

By: Fraser

S.B. No. 1230

A BILL TO BE ENTITLED

AN ACT

relating to the authority of the state to fund the operations of the unemployment compensation system.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. (a) The legislature finds that:

(1) in 2002, Texas received only 37 percent of the federal unemployment tax dollars that employers remitted to the federal government to administer this state's unemployment compensation system and at the time of the enactment of this Act the state continues to receive only a fraction of the money paid by employers;

(2) the remainder of the federal unemployment tax dollars is redistributed by the United States Department of Labor to other states to subsidize the unemployment compensation operations of those states or is retained by the federal government;

(3) the factors and methods used by the United States Department of Labor to determine the amount of federal unemployment taxes to be returned to a state reward overspending and inefficiency and penalize states such as Texas that have streamlined and automated their unemployment compensation operations;

(4) the current inequitable allocation to the states hinders the ability of this state to continue to improve services

1 and shortchanges Texas employers whose taxes finance the system;

2 (5) reform by the United States Congress of the
3 Federal Unemployment Tax Act that would permit Texas to assume
4 responsibility for funding the operations of the unemployment
5 compensation system in accordance with the provisions of this Act
6 and using the federal wage base has the potential to decrease the
7 administrative tax on Texas employers by 50 percent resulting in a
8 reduction in taxes of \$280 million in 2005; and

9 (6) the legislature should support the enactment of
10 federal law that would allow this state to assume responsibility
11 for funding the operations of the state's unemployment compensation
12 system.

13 (b) The purpose of this Act is to provide an appropriate
14 method by which the state may fund an efficient unemployment
15 compensation system that maintains superior customer service at a
16 lower cost to Texas employers.

17 SECTION 2. Chapter 203, Labor Code, is amended by adding
18 Subchapter G to read as follows:

19 SUBCHAPTER G. UNEMPLOYMENT INSURANCE OPERATIONS

20 Sec. 203.301. UNEMPLOYMENT INSURANCE OPERATIONS FUND.

21 (a) The unemployment insurance operations fund is a dedicated
22 trust fund in the state treasury in the custody of the comptroller.

23 (b) The operations fund consists of money deposited in the
24 fund as follows:

25 (1) the unemployment insurance operations assessment
26 under Section 203.302;

27 (2) money appropriated to the fund by the state; and

1 (3) money derived from sources described by Section
2 203.151(b).

3 Sec. 203.302. OPERATIONS ASSESSMENT. (a) An employer
4 liable for paying contributions under this subtitle shall pay a
5 separate and additional operations assessment on wages. The rate
6 of the assessment shall be 0.2 percent of wages paid by the employer
7 during a calendar year or the portion of the calendar year in which
8 the employer is subject to this subtitle.

9 (b) The operations assessment shall be deposited in the
10 unemployment insurance operations fund under Section 203.301 and
11 may not be deposited in the administration fund under Section
12 203.151.

13 (c) The limitation on wages provided by Section 3306(b)(1)
14 of the Federal Unemployment Tax Act (26 U.S.C. Section 3306(b)(1))
15 applies to the assessment under this section.

16 Sec. 203.303. RULES. The commission shall adopt rules
17 necessary to implement and enforce this subchapter.

18 SECTION 3. If the Texas Workforce Commission determines
19 before implementing any provision of this Act that a waiver or
20 authorization from a federal agency is needed to implement that
21 provision, the commission shall request the waiver or authorization
22 and may delay the implementation of that provision until the waiver
23 or authorization is granted.

24 SECTION 4. (a) This Act takes effect only if:

25 (1) the United States Congress or the United States
26 Department of Labor transfers authority to this state to fund the
27 operational portion of this state's unemployment compensation

1 system; and

2 (2) the Texas Workforce Commission determines that the
3 transition of that authority to this state is the most
4 cost-effective and beneficial approach for this state.

5 (b) If the Texas Workforce Commission makes the
6 determination required by Subsection (a) of this section, the
7 commission shall provide notice of that determination to the
8 secretary of state for publication in the Texas Register.

9 SECTION 5. This Act takes effect on the date the notice of
10 the Texas Workforce Commission's determination under Section 4 of
11 this Act is published in the Texas Register. If, however, the
12 notice of that determination is published before September 1, 2005,
13 this Act takes effect September 1, 2005.