

LEGISLATIVE BUDGET BOARD  
Austin, Texas

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Revision 1

April 22, 2005

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

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

**IN RE: SB1096** by West, Royce ( relating to certain employment and training investment programs in this state.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1096, 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)<br>Impact to General Revenue Related<br>Funds |
|-------------|--------------------------------------------------------------------------------|
| 2006        | \$0                                                                            |
| 2007        | \$0                                                                            |
| 2008        | \$0                                                                            |
| 2009        | \$0                                                                            |
| 2010        | \$0                                                                            |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue<br>Gain/(Loss) from<br>UNEMPLOYMT<br>COMP CLEARANCE<br>936 | Probable Revenue<br>Gain/(Loss) from<br>New Other - Holding<br>Fund | Probable Revenue<br>Gain/(Loss) from<br>GENERAL REVENUE<br>FUND<br>1 | Probable Savings/<br>(Cost) from<br>GENERAL REVENUE<br>FUND<br>1 |
|-------------|-----------------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------|
| 2006        | (\$61,596,000)                                                              | \$61,596,000                                                        | \$0                                                                  | \$0                                                              |
| 2007        | (\$74,082,000)                                                              | \$74,082,000                                                        | \$12,319,200                                                         | (\$12,319,200)                                                   |
| 2008        | (\$75,644,000)                                                              | \$75,644,000                                                        | \$14,816,400                                                         | (\$14,816,400)                                                   |
| 2009        | (\$77,115,000)                                                              | \$77,115,000                                                        | \$15,128,800                                                         | (\$15,128,800)                                                   |
| 2010        | (\$78,682,000)                                                              | \$78,682,000                                                        | \$0                                                                  | \$0                                                              |

| Fiscal Year | Probable Revenue<br>Gain/(Loss) from<br>Texas Enterprise Fund<br>5107 | Probable Savings/<br>(Cost) from<br>Texas Enterprise Fund<br>5107 |
|-------------|-----------------------------------------------------------------------|-------------------------------------------------------------------|
| 2006        | \$0                                                                   | \$0                                                               |
| 2007        | \$49,276,800                                                          | (\$49,276,800)                                                    |
| 2008        | \$59,265,600                                                          | (\$59,265,600)                                                    |
| 2009        | \$60,515,200                                                          | (\$60,515,200)                                                    |
| 2010        | \$0                                                                   | \$0                                                               |

## **Fiscal Analysis**

The provisions of the bill would amend the Labor Code, which establishes and describes the operation, and funding, of the Texas Enterprise Fund and Skills Development Fund.

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.

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, the Texas Workforce Commission (TWC) determined that the amount in the Unemployment Compensation Fund 0938 would exceed 100 percent of its computed floor, the first \$160 million deposited in the Holding Fund every fiscal biennium would be transferred to Texas Enterprise Fund (80 percent) and the Skills Development Fund (20 percent). According to the Comptroller, reference to the Skills Development Fund constitutes a reference to the General Revenue Fund because of funds consolidation. The bill would require remaining balances in the Holding Fund to be transferred to the new Training Stabilization Fund (62.5 percent for TEF and 37.5 percent for SDF). The bill would also require that amounts transferred from the Training Stabilization Fund may not exceed amounts appropriated to the TEF and SDF in the fiscal year in which the transfer is to be made.

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. According to TWC, the amount collected in fiscal year 2010 will not be available for expenditure in fiscal year 2010 because the estimated amount in the Unemployment Insurance Trust Fund will not be above the floor.

The provisions of the bill also allow use of money in the General Revenue Account 5069 for Skills Development, which is estimated to have a \$10.2 million balance.

The provisions 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 would be subject to funds consolidation review by the current Legislature.

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, it is assumed that revenue deposited in the Holding Fund would not be available for expenditure prior to fiscal year 2007; however revenue would begin being collected in fiscal year 2006. The \$10.2 million balance in the General Revenue Account 5069 for Skills Development is not included but could only be available for Skills Development.

For the purposes of this analysis, it is assumed that the first \$160 million deposited in each fiscal biennium (\$61,596,000 in fiscal year 2006 and \$174,082,000 in fiscal year 2007) would be available to be transferred starting in fiscal year 2007 (\$49.3 million available for fiscal year 2007 based on 80 percent of the \$61,596,000 in revenue collected in fiscal year 2006) would be transferred to the Texas Enterprise Fund for grants by the Office of the Governor and (\$12.3 million in fiscal year 2007 in General Revenue based on 20 percent of the \$61,596,000 revenue collected in fiscal year 2006) to the Skills Development Fund in grants by TWC in fiscal year 2007. The 2008-09 fiscal biennium would also require the first \$160 million deposits to be split 80 percent to TEF and 20 percent to the Skills Development Fund and included for the purposes of this analysis.

Since the Holding Fund deposits are not estimated to exceed the \$160 million limitation in any fiscal

biennium, it is estimated that the Training Stabilization Fund would not start accruing a balance. Therefore, funds would not be available for appropriation within the ratio and limitation authorized for expenditures by the provisions of the bill.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 320 Texas Workforce Commission, 301 Office of the Governor, 304 Comptroller of Public Accounts

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