

1 **Discussion, Consideration, and Possible Action Regarding a Report on Technology,**
2 **Staffing, and Statutory Needs to Support Implementation of Enhanced Wage Records**
3 **Pursuant to General Appropriations Act, Rider 52, 88th Texas Legislature**

4 **Background:** HB3767 (<https://capitol.texas.gov/tlodocs/87R/billtext/doc/HB03767F.docx>) of
5 the 87th Texas Legislature charged the Texas Workforce Commission (TWC) with working with
6 employers to “**enhance the reporting of employment and earnings data by employers to the**
7 **commission as part of an employer's routine wage filings**” . . . “**include information related**
8 **to occupation and other important employment information that would improve the**
9 **state's labor market information.**”

10 TWC developed a high-level draft of changes that included a set of data elements discussed
11 with employers, employer associations, and members of the employer payroll reporting space.
12 The elements that had been selected to be added to the existing data employers file each
13 quarter were intended to:

- 14 1) Provide more timely, local, & actionable labor market & career information (LMI);
- 15 2) Help education and training organizations evaluate the outcomes of their programs;
- 16 3) Promote Program Integrity through Fraud Detection & Prevention methods; and
- 17 4) Reduce Employer interactions on LMI surveys and unemployment insurance (UI) claims.

18 TWC had envisioned implementing after the modernization of TWC’s IT systems for Wage
19 Records and UI but that effort was put on hold due to unexpected externalities.

20 Subsequently, the 88th Texas Legislature added Rider 52 to the General Appropriations Act that
21 required a report and set of recommendations for Additional Workforce Data reporting
22 ([https://www.lbb.texas.gov/Documents/GAA/General Appropriations Act 2024 2025.pdf](https://www.lbb.texas.gov/Documents/GAA/General_Appropriations_Act_2024_2025.pdf)):

23 The report is to contain: “**information on any necessary upgrades to the state**
24 **unemployment insurance data system, associated information technology and staffing**
25 **costs and any statutory limitations to allow for enhanced reporting of employment and**
26 **earnings data as part of routine wage filings.**”

27 **Findings:**

- 28 1) Enhancing wage records to include occupation and other data of value for LMI purposes
29 would require TWC to make significant modifications to a legacy system in line for
30 replacement.
- 31 2) Our staffing and cost estimates vary depending on whether we’re able to make the
32 changes as part of the already needed tax system modernization then the costs would
33 be lower as it would be possible to have a vendor configure their system to accept the
34 new data. As such we have developed two cost estimates as discussed in the report.
- 35 3) We didn’t identify a need for statutory changes as contents of wage records are provided
36 for by Commission rule and policy.

37 **Request:** Staff request direction and approval on the Rider 52 Report (attached on pages 2-4).

1 **Enhanced Wage Record Report from the Texas Workforce Commission**
2 **Under 2024-2025 General Appropriations Act Rider 52**

3 **Background:** HB3767 (<https://capitol.texas.gov/tlodocs/87R/billtext/doc/HB03767F.docx>) of
4 the 87th Texas Legislature charged the Texas Workforce Commission (TWC) with working with
5 employers to “**enhance the reporting of employment and earnings data by employers to the**
6 **commission as part of an employer's routine wage filings**” . . . “**include information related**
7 **to occupation and other important employment information that would improve the**
8 **state's labor market information.**”

9 TWC developed a high-level draft of changes consistent with HB3767’s requirements and that
10 included discussion of a set of data elements discussed with employers, employer
11 associations, and members of the employer payroll reporting space. The elements that had
12 been selected to be added to the existing data employers file each quarter were intended to:

- 13 1) Provide more timely, local, & actionable labor market & career information (LMI);
- 14 2) Help education and training organizations evaluate the outcomes of their programs;
- 15 3) Promote Program Integrity through Fraud Detection & Prevention methods; and
- 16 4) Reduce Employer interactions on LMI surveys and unemployment insurance (UI) claims.

17 These preliminary discussions did not reveal objections. Those we spoke with indicated
18 support for the goals and need to balance the need for more and better data for the purposes
19 listed above. TWC had envisioned implementing after the modernization of TWC’s IT systems
20 for Wage Records and UI but that effort was put on hold due to unexpected externalities.

21 The 88th Texas Legislature included a rider (Rider 52) in the General Appropriations Act that
22 required a report and set of recommendations for Additional Workforce Data reporting
23 ([https://www.lbb.texas.gov/Documents/GAA/General Appropriations Act 2024 2025.pdf](https://www.lbb.texas.gov/Documents/GAA/General_Appropriations_Act_2024_2025.pdf)):
24 The report is to contain: “**information on any necessary upgrades to the state**
25 **unemployment insurance data system, associated information technology and staffing**
26 **costs and any statutory limitations to allow for enhanced reporting of employment and**
27 **earnings data as part of routine wage filings.**”

28 **Rider 52 Findings:**

- 29 1) Upgrades to UI Data System – The systems that undergird the state unemployment
30 insurance compensation system are legacy technology that TWC previously identified
31 as requiring modernization to create a more streamlined, customer-centric experience
32 that enhances system integrity. The agency entered into a contract with a vendor to
33 replace these systems but that project is on hold currently due to unforeseen
34 externalities. Given the age of and need to replace the current system TWC believes that
35 rather than investing funds in modifying our existing system to address enhanced wage
36 records, it is more fiscally and practically prudent to make such enhancements either as
37 part of this system modernization. Part of this is considering the impact on employers.
38 When TWC modernizes the UI systems, employers will likely have to modify their wage

1 reporting to meet the newer standard. If the state were to implement enhanced wage
 2 records in the current environment, employers would have to modify their wage
 3 reporting to allow enhanced reporting in the current environment and then have to
 4 modify it again when the modernization work is complete.

5 2) Technology & Staffing Costs – staff developed the estimates of costs to make these
 6 modifications but they are difficult to ascertain given that it would depend on how and
 7 where we would make these changes. When we examined the approach of modifying
 8 our current system (which we don't support), we identified 2 sets of needs:

- 9 a) IT staff to do the system modifications
- 10 b) Program staff to help develop the elements & format for the new report and to
- 11 support employers having to implement the new system.

12 This costed out as follows:

FTE – Cost Cat	Year 1	Year 2	Year 3	Year 4	Year 5
IT FTE	12	5.9	2	2	2
IT Cost	\$1,228,151	\$1,228,151	\$0	\$0	\$0
Program FTE	11.8	11.8	0	0	0
Program Cost	\$1,053,512	\$518,816	\$158,798	\$158,798	\$158,798
Total FTE	23.8	17.7	2	2	2
Total Cost	\$2,281,662	\$1,746,967	\$158,798	\$158,798	\$158,798

13
 14 However, TWC does not believe investing more resources into a system being replaced
 15 would be the best strategy. Assuming that we were to make the changes with the UI
 16 system modernization effort, it is likely that the cost adding a relatively small set of new
 17 elements to the wage records would be minimal relative to the cost of the full UI system
 18 modernization project. That said, TWC would still need resources to develop the
 19 elements and format for the new submission and would still need to support employers
 20 with the change. We would therefore need the program resources:

FTE – Cost Cat	Year 1	Year 2	Year 3	Year 4	Year 5
IT FTE	0	0	0	0	0
IT Cost	\$0	\$0	\$0	\$0	\$0
Program FTE	11.8	11.8	0	0	0
Program Cost	\$1,053,512	\$518,816	\$158,798	\$158,798	\$158,798
Total FTE	11.8	11.8	0	0	0
Total Cost	\$1,053,512	\$518,816	\$158,798	\$158,798	\$158,798

1 3) Statutory Changes – Contents of wage records are not specified in statute but instead
2 within TWC’s existing authority. As such, no statutes require amendment to allow TWC
3 to modify the required contents of routine wage filing.

4 4) Other findings:

5 a. There is an emerging standard for enhanced wage records being led by the U.S.
6 Chamber Foundation and involving employers and other stakeholders.
7 Leveraging their constructs where possible will make it easier for employers
8 operating in multiple states.

9 b. TWC already collects much of the data needed to enhance LMI in Texas but some
10 collections are random sample and scheduled summary level surveys designed
11 and required by U.S. Department of Labor (DOL) Bureau of Labor Statistics (BLS).

12 c. Whenever TWC moves to enhance wage records, we envision starting with the
13 largest employers for whom the change will be easiest. This would also provide
14 the biggest impact with the least disruption. In CY2023, 7.42% of employers
15 submitted 80% of all worker wage records meaning that fewer we would get a
16 solid set of enhanced data for a phase one implementation.