

**HOUSE BILL 26**  
**PRINTER'S NO. 1944**

**SPONSOR: Rep. W. Keller**

The legislation amends the act of December 5, 1936 (2<sup>nd</sup> Sp. Sess., 1937 P.L. 2897, No. 1) known as the Pennsylvania Unemployment Compensation Law.

Section 301.4 (Contributions by Employees) is amended to create the Service and Infrastructure Improvement Fund, separate and apart from the Unemployment Compensation Fund and the Reemployment Fund. The section is further amended to provide that employee contributions are allocated as follows:

-Five percent of the funds shall be deposited in the Reemployment Fund from January 1, 2013 through December 31, 2017.

-During each calendar year from 2013 through 2016, an amount determined by the Secretary shall be deposited in the Service and Infrastructure Improvement Fund. For 2013, the amount may not exceed \$40 million. For 2014, the amount may not exceed \$30 million. For 2015 and 2016, the amount may not exceed \$190 million adjusted by the Consumer Price Index, minus the amount of federal administrative funding (estimated to be about \$140-150 million annually).

-Remaining contributions shall be deposited in the Unemployment Compensation Fund.

Section 301.9 (Service and Infrastructure Improvement Fund) is added to the act to specify uses for the new fund, which shall be maintained in a restricted account. Funds shall be used to increase the quality, efficiency and timeliness of the UC Service Centers.

Any unexpended or unobligated money remaining in the Service and Infrastructure Improvement Fund on December 31, 2018 shall be transferred to the Unemployment Compensation Fund.

No later than June 30 of each year between 2014 and 2019, the Department shall provide a report to the General Assembly.

Consistent with federal law that requires administrative functions of the unemployment compensation system to be performed by governmental employees, the Department is prohibited from outsourcing such functions to third parties.

Under current law, employees are taxed at a rate of 0.07% of salary adjusted annually, until the Unemployment Compensation Fund reaches 250% of solvency, at which time the tax “triggers off”. Currently, the employee tax generates approximately \$200 million annually.

Under Act 60 of 2012, the Reemployment Fund was created for the purposes of assisting the unemployed re-enter the workforce. The fund receives 5% of the employee contributions, and is in effect until December 21, 2017.

Under federal law, employer contributions to the Fund may only be used for purposes of paying Unemployment Compensation benefits.

The legislation is identical to Senate Bill 928 (Gordner), reported by the Committee 11-0 on May 10.

Todd B. Roup  
June 5, 2013