

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

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

**March 31, 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 the adoption of modernizations to unemployment compensation benefit eligibility.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2623, 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 Savings/(Cost) from <i>Wrkforce Commission Fed</i> 5026	Change in Number of State Employees from FY 2009
2010	(\$4,030,626)	51.0
2011	(\$3,055,901)	46.0
2012	(\$3,030,775)	46.0
2013	(\$3,019,332)	46.0
2014	(\$3,014,606)	46.0

**Fiscal Analysis**

The bill would amend the Labor Code relating to the adoption of modernizations to unemployment compensation benefit eligibility. The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill. 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 individuals base period include part-time work; and extending unemployment compensation benefits up to 26 weeks for individuals who exhaust benefits and are in certain types of approved training.

In addition to amounts reflected in the table above, an analysis made by the Texas Workforce Commission 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 the Extended Unemployment Compensation for Certain Individuals Who Exhaust Benefits section would include \$34,082,275 in FY 2010, \$33,853,034 in FY 2011, \$31,954,729 in FY 2012, \$31,096,734 in FY 2013, and \$30,852,293 in FY 2014, totaling \$161,839,065 for the five-year period. The provisions of the bill would authorize extended unemployment compensation benefits for individuals who have exhausted their regular unemployment compensation benefits and are engaging successfully in training.

The U.S. Department of Labor has communicated that the provisions of this bill relating to unemployment compensation for individuals seeking only part-time work do not satisfy the UI Modernization provisions of Public Law 111-5, and therefore, would not qualify the state to receive incentive funds included for this purpose.

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.

This 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 seven Customer Service Representatives, four Hearings Officers and two 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. Under the Unemployment Compensation for Part-time section, TWC also estimates an impact to Federal Funds totaling 2,490,117 in FY 2010, \$2,029,484 in FY 2011, \$2,008,430 in FY 2012, \$1,995,502 in FY 2013, and \$1,989,223 in FY 2014, totaling \$10,512,756 over the five-year period to pay for administrative costs for 33.0 FTEs

## **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. For the Unemployment Compensation for Part-Time section, TWC estimates a one-time cost of \$240,498 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