

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 12, 2005

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

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

IN RE: HB1738 by Hodge (Relating to the eligibility for unemployment benefits of individuals who are unemployed due to certain labor disputes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1738, 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 Savings/(Cost) from <i>UNEMPLOYMENT TRST FND</i> <i>ACCT</i> 938
2006	(\$9,673,183)
2007	(\$9,673,183)
2008	(\$9,673,183)
2009	(\$9,673,183)
2010	(\$9,673,183)

Fiscal Analysis

The provisions of the bill amend the Labor Code and remove the requirement that the Texas Workforce Commission (TWC) disqualify an individual from receiving unemployment insurance benefits due to a work stoppage because of a labor dispute as defined in the provisions of the bill.

The provisions of the bill broaden the non-disqualifying criteria and provide that if an individual is locked out of the individual's place of employment, or was placed on emergency leave without pay by the individual's employer, then the individual will not be disqualified from receiving benefits.

The provisions of the bill would qualify more claimants as eligible to receive UI benefits, who under current law would be disqualified from benefits.

The bill would take effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If the bill does not receive the vote necessary for immediate effect, the bill would take effect September 1, 2005.

Methodology

According to TWC, there have been 64 known labor disputes in Texas from 1998-2004. However, the 1998 labor dispute is the only one during this time period that resembles the disqualifying provisions in the bill. A total of 3,674 claims were filed in 1998 in connection with the labor disputes. Based on the historical data available from the 1998 event, and the number of claims filed in connection to the 1998 labor dispute, TWC estimates the impact to the Unemployment Trust Fund to be \$9,673,183 (based on the number of claims filed, the current average benefit amount, and an average of the high and low number of weeks for labor disputes).

TWC assumes the average duration of a labor dispute is 10.5 weeks and the average benefit amount is \$250.75 based on calendar year 2004 from a lower impact of nine weeks to a high of twelve weeks.

The lower impact threshold is calculated as:
 $3,674 \text{ times } \$250.75 \text{ times } 9 \text{ equals } \$8,291,300 \text{ annually.}$

The upper impact threshold is calculated as:
 $3,674 \text{ times } \$250.75 \text{ times } 12 \text{ equals } \$11,055,066 \text{ annually.}$

The average impact threshold is calculated as:
 $3,674 \text{ times } \$250.75 \text{ times } 10.5 \text{ equals } \$9,673,183 \text{ annually.}$

TWC indicates that any costs associated with the bill could be absorbed within the agency's existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission

LBB Staff: JOB, JRO, MW, DE