HB 1128

Department of Legislative Services

Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1128 (Delegate B. Barnes)
Economic Matters

Unemployment Insurance - Contribution and Employment Reports - Required Information (Workforce Data Act of 2019)

This bill requires that information submitted to the Secretary of Labor, Licensing, and Regulation as part of an existing employer reporting requirement under the State's unemployment insurance (UI) program include (1) the occupation and job title of each employee; (2) the number of hours each employee has worked during the calendar quarter; and (3) the location at which the employee works. The employee location must be the employee's actual work site and not the employer's place of business.

Fiscal Summary

State Effect: General fund expenditures for the Department of Labor, Licensing, and Regulation (DLLR) increase by at least $650,000 in FY 2020, under the assumptions discussed below. State expenditures (all funds) increase, likely significantly, beginning in FY 2020 to comply with the reporting requirements. Revenues are not affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	$0	$0	$0	$0	$0
GF Expenditure	650,000	0	0	0	0
GF/SF/FF Exp.	-	-	-	-	-
Net Effect	(-)	(-)	(-)	(-)	(-)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Unemployment Insurance Trust Fund Effect: The bill does not materially affect Unemployment Insurance Trust Fund (UITF) revenues or expenditures.

Local Effect: Local government expenditures increase, potentially significantly, beginning in FY 2020 to comply with the reporting requirements; revenues are not affected.

Small Business Effect: Meaningful.

Analysis

Current Law/Background: Employers are not required to report the information specified in the bill to the Secretary of Labor, Licensing, and Regulation, although they are required to report other specified information, including the Social Security number, name, and wages for each employee. Information must be reported on a quarterly basis. Generally, reports can be filed on paper or electronically, but large employers must use an electronic batch-filing system.

Each "employing unit" in the State must report the information. Generally, this includes governmental entities, nonprofits, and private businesses.

State Expenditures: The bill has two primary State effects: (1) the administrative and information technology costs for the Division of Unemployment Insurance (DUI) in DLLR; and (2) the costs to the State, as an employer, to comply with the bill's reporting requirements.

Division of Unemployment Insurance

DUI's administration of the affected employer reports involves three steps: (1) getting the information; (2) storing the information; and (3) using the information. The bill affects all three steps, as discussed below. Typically, DUI is federally funded. However, because DUI does not need the information specified in the bill to administer the State UI program, this analysis assumes that general funds are used. To the extent this is not the case, and federal funds are authorized by the U.S. Department of Labor, the impact on the general fund is less.

There are three existing report filing methods affected by the bill: paper filing, an Internet application, and an electronic batch-filing system. Paper forms and instructions must be updated. The Internet application must be updated to capture and validate the additional information. The batch-filing system, which processes information for large employers, must be updated to accept and error-check the additional information. Further, the reported information must be stored by DUI, but existing databases are insufficient to do so. Combined, these changes are estimated to cost $500,000 and are assumed to occur in fiscal 2020. This estimate does not include any additional staff – which DLLR advises is a serious possibility if its technical staff are oversubscribed – or other potential costs.

Separately, a cloud-based UI system is still in development as part of a multi-million dollar, multi-year, modernization effort. The system in its current status cannot accept the required information and will require additional programming and testing, which will delay implementation beyond its current deployment date (estimated to be in calendar 2019). The cost to update the system is estimated at $150,000 and assumed to occur in fiscal 2020.

Although the bill requires additional information to be reported to DUI, it does not specify any particular use for or analysis of it. As noted above, DUI does not need the information to administer the UI program. Therefore, this analysis does not include any costs associated with such activities.

The State as an Employer

State agencies must collect, maintain, and report the additional information required by the bill. This likely requires information technology upgrades and additional staff resources to be allocated to data collection and management. DUI advises that the Comptroller is particularly affected, because it receives wage information from all State agencies and compiles the information into the required quarterly reports to DUI.

Therefore, State expenditures (all funds) increase beginning in fiscal 2020 to comply with the bill's reporting requirements. The effect on any particular State agency is unknown at this time but could be significant, depending on existing capabilities.

Local Expenditures: Local governments must collect, maintain, and report the additional information required by the bill. This likely requires information technology upgrades and additional staff resources to be allocated to data collection and management. Therefore, local government expenditures increase beginning in fiscal 2020 to comply with the bill's reporting requirements. The effect on any particular local government is unknown at this time but could be significant, depending on existing capabilities.

Small Business Effect: For the same reasons as discussed above for State and local governments, small businesses likely experience additional administrative and information technology costs to comply with the bill's reporting requirements. Even if a small business partners with a third party to administer payroll, the information must still be collected and transmitted to the third party.

Additional Information

Prior Introductions: None.

Cross File: SB 493 (Senator Rosapepe, *et al.*) **-** Finance.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2019
mm/ljm

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510