

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: SB1177 by Staples (Relating to the establishment, operation, and funding of a skills development program, including the reduction of and the imposition of assessments for the unemployment compensation system.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1177, 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/(Loss) from <i>UNEMPLOYMT COMP CLEARANCE 936</i>	Probable Revenue Gain/(Loss) from <i>5069 - Skills Development Holding Fund 5069</i>	Probable Savings/ (Cost) from <i>New Other - Skills Development Operating Trust Fund</i>	Probable Revenue Gain/(Loss) from <i>New Other - Rainy Day Fund</i>
2006	(\$61,596,000)	\$61,596,000	\$0	\$0
2007	(\$74,082,000)	\$74,082,000	(\$25,000,000)	\$49,082,000
2008	(\$75,644,000)	\$75,644,000	(\$25,000,000)	\$50,644,000
2009	(\$77,115,000)	\$77,115,000	(\$25,000,000)	\$52,115,000
2010	(\$11,802,000)	\$11,802,000	\$0	\$0

Fiscal Analysis

The provisions of the bill amend the Labor Code to enact a 0.1 percent Skills Development assessment 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 assessment would be deposited into GR Account 5069—Holding Fund, which would be retitled as GR Account 5069—Skills Development Holding Fund.

If, on September 1 of each year, the Texas Workforce Commission determined that the amount in the Unemployment Compensation 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 GR Account 5069. Any remaining balance in GR Account 5069 would be transferred to a new, dedicated Skills Development Operating Trust Fund, up to the amount appropriated by the Legislature for this fund. Any remaining revenues in GR Account 5069 would be transferred to the newly created Skills Development Rainy Day Trust Fund, up to a balance not to exceed \$100 million. After all the transfers were completed, any remaining balance in GR Account 5069 would be transferred to Fund 0938.

Amounts in the Skills Development Operating Trust Fund would be used to fund the Skills Development Program, as described in Chapter 303 of the Labor Code.

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 January 1, 2006.

Methodology

For the purposes of this analysis, it is assumed that \$25 million would be available in grants for the program each year starting in fiscal year 2007. It is assumed that revenue from the GR Account 5069 - Skills Development Holding Fund would not be available for expenditure prior to that time; however, revenue would begin to be collected in fiscal year 2006.

Based on information provided by the Comptroller, potential revenue gains from the 0.1 percent Employment and Training Investment Assessment (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 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 January 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.

For the purposes of this analysis, it is assumed that \$25 million in funds would be available for grants and any additional resources needed would be absorbed by current agency resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 320 Texas Workforce Commission

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