



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 26

PRINTERS NO. 1944

PRIME SPONSOR: Keller, W.

COST / (SAVINGS)

FUND	FY 2012/13	FY 2013/14
Administration Fund	\$0	\$0
Reemployment Fund	\$0	\$0
Service and Infrastructure Service Fund	\$0	(\$40,000,000)
Unemployment Compensation Fund	\$0	\$40,000,000

SUMMARY: Amends the Unemployment Compensation (UC) Law by allocating a portion of employee tax contributions to subsidize the UC Service System. This legislation would take effect immediately.

ANALYSIS: This legislation amends the UC Law by allocating a portion of employee tax contributions to subsidize the UC Service System by creating a new fund known as the Service and Infrastructure Improvement Fund (SIIF).

Allocation of Employee UC Tax Contributions: This legislation requires a portion of employee tax contributions, collected by employers under the UC Law, to be deposited into a newly-established fund known as the Service and Infrastructure Improvement Fund (SIIF). The legislation restructures the way employee tax contributions are allocated. Employee taxes will be deposited as follows:

- Five percent (5%) of the funds will continue to be deposited into the preexisting Reemployment Fund from January 1, 2013 through the December 31, 2017.
- For each calendar year from 2013 through 2016, an amount determined by the Secretary of Labor and Industry (L&I) and approved by the Governor will be deposited into SIIF, as follows:
 - Calendar Year 2013 - An amount not to exceed \$40 million
 - Calendar Year 2014 - An amount not to exceed \$30 million
 - Calendar Years 2015 and 2016 - An amount not to exceed \$190 million, adjusted for the CPI for the period May 2013 through January of the calendar year, less the amount of the federal administrative funding for the preceding federal fiscal year.

Remaining contributions shall be deposited into the Unemployment Compensation Fund. L&I may deposit contributions into SIIF before depositing funds into the Reemployment Fund/UC Fund.

Anti-Privatization Clause: The legislation changes section 301.9 (c)(3)(d) providing that, consistent with the merit staffing requirement of the federal Social Security Act, no moneys in the fund may be expended or obligated to a third party to perform unemployment compensation services of the department except services relating to technology and infrastructure components deemed necessary.

Prioritization of SIIF Fund Monies: The legislation requires monies that are deposited in the SIIF to be prioritized for the following purposes:

- To improve the quality, efficiency and timeliness of services provided by the Service Center system to individuals claiming UC benefits, including claim filing, claim administration, adjudication services, and staffing/training of system employees.
- Expenditures for information management technology, communications technology, and other infrastructure components deemed necessary by the Secretary which will result in significant and lasting improvements to the UC system.
- To pay the costs associated with collecting contributions into SIIF.

Remittance of Unexpended Monies: Any unallocated monies remaining in SIIF on December 31, 2018 shall be transferred into the Unemployment Compensation Fund, from which benefits are paid.

Annual Report: The legislation requires L&I to provide a report to the Governor and the General Assembly regarding SIIF by June 30th of each year between 2014 and 2019 highlighting:

- Contributions deposited into SIIF
- Expenditures and transfers from SIIF during the previous year
- A description of all expenditures made in the previous year

FISCAL IMPACT: For calendar 2013 (FY 2013/14), it is assumed that \$40 million would be transferred from the Unemployment Compensation Fund to the newly established Service and Infrastructure Improvement Fund. The chart below shows the maximum impact of this legislation, which assumes that each annual funding allocation is made in the second half of each calendar year:

FUND	COST / (SAVINGS)				
	FY 2012/13	CY 2013 or FY 2013/14	CY 2014 or FY 2014/15	CY 2015 or FY 2015/16	CY 2016 or FY 2016/17
Administration Fund	\$0	\$0	\$0	\$0	\$0
Reemployment Fund	\$0	\$0	\$0	\$0	\$0
Service and Infrastructure Service Fund	\$0	(\$40,000,000)	(\$30,000,000)	(\$38,854,397)	(\$46,363,800)
Unemployment Compensation Fund	\$0	\$40,000,000	\$30,000,000	\$38,854,397	\$46,363,800

CPI Adjustment \$194,780,400 \$198,363,800
 Estimated Federal Funding in Prior Year \$155,926,003 \$152,000,000

PREPARED BY: Tim Rodrigo
 House Appropriations Committee (R)

DATE: June 4, 2013

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.