at each site, and efforts to
19 pursue other funding sources or contracts with private sector
20 vendors.

21 The department shall submit a report of its annual review
22 to the governor and general assembly by December 21, 2001, and
23 by December 21, 2002.

24 Sec. 3. EFFECTIVE DATE. This Act, being deemed of
25 immediate importance, takes effect upon enactment.

26 EXPLANATION

27 This bill amends Code section 96.7, subsection 12, by
28 providing for the repeal of the employment security
29 administrative contribution surcharge and its fund on July 1,
30 2003, instead of July 1, 2001. The bill also transforms the
31 surcharge for calendar years 2002 and 2003 from one based on a
32 set percentage of taxable wages to one based on a percentage
33 of taxable wages but capped for all employer surcharges at \$6
34 million in 2002 and \$5 million in 2003. This Code section
35 change is made effective upon the bill's enactment in order to

1 take effect before the scheduled repeal of Code section 96.7,
2 subsection 12, on July 1, 2001.

3 The bill permits moneys from the division-approved training
4 fund to be used for training carried out by community
5 colleges.

6 The bill also requires the department of workforce
7 development to colocate rural and satellite offices at
8 community colleges to the extent possible. The bill requires
9 the department to use administrative contribution surcharge
10 fund moneys and interest only for specified purposes
11 identified in the Code or identified in the appropriation of
12 the moneys from the fund. The bill also specifies prohibited
13 uses of surcharge funds including but not limited to
14 occupational safety and health consultations, services which
15 are currently provided or projected to be provided by other
16 state agencies, workforce development regional advisory board
17 member expenses, and any miscellaneous purposes.

18 The department is also directed to conduct an annual review
19 of the rural and satellite offices including the number of
20 individuals served at each site and the services rendered, the
21 number of businesses served at each site, the number of
22 employment applications completed and submitted at each site,
23 and the average wages and benefits of individuals placed. The
24 department is also directed to consider consolidating some of
25 the rural and satellite offices and to develop a customer
26 satisfaction survey that gathers information from employers
27 and individuals who utilize services at satellite offices.

28 The department is directed to prepare and submit a report
29 of its review findings for each year that the surcharge is in
30 effect to the governor and general assembly by December 21,
31 2001, and by December 21, 2002.

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FILED MAR 19 1979

SENATE FILE 491
BY COMMITTEE ON
BUSINESS AND LABOR RELATIONS

(SUCCESSOR TO SSB 1244)

(COMPANION TO LSB 3183HV BY
COMMITTEE ON ECONOMIC DEVELOPMENT)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the employment security administrative
2 contribution surcharge, and providing an effective date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

SC 491

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6 ~~tenth-of-one-percent-of-federal-taxable-wages,-as-defined-in~~
7 ~~section-96-19,-subsection-37,-paragraph-"b"~~ that is
8 established by the department, by rule, as a percentage of
9 taxable wages, in an amount necessary to achieve an
10 administrative contribution surcharge fund balance in the
11 following amount:

12 (1) For calendar year 2002, a fund balance no greater than
13 six million dollars.

14 (2) For calendar year 2003, a fund balance no greater than
15 five million dollars.

16 Any accrued administrative contribution surcharges in the
17 administrative contribution surcharge fund that remain unspent
18 at the end of calendar year 2002 shall be deducted from the
19 amount to be collected in calendar year 2003 before the
20 department establishes the administrative contribution
21 surcharge necessary to achieve the maximum administrative
22 contribution surcharge fund balance for calendar year 2003.
23 The department shall reduce the administrative contribution
24 surcharge established for any calendar year proportionate to
25 any federal government reform that provides an increased
26 allocation of moneys under the federal Unemployment Tax Act to
27 the state. The department shall ~~recompute-the-amount-as-a~~
28 ~~percentage-of-taxable-wages,-as-defined-in-section-96-19,-~~
29 ~~subsection-37,-and-shall~~ add the percentage surcharge to the
30 employer's contribution rate determined under this section for
31 the appropriate calendar year. The department shall adopt
32 rules prescribing the manner in which the surcharge will be
33 collected. Interest shall accrue on all unpaid surcharges
34 under this subsection at the same rate as on regular
35 contributions and shall be collectible in the same manner.

1 Interest accrued and collected under this paragraph and
2 interest earned and credited to the fund under paragraph "b"
3 shall be used by the department only for the purposes set
4 forth in paragraph "c".

5 c. Moneys in the fund shall be used by the department only
6 upon appropriation by the general assembly and only for
7 personnel and nonpersonnel costs of rural and satellite
8 departmental offices in population centers of less than twenty
9 thousand or for the department-approved training fund funded
10 in section 8, subsection 2, of 1988 Iowa Acts, chapter 1274.
11 To the extent possible, the department shall colocate the
12 rural and satellite departmental offices funded by the
13 surcharge provided for in this subsection, at available
14 community college facilities throughout the state. Moneys in
15 the fund shall not be used for purposes other than those
16 identified in this paragraph or identified in the
17 appropriation of the moneys in the fund by the general
18 assembly. Prohibited uses of the moneys in the fund include
19 but are not limited to occupational safety and health
20 consultations, services which are currently provided or
21 projected to be provided by other state agencies, and any
22 miscellaneous purposes.

23 d. This subsection is repealed July 1, ~~2001~~ 2003, and the
24 repeal is applicable to contribution rates for calendar year
25 ~~2002~~ 2004 and subsequent calendar years.

26 Sec. 2. RURAL AND SATELLITE DEPARTMENTAL OFFICES REVIEW.
27 The department of workforce development shall conduct an
28 annual review of the number of individuals served at each site
29 and the services rendered, the number of businesses served at
30 each site and the services rendered, the categories of service
31 provided at each site, the number of employment applications
32 completed and submitted at each site, the number of placements
33 made at each site, and the average wages and benefits of
34 individuals placed.

35 The department, in the review, shall consider the

1 feasibility of consolidating some of the rural and satellite
2 departmental offices to better serve the public.

3 The department shall develop a customer satisfaction survey
4 that gathers information from employers and individuals who
5 have utilized services at the satellite offices. The survey
6 shall include questions concerning the type of services
7 rendered, the quality of services rendered, and the quality of
8 referrals given. The results of the survey shall be included
9 in the department's review.

10 The department shall prepare a report of its review
11 findings. The report shall contain information gathered in
12 the review as well as information concerning the success of
13 colocation efforts at community colleges throughout the state,
14 the services provided to employers with fifty or fewer
15 employees, the rent or lease costs associated with each site
16 and the building square footage at each site, and efforts to
17 pursue other funding sources or contracts with private sector
18 vendors.

19 The department shall submit a report of its annual review
20 to the governor and general assembly by December 21, 2001, and
21 by December 21, 2002.

22 Sec. 3. EFFECTIVE DATE. This Act, being deemed of
23 immediate importance, takes effect upon enactment.

24 EXPLANATION

25 This bill amends Code section 96.7, subsection 12, by
26 providing for the repeal of the employment security
27 administrative contribution surcharge and its fund on July 1,
28 2003, instead of July 1, 2001. The bill also transforms the
29 surcharge for calendar years 2002 and 2003 from one based on a
30 set percentage of taxable wages to one based on a percentage
31 of taxable wages but capped for all employer surcharges at \$6
32 million in 2002 and \$5 million in 2003. This Code section
33 change is made effective upon the bill's enactment in order to
34 take effect before the scheduled repeal of Code section 96.7,
35 subsection 12, on July 1, 2001.

1 The bill also requires the department of workforce
2 development to colocate rural and satellite offices at
3 community colleges to the extent possible. The bill requires
4 the department to use administrative contribution surcharge
5 fund moneys and interest only for specified purposes
6 identified in the Code or identified in the appropriation of
7 the moneys from the fund. The bill also specifies prohibited
8 uses of surcharge funds including but not limited to
9 occupational safety and health consultations, services which
10 are currently provided or projected to be provided by other
11 state agencies, and any miscellaneous purposes.

12 The department is also directed to conduct an annual review
13 of the rural and satellite offices including the number of
14 individuals served at each site and the services rendered, the
15 number of businesses served at each site, the number of
16 employment applications completed and submitted at each site,
17 and the average wages and benefits of individuals placed. The
18 department is also directed to consider consolidating some of
19 the rural and satellite offices and to develop a customer
20 satisfaction survey that gathers information from employers
21 and individuals who utilize services at satellite offices.

22 The department is directed to prepare and submit a report
23 of its review findings for each year that the surcharge is in
24 effect to the governor and general assembly by December 21,
25 2001, and by December 21, 2002.

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SENATE FILE 491

S-3248

1 Amend Senate File 491 as follows:

2 1. By striking page 1, line 1, through page 3,
3 line 21, and inserting the following:

4 "Section 1. Section 96.7, subsection 12, paragraph
5 d, Code 2001, is amended to read as follows:

6 d. This subsection is repealed July 1, ~~2001~~ 2003,
7 and the repeal is applicable to contribution rates for
8 calendar year ~~2002~~ 2004 and subsequent calendar
9 years."

By BETTY A. SOUKUP
MARK SHEARER
EUGENE S. FRAISE

JOHN P. KIBBIE
THOMAS FIEGEN

S-3248 FILED MARCH 27, 2001

SENATE FILE 491

S-3386

1 Amend Senate File 491 as follows:

2 1. Page 1, line 13, by inserting after the word
3 "million" the following: ", two hundred fifty
4 thousand".

5 2. Page 1, line 15, by striking the words "five
6 million" and inserting the following: "six million,
7 two hundred fifty thousand".

8 3. Page 1, by striking lines 21 through 26, and
9 inserting the following: "surcharge."

10 4. Page 1, line 27, by striking the words "the
11 state."

12 5. Page 2, line 14, by inserting after the word
13 "state." the following: "If colocation at community
14 colleges if not feasible, the department shall
15 attempt, to the extent possible, to collocate offices
16 in the facilities of other government entities."

17 6. By renumbering as necessary.

By JERRY BEHN

S-3386 FILED APRIL 18, 2001

**SENATE FILE 491
FISCAL NOTE**

A fiscal note for **Senate File 491** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 491 extends the repeal of the employment security administrative contribution surcharge to July 1, 2003, instead of July 1, 2001. The Bill changes the surcharge for calendar years 2002 and 2003. Currently the surcharge is one-tenth of one percent of federal taxable wages, capped at \$7.16 per employee. This formula has yielded approximately \$7.5 million per year, which is used to support 56 rural and satellite offices of the Iowa Workforce Development (IWD) and provide for labor surveys and other labor force related services. Under this proposal, the formula would still be established as a percentage of taxable wages, but would be capped at a maximum collected of \$6.0 million for calendar year 2002 and \$5.0 million for calendar year 2003.

In addition to the funding change, the Bill requires IWD to collocate rural and satellite offices at community college facilities, and requires the surcharge fund be used only for specified purposes as provided in the Code of Iowa or appropriated by the General Assembly. In addition, the Department is directed to conduct an annual review of the rural and satellite offices and consider consolidation of offices while developing a customer satisfaction survey to gather information from employers and individuals who utilize the offices. Review findings are to be submitted by December 21, 2001, and December 21, 2002, to the Governor and the General Assembly.

ASSUMPTIONS

1. For the first six months of FY 2002, surcharge payments made by businesses would continue as currently provided for until the end of calendar year 2001. Decreased payments made under the new formula would be submitted during the first six months of calendar year 2002.
2. For the first six months of FY 2003, surcharge payments would be made pursuant to the formula established at the \$6.0 million cap for calendar year 2002. Payments made during the last six months of FY 2003 would be made pursuant to the formula established at the \$5.0 million cap for calendar year 2003.
3. Currently, \$6.9 million is budgeted for direct expenses of the 56 rural and satellite offices. Of this amount, \$4.5 million is used for salaries.

FISCAL IMPACT

Senate File 491 would decrease the amount of the surcharge collected during FY 2002 by approximately \$750,000, and the amount collected during FY 2003 would decrease approximately \$2.5 million. This would decrease the amount available to the rural and satellite offices funded through IWD.

-2-

(dollars in thousands)

	Fiscal Year 2002			Fiscal Year 2003		
	Current Law	Proposed Law	Increase (Decrease)	Current Law	Proposed Law	Increase (Decrease)
<u>REVENUE</u>						
Other	7.5	6.8	(0.7)	7.5	5.5	(2.0)
Total	\$ 7.5	\$ 6.8	\$ (0.7)	\$ 7.5	\$ 5.5	\$ (2.0)
<u>EXPENDITURES</u>						
Salaries (FTE's)	\$ 4.5 (83.2)	\$ 4.1 (75.4)	\$ (0.4) (7.8)	\$ 4.5 (83.2)	\$ 3.3 (61.0)	\$ (1.2) (22.2)
Other	3.0	2.7	(0.3)	3.0	2.2	(0.8)
Total	\$ 7.5	\$ 6.8	\$ (0.7)	\$ 7.5	\$ 5.5	\$ (2.0)
NET EFFECT	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

SOURCE

Iowa Workforce Development
 Department of Management

(LSB 3382SV, AAW)

FILED MARCH 27, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR