

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 7, 2007

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

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

IN RE: HB2120 by Deshotel (Relating to the operation of the unemployment compensation system and eligibility for and computation of an individual's unemployment compensation benefits.),
As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB2120, As Engrossed: 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>WRKFORCE COMMISSION FED</i> 5026
2008	(\$196,000)
2009	\$0
2010	\$0
2011	\$0
2012	\$0

Fiscal Analysis

The bill would amend the Labor Code relating to the operation of the unemployment compensation system and eligibility for and computation of an individual's unemployment compensation benefits.

Sections 1, 2, and 6 of the bill include provisions that amend the requirement for family violence victims to document the violence by submitting one of the three types of evidence rather than requiring all three. Sections 3 and 4 of this bill include provisions allowing the Texas Workforce Commission (TWC) to use wages ordered paid by a final order of the Commission when calculating benefit payment amounts. The bill modifies the section of the law which defines wages used to calculate an individual's benefit amounts. Section 5 of this bill includes provisions allowing TWC to grant unemployment benefits to individuals who are only seeking part-time work. Section 7 of this

bill includes provisions changing the definition of “last work” and “person for whom the claimant last worked” for Initial Unemployment Insurance (UI) claims.

The bill would take effect immediately upon receiving a two-thirds majority vote in each house. If the bill does not receive a two-thirds vote in each house, the bill would take effect September 1, 2007.

Methodology

For the purpose of this analysis, TWC calculated the proportion of family violence UI claimants who would be eligible for UI benefits. For sections 1, 2 and 6, TWC estimates the cost to the UI Trust Fund would be \$163,363 in fiscal year 2008, \$172,710 in fiscal year 2009, \$190,688 in fiscal year 2010, \$200,986 in fiscal year 2011 and \$211,642 in fiscal year 2012, totaling \$939,389 for the 2008-12 five-year period.

In sections 3 and 4 of this bill TWC sampled 99 Pay Day Law wage claims to determine how many individuals filed for UI benefits. The agency estimates 141 UI claimants would be affected by this legislation and estimates the amount of increase in UI benefit outlays per claimant would be \$286. According to TWC there would be a one-time technology cost of \$196,000 in federal funds in FY 2008 to update the Payday Law Internet application. TWC estimates the cost to the UI Trust Fund would be \$40,326 each fiscal year, totaling \$201,630 for the FY 2008-12 five year period.

In section 5 of this bill, TWC assumes the provisions of this bill would have a range of impact related to an increase in benefit outlays from the UI Trust Fund. According to the TWC, the minimum impact, which consists of claimants who were previously denied UI benefits and who would qualify under the provisions of this bill is approximately \$14.2 million over a five year period. The minimum impact would assume that claims filed by individuals working part-time would be filed at the same rate as those filed by full-time workers, and would be proportionate with their representation in the Texas civilian labor force (15.98% of workers), which would total 123,525 in 2008, 126,721 in 2009, 136,309 in 2010, 137,428 in 2011, and 141,743 in 2012 [total UI Claims are estimated to be 773,000 in 2008, 793,000 in 2009, 853,000 in 2010, 860,000 in 2011, and 887,000 in 2012]; that the eligible number of part-time claims would consist of the same proportion of the projected number of part-time claims as the UI claimants previously held to be ineligible during the 2004-06 period and that the projected average UI weekly benefit amount and projected average duration of UI benefits would be the same as that projected for all claimants. The maximum impact estimated by the TWC including claimants who may currently be discouraged from filing for UI benefits, due to the requirement to search for full-time work, is approximately \$235.2 million over a five year period. The maximum impact would assume that claims filed by individuals working part-time would be filed at the same rate as those filed by full-time workers, and would be proportionate with their representation in the Texas civilian labor force (15.98% of workers), which would total 123,525 in 2008, 126,721 in 2009, 136,309 in 2010, 137,428 in 2011, and 141,743 in 2012 [total UI Claims are estimated to be 773,000 in 2008, 793,000 in 2009, 853,000 in 2010, 860,000 in 2011, and 887,000 in 2012]; that the number of eligible part-time claims would consist of 8.5% of the projected number of part-time claims.

In section 7 of this bill TWC estimates a savings to the UI Trust Fund of approximately \$112.0 million due to an estimated decrease of \$5,738 for claims no longer being paid over a five year period.

Technology

According to TWC there would be a one-time technology cost of \$196,000 in federal funds in FY 2008 to update the Payday Law Internet application.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission

LBB Staff: JOB, JRO, MW, NV