a funding. We identified as many of those that were left and then in order to arrive at the necessary dollar amount of reduction that then required an across-the-board 2% cut. So in effect the first thing we did, we generally concurred in the figure of a goal of $23 million, then take out the special cuts, and the balance became the across-the-board 2%. I would say one other thing. This is only an opinion but should we go higher than the 2% then we will be looking at the abolishment of positions. The higher you go the more jobs will be lost is what I should say. We also took in account in every case the freeze savings that the Governor has imposed and those were taken into account for reductions, too. Generally that freeze reductions were within the 2% factor, however.

SENATOR HOWARD PETERSON: Would it be true if we did away with the jobs we in reality would still be obligated for unemployment?

SENATOR WARNER: That is correct. The rule of thumb, Senator Peterson, as I understand it, that if you abolish a position that is totally General Funded that the net saving is something in the area of 25% because of the cost of unemployment comp that the state would have to absorb. I think that is about the figure.

SENATOR HOWARD PETERSON: One other question, then, apparently what you are recommending here in reality to the Board of Equalization is that they set the tax rate January 1 rather than July 1 even though the federal income tax goes into effect on July 1?

SENATOR WARNER: There is two reasons for the proposal. If the rate is adjusted as of July 1 for the whole year and it would be the same rate that would take affect in July, it wouldn't make any difference except that in July it would be retroactive, but if it is done in July we lose approximately $12 million in receipts from withholding at a rate of 6, correction, we lose about $14 million of receipts in the first 6 months, $12 million of that would be the additional withholding that the state would receive because of the earlier adjustment and then it is anticipated about $2 million additional corporate income tax would come in the first six months rather than the last six months. So from my point of view that the adjustment is essential to be made in January for cash flow purposes. In any event from the taxpayers point of view, it is the same net affect either way. Secondly, there is a very technical legal question it seems to me that while most of us assume that the federal tax act change takes place July 1,.that is only true of a portion of it, and that part that deals with the 10% rate reduction does take effect July 1 but there are other changes in the base of the federal tax that affects us that take effect January 1 of this year and I am of the opinion the Board of Equalization has no choice but to at least take that portion into account in the strictest legal interpretation but to arrive at that estimated figure for the Department of Revenue would be more difficult. But it seems to me that overall the adjustment needs to be made January both from a technical legal standpoint as well as the very practical effect on the state's cash flows.