

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: SB1460

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Locke

3. Committee: Commerce and Labor

4. Title: Workforce skills enhancement training program for unemployed workers.

5. Summary: This bill establishes a program whereby unemployed workers may continue to receive unemployment compensation benefits while participating in workforce skills enhancement training offered by a potential employer. Workers may participate in the program for a maximum of 24 hours per week for a maximum of six weeks. When the program is complete, workers are assessed for possible employment. Participating workers do not receive any compensation from the potential employer providing the training, but are eligible for a Commonwealth-funded training stipend of an average of \$100 per week (for up to six weeks for a maximum of \$600) for child care, transportation, and other training-related costs. The bill states the employer offering the workforce skills enhancement training will be reimbursed by the state for the incremental additional cost of workers' compensation insurance coverage. Funding for the workers' stipends and the reimbursement for workers' compensation insurance costs is subject to appropriation.

6. Budget Amendment Necessary: Possibly, Item 115. See item 8, below.

7. Fiscal Impact Estimates: Preliminary.

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2011	\$0	n/a
2012	\$984,400	Uncertain
2013	\$984,400	Uncertain
2014	\$984,400	Uncertain
2015	\$984,400	Uncertain
2016	\$984,400	Uncertain
2017	\$984,400	Uncertain

8. Fiscal Implications: This bill requires the Virginia Employment Commission (VEC) to (i) adopt regulations that establish a workforce skills enhancement training for eligible workers; (ii) assume administration of the review, approval, and execution of said training programs; (iii) extend unemployment benefit payments to individuals participating in one of these training programs; (iv) reimburse trainees up to \$600 in training stipends; and (v) reimburse

employers offering training programs for the incremental increase in the employers' cost of workers' compensation insurance that directly results from the provision of a workforce skills enhancement training.

As this bill would authorize a program that would be a first of its kind for Virginia, it is difficult to determine the impact that this bill will have on the Unemployment Trust Fund, employer taxes, or general fund revenue. Assumptions for this statement consider a similar program in effect in Georgia. Even so, potential fiscal impacts of this bill are uncertain and vary widely.

There is the possibility that the workforce training programs authorized by this bill would increase an unemployed individual's potential of acquiring a full-time job. By increasing the likelihood of unemployed persons receiving work, this bill may result in reduced unemployment benefit payments, reduced employer taxes, and a possible increase in general fund revenues. Georgia's program has been estimated to contribute to an average reduction in payment of unemployment benefits in the state over a seven-year period. However, the exact source of the Georgia savings is not certain enough to predict a similar outcome for Virginia resulting from this bill.

There is also the potential for this bill to result in an additional cost to the state and to employers. This bill authorizes the payment of unemployment benefits to individuals who may not have otherwise qualified to receive extended benefits for the six weeks of training authorized by this bill. Similarly, this bill extends benefits to individuals who turn down a job offer if it interferes with participation in a work training program authorized by this bill. In other circumstances, turning down a job offer would have made the individual ineligible to continue receiving unemployment benefits.

Estimations of a fiscal impact resulting from either outcome vary widely. As such, it is uncertain how this bill will directly impact the balance of the Unemployment Trust Fund, the rate of employer taxes, or the amount of revenues coming to the general fund.

However, it is with more certainty that other provisions in the bill are likely to result in an additional cost to the state:

- *Stipend:*
This bill authorizes VEC to reimburse trainees an average of \$100 per week, for up to six weeks for a maximum of \$600, to help defray training-related costs such as child care and transportation. Using Georgia's program for comparison, VEC estimates that approximately 1,424 Virginians per year will be eligible for the training programs authorized by this bill. This figure is based on Georgia's enrollment of 11,241 individuals over a seven year period, and applying a factor of 0.887 to adjust for Georgia's larger workforce. At a maximum stipend cost of \$600 per person, the estimated reimbursement costs for 1,424 individuals could be as much as **\$854,400** per year.

- *Workers' Compensation:*

In addition, this bill authorizes VEC to reimburse employers for the incremental increase in the employers' cost of workers' compensation insurance that directly results from the employer's provision of training authorized by this bill. VEC estimates these costs to be approximately **\$130,000** per year. This estimation is based on an average per employee coverage rate of 1.6 percent of average hourly compensation (the 2010 rate from the Bureau of Labor Statistics) for the estimated 1,424 individuals that may qualify and participate in the training programs authorized by this bill. Additionally, although the bill specifies that trainees are to receive no more than 24 hours of training per week, these figures are based on a 40-hour work week to allow for flexibility in the coverage permitted for these trainees.

For these two reimbursement provisions, the bill specifies that payment is subject to the appropriation of funds for such purpose. VEC is not currently aware of federal funding sources to provide for these reimbursements. All other federal funds received by the agency are allocated specifically for the programs for which they're designated and cannot be used for these reimbursement costs.

This bill would also create additional costs for VEC related to administration and management of the program. Specifically, VEC estimates that the increased workload created by this bill would require 1.5 positions at an average salary of \$40,113 (current average salary for an employee in the agency's field operations division). Including employee benefit expenses, these positions are estimated to cost \$84,538 per year. Non-personal costs associated with these positions are estimated at an additional \$10,000 per year. This bill would also require a reprogramming of the agency's systems, for a one-time estimated cost of \$9,422 (based on the personnel costs of one-tenth of one position in the agency's information technology division).

According to VEC, payment of these expenses (estimated to total \$103,960 the first year and \$94,538 each year thereafter) is to come out of federal grants that the agency already receives. Specifically, as these responsibilities are related to workforce training, the associated costs are eligible under the federal employment service grant. However, the grant amount would not increase to accommodate these additional costs, rather, the agency would need to forgo other workforce training responsibilities to support the workload associated with this bill.

The requirements of this bill would also expand the scope of the agency's Unemployment Insurance Modernization project, currently in the development stages. Costs associated with expanding the project's scope to accommodate the requirements of this bill are unknown at this time and dependent on a vendor assessment.

9. Specific Agency or Political Subdivisions Affected: Virginia Employment Commission.

10. Technical Amendment Necessary: No.

11. Other Comments: While the Virginia Community College System (VCCS) is responsible for various job training programs, the on-the-job specific training programs authorized by this bill are more akin to the job training responsibilities overseen by VEC. The trainings authorized by this bill also interplay with unemployment insurance benefits, which similarly fall under the purview of VEC. Additionally, this bill requires VEC to adopt regulations in regards to this program. As such, the time period required for the development and approval of regulations would delay the implementation of the provisions of this bill could be as late as FY 2014. Accordingly, any programmatic changes or potential fiscal impacts of this bill would be delayed until the regulations are approved.

Date: February 4, 2011

c: Secretary of Commerce and Trade