

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

February 28, 2007

TO: Honorable Joe Deshotel, Chair, House Committee on Economic Development

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

IN RE: HB580 by Deshotel (Relating to the adoption of an alternative base period for computation of unemployment compensation benefits.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB580, As Introduced: an impact of \$0 through the biennium ending August 31, 2009.

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
2008	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>UNEMPLOYMENT TRST FND ACCT</i> 938	Probable (Cost) from <i>WRKFORCE COMMISSION FED</i> 5026
2008	(\$35,004,424)	(\$1,238,751)
2009	(\$37,022,119)	(\$1,031,285)
2010	(\$41,238,232)	(\$1,093,294)
2011	(\$43,027,517)	(\$1,093,954)
2012	(\$45,353,028)	(\$1,096,504)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	16.8
2009	16.0
2010	17.0
2011	17.0
2012	17.0

Fiscal Analysis

The provisions of the bill amend the Texas Unemployment Compensation Act by renumbering the

subsections and adding another alternate base period option for claimants. The new Subsection (c) provides an alternate base period if the claimant does not have enough wage credits to qualify under the current allowances. The new alternate base period (ABP) is the four most recently completed calendar quarters preceding the first day of the individual's benefits year.

The provisions of the bill would have an impact on the Texas Unemployment Insurance (UI) Trust Fund by making certain claimants eligible for unemployment compensation who are not currently eligible. The Texas Workforce Commission's (TWC) estimate of benefit payments from the UI Trust Fund associated with approximately 74,000 additional claimants made eligible by the new provisions would be \$35,004,424 in FY 2008, \$37,022,119 in FY 2009, \$41,238,232 in FY 2010, \$43,027,517 in FY 2011, and \$45,353,028 in FY 2012, totaling \$201,645,320 for the five-year period. Benefits paid due to the provisions of this bill would be recovered via general tax rate. The recovery mechanism recovers one-third of the charges in each of 3 years following implementation.

Any additional costs associated with implementing the provisions of the bill by TWC would be a cost to the Texas Workforce Federal Funds (Unemployment Insurance Federal Fund) included within the agency's budget.

The bill would take effect September 1, 2007.

Methodology

Based on 2004, 2005 and 2006 data, TWC indicates 23,251 (3.63%) claimants out of 640,870 filed for benefits but were monetarily disqualified based on "regular" base period wages. These claimants would have potentially qualified under the "alternate" base provisions (ABP). Of these, 6,467 filed subsequent claims, qualified, and received at least one check, and are not considered in this estimate. The 23,251 population was potentially entitled to an average weekly benefit amount of \$183 for an average of 13.4 weeks totaling \$2,453 per claimant. For the purposes of this analysis, it is assumed the eligible claimants and costs would be similar in fiscal year 2008. Summarily, 14,322 (28,060 – 13,738) population times \$196 (average weekly benefit amount for this population) times 13 (average weekly duration for this population) equals to \$35,004,424 impact to the UI Trust Fund in fiscal year 2008. It is estimated that the number of claimants would increase in subsequent years.

Estimated benefit payouts associated with individuals made eligible to receive UI benefits for fiscal year 2009- fiscal year 2012 are assumed to retain their proportion of estimated total UI benefits projected for fiscal year 2008. TWC estimates the provisions of the bill would require generation of mid-quarter wage requests and also increase the number of claimants. It also anticipates that additional duties for administering the UI program would require additional job separation investigations by Customer Service Representatives, additional appeals of eligibility determinations on ABP claims, additional costs associated with printing and mailing wage requests to employers.

TWC estimates additional staff will be needed to process the increased number of claims for adjudication and appeals. The agency estimates an additional 16.8 full-time equivalents (FTEs) in fiscal year 2008, 16.0 FTEs in fiscal year 2009, and 17.0 FTEs in fiscal years 2010 through 2012. Salaries, other operating expenses, one-time costs for office equipment, and other personnel costs total \$1.2 million in fiscal year 2008 (amounts include new FTE costs for office equipment and support costs) and approximately \$1.1 million in fiscal years 2009 through 2012.

According to TWC, computer programming would be required to implement the Alternate Base Period program. Changes to the Benefits System would be required to add the capability to collect information about lag quarters for employers whose wages were not yet on the Wage Record File.

It is estimated that any additional workload for TWC implementing the provisions of the bill could be reasonably absorbed within current resources.

Technology

According to TWC, it would require 832 hours of programming time and 832 hours of analyst time to implement changes to the Benefits System. One-time technology costs are estimated at \$168,455.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission

LBB Staff: JOB, RC, NV, JRO, MW