

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 15, 2005

TO: Honorable Allan Ritter, Chair, House Committee on Economic Development

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB558 by Deshotel (Relating to the adoption of an alternative base period for computation of unemployment compensation benefits.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB558, As Introduced: an impact of \$0 through the biennium ending August 31, 2007.

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
2006	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from UNEMPLOYMENT TRST FND ACCT 938
2006	(\$48,202,700)
2007	(\$49,718,515)
2008	(\$51,925,354)
2009	(\$55,026,763)
2010	(\$58,513,493)

Fiscal Analysis

The provisions of the bill amend the Texas Unemployment Compensation Act by renumbering the subsections and adding another alternate base period option for claimants. The new Subsection (c) provides an alternate base period if the claimant does not have enough wage credits to qualify under the current allowances. The new alternate base period (ABP) is the four most recently completed calendar quarters preceding the first day of the individual's benefits year.

Trust Fund Impact

The provisions of the bill would have an impact on the Texas Unemployment Insurance (UI) Trust Fund by making certain claimants eligible for unemployment compensation who are not currently

eligible. The Texas Workforce Commission's (TWC) estimate of benefit payments from the UI Trust Fund associated with claimants made eligible by the new provisions would be \$48,202,700 in fiscal year 2006 and \$49,718,515 in fiscal year 2007.

Any additional costs associated with implementing the provisions of the bill by TWC would be a cost to the Texas Workforce Federal Funds (Unemployment Insurance Federal Fund) included within the agency's budget.

The bill takes effect September 1, 2005.

Methodology

Based on 2004 data, TWC indicates 27,085 claimants filed for benefits but were monetarily disqualified based on "regular" base period wages. These claimants would have potentially qualified under the "alternate" base provisions (ABP). Of these, 5,897 filed subsequent claims, qualified, and received at least one check, and are not considered in this estimate. The 27,085 population was potentially entitled to an average weekly benefit amount of \$175 for an average of 13 weeks totaling \$2,339 per claimant. For the purposes of this analysis, it is assumed the eligible claimants and costs would be similar in fiscal year 2006. Summarily, 21,188 (27,085 – 5,897) population times \$175 (average weekly benefit amount for this population) times 13 (average weekly duration for this population) equals to \$48,202,700 impact to the UI Trust Fund in fiscal year 2006. It is estimated the number of claimants would increase in subsequent years.

Estimated benefit payouts associated with individuals made eligible to receive UI benefits for fiscal year 2007- fiscal years 2010 are assumed to retain their proportion of estimated total UI benefits projected for fiscal year 2006.

TWC estimates the provisions of the bill would require generation of mid-quarter wage requests and also increase the number of claimants. It also anticipates that additional duties for administering the UI program would require additional costs associated with printing and mailing wage requests to employers, processing and data entry of wage information by Customer Service Representatives, printing and mailing benefits warrants to claimants qualifying under ABP, and additional appeals of eligibility determinations on ABP claims.

According to TWC, computer programming would be required to implement the Alternate Base Period program. Changes to the Benefits System would be required to add the capability to collect information about lag quarters for employers whose wages were not yet on the Wage Record File.

It is estimated that any additional workload for TWC implementing the provisions of the bill could be reasonably absorbed within current resources.

Technology

According to TWC, it would require 500 hours of programming time and 500 hours of analyst time for total one-time technology costs.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission

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