

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 26

**PRINTER'S NO.** 1944

**AMOUNT**

(\$40 million Maximum) - CY 2013  
(\$30 million Maximum) - CY 2014  
(\$40 million Maximum) - CY 2015  
(\$40 million Maximum) - CY 2016  
\$40 million Maximum - CY 2013  
\$30 million Maximum - CY 2014  
\$40 million Maximum - CY 2015  
\$40 million Maximum - CY 2016

**FUND**

Unemployment Compensation Fund  
  
Service and Infrastructure Improvement Fund

**DATE INTRODUCED**

January 22, 2013

**PRIME SPONSOR**

Representative W. Keller

**HISTORY OF BILL**

Referred to LABOR AND INDUSTRY, Jan. 22, 2013  
Reported as amended, May 14, 2013  
First consideration, May 14, 2013  
Laid on the table, May 14, 2013  
Removed from table, May 15, 2013  
Second consideration, with amendments, June 4, 2013  
Re-committed to APPROPRIATIONS, June 4, 2013  
(Remarks see House Journal Page ), June 4, 2013  
Re-reported as committed, June 5, 2013  
Third consideration and final passage, June 5, 2013 (195-0)  
(Remarks see House Journal Page ), June 5, 2013  
In the Senate  
Referred to LABOR AND INDUSTRY, June 7, 2013  
Reported as committed, June 12, 2013  
First consideration, June 12, 2013  
Second consideration, June 17, 2013  
Re-referred to APPROPRIATIONS, June 17, 2013  
Re-reported as committed, June 26, 2013

**DESCRIPTION AND PURPOSE OF BILL**

House Bill 26 amends the Unemployment Compensation (UC) Law to establish the Service and Infrastructure Improvement Fund to improve the UC service center system.

# **SENATE APPROPRIATIONS COMMITTEE**

## **FISCAL NOTE**

The bill directs the Secretary of Labor and Industry (L & I), with the approval of the Governor, to deposit amounts collected from employee contributions into the Service and Infrastructure Improvement Fund during calendar years 2013 through 2016, subject to the following annual limits:

- 1) The amount may not exceed \$40 million for calendar year 2013;
- 2) The amount may not exceed \$30 million for calendar year 2014;
- 3) For calendar years 2015 and 2016, the amount may not exceed \$190 million, adjusted by the CPI, less the amount of Federal administrative funding received by L & I for the preceding fiscal year.

The bill retains existing provisions for 5% of the employee contributions to be deposited into the Reemployment Fund from January 1, 2013 through September 30, 2017. It provides that the remaining employee contributions, following deposits into the Service and Infrastructure Improvement and Reemployment Funds, are to be deposited in the UC Fund.

The bill establishes the Service and Infrastructure Improvement Fund as a restricted account in the State Treasury. It specifies that money in the Fund is appropriated on a continuing basis, upon approval of the Governor, to the department to be prioritized, for the following purposes:

- 1) To improve the quality, efficiency and timeliness of services provided by the service center system to individuals claiming compensation under the Act, including claim filing, claim administration and adjudication services;
- 2) For information management technology, communications technology and other infrastructure components; and
- 3) For costs of collecting the contributions deposited into the Fund.

To be consistent with the merit staffing requirement of the Social Security Act, the bill prohibits expenditures or obligations from the Service and Infrastructure Improvement Fund to a third party to perform unemployment compensation services, except for services related to technology and infrastructure components deemed necessary by the Secretary of L & I.

The bill provides that any money in the Fund not expended or obligated as of December 31, 2018, be transferred to the UC Fund.

The bill requires the department to prepare and submit a comprehensive report to the Governor and General Assembly on the contributions, expenditures and use of moneys in the Service and Infrastructure Improvement Fund in the prior year, no later than June 30 of each calendar year from 2014 through 2019.

The act takes effect immediately.

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

### **FISCAL IMPACT:**

The bill will provide the department with the additional funds it needs to address issues and deficiencies in its service center system. These funds are necessary to augment federal funds the state receives for UC administration which have declined by 14% annually over the last 3 federal fiscal years.

Funding will be provided from employee UC contributions and deposited into a new restricted account, the Service and Infrastructure Improvement Fund for calendar years 2013 through 2016: for calendar year 2013, an amount not to exceed \$40 million; for calendar year 2014, an amount not to exceed \$30 million; and for calendar years 2015 and 2016, an amount not to exceed \$190 million, adjusted by the CPI, less the amount of Federal administrative funding received by L & I for the preceding fiscal year.

Federal fiscal year 2013 funding received by the department for administration is expected to be approximately \$151 million. Using this amount as an estimate of federal funds to be received annually in 2015 and 2016, a maximum result of the calculation could be approximately \$40 million for each year. However, at this time, the department does not foresee any need for amounts approaching this sum in either of those years; only actual amounts determined to be necessary will be directed to the Fund by the Secretary and as approved by the Governor.

The legislation's provisions will have minimal effect on the expected solvency of the UC Fund by 2019. Even if the estimated maximum \$40 million deposit in the Service and Infrastructure Improvement Fund would be necessary in each of calendar years 2015 and 2016, the UC Fund is still expected to have a cash balance close to \$4.886 billion and nearly 215% solvency rate by 2019, with the passage of HB 26.