



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

Fiscal Note On: **HB 596** HLS 23RS 784  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 17, 2023	10:34 AM	<b>Author:</b> FREEMAN
<b>Dept./Agy.:</b> Louisiana Workforce Commission		<b>Analyst:</b> Noah O'Dell
<b>Subject:</b> Louisiana Family and Medical Leave Benefits Act		

EMPLOYMENT OR +\$32,986,100 GF EX See Note Page 1 of 2  
 Creates the Louisiana Family and Medical Leave Benefits Act

Proposed law creates the "Louisiana Family and Medical Leave Benefits Act" (LA FMLA) that authorizes insurance benefits to covered individuals who meet certain circumstances and paid payroll taxes into the LA FMLA Account Fund for at least one year. Proposed law provides that LA FMLA payroll taxes are calculated, withheld, and paid in the same manner as unemployment compensation, and payroll taxes are paid 45%-55% by the employer and employee. Proposed law provides that a self-employed person may elect coverage under the LA FMLA. Proposed law provides that the LA Workforce Commission (LWC) establish and administer the LA FMLA program; promulgate rules and forms for filing claims for benefits; and pay benefits as specified in the LA. FMLA. Proposed law provides that an employer may apply to LWC for approval of a private plan. Proposed law provides for a civil fine of no more than \$200 per LA FMLA violation. Proposed law creates the Louisiana Family and Medical Leave Account Fund special treasury fund for payroll taxes collected for LA FMLA; and all monies in this fund are appropriated and expended by LWC administering the LA FMLA and the payment of benefits.

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$32,986,100	\$0	\$0	\$0	\$0	<b>\$32,986,100</b>
Agy. Self-Gen.	SEE BELOW	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$346,511,400	\$653,402,200	\$697,463,100	\$730,959,000	<b>\$2,428,335,700</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>		<b>\$346,511,400</b>	<b>\$653,402,200</b>	<b>\$697,463,100</b>	<b>\$730,959,000</b>	<b>\$2,428,335,700</b>

<b>REVENUES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$359,700,000	\$719,400,000	\$732,800,000	\$746,500,000	\$760,400,000	<b>\$3,318,800,000</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>\$359,700,000</b>	<b>\$719,400,000</b>	<b>\$732,800,000</b>	<b>\$746,500,000</b>	<b>\$760,400,000</b>	<b>\$3,318,800,000</b>

**EXPENDITURE EXPLANATION**

**LA Workforce Commission**

Proposed law is anticipated to increase SGF and statutory dedications expenditures, as well as 285 T.O. positions within the LA Workforce Commission (LWC) to administer the newly created LA Family and Medical Leave Benefits Act (LA FMLA) program. The LWC has indicated they would be required to create a new division within the department to administer the LA FMLA program. Proposed law creates the LA Family and Medical Leave Account (LA FMLA) Fund in the State Treasury.

Proposed law directs LWC to administer the LA FMLA program and specifies that family/medical leave benefits become available to covered individuals beginning 18 months after the bill is enacted. LWC anticipates the need for 100 T.O. positions in FY 24 and an additional 185 T.O. positions in FY 25. IT implementation costs are estimated at \$19.9 M in FY 24 and \$10.4 M in FY 25. A sophisticated IT system will be necessary for the program that would ideally build upon currently existing systems of other programs, such as Unemployment Insurance. A breakdown of the estimated administrative costs is provided in the table below.

<b>Administrative Costs</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
Personal Services	\$ 8,602,950	\$ 17,205,900	\$ 26,851,600	\$ 27,657,100	\$ 28,486,800
Operating Expenses	\$ 2,967,350	\$ 10,605,800	\$ 10,923,900	\$ 11,251,600	\$ 11,589,200
Professional Services	\$ 0	\$ 564,600	\$ 581,500	\$ 598,900	\$ 616,900
<u>Equipment / IT System</u>	<u>\$ 21,415,800</u>	<u>\$10,735,100</u>	<u>\$ 345,200</u>	<u>\$ 355,500</u>	<u>\$ 366,100</u>
<b>Total State Expenses</b>	<b>\$ 32,986,100</b>	<b>\$ 39,111,400</b>	<b>\$ 38,702,200</b>	<b>\$ 39,863,100</b>	<b>\$ 41,059,000</b>

Startup funding for the program, particularly during the period prior to the launch of a collections system for contributions, must be obtained from SGF. However, as demonstrated during and shortly following implementation of similar programs in Connecticut, Washington, and other states, startup general funds may be paid back to the State shortly following the launch of the payroll collections system. In the subsequent years, the administrative costs can be paid using the LA FMLA Fund.

**CONTINUED ON PAGE 2**

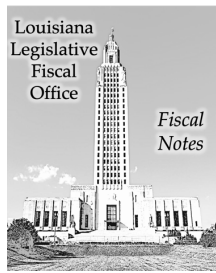
**REVENUE EXPLANATION**

The LA FMLA Fund will be financed by payroll tax contributions from employees and employers with more than 25 employees. Contributions to the fund are shared between employers and employees at a ratio of 45% and 55% respectively based on employee wages. The contribution rate and percentage paid by employers and employees is provisionally estimated to be about 0.88% in total on an employee's wages up to the Social Security wage base. LWC estimates contributions will begin on January 1, 2024.

**CONTINUED ON PAGE 2**

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*  
 Evan Brasseaux  
 Interim Deputy Fiscal Officer



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**CONTINUED EXPLANATION from page one:**

**Treasury Department**

Creating the LA FMLA Fund within the state treasury will result in a marginal workload increase for the Department of Treasury, which can generally be absorbed within existing resources. However, to the extent other legislative instruments create new statutory dedications, there may be material additional costs associated with the aggregate effort to administer these funds. When unable to absorb additional workload with existing resources, the Treasury anticipates it will be required to add one T.O. position at a total personnel services cost of approximately \$78,000, plus approximately \$2,450 for a one-time purchase of office equipment. These expenditures are assumed to be SGR in this fiscal note. The Treasury has also indicated the bill does not specify how to allocate funds if monies in the LA FMLA Fund are not sufficient.

**Benefit Payments**

The program generally provides up to 12 weeks of benefits to a covered individual who is taking leave from employment due to caring for specified family members, the individual's serious health condition, the individual's need for "safe leave", or a qualifying exigency arising out of a family member's military deployment. To be eligible to receive benefits, a covered individual must "have worked the length of time necessary to be entitled to receive unemployment compensation benefits." A self-employed individual may elect to participate in the program for an initial period of at least three years. After the initial period, a self-employed individual may renew participation in the program annually or withdraw from the program as specified in the bill. A participating self-employed individual is required to pay only the 55% employee wage contribution.

All weekly benefits paid under the program are dependent on how the individual's average weekly wage compares to the state average weekly wage and are subject to maximum levels. Specifically, for an individual taking leave, the weekly benefit is 90% of the individual's average weekly wage which is less than 50% of the state average weekly wage plus 50% of the portion of the wage above that threshold up to the state average weekly wage.

**Continued Revenue Explanation from page one:**

**Private Plans & Fees**

Proposed law provides that an employer may apply to LWC for approval to meet his obligations through a private plan, provided that the cost to employees covered by the private plan shall not be greater than the cost charged to employees under a state plan. LWC is required to determine the cost arising out of the administration of private plans and receive reimbursement in an amount, form, and manner determined by the commission. Proposed law specifies these fees shall be deposited into the LA FMLA Fund.

**Fines**

Proposed law requires LWC to enforce the LA FMLA program and authorizes civil fines of no more than \$200 per LA FMLA violation. The Legislative Fiscal Office (LFO) cannot anticipate the amount of funding that may be collected in fines from employers that fail to comply with LA FMLA regulations. Proposed law specifies these fines shall be deposited into the LA FMLA Fund.

**Contributions**

LWC estimates about 1.5 million workers in the state will contribute. This includes the vast majority of private sector workers, but excludes public employees. Self-employed workers may opt into the program. LWC estimates the number of self-employed workers in the state to be about 100,000 in 2025. The contribution rate should be set by LWC to ultimately cover the employee's benefits (including those for whom no employer contribution is required) and administrative costs (estimated at 4-6% of total program costs). Contributions are assumed to be effective for one-half of FY 24 and reflect annualization in future years. To the extent that employers elect to participate in private employer plans, then the minimum contribution rate may need to increase, but the effect is likely minimal and total revenues are not materially affected.

**Projected Five-Year Balance Sheet of LA FMLA Fund\***

	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
<b>Beginning Balance</b>	-	<b>\$326.7 M</b>	<b>\$699.7 M</b>	<b>\$693.4 M</b>	<b>\$665.3 M</b>
<b>Contributions</b>	<b>\$359.7 M</b>	<b>\$719.4 M</b>	<b>\$732.8 M</b>	<b>\$746.5 M</b>	<b>\$760.4 M</b>
Benefit Payments	-	\$307.4 M	\$700.4 M	\$734.8 M	\$756 M
Administration	\$33 M	\$39.1 M	\$38.7 M	\$39.9 M	\$41.1 M
<b>Total Expenditures</b>	<b>\$33 M</b>	<b>\$346.4 M</b>	<b>\$739.1 M</b>	<b>\$774.6 M</b>	<b>\$797.1 M</b>
<b>Ending Balance</b>	<b>\$326.7 M</b>	<b>\$699.7 M</b>	<b>\$693.4 M</b>	<b>\$665.3 M</b>	<b>\$628.7 M</b>

\*Assumptions: Proposed law takes effect when signed by the Governor (or thereabout if the Governor does not sign or veto it). Based on discussions with LWC, the assumed effective date is July 1, 2023. Proposed law specifies that benefit payments must begin within 18 months of the bill's effective date. Thus, benefit payments are assumed to begin on January 1, 2025. The fiscal analysis assumes a six-month start-up delay to launch a system to collect contributions. Thus, contributions begin to accrue to the LA FMLA Fund on January 1, 2024. The projected five-year balance sheet assumes the LA FMLA Fund pays the SGF back in the first fiscal year. This analysis does not include revenue generated by fees for private plans or employer violation fines. The contribution rate is assumed to be 0.88% of on an employee's wages up to the SS wage base.

Senate  
 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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