

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 1915

**PRINTER NO.** 2735

**AMOUNT**

\$115.2 Million

**FUND**

Unemployment Compensation Trust Fund  
Service and Infrastructure Improvement Fund

**DATE INTRODUCED**

November 14, 2017

**PRIME SPONSOR**

Representative Kauffman

**DESCRIPTION**

Amending the Unemployment Compensation Law to provide \$115.2 million in funding for Unemployment Compensation (UC) operations and technological upgrades and requiring the Department of Labor and Industry (Department) to end its reliance on the Service and Infrastructure Improvement Fund (SIIF).

Provides transfers from the Unemployment Compensation Trust Fund to the SIIF in an amount totaling \$115.2 million through 2021. It also clarifies that it is the General Assembly's intent that the Department will end its reliance on transfers to continue operation of the UC system.

Of the total \$115.2 million, an amount of \$85 million will be transferred to support operations and maintain adequate service during implementation and development of the technological upgrade. Transfers each year will be as follows:

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

Requires the Department to utilize transferred funds to maintain and modernize the operations of the UC system.

Maintains that the Department shall have a separate accounting for the SIIF. Updates requirements for the yearly report to the General Assembly to include:

- Prior year SIIF accounting;
- Updates on compliance with Federal Benchmarks, efficiency measures and cost savings being implemented by the Department;
- Staffing and service levels, including information on timelessness of service;
- Efforts regarding prevention of fraud, overpayment and collection of any outstanding or delinquent receivables;
- Total funds spent on the administration of the system for the prior calendar year;
- Progress of the implementation and deployment of technology upgrades; and

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- The amount of funds available to the department for administration, total funds for the previous 5 calendar years, estimates on the total funds for the current and 2 subsequent years, the source and the amount each source of funding provides.

In addition to the \$85 million to support operations and maintain service levels, an amount of \$30.2 million will be transferred for costs relating to the procurement and implementation of technological upgrades. Transfers each year will be as follows:

- CY 2017 - \$ 5.0 million
- CY 2018 - \$ 7.2 million
- CY 2019 - \$12.1 million
- CY 2020 - \$ 5.9 million

Beginning January 1, 2018 the Department may transfer funds for actual costs of technology upgrades incurred in CY 2017. Each following quarter, the Department may transfer an amount equal to costs incurred during the previous quarter. Before a transfer may be made, the Secretary of the Department shall certify to the Governor that progress benchmarks in the contract are being met, the total cost will not exceed the total reported to the General Assembly, and the Benefit Modernization Advisory Committee has been consulted regarding implementation and deployment. The certification shall be delivered to the majority and minority chairpersons of the Labor and Industry Committee in the House of Representatives and Senate within 15 days of its certification.

Requires that the technological upgrades will result in significant cost savings and maintain an adequate level of service. The upgrades shall encourage use of the Department's website for filing forms, when possible automate the process of claim review and determination, and reduce the need for claimants to contact the service centers via phone.

Requires the Department to attempt to reduce administrative costs by 12%.

Establishes the Benefit Modernization Advisory Committee (Committee). The Committee will be made up of 3 Department employees appointed by the Secretary, an Information Technology professional appointed by the majority Senate Labor and Industry Committee Chair, a representative of organized labor appointed by the minority Senate Labor and Industry Committee Chair, a representative of a group representing employers appointed by the majority House of Representatives Labor and Industry Committee Chair, and an attorney with experience representing unemployment compensation claimants appointed by the minority House of Representatives Labor and Industry Committee Chair.

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The Committee shall meet within 90 days of the effective date of this legislation. The Committee shall meet quarterly, and the Department shall provide administrative support. The Committee shall provide a report no later than June 30 of each year to the majority and minority chairs of the Labor and Industry Committee in both the House of Representatives and Senate. The Committee shall function until December 31, 2021 or until a two-thirds vote of the committee affirms the upgrades have been successfully implemented.

Any money not expended or obligated in the SIIF by December 31, 2023 shall be transferred back to the Unemployment Compensation Trust Fund.

This act shall take effect immediately.

### **FISCAL IMPACT:**

Act 60 of 2012 provided for Unemployment Compensation reforms to return the Unemployment Compensation Trust Fund to solvency. As part of the reforms, employee contributions to the fund began, of which a part was transferred to the Service and Infrastructure Improvement Fund. This money was used to provide additional funds for the administration of the Unemployment Compensation system. Act 1 of 2017 extended this transfer for an additional year (CY 2017).

This legislation provides for the transfer of funds for four additional years from the Unemployment Compensation Trust Fund to the SIIF for administrative costs and the costs of technology upgrades.

\$85,000,000 – Administrative costs
\$30,000,000 – CY 2018
\$25,000,000 – CY 2019
\$20,000,000 – CY 2020
\$10,000,000 – CY 2021
\$30,200,000 – Technology Upgrades
\$ 5,000,000 – CY 2017
\$ 7,200,000 – CY 2018
\$12,100,000 – CY 2019
\$ 5,900,000 – CY 2020
\$115,200,000 – Total

The additional funds will allow the Department to hire an additional 75 people beyond what the funding in Act 1 of 2017 provided for.

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The contract that the Department entered into authorizes up to \$35 million in technology upgrade costs. The Department is not requesting authority to spend beyond \$30.2 million from SIIF funds and is prepared to pay from other funds any project over run costs.

The Department believes that the administrative costs associated with the Benefit Modernization Advisory Committee can be absorbed within the funds available to the Department.

The transfer of this \$115.2 million from the Unemployment Compensation Trust Fund to the SIIF, will have no impact on the fund reaching solvency as scheduled during the 2024 fiscal year. As provided by Act 60 of 2012, when the Unemployment Compensation Trust Fund becomes solvent, employee contributions cease, providing no funds eligible to be transferred to the SIIF. Under Federal law, employer contributions are not eligible to be used for administrative purposes.