

**ANALYSIS OF ALTERNATIVE STRATEGIES FOR FINANCING UNEMPLOYMENT INSURANCE
BENEFITS WHEN TRUST FUND BALANCES ARE INSUFFICIENT**

**DRAFT SITE VISIT DISCUSSION GUIDE
Public Finance Expert Respondents**

INTRODUCTION

I am/we are researchers with The Urban Institute/Capital Research Corporation, private research organizations based in Washington, DC/Arlington VA which conduct policy-related research on a variety of social welfare and economic issues.

This project is being conducted by the Urban Institute and its partner, Capital Research Corporation, under contract to the U.S. Department of Labor. Our visit here today is part of a study of alternative strategies states utilize for financing Unemployment Insurance (UI) benefits when trust fund balances are not sufficient. A major aim of the study is to learn more about the decision-making process (including the factors that influence these decisions) that states undergo to determine the merits of and tradeoffs between borrowing through federal Title XII loans and issuing municipal bonds to replenish UI trust funds. In addition, we are interested in gaining a better understanding of the specific activities and steps, as well as the benefits and challenges, associated with various borrowing methods. As part of this study, we are conducting site visits to eight states, including some that borrowed funds through Title XII only and some that also issued bonds to finance UI benefits. In each state, we will be speaking with state UI Directors and staff; state Finance/Tax/Revenue/Treasury Department Directors and staff; and key respondents from Governors' offices, in state legislatures and other relevant state agencies. We will also be meeting with bond market representatives, including bond underwriters, municipal financial advisors, credit analysts, bond attorneys and institutional investors, as well as other national experts on these processes.

We are here to learn from you about your collaborations with states that have issued bonds to finance UI benefits when trust fund balances were insufficient, as well as your role in the bond issuance process. Our aim is to learn from your experiences, not to audit, judge or monitor your activities.

Privacy Statement: I/we want to thank you for agreeing to participate in the study. I/we know that you are busy and we will try to be as focused as possible and will only ask questions that are relevant to your experience. We have many questions and will be talking to many different people, so please do not feel as though we expect you to be able to answer every question. Your participation in this discussion is voluntary and you may choose not to answer some or any of our questions.

My colleague and I will be taking notes in order to document what we hear during our discussion, and we may record this discussion. We do not share these notes with anyone outside of our research team, including Department of Labor, and we will destroy these notes after the end of our project. When we compile our reports, the states we visit as part of this study will be identified; however, the names of individual respondents will not be included. If we choose to quote you, you will only be identified by your title. You will not be quoted directly by name in any of our reports. While it is possible that you might be identified by your title or the state you worked with, we will do our best to minimize the chance of that occurring.

Do you have any questions before we begin?

[If we decide to record the interview] Are you okay with us recording the interview to improve the accuracy of our notes?

A. GENERAL BACKGROUND ON RESPONDENT'S RESPONSIBILITIES

1. I'd like to begin by collecting some general information about you and your job responsibilities. *[Obtain the following information for each respondent, in advance if possible; confirm as necessary. Request a business card.]*
 - a. Name
 - b. Company/Organization
 - c. Contact information (address, telephone, e-mail)
 - d. Title/Position
 - e. How long have you been in this position? How long have you been with the company?
2. What are your overall responsibilities in your current position? To whom do you report?
3. What are your responsibilities specifically related to state municipal bond issuance for UI trust fund borrowing/financing?

B. GENERAL BACKGROUND ON RESPONDENT'S COMPANY

[Verify the name of the organization/agency/office.]

1. Please provide a general overview of your organization's experience and the services provided related to state municipal bond issuance in general.
2. Please provide an overview of the specific services provided related to state municipal bond issuance/offerings for UI trust fund borrowing/financing.
3. Please describe the staffing structure and the responsibilities of staff involved in municipal bond issuance/offerings for UI trust fund borrowing/financing. *[If not obtained during the pre-visit call, identify other key individuals (including contact information) involved in these tasks.]*
 - a. Number of staff
 - b. Responsibilities of each staff member

- c. Reporting structure for key staff involved in municipal bond issuance/offering for UI Trust Fund borrowing/financing

C. HISTORY/BACKGROUND ON ORGANIZATION'S EXPERIENCE IN ISSUANCE OF MUNICIPAL BONDS FOR STATE UI TRUST FUND FINANCING

1. Which state (s) has your company assisted with issuance of municipal bonds for state UI trust fund borrowing/financing? Did you have any prior experience working with these states on issuance of other types of municipal bonds? If yes, please describe.

[Complete the following in advance from information available in the issuance documents and confirm as needed.]

2. Number of issuances for each state
3. Dates of issuances
4. Amounts of issuances
5. Types of bonds issued
 - a. Municipal bonds
 - b. Private market loans (e.g., bridge loans to repay Title XII borrowing before issuing bonds)
 - c. Short term notes
 - d. Taxable vs. tax-exempt
6. Structure of issuance
 - a. Maturity
 - b. Length
 - c. Convertibility
 - d. Callability
 - e. Taxability

D. DESCRIPTION OF DECISION MAKING PROCESS ON BOND ISSUANCE FOR STATE UI TRUST FUND BORROWING/FINANCING.

1. Please provide a general overview of the bond issuance process for state UI trust fund borrowing.
2. Thinking back, how was the initial contact made with representatives from the state(s) to discuss the possibility of issuing bonds? Did representatives from your company reach out to them or did state representatives reach out to you? Please describe that process.
3. Who were the representatives from your company involved in that initial contact? What were their positions in the company?
4. Who were the representatives from the state involved in that initial contact? What agencies were they with (e.g., State UI office, Governor's office)? What were their positions?
5. When did these discussions first take place?
6. Please provide a description of the process decision making process.

- a. Number and timing of meetings convened
- b. Duration of discussions
- c. Content of meetings (e.g., presentations (including data analysis) by your company; presentations by other partners; presentations by state staff)
7. Who were the key state decision makers in the borrowing decisions? From your perspective, what was their respective knowledge of and stance toward positions on municipal bond issuance (e.g., pros/cons of issuing bonds)?
8. What were the key issues discussed/concerns raised by state representatives during these meetings? By members of your team? Were any of the following discussed?
 - a. Savings through different interest rates (federal vs. bonds (including NIC vs. TIC approaches to calculating costs over time)) and calculation of payments (average daily balance vs. total borrowed)
 - b. Other cost considerations (e.g., administrative, insurance, underwriter and other costs associated with issuance of bonds)
 - c. State constitutional provisions (e.g., limiting issuance of debt)
 - d. Other state constraints/limitations regarding issuance of bonds
 - e. Legislation required
 - f. State economic situation/state budget and finances
 - g. Past borrowing experiences
 - h. Other options for UI trust fund replenishment potentially available (e.g., tax increases and/or benefit reduction; other state resources such as rainy day fund or other state agency funds)
 - i. Use of direct lending option (e.g., bridge loan to repay Title XII loan prior to issuing bonds)
 - j. Other?
9. What types of existing federal guidance/written guidelines/regulations on the bond issuance process were available to guide you on this process? Please describe. Is the available guidance adequate/helpful? What impact did this guidance have on the decision-making process?
10. What kinds of data analyses were conducted to justify the decision made?
 - k. Types of analyses (e.g., internal memos/reports)
 - l. Sources of analyses (e.g., state agency, your company, others?)
11. From your perspective, what were the key factors in the final decision to issue bonds?
12. What was your role in the decision to issue bonds for this purpose?
13. What are the tradeoffs or the disadvantages and advantages for states of issuing bonds for financing as opposed to Title XII financing?
14. Are there circumstances under which it makes sense to implement one approach versus the other (e.g., change in interest rates)? Please describe.
15. What are the key factors in your company's/organization's decision to underwrite state municipal bonds for UI trust fund borrowing versus other potential investments (i.e., what financial calculations guided that decision)?

E. DESCRIPTION OF PROCESS FOR MUNICIPAL BOND ISSUANCE FOR STATE UI TRUST FUND BORROWING

1. How was the bond underwriter chosen for this process (i.e., negotiated versus competitive)? Who made that decision?
2. What were the roles/responsibilities of the bond underwriter?
3. What are the roles/responsibilities of the bond attorneys?
4. Who were the key decision makers responsible for the determination of the structure of bond issuance? [*Probe: state agency staff; bond underwriters*]
5. Please provide an overview of the process for determining/developing the specific bond formats/mechanisms, including:
 - a. Maturity
 - b. Length
 - c. Convertibility
 - d. Callability
 - e. Taxability
 - f. Amount
 - g. Repayment procedures
6. What are the pros and cons of these different formats/mechanisms?
7. What is the rationale/key factors for the choices that were made regarding the structure of the issuance?
8. What was the process for determining the amount that the state should initially borrow? For example, under what circumstances would the state borrow additional funds beyond the existing debt amount? Who makes that decision?
9. What is the process for determining the distribution or uses of the bond funds? (e.g., repayment of Title XII debt, replenishing trust fund account, administrative costs, etc.) Who makes that decision? What are the factors considered in that decision?
10. How does that distribution process work in practice?
11. What are the sources for repayment of the bonds? Are they being repaid by add-ons to regular state UI employer taxes? If yes, are they experience-rated? If another source is being used, please describe. What are the administrative costs associated with bond repayment?
12. How are bond taxes calculated? Please describe.
13. What is the process for collecting bond taxes? Were they linked to regular UI taxes?
14. What is the process for determining the average tax rate for bond taxes? What were the administrative costs associated with collecting bond taxes? What are the sources of funding for these tasks?
15. What are the bond issuance tasks? What are the sources of funding for all of the bond issuance tasks? What are the costs of the issuance tasks? [*Verify information in bond issuance documents.*]
16. What kinds of processes are in place for tracking all of the costs associated with issuance/repayment of bonds? Who is responsible for monitoring those costs?
17. What is the process for making interest payments to the bond holders? What are the administrative costs of that process?
18. What is the process for retiring bonds? What are the costs of that process?

19. Did the state decide to repay bonds early? If yes, please describe the decision-making process behind that decision. What was the rationale for that choice?
20. Please describe the steps for repayment of Title XII debt with bond funds through DOL and Treasury. Are there any time limitations on the repayment process? If yes, please describe. Are there any penalties for violation of these limitations? If yes, please describe.
21. What types of interactions do you and others involved with this process have with federal agencies (such as DOL and Treasury) and their staff regarding this process? Are there other federal agencies involved? Please describe these interactions in terms of content and frequency.
22. What types of federal and/or state reporting requirements are in place to monitor this process? Please describe. More specifically, who monitors/regulates these activities at the federal level? At the state level?
23. What types of guidance/written guidelines/directives are available to guide you on this process? Is the available guidance adequate/helpful?
24. Was there ever any consideration given to issuing short-term notes versus bonds? If yes, please explain. Specifically, what degree of consideration was given to this process?
25. Please describe any outstanding issues or concerns regarding the bond issuance process (e.g., arbitrage regulations).
26. From your perspective, what is the overall role of bond market companies in the decision-making regarding municipal bond issuance for state UI trust fund borrowing and repayment?

F. LESSONS LEARNED AND ASSESSMENT OF PROCESSES IN PLACE FOR ISSUING MUNICIPAL BONDS FOR STATE UI TRUST FUND BORROWING/FINANCING

1. What is your overall assessment of the bond issuance process for state UI trust fund borrowing/financing?
2. In general, what is your overall level of satisfaction with this process? What aspects work particularly well?
3. Are there any outstanding issues or challenges related to the process? Please describe.
4. From your perspective, how would you rate the overall cost-effectiveness of bond issuance compared to borrowing/repayment directly to US Treasury?
5. What are the overall benefits/costs to organizations like yours of working with states to issue municipal bonds for state UI trust fund borrowing, particularly when compared to other potential investments?
6. What guidance would you give to states considering issuing bonds as an alternative UI financing strategy?
7. Are there any lessons learned that you could share regarding these processes?
8. Are there other issues related to bond issuance for UI Trust Funding that we have not covered? If yes, please describe.

Thank you for participating in this very important study.