



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 459** HLS 21RS 743
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ #2 SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 7, 2021	2:48 PM	Author: FREIBERG
Dept./Agy.: Louisiana Workforce Commission and Board of Regents		Analyst: Monique Appearing
Subject: Reporting & Sharing of Occupational Information & Employment		

EMPLOYMENT RE2 INCREASE GF EX See Note Page 1 of 2
 Provides relative to the reporting and sharing of occupational information and employment information

Proposed law adds electronic filing of "occupational information" to the present law. It provides that each employer who is already reporting occupational information of a form promulgated by the administrator may continue to do so. However, **beginning January 1, 2023**, all employers subjected to this Section **shall** report specified occupational information. The occupational information form shall be submitted electronically along with an employer's contribution and wage reports as required by the proposed law. Proposed law provides that when filing quarterly wage reports, each employing unit shall include occupational information, including the Standard Occupational Classification (SOC) System codes or job title of each employee pursuant to R.S. 23:1531.1(F)(1) as recorded and reported by the employer. The administrator or his authorized representative shall share the employment data he receives pursuant to this Section with the Board of Regents to aid in the improvement of workforce development and educational alignment. Proposed law provides that the administrator shall transmit employment data collected under the proposed law to the Board of Regents for its economic research and prepare the occupational forecast. Proposed law provides that each employing unit shall keep records of and report quarterly "each employee's wage" to the administrator.

Summary Continued on Page Two

EXPENDITURES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$555,683	\$750,568	\$750,568	\$750,568	\$2,807,387
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$555,683	\$750,568	\$750,568	\$750,568	\$2,807,387

REVENUES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The Louisiana Workforce Commission (LWC) reports that it currently allows employers to voluntarily submit either job titles or Standard Occupational Codes (SOC) for its employees when transmitting their quarterly wage reports. Because the proposed law maintains the status quo for the calendar years 2021 and 2022, there will be no fiscal impact for either year. However, beginning January 1, 2023, the proposed law requires the LWC, Office of Unemployment Insurance (UI), to reprogram existing computer systems for wages reporting to collect occupational information. The new requirement will require additional (TO) staff to handle anticipated increased demand on call center operations, programming, data analysis, and administrative costs to facilitate the new method of managing and collecting wage and tax reports. As to costs, the United States Department of Labor (USDOL) advises the LWC that Title III funds (UI administration grants) cannot be used to collect the additional data elements. As such, a non-federal source of revenue is necessary to fund the enactment of the proposed law. Additionally, currently, data elements collected are validated by federally funded staff. LWC reports that new data must be validated through resources and staff funded through non-federal sources. The agency projects added costs at \$555,683 in FY 23 and \$750,568 in FY 24, FY 25 and FY 26, as well as a need for twelve (12) new T.O. positions. To the extent the workload changes after implementation, LWC will adjust staff levels accordingly and cost assumptions may be adjusted beginning in FY 25. **Proposed law is subject to appropriation of funds.**

Operational Impact - LWC reports that previous attempts to reject wage reports for missing or incorrect SOC data caused a decline in compliance and payments into the UI Trust Fund. Once reports were rejected, employers did not resubmit the required quarterly wage reports. To preempt potential federal compliance issues, the LWC anticipates it will need the following additional staff to ensure substantial employer compliance:

- Nine (9) additional UI Staff of the following Classification:
- ORS Specialist 3 (4 additional staff) – UI Tax Call Center
- ORS Specialist 4 (3 additional staff) – UI Tax Adjustments/Benefits Adjustments
- ORS Technical Specialist (1 additional staff)
- Employer Outreach Liaison (1 additional staff)

As a result of the proposed law, LWC anticipated as much as a 50% increase in calls to the UI Tax Call Center; however, this number could decrease if employer compliance improves before the effective date of the mandate. The department will need additional call center representatives to assist with the influx in calls and make outgoing calls encouraging employers with rejected reports to make corrections and resubmit their wage reports. This will require new staff or repositioning of other staff members performing other vital functions – possibly compromising federal compliance requirements.

EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

The USDOL advises the LWC that Title III funds (UI Administration grants) cannot be used to collect the additional data elements. As such, a non-federal source of revenue is necessary to fund the enactment of the proposed law. Additionally, currently, data elements collected are validated by federally funded staff. New data must be validated through resources and staff funded through non-federal sources. However, based on current compliance rates, rejecting wage reports from employers that do not provide SOC or job title information would result in a substantial decrease in taxes collected. USDOL advises that if the rejections lead to claims delays at a substantial level, that could create a substantial noncompliance issue. This weakened trust fund balance can potentially compromise Louisiana's ability to pay unemployment benefits.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

Summary Continued From Page One

Proposed law provides that there shall be no penalty assessed against an employer for failing to report, or timely report, an employee's occupational code or job title or an employee's hourly rate of pay. Proposed law provides that any results or reports produced from the data shall be aggregated by occupation, municipality, parish, or instructional program before its release to ensure employer and employee confidentiality is maintained. Proposed law provides, notwithstanding any other provisions of this Section, the Louisiana Workforce Commission shall, upon request from the Board of Regents, share employment data related to specific students to determine their employment progress upon leaving a university or college within the Board of Regent's purview.

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

LWC reports that its mainframe automatically calculates interests and penalties due to delinquent reports. Currently, Delinquent Accounts staff make manual adjustments to an average of 1,600 employers' accounts quarterly for various reasons. Based on 2020 compliance rates, LWC estimates that an additional 25,000 account adjustments may be necessary. LWC reports it cannot absorb this workload without additional staff. There will also be a considerable training curve for new Delinquent Accounts staff, as more seasoned employees generally perform this function.

Benefit Adjustment Staff - if rejected wages are not resubmitted timely, there will be a continuous increase in age records investigations. Wage information used to compute unemployment insurance benefits will have to be manually solicited to ensure that benefit payments are properly calculated and that improper payments are minimized.

LWC reports that it will realize a significant workload increase to implement the provisions of proposed law. The department will be required to program validations that ensure the accuracy of submitted SOC information. Employee outreach staff will be required to educate employers and agents on why and how to submit the enhanced wage elements. Also, UI Tax staff will be required to ensure compliance with the new reporting requirements.

While there are approximately 800 SOC codes, there are millions of job titles with some job titles specific to industry. LWC staff will need to convert job titles to SOC codes and contact employers to confirm bogus or non-specific job titles. Previous attempts to validate wage reports resulted in numerous rejections for missing or incorrect SOC data. To validate new data submitted under non-federal requirements, the LWC anticipates it will need the following additional staff to ensure wage record validity:

- Three (3) additional Research & Statistical Labor Market Information Staff of the following Classification:
Program Analyst (1 additional position) - Web Unit Research and Statistics
Statistical Technician 1 (2 additional staff) Labor Market Information Units

LWC anticipates as much as a 75% increase in data collected. The department will need additional Labor Market Information (LMI) representatives to create validation models for survey validation similar to what the Bureau of Labor Statistics currently runs to sample for data validity and corrections.

The current 140,000 business sites reporting federal wage data do not include any site not paying into the unemployment trust fund, nor does it include sites with less than ten (10) employees. LWC anticipates increased data collection and data errors due to initial filings and unfamiliarity with new requirements. This data will have to be analyzed for blatant errors and outlier corrections. The LMI unit representatives would then have to take survey samples for corrections and validation of data submissions. If found to be erroneous, these businesses would have to be contacted and corrections requested. Updates would have to be made to submissions, records, and reports. Attention cannot be taken from current and ongoing federal mandated data validation efforts to undertake new validations to ensure the accuracy of newly submitted wage information; therefore, additional staff will be needed.

The LFO cannot corroborate that the workload necessitated by this measure will require the number of personnel detailed by the LWC. To the extent the workload may be less than estimated, the number of personnel and total expenditures may decrease accordingly.

Board of Regents (BOR) reports the proposed law will create no expenditure impact for the Board. BOR reports that in 2018, BOR and LWC signed an agreement for a pilot program for BOR to receive LWC occupational data. BOR received the data and the economist utilized by BOR and LWC deemed the data reliable. In addition, BOR agreed to pay up to \$10,000 for any technology costs associated with the data transfer. However, no funds were used as there were no additional costs.

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[] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

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[X] 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
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