

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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 21, 2009**

**TO:** Honorable Mark Strama, Chair, House Committee on Technology, Economic Development & Workforce

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

**IN RE: HB162** 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 HB162, As Introduced: an impact of \$0 through the biennium ending August 31, 2011.

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
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from <i>Wrkforce Commission Fed</i> 5026	Change in Number of State Employees from FY 2009
2010	(\$1,300,010)	15.0
2011	(\$1,026,417)	13.0
2012	(\$1,022,345)	13.0
2013	(\$1,023,830)	13.0
2014	(\$1,025,383)	13.0

**Fiscal Analysis**

The bill amends the Labor Code relating to the adoption of an alternative base period for computation of unemployment compensation benefits. The bill adds a new base period calculation methodology for Unemployment Insurance (UI) claimants who do not qualify for benefits due to insufficient benefit wage credits determined using the standard base period. This new base period consists of the four most recently completed calendar quarters preceding the first day of the claimant's benefit year.

There would be estimated costs to the Unemployment Trust Fund of \$43,767,078 in FY 2010, \$43,412,611 in FY 2011, \$40,937,516 in FY 2012, \$39,711,616 in FY 2013, and \$39,388,752 in FY 2014, totaling \$207,217,573 for the five-year period, in order to pay the unemployment compensation benefits authorized by this bill.

Included in the recently-enacted American Recovery and Reinvestment Act of 2009, Title II, Section 2003, are amounts appropriated for Special Transfers for Unemployment Compensation Modernization. These amounts include special transfers for FY 2009-11 consisting of incentive payments to be transferred by the Secretary of Labor to state accounts upon certification of various state unemployment compensation law enactments. For such alternative base period legislation as this bill, it is estimated that Texas would receive an incentive transfer totaling \$185,223,781.

As identified in the Department of Labor Workforce Security Research Publication 98-4, it is estimated that employers would experience costs associated with implementing an unemployment compensation alternative base period, by spending an average of 39 minutes in processing a wage request (i.e., in response to mailed requests for lag quarter wages), with an average processing cost by employers of \$9.76 per request. Estimated costs for employers associated with enactment of this legislation would total \$394,587 in FY 2010 and an average of \$321,509 each year during FY 2011-14.

This bill would take effect September 1, 2009.

### **Methodology**

For the purpose of this analysis the Texas Workforce Commission (TWC) estimates administrative costs (consisting largely of seven Customer Service Representatives, four Hearings Officers and two Clerks) to handle increased workload would total \$1,119,636 in FY 2010, \$1,016,452 in FY 2011, \$1,012,380 in FY 2012, \$1,013,865 in FY 2013, and \$1,015,418 in FY 2014. Estimated combined TWC technology and administrative costs would total \$1,300,010 in FY 2010, \$1,026,417 in FY 2011, \$1,022,345 in FY 2012, \$1,023,830 in FY 2013, and \$1,025,383 in FY 2014, totaling \$5,397,985 for the five-year period.

In its analysis TWC assumes that in order to assess the potential impact to the UI Trust Fund of this bill, staff needed to establish a claimant cohort and determine the following characteristics for that cohort: (1) Projected number and percent of UI claimants who would qualify monetarily under the alternate base period; (2) Projected number and percent of UI claimants who would meet all other UI non-monetary requirements (unemployed due to no fault of their own; able and available for work; and registered for and seeking work); (3) Projected average weekly benefit amount as it relates to the average weekly benefit amount in general; and (4) Projected duration of benefit payments as it relates to the average duration of benefit payments in general.

### **Technology**

TWC estimates there would be a one-time technology cost of \$180,374 in FY 2010 and ongoing costs of \$9,965 per year in 2011-14 for TWC to update the UI Benefits System.

### **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