

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 2375

PRINTER NO. 4065

AMOUNT

\$57.5 million in Calendar Year 2017

\$57.5 million Revenue Loss in
Calendar Year 2017

FUND

Service Infrastructure Improvement Fund

Unemployment Compensation Trust Fund

DATE INTRODUCED

September 26, 2016

PRIME SPONSOR

Representative Gingrich

DESCRIPTION AND PURPOSE OF BILL

House Bill 2375 amends the Unemployment Compensation (UC) Law to extend the Service Infrastructure Improvement Fund (SIIF) through the end of 2017 by providing up to \$57.5 million in funding to SIIF in calendar year 2017. Any moneys remaining in the SIIF as of December 31, 2019 shall be transferred to the UC Trust Fund at that point.

This legislation requires the Auditor General 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. The Department of Labor and Industry (Department) 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 the 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 the Department can improve the efficiency of the UC system;
- 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; and
- Any other relevant information or recommendations, as determined by the Auditor General.

The bill requires that before February 15, 2017, the Department will submit a report to the Chairs of the House and Senate Labor and Industry Committees. The report will detail the Department's plan to eliminate reliance on SIIF funds for recurring operational costs. The report will be accompanied by a request for funding for upgrades to the Department's UC benefit delivery system for years after 2017. The request will include:

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- 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; and
- 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.

This legislation shall take effect in 60 days.

FISCAL IMPACT:

HB 2375 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.