

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 5691

STATE OF NEW JERSEY  
219th LEGISLATURE

DATED: JUNE 24, 2021

SUMMARY

- Synopsis:** Concerns liability of certain non-profit and governmental employers for unemployment benefits paid during coronavirus disease 2019 pandemic state of emergency.
- Type of Impact:** Temporary cost savings to the State, public institutions of higher education, local governments, and school districts; revenue loss to the Unemployment Compensation Fund
- Agencies Affected:** Certain State entities, local governments, institutions of higher education, and school districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>Period of COVID-19 Public Health</u>
	<u>Emergency</u>
State Cost Savings	Indeterminate
Local Cost Savings	Indeterminate
Public Institutions of Higher Education	
Cost Savings	Indeterminate
Unemployment Insurance Compensation	
Fund Revenue Loss	Indeterminate

- The Office of Legislative Service (OLS) notes that this bill may result in temporary cost savings to State entities, public institutions of higher education, local governments, and school districts tied to the reduced liabilities to the Unemployment Insurance Compensation (UI) Fund for those entities that choose to not make contributions to the UI fund on an annual basis but instead reimburse the UI fund for benefits paid to laid off employees (also known as reimbursable employers). The amount of the cost savings is indeterminate, as the OLS cannot estimate the total amount of these liabilities that will be shifted from governmental and non-profit employers to the UI fund.
- Available and permissible funds provided by the federal government may be used, but are not required to be used, to reimburse the UI fund for revenue losses attributable to the bill. However, if left unfunded, the bill will lead to an indeterminate decrease in revenue to the UI

fund. The fiscal impact would be realized by the UI fund paying for UI benefit claims of employees of non-contributory employers who will not be liable for reimbursing the fund for those payments.

## **BILL DESCRIPTION**

This bill, for the period of the public health emergency and state of emergency declared by the Governor on March 9, 2020, and any subsequent extensions of the emergency or state of emergency, exempts any nonprofit or governmental employer which has elected to make payments in lieu of contributions, from liability for payments in lieu of contributions for unemployment benefits paid to employees laid off by the employer during that public health emergency and any extensions of it, except that the employer is required to make payments in lieu of contributions from any available funds held in trust for that purpose from contributions made by its employees. The bill provides that those employers are not liable for any portion of the payments of unemployment benefits which are not paid from the employee contributions held in trust or from funds provided by the federal government pursuant to the federal CARES Act, public law 116-136, pursuant to section 9012 of the American Rescue Plan Act of 2021, public law 117-2, or pursuant to any other applicable federal law, but that portion shall be regarded as State liability relief to the employer and paid from the unemployment compensation fund. If the employer made the payments during the public health emergency before the effective date of the bill, the employer is entitled to a reimbursement of all of those payments in lieu of contributions made during that period, except for payments made from funds held in trust for that purpose from contributions made by its employees.

The bill provides that any available federal funds related to the COVID pandemic which have already been appropriated may, if permitted by federal law, be used to reimburse the unemployment compensation fund for any costs to the fund of providing State liability relief to employers under the bill.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS notes that this bill may result in temporary cost savings to State entities, public institutions of higher education, local governments, and school districts tied to reduced liabilities to the UI fund for those employers that do not pay contributions to the unemployment UI fund on an annual basis, but instead reimburse the UI fund for UI benefits paid to laid off employees on a dollar for dollar basis. The savings would be realized given that those employers will not be liable for any portion of the payments of unemployment benefits which are not paid from the employee contributions held in trust or from funds provided by the federal government pursuant to any applicable federal law concerning COVID-19 pandemic relief, but that portion will be regarded as State liability relief to the employer and paid from the unemployment compensation fund.

Under the bill, available and permissible funds provided by the federal government may be used, but are not required to be used, to reimburse the UI fund for revenue losses attributable to the bill. However, if left unfunded, the bill will lead to an indeterminate decrease in revenue to the UI fund. The fiscal impact would be realized by the UI fund paying for UI benefit claims of employees of non-contributory employers who will not be liable for reimbursing the fund for those payments. Currently, there are about 1,164 active governmental reimbursable employers in the State that will be impacted by this bill as well as about 700 non-profit reimbursable employers.

*Section:*           *Commerce, Labor and Industry*

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).