LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 1, 2017

TO: Honorable René Oliveira, Chair, House Committee on Business & Industry

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB656** by Minjarez (Relating to employment leave for certain family or medical obligations; imposing an assessment.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB 656, As Introduced: a negative impact of ($95,350,218) through the biennium ending August 31, 2019. There is expected to be a positive revenue impact from the employee assessment, which could total approximately $1.7 billion in fiscal year 2018 increasing to $2.0 billion by fiscal year 2022 for the wage replacement benefit fund within the General Revenue Fund; however, revenue from this fund is not anticipated to be available for certification. Additionally, information on costs from the wage replacement benefit fund are unknown to the level or extent to which the fund is used by employees across the state. The fiscal implications of the bill related to family and medical care leave are indeterminate, but costs associated with the bill could be significant across all state agencies.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	($48,942,759)
2019	($46,407,459)
2020	($46,407,459)
2021	($36,559,609)
2022	($36,559,609)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2017
2018	($48,942,759)	563.4
2019	($46,407,459)	563.4
2020	($46,407,459)	563.4
2021	($36,559,609)	478.8
2022	($36,559,609)	478.8

Fiscal Analysis

The bill would amend the Labor Code relating to employment leave for certain family or medical obligations; imposing an assessment. The bill would entitle an employee who has been employed by an employer for at least one year to at least 30 days of family and medical leave. If an employer does not provide paid leave or paid leave may not be used for the purposes outlined in the chapter, the employee is entitled to wage replacement benefits.

The bill would create the wage replacement benefit fund in the General Revenue Fund administered by the Texas Workforce Commission (TWC). Each employee is required to contribute monthly to the fund by paying an assessment of 0.25 percent of the employee's average monthly pay. The bill would require TWC to collect the assessment from each employee of the state and money in fund may only be appropriated to pay family and medical leave benefits from the fund. Wage replacement benefits would be paid to employees if an employer does not provide paid leave and has been employed for at least one year.

The bill also would require TWC to adopt rules to administer the chapter, provide enforcement for employer violations, and implement an outreach program to inform employees about the availability of paid leave. TWC is required to submit a report to the Legislature on wage replacement benefits paid no later than December 1, 2020.

The bill would take effect on September 1, 2017; however, an employee is not entitled to take leave under the chapter until January 1, 2018.

Methodology

Based on information provided by TWC, it is estimated that implementing the provisions of the bill would result in a total five-year cost to the state of $214,876,895 from the General Revenue Fund. TWC would require 563.4 Full-Time-Equivalent (FTE) positions through fiscal year 2020 and 478.8 FTEs thereafter. The agency estimates a need of 192.5 FTEs for administering the wage replacement benefits, 116.8 FTEs for appeals, and 127.8 FTEs for collection of the assessment each fiscal year. The agency estimates a need of 126.3 FTEs through fiscal year 2020 and 41.7 FTEs thereafter for developing and modifying information technology (IT) systems to collect and administer benefits.

The agency developed costs for the wage replacement benefit program based on the fiscal year 2016 expenditures for unemployment insurance benefits program. It is estimated the wage replacement benefit program will require approximately 35 percent of the resources the unemployment insurance benefits program utilizes. The IT cost estimate is derived from past unemployment insurance projects of similar scope and size.

It is estimated that these FTEs would require a total five-year cost of $130,442,154 in salaries, $1,956,632 in payroll contribution costs, and $45,811,283 in related support and benefit costs. Additional total five-year program costs include $2,535,300 for new staff workstations, $19,540,241 for indirect administration costs, $4,236,480 for other related operating expenses, $3,470,525 for data center services, and $6,884,280 for office space and computer leases.

The bill would require each employee of this state to contribute 0.25 percent of the employee's average monthly pay to a new wage replacement benefit fund within the General Revenue Fund. The Comptroller of Public Accounts (CPA) estimates the employee contribution to the wage replacement benefit fund would result in a revenue gain of approximately $1.7 billion in fiscal year 2018 increasing to $2.0 billion by fiscal year 2022. CPA indicates that this revenue is not anticipated to be available for certification due to the uncertainty of the assessment being considered a tax on the net incomes of natural persons.

This revenue would be offset by payouts to eligible employees in the state at an indeterminate level. Due to a lack of data, it is unknown how many claims would be made against this fund and therefore, the revenue and costs associated with the new funds are excluded from the tables above.

Required family and medical leave is expected to result in increased costs to the state due to the increased paid leave hours each state employee is entitled to under the provisions of the bill. While state employees would pay the assessment; it is assumed they would not be able to use the wage benefits fund for hours that they would take off under provisions of the bill for which they have not accrued enough available paid leave. It is assumed that state agencies may be required to provide paid leave for time that the employee does not have enough available paid leave. The fiscal impact of the bill is indeterminate due to a lack of statewide data on the number of employees who would avail themselves of the family and medical leave in any given year, the duration of leave, and specific salary ranges. Statewide costs could also be derived from the need to hire temporary staff or potential overtime costs from shifting workloads. Together these costs could be significant for state agencies.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Technology

TWC estimates total five-year technology costs of $3,470,525 for data center services and $1,098,837 for computer leases required to implement the provisions of the bill.

Local Government Impact

According to TWC, no fiscal impact to Local Workforce Development Boards is anticipated.

According to the Texas Municipal League, there could be costs to cities that do not currently provide this type of benefit and costs would vary across the state; however, the fiscal impact is unlikely to be significant.

Source Agencies: 303 Facilities Commission, 320 Texas Workforce Commission, 323 Teacher Retirement System, 405 Department of Public Safety, 452 Department of Licensing and Regulation, 529 Health and Human Services Commission, 601 Department of Transportation, 696 Department of Criminal Justice, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 783 University of Houston System Administration, 802 Parks and Wildlife Department

LBB Staff: UP, CL, EH, CP, SD, RC, TSI, JGA