LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 18, 2007

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

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

IN RE: **SB679** by Williams (Relating to the use of certain surplus revenue in the unemployment compensation fund.), **As Engrossed**

No fiscal implication to the State is anticipated.

The bill would allow the Texas Workforce Commission (TWC) to use the amount above the ceiling (surplus) in the unemployment insurance compensation fund, defined in statute as two percent of the state's taxable wages, to pay outstanding bond obligations or to provide a surplus credit or a surplus credit rate to employers.

Section 1 of the bill defines the composition of the obligation trust fund which consists of revenue received from the unemployment obligation assessment and any surplus revenue transfers from the compensation fund when there is a balance above the ceiling. Employers are assessed an obligation tax if there is outstanding bond debt.

Section 2 of the bill amends Labor Code Section 204.065 by providing that the surplus of the compensation fund may be used either to pay all or part of outstanding bond obligations. TWC currently estimates that the amounts in the unemployment compensation fund will exceed the ceiling by $220 million as of October 1, 2007. According to the Texas Public Finance Authority, the estimated variable rate bond debt balance for September 2007 is projected at $165 million and the fixed rate bond debt balance at $256 million. If the estimated surplus credit amount of $220 million and the expected obligation assessment revenue for calendar year 2007 is used to pay off outstanding bond obligations, TWC estimates that Texas employers could see a net benefit of $50 million in savings by avoiding an obligation assessment of $270 for calendar year 2008.

In addition, Section 2 provides that any portion of the surplus that is not used to pay bond obligations may be used to either compute a surplus credit or a surplus credit rate. The surplus credit may not be applied until the employer has paid any delinquent contributions and an employer may not receive a surplus credit rate if any delinquent contributions are due but is eligible for the surplus credit rate after the delinquency has been paid. The credit rate shall be subtracted from the sum of the employer's general and replenishment tax rate. Section 2 requires the Commission to exercise the option that is in the best interest of the state's employers and workers.

Section 3 modifies the numerator of the surplus ratio by subtracting the balance of the compensation fund from the ceiling of the compensation fund and from that difference, subtracting any amount used to pay bond obligation. Section 4 adds Section 204.067 providing the Commission with discretion in adjusting a rate under this subchapter.

The provisions of this bill become effective immediately if it receives a vote of two-thirds of all members of both houses. Otherwise, the legislation takes effect September 1, 2007.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission

LBB Staff: JOB, CL, CT, JRO, JI, YD