

BILL ANALYSIS

Senate Research Center

S.B. 1177
By: Staples
S/C on Emerging Technologies & Economic Development
4/4/2005
As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

General revenue funds are not sufficient to meet the demands for the Texas Workforce Commission's skills development program. During the 2004-2005 biennium, over 18,000 individuals were trained through skills development program grants. However, funds have been cut and fewer individuals will be able to participate as a direct result.

As proposed, S.B. 1177 creates a new funding source for the skills development program. Instead of relying on general revenue dollars, the bill diverts one-tenth of one percent of unemployment taxes paid to the commission as a new funding mechanism.

Additionally, S.B. 1177 establishes a rainy day fund to provide a funding source for skills development programs when this new proposed funding source is not available or is insufficient.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 204.006(a), Labor Code, to provide that a person's contribution rate for the calendar year in which the person becomes the employer is the greater of certain amended amounts.

SECTION 2. Amends Subchapter D, Chapter 204, Labor Code, by adding Section 204.0625, as follows:

Sec. 204.0625. ADJUSTMENT TO REPLENISHMENT TAX RATE. Requires the replenishment tax rate computed under Section 204.062 (Replenishment Tax) to be adjusted by subtracting 0.1 from the result of the calculation made under Section 204.062(a).

SECTION 3. Amend Chapter 204, Labor Code, by adding Subchapter G, as follows:

SUBCHAPTER G. SKILLS DEVELOPMENT PROGRAM

Sec. 204.121. SKILLS DEVELOPMENT ASSESSMENT. (a) Provides that, in addition to any taxes imposed by this title, there is levied on each employer paying contributions under this title a separate and additional assessment of one-tenth percent of wages paid by the employer. Requires this assessment to be known as the skills development assessment.

(b) Requires the Texas Workforce Commission (commission) to deposit the revenue from the skills development assessment to the credit of the general revenue account holding fund 5069, which is required to be known as the skills development holding fund.

(c) Requires the skills development assessment to be due at the same time, collected in the same manner, and subject to the same penalties and interest as other contributions assessed under this subtitle.

(d) Requires, on August 31 of each year, a reimbursement for the amounts expended in collecting the skills development assessment to be charged to the skills development holding fund in accordance with the cost allocation methodology agreed upon by the commission and the United States Department of Labor.

(e) Requires the commission, on September 1 of each year, to determine whether the amount in the compensation fund will be below 100 percent of its floor as computed under Section 204.061 on the next October 1 computation date. Requires the commission, if the amount in the compensation fund is below 100 percent of its floor, to transfer to the compensation fund as much of the amount in the skills development holding fund as is necessary to raise the amount in the compensation fund to 100 percent of its floor, up to the entire amount in the skills development holding fund. Requires the commission to transfer any remaining balance in the skills development holding fund to the skills development operating trust fund up to the amount appropriated by the legislature for that fund. Requires any remaining funds in the skills development holding fund to be transferred to the skills development rainy day trust fund up to a balance not to exceed \$100 million. Requires any funds above the amount appropriated by the legislature for the skills development operating trust fund and the amount needed to bring the balance of the skills development rainy day trust fund up to but not exceeding \$100 million to be transferred to the compensation fund. Requires interest accruing on amounts in the skills development holding fund to be deposited quarterly to the credit of the compensation fund.

Sec. 204.122. SKILLS DEVELOPMENT OPERATING TRUST FUND. (a) Establishes the skills development operating trust fund as a dedicated trust fund in the custody of the comptroller separate and apart from all public money or funds of this state.

(b) Sets forth the composition of the skills development operating trust fund.

(c) Provides that the skills development program is funded by the skills development assessment.

(d) Requires amounts in the skills development operating trust fund to be used for purposes described in Chapter 303 (Skills Development Fund).

(e) Requires the comptroller administer the skills development operating trust fund in accordance with the directions of the commission. Requires interest accruing on amounts in the fund to be deposited quarterly to the credit of the compensation fund.

Sec. 204.123. SKILLS DEVELOPMENT RAINY DAY TRUST FUND. (a) Establishes the skills development rainy day trust fund as a dedicated trust fund in the custody of the comptroller separate from all public money or funds of this state. Sets forth the composition of the fund.

(b) Requires amounts in the skills development rainy day trust fund to be transferred to the skills development operating trust fund in years when the funds in the skills development holding fund are insufficient to meet the legislative appropriation made for the skills development operating trust fund for that fiscal year.

(c) Requires amounts in the skills development rainy day trust fund to be transferred under Subsection (b) to the skills development operating trust fund by September 30 of an applicable year.

(d) Requires interest accruing on amounts in the skills development rainy day trust fund to be deposited quarterly to the credit of the compensation fund.

SECTION 4. Makes application of this Act prospective.

SECTION 5. Effective date: January 1, 2006.