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FISCAL NOTE (Form 1)
(Office of Fiscal Analysis)
Analyst: *CG/F 4/3/92*
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Version:

BILL NUMBER: SSB 471
FILE NUMBER:
AMENDMENTS:

TITLE: "AN ACT CONCERNING THE FUNDING OF UNEMPLOYMENT COMPENSATION"

FAVORABLY REPORTED BY Labor and Public Employees

EFFECTIVE DATE: 7/1/92

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FISCAL IMPACT STATEMENT - BILL NUMBER SSB 471

STATE IMPACT	None, see explanation below
MUNICIPAL IMPACT	Indeterminate Savings, see explanation below
STATE AGENCY(S)	Labor Department, State Treasurer

EXPLANATION OF ESTIMATES:

STATE IMPACT: Passage of this bill has no impact on the State, as an employer, because the State is self-insured for unemployment insurance purposes. Nor does it have a fiscal impact or General Fund Debt Service as the bonds issued are Special Tax Obligation (STO) bonds.

The Labor Department's Unemployment Insurance Division, which is federally funded, will have increased administrative requirements as a result of the bill. It is anticipated that the agency will be able to handle the increased workload within its existing federal budgetary resources.

MUNICIPAL IMPACT: Some municipalities have elected to be taxed, rather than reimburse the Unemployment Insurance Fund for benefits paid to former employees. The bill establishes a State Unemployment Compensation Advance Fund with a maximum of \$1 billion in State Special Tax Obligation (STO) bonds which have no General Fund impact. The new fund replaces the current system by which the State Unemployment Compensation Fund borrows money from the Federal Unemployment Compensation Fund to pay unemployment benefits when the State Fund is depleted.

Currently, the Federal Government charges the State Fund an 8% federal melded taxable rate for borrowing funds. The State Treasurer has estimated that the new fund, financed by STO bonds at a lower tax exempt rate of 6% with a 5-7 year maturity, will result in a savings of 200 basis points. The expected savings to affected municipalities cannot be determined at this time. It should be noted that the Special Tax

Obligation bonds authorized pursuant to this act should be distinguished and utilized for transportation purposes.