

BILL ANALYSIS

S.B. 1096
By: West, Royce
Economic Development
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Currently, Texas does not have a reliable funding source for job training or the Texas Enterprise Fund. Additionally, Texas does not offer a program of incentives to employers to train and retain higher paid workers.

S.B. 1096 creates a funding source for job training and the Texas Enterprise Fund. The bill also establishes a program that pays to train workers who are employed in higher paying jobs in the county where the worker is employed. The bill also provides grants to employers to train the employees by levying an additional 0.1 percent assessment on each employer paying contributions under the unemployment insurance fund.

S.B. 1096 does not increase an employer's unemployment insurance tax rate because the employment and training investment assessment is 0.1 percent with an offsetting reduction in the replenishment tax rate of 0.1 percent.

The bill also provides the state with a mechanism to set aside funds to be used for economic development during an economic downturn by establishing a holding fund to be used when the 0.1 percent set aside is no longer available.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

ANALYSIS

SECTION 1. Amends Section 204.006(a), Labor Code, to establish the amounts which constitute a person's contribution rate for the calendar year in which the person becomes an employer.

SECTION 2. Amends Subchapter A, Chapter 204, Labor Code, by adding Section 204.0065, as follows:

Section 204.0065 INITIAL CONTRIBUTION RATE. Requires a person's contribution rate, notwithstanding Section 204.006, on and after January 1, 2006, to be two and six-tenths percent until the date the experience rate computed under Section 204.041 takes effect for the employer.

SECTION 3. Amends Subchapter D, Chapter 204, Labor Code, by adding Section 204.0625, as follows:

Section 204.0625 ADJUSTMENT TO REPLENISHMENT TAX RATE. Requires the replenishment tax rate computed under Section 204.062, on and after January 1, 2006, to be adjusted to a rate computed by subtracting one-tenth of one percent from the percentage computed under Section 204.062(a).

SECTION 4. Amends Chapter 204, Labor Code, by adding Subchapter G, as follows:

SUBCHAPTER G. EMPLOYMENT AND TRAINING INVESTMENT ASSESSMENT; FUNDS.

Section 204.121. EMPLOYMENT AND TRAINING INVESTMENT ASSESSMENT. (a) Provides that an employment training investment assessment is imposed on or after January 1, 2006, in addition to any other taxes imposed under this subtitle, on each employer paying contributions under this subtitle as a separate assessment of 0.1 percent of wages paid by the employer.

(b) Requires the Texas Workforce Commission to deposit the revenue from the employment training investment assessment to the credit of the holding fund created under Section 204.122.

(c) Provides that the employment investment training assessment is subject to the same requirements, penalties and interest as other contributions assessed under this subtitle.

Section 204.122. HOLDING FUND. (a) Provides that the employment and training investment holding fund is under the custody of the state comptroller, outside the state treasury, separate and apart from all public money or funds of this state.

(b) Permits the commission to oversee the comptroller's handling of the holding funds. Interest accruing on amounts in the holding fund shall be deposited quarterly to the credit of the compensation fund.

Section 204.123. TRANSFER TO TEXAS ENTERPRISE FUNDS, SKILLS DEVELOPMENT FUND, TRAINING STABILIZATION FUND, AND COMPENSATION FUND. (a) Requires the commission, if, on September 1 of a year, to determine that the amount in the compensation fund will exceed 100 percent of its floor as computed under Section 204.061 on the next October 1 computation date, to make certain transfers from the holding fund created under Section 204.122 to certain other funds.

(b) Requires the commission, if, on September 1 of a year, to determine that the amount in the compensation fund will be at or below 100 percent of its floor as computed under Section 204.061 on the next October 1 computation date, to transfer to the compensation fund as much of the amount in the holding fund as is necessary to raise the amount in the compensation fund to 100 percent of its floor, up to and including the entire amount in the holding fund. Requires the commission to transfer any remaining balance in the holding fund to the skills development fund, the Texas Enterprise Fund and the training stabilization fund in the percentages set by Subsection (a).

SECTION 5. Amends Chapter 302, Labor Code, by adding Subchapter F, as follows:

SUBCHAPTER F. EMPLOYMENT AND TRAINING INVESTMENT ASSESSMENT.

Section 302.101. TRAINING STABILIZATION FUND. (a) Establishes the training stabilization fund as a special trust fund in the custody of the state comptroller. Sets forth the composition of the fund.

(b) Authorizes money in the training stabilization fund to be used in a year in which amounts are insufficient to meet the legislative appropriation for that fiscal year for either the skills development fund or the Texas Enterprise Fund.

(c) Requires money to be transferred no later than September 30 to the Texas Enterprise Fund and the skills development fund from the training stabilization fund under Subsection (b). Requires the transfer under Subsection (b) to consist of 62.5 percent of the money in the training stabilization fund to the Texas Enterprise Fund and 37.5 percent of the money in the training stabilization fund to the the skills development fund. States that the amount of money transferred from the training stabilization fund must not exceed the amount which was appropriated to the Texas Enterprise Fund and the skills development.

(d) Requires that the interest from the training stabilization fund be deposited quarterly to the credit of the compensation fund.

SECTION 6. Amends Chapter 303, Labor Code, by adding Section 303.0035, as follows:

Section 303.0035. USE OF MONEY IN HOLDING FUND (GENERAL REVENUE ACCOUNT 5069) FOR SKILLS DEVELOPMENT. Authorizes money in the holding fund (general revenue account number 5069) to be used only for the purposes for which the money in the skills development operating trust fund created under Section 303.003 may be used.

SECTION 7. Amends Section 303.005, Labor Code, as follows:

Section 303.005. New heading: PARTICIPATION IN ADDITIONAL PROGRAMS; APPLICATION REQUIREMENTS; PRIORITY. (a) Makes conforming changes.

(b) Requires the commission, in awarding any grant under this chapter, to consider giving priority to training incentives for small businesses.

SECTION 8. Amends Section 2308.308, Government Code, to make conforming changes.

SECTION 9. Provides the effective date of this Act.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.