



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 657** HLS 22RS 981
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 12, 2022	8:41 AM	Author: DESHOTEL
Dept./Agy.: La Workforce Commission		Analyst: Prashant Sastry
Subject: Unemployment Compensation Weekly Benefit Amount		

UNEMPLOYMENT COMP OR INCREASE GF EX See Note Page 1 of 2
 Provides relative to the unemployment compensation maximum weekly benefit amount and extended benefits

Proposed law changes the maximum weekly benefit amount (Procedure 1 - from \$249 to \$280, Procedure 2 - from \$275 to \$306, Procedure 3 - from \$282 to \$313, and Procedure 4 - from \$312 to \$343). Proposed law provides that the formula for the calculation of a claimant's weekly benefit amount shall be determined each calendar year based upon the state average unemployment rate, as defined in R.S. 23:1595, for the third quarter of the previous calendar year. Proposed law provides specific guidelines to determine the weekly benefit amounts. Proposed law provides that any time the state's average unemployment rate is at or below five and one-half percent, the duration of benefits is twelve weeks. Proposed law defines the "state average unemployment rate". The Louisiana Workforce Commission shall promulgate all rules and regulations as are necessary. Proposed law provides for extended benefits for training, definitions, weekly extended benefits amount, total extended benefit amount, and termination of extended benefits.

This shall take effect and become operative if and when the state's average unemployment rate, as defined in R.S. 23:1595, is less than five and one-half percent for two consecutive calendar quarters and programs authorized by the CARES Act, as amended, have expired.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						
REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
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	\$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	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law will result in an indeterminable increase in expenditures (assumed to be Federal in this fiscal note) to the Louisiana Workforce Commission (LWC) associated with one-time system modification and annual license and maintenance fees to information technology systems used to administer unemployment benefits. Proposed law ties the calculation of the weekly benefit amount to the state's average unemployment rate annually. LWC reports the following information: the benefits management system will need to be programmed to change the weekly benefit amount increase and the functionality necessary for the new calculations. The calculations will vary based on the average state unemployment rate increments of 0.5% from below 5.5% to 9% or greater. This will result in nine (9) new Weekly Benefit Amount/ Maximum Benefit Amount calculations. The estimated vendor cost for implementation would be approximately \$325,500 (one-time cost) and an additional \$108,500 annually as procedures are triggered. Additionally, LWC reports that it may require additional hourly Office of Regulatory Services staffing for required documentation and testing. The LWC staffing cost for required documentation and testing would be roughly \$57,715 (\$40.08 x 6 staff x 240 hours) for initial implementation and \$14,429 annually (\$40.08 x 6 staff x 60 hours) based on the assumption that calculation changes due to the unemployment insurance (UI) rate trigger each year.

In addition to the programming cost based on the unemployment rate, there is an additional factor of approved training. If an individual is enrolled in training and the training is classified as "approved training," he/she would qualify for an additional 8 weeks of UI benefits totaling 20 weeks. The approved training qualification for the additional eight (8) weeks of benefits will increase the number of adjudication issues that must be worked. The average adjudicator can complete two (2) issues an hour, which includes fact-finding and decision implementation. In lieu of work searches, individuals will be required to prove attendance that staff will review. In 2019, approximately 30,000 individuals filed for weeks greater than 12 weeks. If 50% of those individuals apply for approved training workload, this will increase the adjudication workload by 15,000 issues a year to review. In order to meet this additional workload, four (4) new TO adjudication positions with salary plus benefits of \$83,365 each will be required at an annual cost of \$333,460. Cost for outer years is calculated based on the assumption of a 2% market adjustment each year.

Assuming the unemployment rate for the second and third quarter of 2022 stay below 5.5% and the decision to change the maximum number of weeks would be decided in September and implementation of the new requirements would go into effect January 2023, four (4) new adjudicator positions would have to be added in January 2023 at the cost of \$166,730 for FY 23 (six months).

LWC reports that the probability that the existing benefits management system will be fully modified by July 1, 2023, is extremely remote. **CONTINUED ON PAGE TWO**

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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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Interim Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

Proposed law will increase weekly unemployment benefit payments while linking the duration of benefits when the state's average unemployment rate is below 5.5%. The source of benefit payments is the LA Unemployment Trust Fund within the U.S. Treasury; therefore, any expenditure impacts are off-budget. However, the expenditures associated with weekly benefits will increase payments by Procedure 1 - from \$249 to \$280, Procedure 2 - from \$275 to \$306, Procedure 3 - from \$282 to \$313, and Procedure 4 - from \$312 to \$343. The duration of benefits shall be decreased from twenty-six (26) weeks to twelve (12) weeks.

The provisions of the proposed law become effective if and when the state's average unemployment rate is less than five and one-half percent for two consecutive calendar quarters and programs authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, as amended, have expired. This triggering date is speculative and cannot be estimated.

Approved Training

Approved training opportunities may be available to individuals that qualify for federal assistance. LWC receives federal funding to provide career and training services for eligible participants under the Workforce Innovation and Opportunity Act (WIOA). This funding provides job training and educational opportunities for individuals facing barriers to employment, including individuals with disabilities, at-risk youth, justice-involved, and others with identified barriers. However, these programs have eligibility requirements for enrollment for adults, dislocated workers, and youth, and many unemployed Louisiana citizens will not qualify for any training assistance and not be in a position to pay for their training.

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