

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 1056

STATE OF NEW JERSEY

DATED: MAY 20, 2019

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1056 (1R).

This bill establishes, in the Department of Labor and Workforce Development (DOLWD), a nonlapsing, revolving fund called the “Working Family Health Security Fund” for the purpose of providing assistance in the form of the moneys needed for individuals to pay for continuation coverage under the COBRA continuation provision under the following circumstances:

1. The individual is an employee of an employer that provides a health benefits plan to its employees in this State, including the individual;

2. The health insurance coverage for the individual is being discontinued by the employer because of a lockout, that is a stoppage of work due to a labor dispute at the employee’s workplace and the employer has prevented the employee from working, even though the employee's union has directed the employees in the collective bargaining unit to work under the preexisting terms and conditions of employment, and the employees had not engaged in a strike immediately before being prevented from working; and

3. The individual files an application on a form provided by the Commissioner of Labor and Workforce Development demonstrating the individual meets the requirements of the bill to qualify for the assistance.

The bill provides that payments by the fund are to be discontinued whenever the lockout is ended.

As amended, the bill provides that an employer that caused the fund to be depleted due to payments for employee COBRA coverage as a result of a stoppage of work because of a labor dispute shall be responsible for reimbursing the fund for the cost of the coverage during the stoppage of work

The employer is required to provide the commissioner with all information, including information regarding costs of the health insurance coverage, deemed necessary by the commissioner and to comply with the directives of the commissioner regarding the timely facilitation of the COBRA extension.

The fund would be supported by a five cent annual surcharge per employee for all employers who are subject to the "unemployment compensation law," R.S.43:21-1 et seq., provided that the surcharge would not be collected during any year for which the balance of the Working Family Health Security Fund was more than \$5 million as of September 1 of the immediately preceding year.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the enactment of this bill may result in indeterminate annual State expenditures from the Working Family Health Security Fund, as established under the bill, due to costs incurred by the DOLWD associated with: a) assisting certain individuals involved in work stoppages due to labor disputes in the payment of COBRA health insurance continuation coverage; and b) the administration of the fund. The OLS, however, cannot quantify fund expenditures on COBRA continuation coverage benefits because the nature, number, and scale of labor disputes cannot be predicted.

The OLS estimates that the bill will generate annual revenue of \$228,000 to the fund arising from the collection of a five cent per-employee surcharge on employers that are subject to the State unemployment compensation law. The OLS notes that this revenue will likely remain consistent in future years except for those years in which a suspension of the surcharge has been triggered because the balance of the fund was greater than \$5 million in the immediately preceding year.

As employers, the State and local government units will incur expenditure increases in years in which the employer surcharge will be collected. The OLS estimates that if the surcharge had been in effect in 2018 the State would have made around \$6,700 in surcharge payments and local governments close to \$21,000.