



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUDGET OFFICE
One Capitol Hill
Providence, R.I. 02908-5886 **Memorandum**

To: The Honorable Raymond E. Gallison, jr.
Chairman, House Finance Committee

The Honorable Daniel DaPonte
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: March 24, 2015

Subject: Amendments to the FY 2016 Appropriations Act (15-H-5900)

The Governor requests that a new article entitled "Relating to Labor and Training Interest Assessment Account" be appended to the FY 2016 Appropriations Act. The attached article provides that the restricted receipts deposited in the Department of Labor and Training interest assessment account may be appropriated by the General Assembly to fund the Unemployment Insurance Modernization project.

If you have any questions regarding this new article, please feel free to call me (222-6300) or Diane Gagne of the Department of Labor and Training (462-8147).

TAM:16-Amend-01
Attachments

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Matt Appenfeller, Director of Policy Development
Scott Jensen, Director of Labor and Training
Michael DiBiase, Director of Administration
Johnathan Womer, Director, Office of Management and Budget



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To: Thomas A. Mullaney
Executive Director/State Budget Officer

From: Gregory Stack
Supervising Budget Analyst

Date: March 19, 2015

Subject: New Article - Relating to Labor and Training Interest Assessment Account

Summary

This article would also authorize the General Assembly, beginning in FY 2016, to annually appropriate such sums from the Job Development Fund assessment restricted receipt account as may be necessary to fund the Department of Labor and Training's Unemployment Insurance modernization project.

Explanation of Sections

Section 1

This section amends 28-42-84 to provide the General Assembly authority to annually appropriate funds from the interest assessment restricted receipt account in the Job Development Fund as may be necessary to fund the Department of Labor and Training's Unemployment Insurance modernization project.

Section 2

This section provides that the article shall take effect as of July 1, 2015.

Other Information

Under current law, any excess funds in the Job Development Fund restricted receipt account are transferred to the Employment Security fund after the State's federal Title XII loans and all interest costs have been paid. Once funds are deposited in the Employment Security fund, the state would no longer be able to use the funds for anything but the payment of benefits. This article proposes to allow some of these funds to be appropriated for the Unemployment Insurance Modernization Project. An estimated \$8.7 million may be available in the restricted receipt account after the full repayment of federal loans and associated interest costs in FY 2015.

Available funds would be appropriated for use in the modernization project through the annual budget process. The State of Rhode Island originally received \$10.0 million in federal grant monies in September 2012 to finance its costs related to UI modernization project and the authority to use those funds expired on September 30, 2014. In September 2014, the State of Rhode Island received an additional \$1.5 million in federal grant monies to finance staff costs associated with the UI modernization effort. The Department expects to fully expend those funds around September 30, 2015. This article would provide the Department with monies from the Interest Assessment Account surplus to cover the continuing costs associated with its UI modernization project.

The Department's estimated costs by fiscal year are as follows:

FY 2016: Request a total of \$1.985 million for staffing costs (\$885,000) for the period October 1, 2015 through June 30, 2016 and an estimated \$750,000 to procure a new Imaging system to handle forms in the new UI system beginning in the summer of 2016. The Department also anticipates needing \$350,000 in the spring of 2016 to train all staff on the new UI system prior to implementation.

FY 2017: Request up to \$1.5 million to cover staffing costs to complete implementation of the UI system and to train UI staff in the new system. It will also finance staff costs for continued work on the Tax portion of the system which will be implemented separately with a projected implementation date of November 2017.

FY 2018: Request up to \$2.5 million to complete the work on the Tax portion of the new UI system and to train staff on the new UI Tax system. The Department also expects to begin paying the state's share of the costs of the new system for calendar year 2018. The Department will have a period of paying a portion of costs for our current system and the new system during the transition period.

FY 2019: Request up to \$2.0 million to pay our share of the common system costs for the host vendor.

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NEW ARTICLE

RELATING TO LABOR AND TRAINING INTEREST ASSESSMENT ACCOUNT

SECTION 1. Section 28-42-84 of the General Laws in Chapter 28-42 entitled “Employment Security – General Provisions” is hereby amended to read as follows:

28-42-84 Job development fund – Disbursements – Unexpended balance. – (a) The moneys in the job development fund shall be used for the following purposes:

(1) To reimburse the department of labor and training for the loss of any federal funds resulting from the collection and maintenance of the fund by the department;

(2) To make refunds of contributions erroneously collected and deposited in the fund;

(3) To pay any administrative expenses incurred by the department of labor and training associated with the collection of the contributions for employers paid pursuant to § 28-43-8.5, and any other administrative expenses associated with the maintenance of the fund, including the payment of all premiums upon bonds required pursuant to § 28-42-85;

(4) To provide for job training, counseling and assessment services, and other related activities and services. Services will include, but are not limited to, research, development, coordination, and training activities to promote workforce development and business development as established by the human resource investment council;

(5) To support the state's job training for economic development;

(6)(i) Beginning January 1, 2001, two hundredths of one percent (0.02%) out of the job development assessment paid pursuant to § 28-43-8.5 shall be used to support necessary core services in the unemployment insurance and employment services programs operated by the department of labor and training; and

(7) Beginning January 1, 2011 and ending in tax year 2014, three tenths of one percent (0.3%) out of the fifty-one hundredths of one percent (0.51%) job development assessment paid pursuant to § 28-43-8.5 shall be deposited into a restricted receipt account to be used solely to pay the principal and/or interest due on Title XII advances received from the federal government in

1 accordance with the provisions of Section 1201 of the Social Security Act; provided, however,
2 that if the federal Title XII loans are repaid through a state revenue bond or other financing
3 mechanism, then these funds may also be used to pay the principal and/or interest that accrues on
4 that debt. Any remaining funds in the restricted receipt account, after the outstanding principal
5 and interest due has been paid, shall be transferred to the employment security fund for the
6 payment of benefits.

7 (b) The general treasurer shall pay all vouchers duly drawn by the council upon the fund,
8 in any amounts and in any manner that the council may prescribe. Vouchers so drawn upon the
9 fund shall be referred to the controller within the department of administration. Upon receipt of
10 those vouchers, the controller shall immediately record and sign them and shall promptly transfer
11 those signed vouchers to the general treasurer. Those expenditures shall be used solely for the
12 purposes specified in this section and its balance shall not lapse at any time but shall remain
13 continuously available for expenditures consistent with this section. The general assembly shall
14 annually appropriate the funds contained in the fund for the use of the human resource investment
15 council and, in addition, for the use of the department of labor and training effective July 1, 2000,
16 and for the payment of the principal and interest due on federal Title XII loans beginning July 1,
17 2011; provided, however, that if the federal Title XII loans are repaid through a state revenue
18 bond or other financing mechanism, then the funds may also be used to pay the principal and/or
19 interest that accrues on that debt.

20 (c) Notwithstanding any other provisions of this section to the contrary, beginning in FY
21 2016, the general assembly shall annually appropriate such sums from the interest assessment
22 restricted receipt account that it deems necessary to fund the department of labor and training's
23 unemployment insurance modernization project.

24 SECTION 2. This article shall take effect as of July 1, 2015.