

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**May 21, 2005**

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

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

**IN RE: SB1229** by Fraser (Relating to the powers and duties of the Texas Workforce Commission, including the administration of unemployment compensation; providing a penalty. ),  
**Committee Report 2nd House, As Amended**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1229, Committee Report 2nd House, As Amended: 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 ACCT</i> 938	Probable Savings from <i>UNEMPLOYMENT TRST FND ACCT</i> 938
2006	(\$9,673,183)	\$270,113
2007	(\$9,673,183)	\$270,113
2008	(\$9,673,183)	\$270,113
2009	(\$9,673,183)	\$270,113
2010	(\$9,673,183)	\$270,113

**Fiscal Analysis**

The provisions of the bill amend the Labor Code relating to voluntarily leaving work. A staff leasing services company (SLSC) must demonstrate that written instructions are provided to their employees to contact the SLSC once their assignment is completed. If the SLSC provides written notice and an employee does not contact the SLSC for new work, a disqualification of unemployment benefits may result. The provisions would require the SLSC or the client company acting on the SLSC's behalf to give written notice and written instructions to the employee, at the time the employee's assignment with a client company is concluded, to contact the SLSC for additional work. Failure of the SLSC, or the client company on SLSC's behalf, to follow the requirements may result in a determination to pay unemployment benefits.

The provisions remove the requirement that the Texas Workforce Commission (TWC) disqualify an individual due to a work stoppage because of a labor dispute at another location owned or operated by the same employing unit, which plant supplies materials or services necessary to the continuation and usual operation of the premise where the individual was last employed. The provisions broaden the non-disqualifying criteria and 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 allow TWC to contract with an outside collection agency to seek repayment of improper unemployment insurance benefit payments which have been deemed uncollectible. The provisions redefine the term improper benefit to include all benefits improperly paid to any claimant determined to be ineligible. Claimants receiving benefits improperly will be liable for repayment, regardless of the circumstances surrounding how the improper payment was created.

The bill allows TWC to assess a fee against an individual to compensate the private collection agency and collect the fees imposed on the individual. Any fee TWC collects must be kept separate from the repaid Unemployment Insurance (UI) benefits and not be deposited into the Trust Fund.

TWC anticipates any additional work resulting from the passage of the bill could be reasonably absorbed with current resources.

The bill takes effect September 1, 2005.

## **Methodology**

According to TWC, there will be a negative impact to the Unemployment Compensation Trust Fund annually due to the increase in claimants covered who could be determined eligible for benefits of approximately \$9,673,183 each fiscal year based on only a single occurrence. TWC has no other basis to estimate this U.I. Trust Fund impact.

TWC estimates a savings to the Trust Fund per year of \$106,411 for the additional collection of fraudulent uncollectible overpayments. It also estimates a savings to the UI Trust Fund for changing the definition of improper benefits to allow TWC to collect all overpayments. These estimated annual savings are \$163,702 each fiscal year.

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 timeframe that resembles the disqualifying provisions in the bill. Based on the historical data available from the 1998 event, and the number of claims filed in connection to the 1998 labor dispute, the fiscal impact to the Trust Fund is estimated 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 does not have hard data upon which to base an estimate of the fiscal impact due to the broadened criteria of who would not be disqualified for unemployment insurance benefits. However, it assumes that the number of claims (3,674) filed in 1998 could be used to calculate the impact of the broadened criteria in the bill and that another labor dispute of its kind will occur in Texas and claims will be filed.

Assume the average duration of a labor dispute is 10.5 weeks.

Assume the average benefit amount is \$250.75 based on calendar year 2004.

Based on TWC data, the 1998 event involved labor disputes that occurred at locations other than the claimants' normal work location. A total of 3,674 claims were filed in 1998 in connection with the labor disputes. By using the 3,674 claims, the most recent average weekly benefit amount calendar year 2004 (\$250.75), and the average duration of a labor dispute (9-12 weeks) the estimated impact is as follows:

The average impact threshold is calculated as:

3,674 times \$250.75 times 10.5 equals \$9,673,183 annually.

**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