

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 974 (House Finance Committee Sub.)

SHORT TITLE: ESC Waive Interest

SPONSOR(S):

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES					
Special Employment Security Admin. Fund	\$50,000	\$100,000	\$100,000	\$100,000	\$100,000
EXPENDITURES					
	NA	NA	NA	NA	NA
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Employment Security Commission (ESC)					
EFFECTIVE DATE: Section 2 (interest on past-due contributions) is effective January 1, 1998. All other sections of the bill are effective when the bill becomes law.					

BILL SUMMARY: The bill make various statutory changes recommended or endorsed by the Employment Security Commission.

ASSUMPTIONS AND METHODOLOGY:

Section 1: This section authorizes the Employment Security Commission (ESC) to waive interest on late contributions if good cause is shown. The section clarifies the authority of ESC administrators to waive interest and penalties. The Commission waives penalties and interest in less than 20 cases a year. This section has no fiscal impact.

Section 2: (Similar to section 1 in HB 450) This section allows the ESC to collect interest on the balance of unpaid contributions at a rate equal to that rate charged by the Department of Revenue instead of the current rate of .5% per month. The current rate charged by the Department of Revenue is 8.75%, but the rate changes every six months based on financial market conditions. The State Auditor recommended in a March 1997 performance audit that ESC use the Revenue

rate. Based on current ESC interest earnings each year of \$200,000 and assuming a 9% interest rate, the rate change should increase revenue into the Special Employment Security Administration Fund by \$100,000 per year. With a January 1, 1998 effective date, the first year revenue increase will be only \$50,000.

Section 3: (Formerly in HB 450) This section clarifies ESC's right to collect unpaid contributions from an employer filing for bankruptcy. There is no fiscal estimate for this change.

Section 4: (Formerly in HB 450) This section reduces from 3 years to 2 years the time necessary for an employer to become a rated employer. For an employer with a good experience rating, this will yield tax savings for one year due to a lower rate.

Section 5: (Formerly in HB 451) This section expands the time limit for claimants to report to a local ESC office from 4 weeks to 6 weeks. This is designed to reduce the workload on the staff of the local ESC offices. No estimate is available for this change.

FISCAL RESEARCH DIVISION 733-4910 DATE: July 22, 1997

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