



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2375

PRINTERS NO. 4065

PRIME SPONSOR: Gingrich

COST / (SAVINGS)

FUND	FY 2016/17	FY 2017/18
Service and Infrastructure Improvement Fund	See "Fiscal Impact"	See "Fiscal Impact"
Unemployment Compensation Trust Fund	See "Fiscal Impact"	See "Fiscal Impact"

SUMMARY: Amends the Unemployment Compensation Law to provide additional funding to the Service and Infrastructure Improvement Fund (SIIF) in 2017; requires an audit of SIIF; and requires the Department of Labor and Industry (L&I) to submit a separate funding request for upgrades to the Unemployment Compensation (UC) benefit delivery system. This legislation would take effect in 60 days.

ANALYSIS: This legislation amends the UC Law to provide additional funding to the SIIF in 2017; requires an audit of SIIF; and requires L&I to submit a separate funding request for upgrades to the UC benefit delivery system.

SIIF Extension and Funding: This legislation amends the UC Law to extend the SIIF through the end of 2017 by providing up to \$57.5 million in funding to SIIF in calendar year 2017. Allowable uses are delineated within the act and the legislation extends those uses to include technological upgrades to the unemployment compensation benefit delivery system. Any moneys remaining in the SIIF as of December 31, 2019 shall be transferred to the UC Trust Fund at that point.

Audit of SIIF: Under the legislation, the Auditor General is required to conduct an audit of SIIF and report to the Chairs of the House and Senate Labor and Industry Committees no later than June 30, 2017. L&I will reimburse the Auditor General for the cost of the audit from SIIF, up to \$300,000. The audit report will include:

- A description and accounting of SIIF expenditures for each calendar year from 2013 through 2016.
- An evaluation of whether all funds were spent as authorized in statute.
- An evaluation of improvements and efficiencies achieved as the result of technology and infrastructure expenditures.
- An estimate of the impacts to the UC system likely to occur if SIIF is not authorized by the General Assembly after 2017.
- Recommendations on how L&I can improve the efficiency of the UC system.
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- Estimates of the amount of state funding that will be necessary to operate the UC system, if it is being operated in a reasonably efficient manner.
- Any other relevant information or recommendations, as determined by the Auditor General.

L&I Report on the SIIF: The legislation requires that before February 15, 2017, L&I shall submit a report to the Chairs of the House and Senate Labor and Industry Committees that contains both a plan to eliminate its reliance on transfers to the SIIF for recurring operational costs as well as a funding request for technological upgrades for the delivery system for UC benefits for calendar years after 2017. The request shall include:

- A detailed description of the project.
- An explanation of the improvements to the benefit delivery system that will result from the project.
- The total estimated cost of the project.
- The number of years to complete the project and the cost of implementing the project each year.
- An estimate of the cost savings that will result from implementing the project.
- Information on any proposal received or contract executed for technological upgrades to the UC benefit delivery system, if the information is available to the public under the Right to Know Law.

FISCAL IMPACT: This legislation would provide up to \$57.5 million for SIIF in calendar year 2017. Since the SIIF funding mechanism was supposed to sunset at the end of 2016, enactment of this legislation will result in \$57.5 million less in revenue from the UC tax on employees being deposited into the UC Trust Fund for 2017. The remainder of the legislation would have no adverse fiscal impact on Commonwealth funds.

PREPARED BY: Tim Rodrigo
House Appropriations Committee (R)

DATE: October 18, 2016

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