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EMERGENCY CERTIFICATION

HB-5765

AN ACT ESTABLISHING THE FEDERAL SHUTDOWN AFFECTED EMPLOYEES LOAN PROGRAM AND PROVIDING ADDITIONAL ASSISTANCE TO FEDERAL EMPLOYEES.

OFA Fiscal Note

State Impact: See Explanation Below

Municipal Impact: See Explanation Below

Explanation

The bill results in the following impacts:

Sections 1-5 establish the federal shutdown affected employees loan program, implemented by the Connecticut Housing Finance Authority. Under the program, if a qualified federal employee does not repay their loan, the state will honor loan guarantees as specified in the bill. Thus, the bill may result in a potential cost to the General Fund.

There are approximately 1,500 federal employees residing in Connecticut that are currently affected by the shutdown and eligible for the loan program under the bill.¹ Assuming that: (1) 80% of those federal employees (1,200) are eligible for the maximum loan amount of \$5,000, (2) the remaining 20% (300) are eligible for a loan of \$3,524,² and (3) the maximum number of three loans is taken out, the total

¹ Source: CT Department of Labor (DOL)

² This is based on CT's average weekly unemployment benefit of \$369.

amount loaned would be \$21.2 million.³ The bill caps the amount the state may expend to honor loan guarantees under the program when the amount paid exceeds 10% of total loans issued (for a maximum state exposure of \$2.1 million). Based on the recent national delinquency rate⁴ of 2.28%, there would be a potential cost to the state of less than \$500,000 in FY 20 under these assumptions. However, since the loans issued under the program are secured by assignment against wages, the actual delinquency rate is likely to be lower.

There is no fiscal impact to the Connecticut Housing Finance Authority, the Department of Banking, and the Office of the State Treasurer associated with the requirements of the bill as they all have the necessary expertise.

Section 6 makes affected federal employees eligible for unemployment benefits, contingent upon federal approval. The bill specifies that affected individuals who receive back-pay for work performed must repay any unemployment benefits received. Thus, no net impact to the Unemployment Compensation Fund is anticipated.⁵

Section 7 permits municipalities to establish a tax deferment program for eligible residents. Any such program would defer the collection of tax revenue for a duration dependent upon the program parameters established by the municipality. This would delay the collection of tax revenue, but would not affect the amount of taxes owed to the municipality.

The Out Years

The fiscal impact described above may continue into FY 21 depending on the length of the shutdown.

³ To date 220 federal unemployment claims have been filed by federal employees and 80% are not eligible because the employees are working.(DOL)

⁴ [Federal Reserve System data](#) (Third Quarter, 2018) indicates a delinquency rate of 2.28% for all consumer loans for all commercial banks.

⁵ The Government Employee Fair Treatment Act of 2019 requires federal employees who are furloughed or required to work during the shutdown to be compensated for the period of the shutdown.

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

Sources: CT Department of Labor
Federal Reserve System