

January 14, 2022

The Honorable Representative Mohamud Noor
Chair, Jobs and Economic Development Finance Division
379 State Office Building
St. Paul, MN 55155

The Honorable Senator Eric Pratt
Chair, Jobs and Economic Growth Finance and Policy
95 University Avenue W.
Minnesota Senate Bldg., Room 3219
St. Paul, MN 55155

Dear Representative Noor and Senator Pratt,

According to Minn. Sess. Law, 2021 1st Spec. Sess., Chap. 10, SF 9, Art. 4, Sec. 8, the Department of Employment and Economic Development is required to submit a report detailing the impact to the Minnesota Unemployment Insurance Trust Fund (UITF) of eligibility for secondary school students and removal of the Social Security offset. Both changes will introduce new groups of people into the category of eligible unemployment benefit recipients that were not there before, thereby having an impact on the UITF.

Minn. Sess. Law, 2021 1st Spec. Sess., Chap. 10, SF 9, Art. 4, Sec. 2 removed ineligibility for secondary students. This provision is not effective until July 3, 2022. Minn. Sess. Law, 2021 1st Spec. Sess., Chap. 10, SF 9, Art. 4, Sec. 3 removed the Social Security offsets. This provision is also not effective until July 3, 2022. With the delayed effective date, there is not currently an impact to the UITF to report. Assuming that policymakers may want to estimate the potential future impacts to the UITF of these changes, I have instead included information about how these costs can be estimated and the potential impacts that such changes could have on the UITF.

Secondary Student Ineligibility Removal

Under the changes made by SF 9, secondary students will no longer be ineligible for state unemployment benefits effective July 3, 2022. Secondary students are still required to satisfy all other eligibility requirements to receive unemployment benefits. During the pandemic, the Minnesota Court of Appeals ruled that secondary students were not ineligible to receive the federal Pandemic Unemployment Assistance (PUA). This program was fully paid for by the federal government and did not impact the state UITF.

Estimating the cost of benefits for any group of applicants involves six elements: (1) the number of workers in the group, (2) the number of workers who become unemployed, (3) the number of the unemployed workers who apply for benefits, (4) the number of those that apply who are eligible, (5) the average wage (and therefore the average UI weekly benefit amount) for the group, and (6) the average duration of compensated unemployment (number of weeks UI benefits would be paid).

Projecting a specific fiscal impact to the UITF by expanding eligibility for secondary students is challenging because few data points exist on which to base an estimate. Data on secondary students is limited, and the unemployment rate, average wage rate, average hours worked per week, or average benefits for secondary students are not known

definitively. Nor is there is clear data on the exact number of students who work, which industry sectors they fall into, or historical data for students meeting all other eligibility requirements.

Social Security Offsets

SF 9 will remove benefit reductions for those receiving Social Security disability payments effective July 3, 2022. The removal of Social Security offsets may result in the payment of additional UI benefits not currently being paid both in terms of weekly benefits and the duration of benefits. It is also possible that payment of UI benefits without the weekly reduction created by the receipt of either Social Security Retirement or Disability benefits will result in earlier exhaustion of regular benefits. These counteracting possibilities make projection of fiscal impact difficult, as does the acknowledgment that UITF impacts will be the result of individual choices which cannot be cleanly modeled.

Conclusion

Given that neither of these provisions have gone into effect, there have been no changes for the UITF. Time will be needed to see the actual implications for the UITF after these changes to into effect, likely a full year to fully understand the impacts that these changes will have on the UITF.

Regards,

Steve Grove
Commissioner