1-1 By: Williams S.B. No. 679 (In the Senate - Filed February 15, 2007; February 28, 2007, read first time and referred to Committee on Finance; April 3, 2007, reported favorably by the following vote: Yeas 14, Nays 0; April 3, 2007, sent to printer.) 1-2 1-3 1-4 1-5

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A BILL TO BE ENTITLED AN ACT

relating to the use of certain surplus revenue in the unemployment compensation fund.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subsection (a), Section 203.102, Labor Code, is amended to read as follows:

(a) The obligation trust fund is a dedicated trust fund outside of the state treasury in the custody of the comptroller. The obligation trust fund is composed of:
(1) revenue received under Section 203.105; and

(2) any surplus revenue transferred the from

compensation fund under Section 204.065.

SECTION 2. Subchapter D, Chapter 204, Labor Code, is amended by amending Section 204.065 and adding Sections 204.0651 and 204.0652 to read as follows:

Sec. 204.065. $\underline{\text{USE OF SURPLUS}}$ [CREDIT]. (a) If the amount in the compensation fund on a tax rate computation date is more than the ceiling of the compensation fund, the commission may use all or part of that surplus to pay outstanding bond obligations as provided by this section or to provide a surplus credit or a surplus credit rate as provided by Sections 204.0651 and 204.0652 to an employer entitled to an experience rate on the computation date.

(b) If, on the tax rate computation date, there are outstanding bond obligations as described by Subchapter C, Chapter 203, including bond administrative expenses, the commission may transfer all or part of the surplus described by Subsection (a) to the obligation trust fund under Section 203.102 for payment of those obligations. The amount transferred under this subsection may not exceed any amount transferred to compensation fund under Section 203.255(b)(2). to the unemployment

(c) To the extent that any portion of the surplus is not used to pay bond obligations, the commission shall use that amount to compute:

(1) a surplus credit under Section 204.0651; or(2) an annual surplus credit rate under Section

204.0652. (d) In determining the use of any surplus, the commission shall exercise the options that the commission determines to be in the best interests of the state's employers and workers.

Sec. 204.0651. SURPLUS CREDIT. (a) The commission may use

any portion of the surplus under Section 204.065 that is not used to pay bond obligations to compute a surplus credit for an employer entitled to an experience rate on the computation date __ [is entitled to a credit] to be applied beginning with contributions for the first quarter of the following year.

(b) The amount of the <u>surplus</u> credit is computed by multiplying the surplus ratio computed under Section 204.066 by the employer's contributions due for the four calendar quarters ending

the preceding September 30.

(c) An employer may not apply a <u>surplus</u> credit against delinquent contributions. A <u>surplus</u> credit may not be applied until the employer has paid any delinquent contributions.

Sec. 204.0652. SURPLUS CREDIT RATE. (a) If the commission does not compute a surplus credit under Section 204.0651, the commission may use any portion of the surplus under Section 204.065 that is not used to pay bond obligations to compute an annual surplus credit rate for an employer entitled to an experience rate on the computation date.

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(b) The surplus credit rate is computed by multiplying the surplus ratio computed under Section 204.066 by the employer's general and replenishment tax rates for the preceding year.

(c) The surplus credit rate shall be subtracted from the sum of the general and replenishment tax rates. The remainder may not be less than zero. The results shall be rounded to the nearest hundredth.

(d) An employer may not receive a surplus credit rate if any delinquent contributions are due on the contribution date, but is eligible for a surplus credit rate beginning on the calendar quarter following the quarter in which the delinquent contributions are paid.

SECTION 3. Subsection (b), Section 204.066, Labor Code, is amended to read as follows:

(b) The numerator is computed by subtracting the ceiling of the compensation fund from the balance of the compensation fund and subtracting from that amount any amount used to pay bond obligations under Section 204.065(b).

SECTION 4. Subchapter D, Chapter 204, La amended by adding Section 204.067 to read as follows: Code, Labor is

Sec. 204.067. ADJUSTMENTS TO RATE. The commission, at its

own discretion, may adjust a rate under this subchapter.

SECTION 5. This Act takes 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 this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2007.

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