HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1915 **PRINTERS NO.** 2735 **PRIME SPONSOR**: Kauffman

COST / (SAVINGS)

FUND	FY 2017/18	FY 2018/19
Service and Infrastructure Improvement Fund	**See "Fiscal Impact"**	
Unemployment Compensation Contribution Fund	**See "Fiscal Impact"**	

SUMMARY: Provides $115.2 million in "exit ramp" funding for Unemployment Compensation (UC) operations/technological upgrades, and requires the Department of Labor and Industry (DLI) to end its reliance on the Service and Infrastructure Improvement Fund. This legislation would take effect immediately.

ANALYSIS: This legislation provides for a wind down of the use of the Service and Infrastructure Improvement Fund (SIIF) in the financing of the operations of the Unemployment Compensation system.

<u>SIIF Operational Funding:</u> This legislation provides for declining transfers to the SIIF for operational purposes by calendar year (CY):

- CY 2018 - $30 million
- CY 2019 - $25 million
- CY 2020 - $20 million
- CY 2021 - $10 million

The legislation clarifies that the General Assembly's intent is for the DLI to end its reliance on transfers to SIIF, and provides that the supplemental funding is intended to support UC operations during the implementation and initial deployment of technological upgrades to the benefit delivery computer system (Benefit Modernization). The following apply:

- DLI is required to use the funds for authorized purposes to maintain and modernize UC operations while Benefit Modernization is implemented.
- DLI must maintain a separate accounting for SIIF.
- A copy of the SIIF annual reports must be provided to the four caucus L&I Committee Chairs and include detailed info regarding:
    - An accounting of SIIF for the prior year.
    - An update on UC operations, including:

- Compliance with federal benchmarks.
- Efficiency measures and cost savings implemented by DLI.
- Staffing and service levels.
- DLI efforts regarding the detection and prevention of fraud and overpayments.
- An accounting of total funds spent on UC administration.
- An update on the progress of Benefit Modernization implementation.
- An update on DLI's progress toward ending its reliance on SIIF.

Benefit Modernization Funding: The legislation also provides $30.2 million in funding for the Benefit Modernization project as requested by DLI for costs incurred in the following calendar years:

- CY 2017 - $5 million
- CY 2018 - $7.2 million
- CY 2019 - $12.1 million
- CY 2020 - $5.9 million

Beginning January 1, 2018, DLI may annually transfer an amount up to the amount authorized (above) to SIIF for Benefit Modernization costs incurred in the prior calendar year (ex. In 2018, DLI can transfer up to $5 million for costs incurred in 2017, etc.)

Prior to the annual transfer, the DLI Secretary must certify the following to the Governor (with copies sent to the four caucus L&I Committee Chairs):

- The progress of Benefit Modernization is consistent with the progress benchmarks provided in each relevant contract.
- The total cost of Benefit Modernization will not exceed the total amount of contract costs reported to the General Assembly ($35 million).
- The Benefit Modernization Advisory Committee has been regularly consulted about the project.

DLI is required to implement and deploy Benefit Modernization in a manner that will result in significant cost savings and end DLI's reliance on SIIF:

- Benefit Modernization must encourage and facilitate the filing of UC claims electronically.
- DLI must, to the extent possible, utilize Benefit Modernization to automate the claim review and determination processes.
- Benefit Modernization implementation must prioritize the generation of efficiencies throughout the UC system.
- Benefit Modernization must reduce the need for claimants to contact a UC Service Center by telephone, including augmenting the ability of claimants to amend claims and submit required information electronically.

- DLI shall attempt to reduce the overall UC administration costs by at least 12%.

Benefit Modernization Advisory Committee: A temporary Benefit Modernization Advisory Committee is established. The committee will include:

- Three DLI employees, who will regularly use the modernized system.
- An information technology professional, appointed the Senate L&I majority Chair.
- A representative of organized labor, appointed by the Senate L&I minority Chair.
- A representative of an employer group, appointed by the House L&I majority Chair.
- An attorney experienced in representing UC claimants, appointed by the House L&I minority Chair.

The advisory committee will meet within 90 days of the effective date with one of the DLI employees selected as chair, who will then organize quarterly meetings of the committee, and DLI will provide administrative support. Committee members will receive monthly updates regarding Benefit Modernization, and the relevant DLI staff and project vendors will attend the quarterly meetings.

The advisory committee will have the following powers and duties:

- Monitor the Benefit Modernization project.
- Request information related to the project at any time. DLI will provide the information unless prohibited by law.
- Make recommendations to DLI about Benefit Modernization at any time.
- Provide DLI with assistance related to testing of the system upgrades.
- Report (by June 30 each year) to the four caucus L&I committee chairs. The report will include the committee's assessment of the progress on Benefit Modernization, the recommendations made to DLI, and whether the recommendations have been followed.

The advisory committee will continue to exercise its powers and duties until December 31, 2021, or until they determine by a two-thirds vote that Benefit Modernization has been successfully implemented, whichever is sooner.

SIIF Funding –Authorized Uses: The bill clarifies that SIIF dollars may be used for costs related to Benefit Modernization for DLI to end reliance on SIIF.

FISCAL IMPACT: This legislation would transfer a sum of up to $115.2 million from the Unemployment Compensation Contribution Fund to the SIIF over the next four calendar years for the purposes delineated within the legislation. The first transfer is expected to incur during the second half of FY 2017-18 or early in 2018.

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House Appropriations Committee (R)

DATE: December 4, 2017

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