

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 4, 2005

TO: Honorable John Carona, Chair, Senate Committee on S/C on Emerging Technologies & Economic Dev.

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

IN RE: SB1096 by West, Royce (Relating to the operation, funding, and administration of the smart jobs fund program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1096, 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 Revenue Gain from <i>New Other - Holding Fund</i>	Probable Revenue (Loss) from <i>UNEMPLOYMT COMP CLEARANCE 936</i>	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>
2006	\$61,596,000	(\$61,596,000)	\$0	\$0
2007	\$74,082,000	(\$74,082,000)	\$22,224,600	(\$22,224,600)
2008	\$75,644,000	(\$75,644,000)	\$22,693,200	(\$22,693,200)
2009	\$77,115,000	(\$77,115,000)	\$23,134,500	(\$23,134,500)
2010	\$11,802,000	(\$11,802,000)	\$0	\$0

Fiscal Year	Probable Revenue Gain from <i>New Other - Smart Jobs</i>	Probable (Cost) from <i>New Other - Smart Jobs</i>	Probable Revenue Gain/(Loss) from <i>New Other - Smart Jobs Rainy Day</i>	Change in Number of State Employees from FY 2005
2006	\$0	\$0	\$0	0.0
2007	\$37,041,000	(\$37,041,000)	\$14,816,400	10.2
2008	\$37,822,000	(\$37,822,000)	\$15,128,800	13.4
2009	\$38,557,500	(\$38,557,500)	\$15,423,000	13.4
2010	\$0	\$0	\$0	0.0

Fiscal Analysis

The provisions of the bill would amend the Labor Code to reinstate the Smart Jobs Program to be administered by the Texas Workforce Commission (TWC). The purpose of the program would be to enhance employment opportunities and increase the job skills for residents of the state by providing job training assistance to businesses operating in or relocating to Texas. At least 60 percent of the program grants would be allocated to existing Texas employers, and at least 20 percent of these grants would be allocated to employers relocating to the state.

Effective January 1, 2006, the program would be financed by a 0.1 percent Employment Training Investment Assessment (ETIA) on wages paid by employers participating in the state's unemployment insurance program. The initial contribution rate and replenishment tax components of the unemployment insurance tax would be reduced by 0.1 percent. These tax provisions would expire December 31, 2009.

Revenues from the ETIA would be deposited into the Holding Fund, a new special trust fund in the custody of the Comptroller separate and apart from all public money or funds of the state. If, on September 1 of each year, TWC determined that the amount in the Unemployment Compensation Fund 0938 would exceed 100 percent of its computed floor, the amount in the Holding Fund would be transferred to three new state funds: the Smart Jobs Fund (50 percent), the Skills Development Fund (30 percent), and the Smart Jobs Rainy Day Fund (20 percent).

If TWC determined that the amount in Fund 0938 would fall below 100 percent of its floor, an amount sufficient to raise the Fund 0938 balance to its floor would be transferred from the Holding Fund.

The provisions of the bill limit the amount of administrative expenditures for the Smart Jobs Program to the lesser amount of five percent of the total amount appropriated for the program or \$1.5 million for each fiscal year. In addition, the provisions of the bill require at least an equal matching requirement of cash or in-kind contributions.

The bill would create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Therefore, the fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

The bill would take effect September 1, 2005.

Methodology

For the purposes of this analysis, it is assumed that costs, including grants awarded, would be based on all new revenues collected and transferred to the new Smart Jobs Fund for the Smart Jobs Program and General Revenue for the Skills Development Program and that all available funds would be expended for the programs each year starting in fiscal year 2007. It is assumed that revenue from the Holding Fund would not be available for expenditure prior to that time; however, revenue would begin to be collected in fiscal year 2006. If appropriations were made to the Governor's Office for use as stated in the provisions of the bill, funding would be reduced from the Smart Jobs Program accordingly.

Based on information provided by the Comptroller, potential revenue gains from the 0.1 percent ETIA were estimated based on the existing unemployment insurance tax base (taxable wages for the purpose of Unemployment Insurance or the first \$9,000 of employee wages per year) and Comptroller forecasts of the statewide private sector employment based on the Fall 2004 projections from the State of Texas Econometric Model.

According to TWC, it is assumed that administrative costs would not include the costs of collecting the Employment and Training Investment Assessment (ETIA). This cost would have to be reimbursed pursuant to the cost allocation methodology agreed upon by the Texas Workforce Commission (TWC) and the U.S. Department of Labor. TWC estimates that the cost of collecting the ETIA would total \$1,834,278 for fiscal year 2006, and \$2,751,417 in subsequent years. Amounts noted from the ETIA per fiscal year net these reimbursable costs.

The Comptroller estimates the ETIA of 0.1 percent of taxable wages, effective September 1, 2006, would result in estimated revenue of \$61,596,000 in fiscal year 2006; \$74,082,000 in fiscal year 2007; \$75,644,000 in fiscal year 2008; \$77,115,000 in fiscal year 2009; and \$11,802,000 in fiscal year 2010.

TWC currently estimates the amount in the compensation fund will be below 100 percent of its floor in fiscal year 2010 and that the commission would be required to transfer to the compensation fund as much of the amount in the holding fund as is necessary to raise the amount in the compensation fund to 100 percent of its floor, up to and including the entire amount in the holding fund. As the TWC estimate of the amount in the compensation fund below 100 percent of its floor as of September 30, 2009, then TWC estimates that all of these assessments would be transferred to the compensation fund on October 1, 2009, and October 1, 2010, and that the amount available for the combined Smart Jobs Fund program and Skills Development Fund program for fiscal year 2010 would be zero.

The combined Smart Jobs Fund program and Skills Development Fund program funding is estimated to begin in fiscal year 2007, as revenue from the Employment Training Investment Assessment is not estimated to be available for expenditure prior to that time.

It is estimated that grants (excluding the net costs of collecting and processing the revenue) would total \$36,145,244 in fiscal year 2007, \$36,637,871 for fiscal year 2008, and \$37,373,371 for fiscal year 2009.

Of the total costs, it is estimated the Smart Jobs Program costs (Salaries, Professional Fees, Travel, Rent, Equipment and Other Operating Costs) for 10.2 FTEs (4.6 FTEs Program Specialist I, 5.1 FTEs Program Specialist III, and 0.5 FTE Administrative Assistant II) in fiscal year 2007 total \$895,756 and 13.4 FTEs (5.9 FTE Program Specialist I, 6.7 FTE Program Specialist III, and 0.8 FTE Administrative Assistant II) total \$1,184,129 in fiscal years 2008 and 2009.

It is estimated that the additional grants for the Skills Development program would be administered with the agency's current resources.

Technology

It is estimated that the agency would need 11 computers in fiscal year 2007 and 3 computers in fiscal year 2008.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 537 Department of State Health Services

LBB Staff: JOB, JRO, MW, DE