

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 14, 2009

TO: Honorable Joe Deshotel, Chair, House Committee on Business & Industry

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

IN RE: HB2623 by Deshotel (Relating to unemployment compensation modernization.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2623, Committee Report 1st House, Substituted: 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 Savings/(Cost) from <i>Wrkforce Commission Fed</i> 5026	Change in Number of State Employees from FY 2009
2010	(\$1,119,636)	13.0
2011	(\$1,016,452)	13.0
2012	(\$1,012,380)	13.0
2013	(\$1,013,865)	13.0
2014	(\$1,015,418)	13.0

Fiscal Analysis

The bill would amend the Labor Code relating to the adoption of modernizations to unemployment compensation benefit eligibility. The bill would amend the Texas Unemployment Compensation Act (TUCA) by adding an unemployment compensation alternate base period; by considering an individual available for work, even if the work is part-time, as long as the majority of weeks worked in the individual's base period includes part-time work, and part-time work would mean employment of at least 20 hours per week; and the bill would provide that an individual seeking only part-time work would not be disqualified based on refusal of suitable work. The bill would also amend chargeback protection including quit-to-move-with-spouse and certain conforming changes regarding leaving work due to family violence and to care for an ill or disabled immediate family member, which would include removing a 6 to 25 week disqualification for individuals leaving work to accompany a spouse.

The bill would repeal sections 201.011 (1) and 207.045 (e) of the Labor Code.

The bill would require claims filed with TWC before the effective date of the act to be governed by the law in effect prior to the date the claim was filed and that claims filed after the effective date of the act would be governed by the provisions of the bill.

In addition to amounts reflected in the table above, an analysis made by the Texas Workforce Commission (TWC) assumes that implementing the provisions of the bill would result in the following fiscal impact to the Unemployment Trust Fund:

Estimated costs for the Alternative Base Period section would include \$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, it is estimated that Texas would receive an incentive transfer totaling \$185,223,781.

Estimated costs for the Unemployment Compensation for Part-Time section relating to part-time workers would include \$28,036,912 in FY 2010, \$28,187,947 in FY 2011, \$27,272,474 in FY 2012, \$26,876,172 in FY 2013, and \$27,006,744 in FY 2014, totaling \$137,380,248 for the five-year period.

Estimated costs for Compelling Family Reasons would include \$5,044,090 in FY 2010, \$5,058,189 in FY2011, \$4,914,150 in FY2012, \$4,868,677 in FY2013, and \$4,887,307 in FY2014, totaling \$24,772,413 during the five-year period.

As identified in DOL 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. As further outlined below in Methodology/Assumptions, 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.

The bill would take effect immediately upon receiving a vote of two-thirds of all the members in each house as provided by Section 39, Article III, of the Texas Constitution. If the bill does not receive the vote necessary for immediate action, the bill would take effect September 1, 2009.

Methodology

According to the analysis provided by TWC, under the Alternative Base Period section, there would be an impact to Federal Funds to pay for administrative costs (consisting largely of 7 Customer Service Representatives, 4 Hearings Officers and 7 Clerks) to handle increased workload and 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.

Technology

For the Alternative Base Period, 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