

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 31, 2003

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB280 by Nelson (Relating to the continuation and functions of the Texas Workforce Commission.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for SB280, Conference Committee Report: an impact of \$0 through the biennium ending August 31, 2005.

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
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>Borrowing Proceeds - UC Obligation Trust Fund</i>	Probable (Cost) from <i>Borrowing Proceeds - UC Obligation Trust Fund</i>	Probable (Cost) from <i>Administrative Costs - UC Obligation Trust Fund</i>	Probable Revenue Gain from <i>Administrative Costs - UC Obligation Trust Fund</i>
2004	\$800,000,000	(\$800,000,000)	(\$7,333,333)	\$7,333,333
2005	\$0	\$0	\$0	\$0
2006	\$0	\$0	\$0	\$0
2007	\$0	\$0	\$0	\$0
2008	\$0	\$0	\$0	\$0

Fiscal Analysis

The bill would continue the Texas Workforce Commission (TWC) until September 1, 2009.

The bill would amend Chapter 203 of the Labor Code to provide TWC with authority to ask the Texas Public Finance Authority (TPFA) to issue up to \$2 billion in bonds or other obligations for the unemployment insurance program. The obligations would not constitute a debt of the state and would not be backed by the full faith and credit or taxing power of the state. The obligations would be free from taxation by the state and its political subdivisions.

Proceeds from the obligations would be held in a dedicated trust fund outside the state treasury but in the custody of the Comptroller of Public Accounts (CPA). The proceeds could be used for repayment of principal and interest on advances from the federal trust fund, payment of unemployment benefits, payment of costs associated with issuance of the obligations, for provision of a bond reserve, or for payment of capitalized interest for up to two years.

TWC would be required to make an assessment on employers in the state at a rate sufficient to cover bond obligations and the estimated amount of bond administrative expenses each year. These assessments would be calculated with the same wage base used to calculate the unemployment tax.

The bill would amend Chapter 302 of the Labor Code by adding Section 302.048 to require an assessment of the capacity of local workforce development boards to oversee and manage local funds and delivery of services. The bill would also add Section 302.065 to require TWC and the local workforce development boards to integrate administration of four federal block grant programs and associated caseworker functions.

The bill would take effect September 1, 2003.

Methodology

Based on current unemployment rate projections from CPA, TWC estimates it would seek \$800 million in obligations from TPFA in 2004. The obligation assessment on employers would generate sufficient funds to repay the principal and interest on the obligation during 2004, assuming a 2.75% interest rate for commercial paper issuances. TWC further assumes there would be no additional need to borrow in the credit markets through fiscal year 2008.

TWC estimates nine additional full-time equivalents would be required to implement the additional performance reporting requirements of Section 302.048. Additionally, while The Workforce Information System of Texas currently supports administration of three of the federal block grant programs covered by Section 302.065, TWC assumes it would need to develop an additional interface to support data from the child care program. Based on the analysis of the Sunset Advisory Commission, it is assumed that duties and responsibilities associated with implementing these provisions could be accomplished by utilizing existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission, 116 Sunset Advisory Commission, 301 Office of the Governor, 302 Office of the Attorney General, 320 Texas Workforce Commission, 701 Central Education Agency

LBB Staff: JK, JC, GO, RT, JRO, JO, WP