

MINUTES
SENATE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Tuesday, March 21, 2017

TIME: 1:30 P.M.

PLACE: WW 54

MEMBERS PRESENT: Chairman Patrick, Vice Chairman Guthrie, Senators Martin, Lakey, Thayn, Souza, Anthon, Ward-Engelking, and Burgoyne

ABSENT/ EXCUSED: None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Patrick** called the meeting of the Senate Commerce and Human Resources Committee (Committee) to order at 1:31 p.m.

MINUTES APPROVAL: **Vice Chairman Guthrie** moved to approve the Minutes of March 14, 2017. **Senator Thayn** seconded the motion. The motion carried by **voice vote**.

Senator Thayn moved to approve the Minutes of March 16, 2017. **Senator Burgoyne** seconded the motion. The motion carried by **voice vote**.

S 1195

Relating to the Security Law. Mark Warbis, Communications Director, Governor's Office, and liaison to the Department of Labor (DOL), said Idaho Code § 72-1350 would be amended to reduce the taxable wage rate used for determining employers' unemployment insurance taxes by adjusting the unemployment fund size multiplier downward. This bill will result in a substantial net tax savings to Idaho's covered employers.

Mr. Warbis stated lowering unemployment insurance taxes paid by businesses will have no fiscal impact on the State General Fund. Adjusting the unemployment fund size multiplier for calculating unemployment insurance taxes will result in \$115 million in tax savings for employers over the next three years and leave the trust fund at an acceptable level of solvency. For most employers, the change will reduce their unemployment taxes by 30 percent over three years starting in 2018. Adjusting the unemployment fund size multiplier will also reduce training tax collections to the Workforce Development Training Fund by \$3.6 million over three years starting in 2018.

Mr. Warbis said that failure to make the change will increase the multiplier to 1.5 on January 1, 2018. By making the change, Idaho employers will save an estimated \$46 million in 2018 and \$115 million over a three-year period. Most Idaho employers will see a 30 percent savings on their unemployment insurance payments. **Mr. Warbis** commented that without this change, the fund is expected to grow to almost \$1 billion by the end of calendar year 2020, which is more than is needed.

Mr. Warbis stated Idaho's unemployment insurance trust fund is at a strong and sustainable level. Even with this change, Idaho will remain well-positioned to weather another downturn of the magnitude of the Great Recession. The savings Idaho employers will hopefully realize will be used for higher wages, growing business, or putting more workers on the job.

DISCUSSION

Chairman Patrick asked if there would be another cut in the future. **Mr. Warbis** asked to yield his time to Ken Edmunds, Director, DOL. **Ken Edmunds** said the cut would not occur again if the wage rate was adjusted downward, as it would be self-correcting.

Vice Chairman Guthrie asked what should the correct balance be and was it not already self-correcting. **Mr. Edmunds** confirmed that the fund self-corrects. The formula is being changed to keep the funds at the same level, which allows adjustments for economic conditions. The current rate is too conservative. The new code defines a formula and not an amount. **Mr. Edmunds** explained that as the economy grows, wages grow, and the formula allows the fund to grow over time without an artificial change.

Mr. Warbis remarked the process for labor is very complicated. The goal is to deal with a recession if it occurs and a 1.3 taxable wage rate formula will still meet that requirement. This simple change allows flexibility for employers.

MOTION:

Senator Lakey moved to send **S 1195** to the floor of the Senate with a **do pass** recommendation. **Senator Martin** seconded the motion. The motion carried by **voice vote**.

ADJOURNED:

There being no further business at this time, **Chairman Patrick** adjourned the meeting at 1:40 p.m.

Senator Patrick
Chair

Linda Kambeitz
Secretary