

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 20, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

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

IN RE: SB790 by Williams (relating to the determination of benefit wage credits for purposes of unemployment compensation.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB790, Committee Report 1st House, Substituted: 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>WRKFORCE COMMISSION FED 5026</i>	Probable Savings/(Cost) from <i>UNEMPLOYMENT TRST FND ACCT 938</i>	Change in Number of State Employees from FY 2005
2006	(\$13,736,807)	\$79,000,000	237.0
2007	(\$12,222,387)	\$79,000,000	233.0
2008	(\$12,222,387)	\$79,000,000	233.0
2009	(\$12,222,387)	\$79,000,000	233.0
2010	(\$12,222,387)	\$79,000,000	233.0

Fiscal Analysis

The provisions of the bill amend the Texas Labor Code, excluding from an individual's benefit wage credits any wages that were earned from an employer from which the individual's last separation from employment, before the date of the individual's claim for benefits, was under circumstances for which the individual would have been disqualified for misconduct connected with the work. A claimant would lose their benefit wage credits if they were disqualified for misconduct connected with the work.

Current law defines benefit wage credits as those wages used to determine an individual's right to Unemployment Insurance (UI) benefits. Under Section 207.004, the Texas Workforce Commission

(TWC) would be required to credit an individual with wages received during the individual's base period as the individual's benefit wage credits.

The bill takes effect September 1, 2005.

Methodology

The following analysis is based on new information provided by the Texas Workforce Commission (TWC).

According to TWC, the Unemployment Insurance Trust Fund Savings resulting from the provisions of the bill are estimated to be \$79,000,000 each fiscal year.

According to TWC, costs to implement the provisions of the bill are estimated to be \$13,736,807 during fiscal year 2006 and \$12,222,387 in subsequent years. TWC anticipates needing 237 additional FTEs during fiscal year 2006 with salary and benefit costs of \$10,106,746 in fiscal year 2006 and 233 FTEs with salary and benefit costs of \$10,429,799 in subsequent years funded from federal Unemployment Insurance funds.

One-time equipment costs would total \$487,788 in fiscal year 2006. Other operating costs would total \$811,420 in fiscal year 2006 and \$557,641 in subsequent years. Indirect Administration costs would total 20 percent of total wages and salaries, which equates to \$1,607,800 in fiscal year 2006 and \$1,558,000 in subsequent years.

An additional 86 FTEs would be needed for Tele-Center Customer Service Representative (CSR) Claim Adjudicator Staff. According to TWC, it would contact an estimated 818,086 base period employers for job separation information and 36 percent of the job separations, which is 294,511, would involve a "fired" issue. Allowing 31 minutes for each fired investigation, an additional 86 positions are needed to perform the additional investigations.

An additional 120 FTEs would be needed for Appeals Department staffing. An appeals officer can conduct an estimated 900 appeal hearings per year and a reviewing attorney can review 1,000 hearings per year. Using the same proportions as existing staff ratios and based on the average rate of 20 percent of determinations being appealed, it is estimated that the Appeals department would need an additional 65 Hearing Officers, 5 Supervisors, 38 Clerical positions, and 12 Reviewing Attorneys.

An additional 11 FTEs would be needed for Tele-Center Supervisory and Support Staff. The additional 96 CSR positions needed to handle additional call time and fired investigations will require 6 Program Administrators as supervisors and 5 UI Program Specialists serving as monitors for quality of calls and determinations and "help desk" support for questions or problems.

An additional 10 FTEs would be needed for Tele-Center CSR Claims In-take Staff to collect job separation information. When taking Initial Complaints (IC), CSR staff would question the claimant about the job separation for the additional base period employers to collect the job separation information. If the job separation reason is either a layoff or quitting, TWC estimates the CSR staff would spend an average of 30 additional seconds collecting information. For the 36 percent that have a job separation for reasons of being fired (294,511), the CSR staff would spend an additional 2.75 minutes on average collecting a full statement regarding the details of the discharge.

An additional 4 FTEs would be needed for Tele-Center Clerical Staff administrative positions to handle the additional employer responses. Each base period employer would be mailed a notice requesting separation information. 2004 data shows the employer responds in written form (mail or fax) 57 percent of the time. The Tele-Center (TC) clerical staff are anticipated to process an additional 214,502 pieces of paper at an average of 2 minutes per document. Processing involves opening mail, sorting faxes, data entry of the employer's response, case creation, distribution to the assigned adjudicator, filing documents once the determination is complete, appeals retrieval, preparing for imaging, imaging, and confirming transmission.

TWC indicates it would need programming redesign of the Unemployment Insurance Benefit System

of \$948,047 in fiscal year 2006 and \$175,195 in fiscal year 2007 to implement the provisions of the bill, which are itemized below.

Technology

TWC estimates that implementing the provisions of the bill would require 2.5 FTEs Systems Analyst V \$165,000 Salaries, \$49,071 Benefits, \$33,000 Indirect Administration and Support Costs, 1 FTE Systems Analyst III \$51,000 Salaries, \$15,167 Benefits, \$10,200 Indirect Administration and Support Costs, .5 FTEs Programmer IV \$33,000 Salaries, \$9,814 Benefits, \$6,600 Indirect Administration and Support Costs, and \$400,000 in contractor programming costs (\$100 per hour for 2,000 hours) in fiscal year 2006 only.

TWC indicates it would also need 1 FTE Programmer V \$66,000 Salaries, \$19,628 Benefits, \$13,200 Indirect Administration and Support Costs and 1 FTE Systems Analyst IV \$51,000 Salaries, \$15,167 Benefits, \$10,200 Indirect Administration and Support Costs in fiscal year 2006 and subsequent years.

TWC indicates it would need 175 desktop computers totaling \$167,300 in fiscal year 2006.

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